

Budget

ANALYSIS - 2021

FOR PRIVATE CIRCULATION ONLY

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INCOME TAX RATES FOR A.Y. 2022-23

THE TAX RATES, SURCHARGE AND HEALTH & EDUCATION CESS APPLICABLE TO ALL CLASS OF ASSESSEES REMAIN UN-CHANGED.

However, in case of Individuals, HUFs and Co-operative Societies, an option to pay tax at concessional rate is provided by inserting sections 115BAC and 115BAD, if certain exemptions and deductions are not claimed. (Details given later in this book)

The rates of tax as applicable for A.Y. 2021-22 & A.Y. 2022-23 are as under:

A. For Individuals, HUF, AOP, BOI and Artificial Juridical Person

(As per Existing /Old Taxation Slab Structure along with benefit of claiming exemptions and deductions)

Individuals below 60 years of age and all Non-Resident Individuals	Resident Individual aged 60 years or more but less than 80 years (Senior Citizen)	Resident Individual of age 80 years and above (Very Senior Citizen)	Rate
Up to INR 250,000	Up to INR 300,000	Up to INR 500,000	NIL
INR 250,001 to INR 500,000	INR 300,001 to INR 500,000	-	5%
INR 500,001 to INR 1,000,000	INR 500,001 to INR 1,000,000	INR 500,001 to INR 1,000,000	20%
Above INR 1,000,000	Above INR 1,000,000	Above INR 1,000,000	30%

- ✓ Only Individuals having Net Total taxable income up to INR 5 lakhs are eligible for tax rebate under section 87A up to INR 12,500.

Rate of surcharge for Individuals, HUF, AOP and BOI.

Nature of Income	Total Income				
	Up to INR 50 Lakhs	More than INR 50 lakhs but up to INR 1 crore	More than INR 1 crore but up to INR 2 crore	More than INR 2 crore but up to INR 5 crore	More than INR 5 crore
Short term capital gains on listed shares/ specified units attracting STT	NIL	10%	15%	15%	15%
Long term capital gains on listed shares/ specified units attracting STT	NIL	10%	15%	15%	15%
Any other income	NIL	10%	15%	25%	37%

- ✓ Health & Education Cess at the rate of 4% shall be applicable on the aggregate of tax and surcharge.

B. For Individuals & HUF (From A.Y. 2021-22 onwards)

(As per New Taxation Slab Structure without claiming benefit of exemptions and deductions) (Section 115BAC)

Total Income	Rate of Tax
Up to INR 250,000	NIL
INR 250,001 to INR 500,000	5%
INR 500,001 to INR 750,000	10%
INR 750,001 to INR 1,000,000	15%
INR 1,000,001 to INR 1,250,000	20%
INR 1,250,001 to INR 1,500,000	25%
Above INR 1,500,000	30%

****Please also see other Conditions to be complied as follows:**

✓ **List of Exemptions/Deductions not allowed/to be forgone if opted for above tax structure.**

- Leave Travel Allowance
- House Rent Allowance
- Standard Deduction of Rs.50,000 available to salaried tax payers
- Entertainment Allowance and Professional Tax u/s. 16
- Deduction of Rs.15,000 from Family Pension
- Set off of House Property Loss against any other head of income
- All Chapter-VI A Deductions (viz. 80C, 80D, 80G, 80TTA, 80TTB etc..) except deduction u/s. 80CCD(2) and u/s. 80JJAA
- No set off of Brought Forward Loss or Unabsorbed Depreciation
- No deduction for Additional Depreciation
- No deduction or exemption u/s. 10/10AA/24(b)/32AD/33AB/33ABA/35AD/35CCC
- No deduction or exemption for allowances or perquisites

✓ **Other Conditions for opting of new concessional taxation regime.**

- **Individual or the HUF with business Income :**
 - Option once exercised for a previous year shall be valid for that previous year and all subsequent years.
 - The option can be withdrawn only once for a previous year other than the year in which it was exercised and thereafter, the individual or HUF shall never be eligible to exercise option under this section.
- **Individual or the HUF without business Income**
 - Option to be exercised for every previous year.

C. For Firms (Including LLP)

Income	Rate	Surcharge	Health & Education Cess	Effective Tax Rate
Up to INR 1 crore	30%	-	4%	31.20%
Above INR 1 crore	30%	12%	4%	34.94%

D. For Co-operative Societies

Income	Rate	Surcharge	Health & Education Cess	Effective Tax Rate
Up to INR 10,000	10%	-	4%	10.40%
INR 10,001 to INR 20,000	20%	-	4%	20.80%
INR 20,001 to INR 1 Crore	30%	-	4%	31.20%
Above INR 1 Crore	30%	12%	4%	34.94%

E. For Companies: (As Per Existing Taxation Structure)

Particulars		Domestic company (Having turnover below INR 400 crore in F.Y. *	Domestic company (Having turnover above INR 400 crore in F.Y. *	Foreign Company
*To determine tax rate for F.Y. 2020-21 - check T/o limit of Rs.400 Cr. in F.Y. 18-19				
*To determine tax rate for F.Y. 2021-22 - check T/o limit of Rs.400 Cr. in F.Y. 19-20				
Total Income up to INR 1 crore	Basic Tax Rate	25%	30%	40%
	Rate of Surcharge	Nil	Nil	Nil
	Health and education cess	4%	4%	4%
	Effective Tax Rate	26%	31.20%	41.60%
Total Income above INR 1 crore and up to INR 10 crore	Basic Tax Rate	25%	30%	40%
	Rate of Surcharge	7%	7%	2%
	Health and education cess	4%	4%	4%
	Effective Tax Rate	27.82%	33.38%	42.43%
Total Income Above INR 10 crore	Basic Tax Rate	25%	30%	40%
	Rate of surcharge	12%	12%	5%
	Health and education cess	4%	4%	4%
	Effective Tax Rate	29.12%	34.94%	43.68%

F. Minimum Alternate Tax (As Per Existing Tax Structure)

Type of Companies	Domestic Company			Foreign Company		
	Below INR 1 crore	INR 1 crore to INR 10 crore	Above INR 10 crore	Below INR 1 crore	INR 1 crore to INR 10 crore	Above INR 10 crore
Rate of Tax	15%	15%	15%	15%	15%	15%
Surcharge	-	7%	12%	-	2%	5%
Health & Education Cess	4%	4%	4%	4%	4%	4%
Effective Tax Rate	15.60%	16.69%	17.47%	15.60%	15.91%	16.38%

G. Alternate Minimum Tax (For Assessee Other Than Company)

Particulars	Below INR 1 Crore	Above INR 1 crore
Rate of Tax	18.50%	18.50%
Surcharge	-	12%
Health & Education Cess	4%	4%
Effective Tax Rate	19.24%	21.55%

H. Rate of Tax For Buy-Back of Shares (Listed or Un-Listed)

Particulars	Rate
Rate of Tax	20.00%
Surcharge	12%
Health & Education Cess	4%
Effective Tax Rate	23.30%

I. For Companies :

(As Per Relief Package Announced For Tax on Companies In September/October-2019 By Government)

Particulars		Domestic company opting for section 115BAA	Domestic company opting for section 115BAB (For New Manufacturing Companies incorporated on or after 1/10/2019 & Commence Production before 31/03/2023)
Total Income up to INR 1 crore	Basic Tax Rate	22%	15%
	Rate of Surcharge	10%	10%
	Health and education cess	4%	4%
	Effective Tax Rate	25.17%	17.16%
Total Income above INR 1 crore and up to INR 10 crore	Basic Tax Rate	22%	15%
	Rate of Surcharge	10%	10%
	Health and education cess	4%	4%
	Effective Tax Rate	25.17%	17.16%
Total Income Above INR 10 crore	Basic Tax Rate	22%	15%
	Rate of surcharge	10%	10%
	Health and education cess	4%	4%
	Effective Tax Rate	25.17%	17.16%
MAT LIABILITY		NIL	NIL

CONDITIONS AND RESTRICTIONS FOR OPTING CONCESSIONAL TAX REGIME U/S. 115BAB BY CORPORATES

Sr. No.	Conditions to be satisfied u/s. 115BAB
1.	Company has been set-up and registered on or after 01-10-2019 and has commenced manufacturing on or before 31-03-2023.
2.	Company is not engaged in any business other than Manufacturing business. (Electricity Generation is considered as manufacturing activity for Sec.115BAB)
3.	Company will not get benefit or allowance of deduction for any of the following :
	▪ Section 10AA (Deductions for SEZ)
	▪ Section 32(1)(iia) (ADDITIONAL DEPRECIATION)
	▪ Section 32AD (Investment in Notified backward Area)
	▪ Section 33AB (Deduction for tea, coffee or rubber business)
	▪ Section 33ABA (Deductions for Extraction of Petroleum or Natural Gas)
	▪ Section 35 (1)(ii)/(iia)/(iii) (Donation made to approved Scientific Research Asso./University/College/Indian Company etc. for research)
	▪ Section 35(2AA) (Donation to National laboratory/IIT)
	▪ Section 35(2AB) (Deduction for Capital Expenditure on scientific research)
	▪ Section 35AD (Deduction for specified business)
	▪ Section 35CCC (Deduction for Agriculture Extension Project)
	▪ Section 35CCD (Deduction for Skill Development Project)
	▪ All Chapter VI-A Deductions - (Includes Section 80G/80-IA/80-IAB/80-IAC/80-IB/80-IBA/80-IE/80JJA/80LA etc.. and other deductions falling under Chapter VI-A)
4.	Company will be eligible to claim only normal depreciation. Additional depreciation will not be allowed.
5.	Tax Rate for such Company will be : Basic Rate - 15% Surcharge - 10% (Fixed Rate - Applied Irrespective of slab of Income) H & E Cess - 4% Total Tax - 17.16%
6.	Concessional tax rate of 17.16% will apply to business income only. For other income such as LTCG/STCG/Dividends etc... existing rates prescribed in the Law shall continue to apply.
7.	Company will have to exercise the option to go under 115BAB before due date of filling of return of income u/s. 139. The option once exercised u/s. 115BAB cannot be subsequently withdrawn for the same year or any other following years.

CONDITIONS AND RESTRICTIONS FOR OPTING CONCESSIONAL TAX REGIME U/S. 115BAA BY CORPORATES

Sr. No.	Conditions to be satisfied u/s. 115BAA
1.	Applicable to any Domestic Company.
2.	Company will not get benefit or allowance of deduction for any of the following : <ul style="list-style-type: none"> ▪ Section 10AA (Deductions for SEZ) ▪ Section 32(1)(iia) (ADDITIONAL DEPRECIATION) ▪ Section 32AD (Investment in Notified backward Area) ▪ Section 33AB (Deduction for tea, coffee or rubber business) ▪ Section 33ABA (Deductions for Extraction of Petroleum or Natural Gas) ▪ Section 35 (1)(ii)/(iia)/(iii) (Donation made to approved Scientific Research Asso./University/College/Indian Company etc. for research) ▪ Section 35(2AA) (Donation to National laboratory/IIT) ▪ Section 35(2AB) (Deduction for Capital Expenditure on scientific research) ▪ Section 35AD (Deduction for specified business) ▪ Section 35CCC (Deduction for Agriculture Extension Project) ▪ Section 35CCD (Deduction for Skill Development Project) ▪ All Chapter VI-A Deductions - (Includes Section 80G/80-IA/80-IAB/80-IAC/80-IB/80-IBA/80-IE/80JJA/80LA etc.. and other deductions falling under Chapter VI-A)
3.	Companies will not eligible to carry forward any losses relating to earlier years, if such loss is relating to any of the deductions/benefit falling under sections listed above in point no.3 above.
4.	Company will be eligible to claim only normal depreciation. Additional depreciation will not be allowed.
5.	Any un-utilized MAT Credit of the Company for earlier years will lapse and will not be available for set-off against normal tax liability.
6.	Tax Rate for such Company will be : Basic Rate – 22% Surcharge – 10% (Fixed Rate - Applied Irrespective of slab of Income) H & E Cess – 4% Total Tax – 25.17%
7.	Concessional tax rate of 25.17% will apply to business income only. For other income such as LTCG/STCG/Dividends etc. Existing rates prescribed in the Law shall continue to apply.
8.	Company will have to exercise the option to go under 115BAA before due date of filling of return of income u/s. 139. The option once exercised u/s. 115BAA cannot be subsequently withdrawn for the same year or any other following years.

CONCESSIONAL TAX RATES FOR INDIVIDUALS AND HUFs - NEW REGIME UNDER SECTION 115BAC

From A.Y. 2021-22 onwards, the option provided under the new regime is as under:

Total Income	Rate of Tax
Up to INR 250,000	NIL
INR 250,001 to INR 500,000	5%
INR 500,001 to INR 750,000	10%
INR 750,001 to INR 1,000,000	15%
INR 1,000,001 to INR 1,250,000	20%
INR 1,250,001 to INR 1,500,000	25%
Above INR 1,500,000	30%

The rate of surcharge and health & education cess shall remain the same.

To avail the above option, the following conditions with respect to computation of income have to be satisfied:

1. Total income of the assessee **shall be computed without giving effect** to the following-

A. Deductions and Exemptions :

- ✓ From Salary Income - Standard Deduction and Profession tax, Leave Travel Concession, House Rent Allowance, Special Allowances granted to meet expenses in performance of duties, daily allowance or constituency allowance given to MPs and MLAs.
- ✓ On account of clubbing of income of minor children.
- ✓ From House Property Income-Interest on borrowings for Self-occupied property.
- ✓ From Business Income - Additional Depreciation, Deduction for newly established units in SEZ [section 10AA], various investment linked incentives, payments for scientific research/ conservation of natural resources.
- ✓ From Income from Other Sources - Deduction from Family Pension.
- ✓ Deductions covered under Chapter VI-A viz. 80C, 80D, 80G, 80TTA, 80TTB, etc. ***other than contribution by employer to notified pension scheme under section 80CCD(2) and deduction for new employee under section 80JJAA.***

B. Set off of Losses

- ✓ Brought forward losses from earlier years pertaining to the above deductions will not be allowed to be set off.
- ✓ Loss under the head 'Income from House Property' during the year shall not be allowed to be set off under any other head of income or carry forward.

C. AMT under section 115JC shall not be applicable.

2. Assessee having ***no business income*** shall need to exercise this option at the time of filing of return of income for each A.Y.

3. Assessee **having business income** shall need to exercise the option on or before the due date of filing of the return in the prescribed manner. Such option once exercised shall apply to subsequent AY as well. The option can be withdrawn only once subsequent to the AY in which it is exercised. Once withdrawn, the said **option cannot be re- exercised unless the assessee ceases to have business income.**

Comments : *The threshold exemption limit for senior citizen/very senior citizen assessee will be restricted to INR 2.5 lakhs under this option as against INR 3 lakhs/INR 5 lakhs respectively under the existing tax rates.*

ONE WOULD NEED TO EVALUATE (ON CASE TO CASE & ON YEAR TO YEAR BASIS) THE DEDUCTIONS AND EXEMPTIONS TO BE FOREGONE IF THE NEW REGIME TAXATION IS TO BE OPTED.

CAPITAL GAIN TAX RATES

Particulars	Short-Term Capital Gains Tax Rates	Long-Term Capital Gains Tax Rates
Sale transactions of equity shares / unit of an equity oriented fund which attract STT	15%	LTCG up to Rs.1.00 Lakh - NIL LTCG in excess of Rs.1.00 Lakh - 10% (without Indexation)
Sale transaction other than mentioned above:	Slab rates	Other than unlisted - 20% Unlisted - 10%
Non-residents Individuals		
Resident Individuals	Slab rates	
Firms including LLP (resident and non-resident)	30%	20% with indexation 10% without indexation (For certain Specified transactions with conditions only)
Resident Companies	30%	
Overseas financial organizations specified section 115AB	40% (corporate) 30% (non-corporate)	10%
FII's	30%	10%
Other Foreign companies	40%	20% / 10%
Local authority	30%	20% with indexation
Co-operative society	Progressive slab rates	10% without indexation

Notes :

- 1) Unlisted shares of company would be treated as short-term capital asset if it is held for a period of 24 months or less. (If holding is more than 24 months, then only it will be treated as Long Term).
- 2) Long Term Capital Gain on Sale of Debt Oriented Mutual Fund (other than Equity Oriented) will be taxed at the flat rate of 20%.

- 3) From 1st February, 2021, as per amendment in section 10(10)(D) for maturity of certain ULIPs, the profits and gains received under maturity / redemption of such ULIPs will be taxed as 'capital gains' *except if the amount is received from ULIPs on death of the person*. The tax rates would be as per section 111A (15% plus applicable surcharge and cess) / 112A (10% plus applicable surcharge and cess), depending on whether such units are held as short- term or long-term capital assets.

HOLDING PERIODS IN CASE OF CERTAIN CAPITAL ASSETS

SR. NO.	PARTICULARS	MINIMUM HOLDING PERIOD TO CONSIDER LONG TERM
1	Equity / Preference Shares (Listed)	12 Months
2	Equity / Preference Shares (un-listed)	24 Months
3	Immovable Property (Land or Bldg. or both)	24 Months (From F.Y.2017-18)
4	Securities (Debenture, Bonds, Govt. Sec. etc.)	12 Months
5	Units of UTI (listed or un-listed)	12 Months
6	Mutual Fund- Equity oriented (listed or un-listed)	12 Months
7	Mutual Fund- Debt oriented (listed or un-listed)	36 Months

RELAXATION FOR CERTAIN CATEGORY OF SENIOR CITIZENS FROM FILLING OF RETURN OF INCOME

Presently, every individual (whether senior citizen or otherwise) is required to file income-tax return if the income exceeds the maximum amount not chargeable to tax or where the individual owns specified assets or incurs specified expenditure.

Now, a resident senior citizen is not required to file income-tax return, if the following conditions are satisfied:

- If such senior citizen is of the age of 75 years or more at any time during the previous year;
- If such senior citizen is earning only pension income in an account maintained with a specified bank (to be notified);
- The only other income, in addition to the pension income, is interest received or receivable in an account maintained by such senior citizen in the same bank where pension income is received; and
- Such senior citizen has furnished a declaration to the bank containing prescribed particulars.

In such a case, the specified bank will compute the total income after giving effect to the deductions allowable under Chapter VI-A and rebate allowable under section 87A and deduct requisite tax under **newly inserted section 194P**. Thereafter, the provisions of section 139 (pertaining to filing of income-tax return) will altogether not apply to such senior citizen.

Comments : *This amendment has been introduced in order to provide relief from compliance burden to specified senior citizens. However, the scope of permitted income is very narrow and these beneficial provisions would not apply if such senior citizen earns interest from accounts maintained with other banks or other debt investments or is earning other passive income such as rent, income from mutual funds, dividend, etc... Moreover, this amendment will put more burden on specified banks & individuals, who want to take benefit of this section, for compliance of this section in terms of documentations, filling etc..*

EXTENDING TIME LIMIT FOR SANCTIONING OF LOAN FOR AFFORDABLE HOUSING (u/s. 80EEA)

Presently, an individual is eligible for deduction of interest up to INR 1.5 lakhs under **section 80EEA** on housing loan taken from any financial institution for acquisition of affordable residential house property, provided that the prescribed conditions are satisfied. One such condition is that the loan should be sanctioned between 1st April, 2019 and 31st March 2021.

Now, the period of sanctioning of the loan by the financial institution has been extended by one more year i.e. **up to 31st March 2022**.

Comments : *This amendment has been introduced in order to continue promoting purchase of affordable housing. (However, an individual assessee opting to pay tax under the new optional regime under section 115BAC will not be eligible to claim deduction under section 80EEA.)*

TAXATION OF PROCEEDS OF HIGH PREMIUM UNIT LINKED INSURANCE POLICY (ULIP PRODUCTS)

Presently, section 10(10D) provides exemption from income-tax for the sum received under a specified life insurance policy (including bonus allocated on such policy), provided the premium payable for any of the years during the term of the policy is within the prescribed % of the actual capital sum assured.

Now, **tax exemption under section 10(10D) has been withdrawn** for sums received (**other than on death of the insured**) under a ULIP (i.e. a life insurance policy which has components of both investment and insurance and is linked to a unit as per insurance regulations), in the following cases:

- Where the amount of annual premium payable under any ULIP issued on or after 1st February 2021, for any of the previous years during the term of the ULIP, exceeds INR 2.5 lakh.
- Where aggregate premium payable by a person for multiple ULIPs, issued on or after 1st February 2021, exceeds INR 2.5 lakh in any of the previous year during the term of any of those ULIPs.

Further, units of ULIPs not covered by the tax exemption under section 10(10D) are now considered as capital assets and equated to units of an equity-oriented fund (as defined under section 112A). Resultantly, STT applies on purchase and sale of such units from February 1, 2021 onwards. Also, the profits and gains received under maturity / redemption of such ULIPs will be taxed as 'capital gains'. The tax rates would be as per section 111A (15% plus applicable surcharge and cess) / 112A (10% plus applicable surcharge and cess), depending on whether such units are held as short-term or long-term capital assets.

(If the amount is received on the death of the person insured, the amount would continue to be exempt from tax.)

Similarly, ULIPs issued prior to 1st February 2021 as well as new ULIPs where aggregate annual premium is less than INR 2.5 lakh would continue to be exempt subject to compliance with other conditions of section 10(10D).

Comments : *The amendment is intended to curb the practice of insurance companies of issuing ULIPs as a more tax efficient instrument than units of mutual funds. Such tax arbitrage is sought to be eliminated. Life insurance companies continuing to issue such ULIPs on or after 1st February 2021 will need to ensure compliance with levy and payment of STT.*

TAX EXEMPTION TO CASH IN LIEU OF LEAVE TRAVEL CONCESSION / ASSISTANCE

Presently, section 10(5) provides for exemption in respect of LTC provided to an employee for his and his family's leave / travel to any place in India, subject to other conditions.

Now, **for A.Y. 2021-22**, on account of the Covid-19 lockdown, a scheme to provide tax exemption to cash allowance in lieu of LTC is provided, subject to certain conditions to be prescribed in the Rules, which are enumerated in the Explanatory Memorandum as below:

- Employee exercises option for cash allowance in lieu of LTC in the block year 2018-2021;
- Amount of cash assistance has been spent by the employee or member of his family during **12th October, 2020 to 31st March, 2021** on goods or services;
- The goods or services are liable to GST at an aggregate rate of 12% or above; are availed from registered GST service providers or sellers; payment for the same has been made by prescribed modes of payment (i.e. banking channels or digital modes); and tax invoice for such expenditure has been obtained and maintained.
- The amount of tax exemption shall be lower of:
 - INR 36,000 per person or
 - 1/3 of the expenditure subjected to GST, as explained above.
- The amount of expenditure claimed exempt by an individual, will not be allowed for claim of exemption to any other person i.e. the same expenditure shall not be allowed for exemption for multiple individuals.

Comments : *The cash allowance in lieu of LTC scheme was announced in October 2020 in order to boost consumption and to help employees avail their LTC which remains unused due to restrictions on travel by COVID-19. This benefit continues to be available till 31st March 2021 for employees unable to avail LTC on account of travel in FY 2020-21. The exemption is only applicable for AY 2021-22.*

ACCRUED INTEREST ON PROVIDENT FUND TAXABLE ON CERTAIN CONTRIBUTION

Presently, any withdrawal including accrued interest from a provident fund to which the Provident Funds Act, 1925 applies or any notified provident fund, is exempt from tax. In respect of the recognized provident fund, contribution by employer not exceeding 12% of salary of the employee and interest credited thereon not exceeding the prescribed rate, is exempt from tax. However, there is no maximum limit for the employee to make contribution to the above funds. The employees could contribute up to 20% of salary voluntarily to such funds, earning significant exempt interest.

Section 10(11)/(12) is amended to provide that above exemption shall not apply to interest accrued in the previous year in employee's recognized/statutory provident fund a/c to the extent it relates to :

- a) Interest on employee contribution in excess of Rs.2.50 Lakhs per year (if employer also makes contribution in the same a/c in which employee makes contribution)
- b) Interest on employee contribution in excess of Rs.5.00 Lakhs per year (if employer does not make contribution in the same a/c in which employee makes contribution)

This amendment is applicable for contribution made on or after 1st April 2021 and taxability of such interest would be in the prescribed manner.

DEPRECIATION ON GOODWILL

Presently, goodwill acquired is considered as an intangible asset, eligible for depreciation at the rate of 25%.

Goodwill has now been excluded from the definition of 'block of assets' **w.e.f. AY 2021-22** and therefore will not be eligible for depreciation. Further, any depreciation claimed up to FY 2019-20 (AY 2020-21) would be reduced from the purchase price of goodwill for the purpose of computation of capital gains in the case of sale of goodwill. Moreover, in case goodwill forms part of the block of assets of the assessee and in case all the assets in the block are sold, the written down value of the block as well as the amount of short-term capital gains would be determined in a prescribed manner.

Comments : *Depreciation on goodwill has been a major bone of contention in recent times in case of M&A transactions. The removal of depreciation on goodwill would result in a substantial increase in the taxation of various corporates which have acquired businesses either by way of slump sale or by way of merger. Further, in such cases, there may also be a substantial interest liability as the depreciation would not be available for AY 2021-22 (FY 2020-21) and would result in a shortfall in the advance tax paid in the earlier installments. While it has been clarified that goodwill would no longer enter the block of assets, there is no amendment to the definition of WDV of the block of assets.*

Therefore, a question arises whether an assessee can still claim depreciation on goodwill which is already part of block of intangible assets. It may be highlighted that the accounting standards applicable in India mandate accounting for depreciation on goodwill in the books whereas the Memorandum justifies the removal of depreciation by stating that goodwill does not depreciate over time. However, it is important to note that the restriction of depreciation only applies in respect of goodwill and not to other intangible assets such as brand name, trademark or any other commercial or business rights, which would continue to be eligible for depreciation.

DISALLOWANCE FOR DELAY IN DEPOSIT OF EMPLOYEES' CONTRIBUTION

Contribution received from employees towards various welfare funds (P.F., E.S.I. etc...) but not deposited to govt. before due date specified in relevant employee welfare act, is considered as deemed income under section 2(24)(x). As per section 36(1)(va) the deduction is allowable if the contribution is deposited by the assessee on or before the due date specified in the relevant employee welfare act.

As per section 43B, deduction is allowable, if the assessee deposits any sum payable by it by way of tax, duty, cess or any sum payable by the assessee as an employer by way of contribution to any fund for the welfare of the employees, on or before the due date of furnishing of the return of income under section 139(1). CBDT by its Circular no. 22 dated 17th December 2015 clarified that due date specified in section 43B is not applicable for allowability of employees' contribution to welfare funds which are covered by section 36(1)(va).

Various courts have held that due date specified in section 43B was also applicable in respect of employees' contribution to welfare funds.

Amendments have been made to sections 36(1)(va) and 43B w.e.f. A.Y. 2021- 22 to provide that any delay in deposit of employees' contribution to welfare funds beyond the due dates specified in relevant statutes would attract disallowance.

Comments : *A delay of even one day in depositing employee's contribution to the welfare fund against the due date of payment specified in relevant employee welfare act could result in the entire delayed contribution being disallowed, and therefore one would need to ensure that such contribution is paid in time.*

INCREASED SAFE HARBOUR LIMIT OF SALE CONSIDERATION & STAMP DUTY VALUE OF PROPERTY FOR SALE OF RESIDENTIAL UNIT

Presently, as per section 43CA, where the consideration received by a real estate developer on transfer of immovable property is less than the stamp duty valuation, the said stamp duty value would be deemed to be the full value of consideration, for computing the business income. Relaxation is provided from the applicability of section 43CA, where stamp duty value does not exceed 110% of the consideration received. Section 56(2)(x) levies tax on the buyer where the difference between the consideration paid by the assessee for acquisition of immovable property and stamp duty value exceeds higher of INR 50,000 and 10% of actual consideration.

Amendment is made in section 43CA, whereby the said section would not apply in case of real estate developers selling the residential unit, where the stamp duty value of such unit does not exceed 120% of the consideration received. Such exemption is subject to fulfillment of certain conditions as follows:

- Transfer of such unit should take place during the period 12th November 2020 to 30th June 2021,
- Transfer should be as first-time allotment of such unit, and
- Consideration for such transfer should not exceed INR 2 crore.

Correspondingly, section 56(2)(x) would not apply to buyer of property in such cases, where the difference between stamp duty value and consideration paid does not exceed, the higher of INR 50,000 and 20% of actual consideration. Residential unit has been defined as an independent housing unit satisfying certain conditions.

Comments : *The Ministry of Finance in the Press Release dated 13th November 2020 had granted the above benefits to the real estate developers and home buyers. The benefit was brought with the intention of providing a boost to the demand of real-estate sector and facilitating them to dispose of their unsold property at lower rates. The benefit granted by the Press Release is now brought as an amendment in the Act. The above exemption is available for limited time period of 12th November 2020 to 30th June 2021. Even though the benefit is granted to real estate developer as per section 43CA and home buyer as per section 56(2)(x), the corresponding benefit is not granted to secondary sale of residential unit. The term 'residential unit' which was not defined in the Press Release, has now been specifically defined in the Act.*

ENHANCED THRESHOLD FOR CONDUCTING TAX AUDIT UNDER SECTION 44AB IN CERTAIN CIRCUMSTANCES

Every person carrying on business is required to get his accounts audited, if his total sales, turnover or gross receipts, in business exceeds INR 1 crore in any previous year.

In cases where the aggregate of all receipts as well as payments in cash during the previous year does not exceed 5% of total receipts or payments, as the case may be, the threshold for total sales, turnover or gross receipts is at INR 5 crore. (Increased by Finance Act 2020 w.e.f. A. Y. 2020-21). It is proposed to increase this threshold to INR 10 crore. This amendment will be effective from AY 2021-22.

Comments : *This amendment intends to boost cashless economy by providing benefit to persons carrying on business whose turnover does not exceed INR 10 crore. The anomaly wherein a person claiming profit below the presumptive rate of taxation of 8% (or 6%, as the case may be) with turnover below INR 2 crore would still need to get the accounts audited whereas a person with a turnover above INR 2 crore but below INR 10 crore, not eligible for presumptive tax, need not get the accounts audited.*

BENEFIT OF PRESUMPTIVE TAXATION AS PER SECTION 44ADA NOT AVAILABLE TO LLP

Presently, section 44ADA provides for presumptive taxation for residents engaged in notified professions with gross receipts not exceeding INR 50 lakh. Section 44AD dealing with similar presumptive taxation is available to an individual, HUF or a partnership firm but not to an LLP.

Section 44ADA is amended w.e.f AY 2021-22 whereby the benefit of the said presumptive taxation has been brought at par with section 44AD to **specifically exclude LLPs**.

Comments : *By this amendment, the LLPs engaged in specified profession are specifically excluded from presumptive taxation under section 44ADA and hence it shall not be able to take benefit of section 44ADA. After this amendment, both sections for presumptive taxation, 44AD & 44ADA exclude LLPs. This will bring more LLPs in scope of Tax Audit u/s. 44AB.*

INCENTIVE FOR AFFORDABLE HOUSING

Presently, section 80-IBA provides a deduction of 100% of the profits of the business of developing and building affordable housing projects approved between 1st June 2016 and 31st March, 2021 and satisfying certain conditions.

Now, the period for obtaining approval of eligible projects for the said deduction has been extended further by one more year i.e. up to 31st March, 2022.

Further, deduction of 100% of profits is also extended to business of developing and building rental housing project as notified in the Official Gazette on or before 31st March, 2022 and fulfilling specific conditions.

Comments : *This is a welcome move to provide an impetus to the real estate industry which is badly affected by the ongoing pandemic.*

TAXABILITY OF SLUMP EXCHANGE

Taxation of gains arising on transfer of undertaking for a lump sum consideration without assigning value to individual assets is covered under the slump sale provisions. The definition of 'slump sale' covers only 'sale' of undertaking and does not cover other types of transfer such as 'exchange' of an undertaking. Following certain judicial precedents, one could take a view that as the specific section relating to transfer of an undertaking does not cover sale of an undertaking for consideration in kind, slump exchange may not be taxable.

The definition of slump sale has now been extended to cover transactions involving exchange as well other modes of transfer of an undertaking, thereby bringing 'slump exchange' under the tax ambit.

Comments : *Slump exchange has been used extensively in internal re-organizations to achieve tax efficiency similar to a merger or demerger. The view of non-taxability of slump exchange has been upheld by various judicial pronouncements. With slump exchange now being taxable, one would need to evaluate the value of consideration received in kind.*

TAXATION ON DISSOLUTION OR RECONSTITUTION OF FIRMS / AOP / BOI

(I) Receipt of capital asset by partner on dissolution / reconstitution

Presently, the profits and gains arising from the transfer of capital asset by way of distribution on dissolution of a firm or other association of persons or body of individuals or otherwise, are chargeable to tax as the income of the firm, association, or body, for the previous year in such transfer takes place.

Further, the fair market value of the asset on the date of transfer is deemed to be the full value of consideration.

Now, where a partner/ member receives any capital asset, which represents the balance in his capital account in the books of accounts of the entity, from such entity at the time of its dissolution or reconstitution, the difference between the fair market value of the capital asset on the date of such receipt and the cost of acquisition of the capital asset will be chargeable to tax as capital gains of the entity in the year of receipt.

Further, in determining the capital account balance of the partner/ member, any increase on account of revaluation of any asset or due to self-generated goodwill or any other self-generated asset has to be excluded.

Comments : *Usually, capital gains are chargeable to tax in the year of transfer. However, under the proposed amendments, the incidence of chargeability of capital gains is in the year of receipt of the capital asset by the partner. There is however no amendment made to section 2(47) to include such receipt as transfer.*

(II) Excess of amounts and other assets over capital balance received by partner on dissolution or reconstitution of entity

In cases where partners/ members are in receipt of money or other asset in excess of their capital account balance as appearing in the books of accounts of the entity on dissolution or reconstitution of the entity such profits will be taxable as capital gains to the entity. The taxability will arise in the previous year in which such money or other asset is received by the partner/ member.

In computing capital gains, the value of money or the fair market value of other asset shall be the full value of consideration, and the capital account balance of the partner/ member in the books of the entity shall be adopted as the cost of acquisition.

Further, in determining the capital account balance of the partner/ member, any increase on account of revaluation of any asset or due to self-generated goodwill or any other self-generated asset has to be excluded.

Comments : *Various judicial precedents have laid down the principle that amounts received by partners from partnership firm in excess of their capital balance on account of retirement are in the nature of capital receipts and not subject to tax in the hands of the partners/ partnership firm. The proposed amendment seeks to tax the entity in respect of the amounts received by partners in excess of their capital account balances.*

ENHANCED LIMIT FOR ELIGIBILITY OF EXEMPTION TO SMALL CHARITABLE INSTITUTIONS

Presently, sections 10(23C)(iiiad) and (iiiiae) provide that the income earned by any University/ educational institutions and hospitals/ medical institutions will be exempt from tax if their aggregate annual receipts do not exceed INR 1 crore without requiring a separate approval or registration. This limit applies qua each institution and not qua the assessee.

Now this limit of INR 1 crore has been increased to INR 5 crore. In computing the limit, receipts of all institutions of the assessee will be aggregated.

Comments : *Specified institutions having annual receipts more than the prescribed limit are required to get registration or approval of prescribed authority to enjoy exemption benefit. As per the amendments brought by Finance Act, 2020 such institutions are required to re-register w.e.f. 1st April 2021. The above amendment aims to provide relief to small institutions from seeking periodic approvals for claiming tax exemptions.*

APPLICATION OF INCOME BY CHARITABLE TRUSTS

Presently, corpus donations received by trusts, institutions, funds etc. carrying out religious or charitable activities are exempt and are not included for the purpose of determining 85% of income to be spent for objects of the Trust or accumulated in accordance with section 11(2).

It is now provided that corpus donations will be considered exempt only if they are invested in specified modes for such corpus. If the amount is spent from such corpus it will not be treated as application of income for charitable or religious purposes. The justification for introducing this was to ensure that Trusts do not claim unintended double deduction. Trusts, institutions, funds etc. carrying out religious or charitable activities. However, in the year when the funds are invested back in specified modes, such amount would be considered as application.

Expenditure incurred on objects out of loans borrowed will not be treated as application in the year of incurrence. However, when loan or borrowing is repaid, the same would be treated as application on objects of the Trust in that year to the extent of such repayment.

It is also provided that excess application of earlier years cannot be allowed as a deduction against the income of the Trust for subsequent years.

Comments : *Corpus donations are exempted only if they are invested in specified modes. However, if they are applied for charitable purposes including development of Infrastructure, the same would not be considered as application. These provisions are likely to create hardship in case of Trusts who end up spending part of corpus funds for objects of the Trust or on Infrastructure requirements.*

Since the excess application of earlier years cannot be carried forward to subsequent years, there cannot be any excess benefit even if expenditure out of corpus is allowed as application on objects.

TDS ON PURCHASE OF GOODS

Newly inserted section 194Q provides for TDS by a buyer of goods from amounts paid to a resident seller. The liability to deduct tax at source arises wherein the value or aggregate value of goods purchased exceeds INR 50 lakh in any previous year. TDS to be made at **0.1%** on the amount **in excess of INR 50 lakh, at the time of payment or credit whichever is earlier.**

Buyer means a person whose total sales, gross receipts or turnover from the business carried on by him exceeds INR 10 crore in the financial year preceding the financial year in which the purchase of goods is carried out.

The provisions of this section are not applicable:

- in respect of transactions liable to TDS under other provisions of the Act and
- in respect of transactions liable to **TCS other than TCS on sale of goods**

In case the resident seller fails to furnish his PAN to the buyer, TDS shall be made at 5% instead of 0.1%.

The provisions are applicable from 1st July, 2021.

Comments : *The provisions pertaining to TCS on sale of goods in excess of INR 50 lakh are effective from 1st October 2020. While the provisions make the recipient liable for TCS, they are not applicable in cases where TDS is required to be made. Therefore, as per the proposed amendment, once buyer deducts TDS on these transactions, the TCS provisions will not be applicable on such transactions. TCS provisions on sale of goods will continue to apply up to 30th June 2021 and thereafter will be applicable to such transactions in cases where buyer fails to or is not required to deduct TDS.*

HIGHER TDS / TCS IN RESPECT OF NON-FILERS OF TAX RETURNS

Newly inserted section 206AB is applicable in respect of TDS from payments to be made to persons who:

- have not furnished return of income for two immediately preceding previous years, prior to the previous year in which tax is required to be deducted and for which the time limit of filing return of income under section 139(1) has expired; and
- the aggregate of tax deducted at source and tax collected at source is INR 50,000 or more in each of these two previous years.

In the above cases, TDS will be made at the higher of the following rates:

- Twice the rate specified in the relevant provision
- Twice the rates in force
- At the rate of 5%

In case the recipient has not furnished his PAN, TDS will be made at higher of the rates – rate determined as above or rate specified in section 206AA.

These provisions are not applicable in respect of income paid to a non- resident who does not have a PE.

Further, these provisions are not applicable to tax deductible from salary (section 192), payment of accumulated PF balance due to an employee (section 192A), winnings from lottery / crossword puzzle (section 194B), winnings from horse races (section 194BB), income in respect of investment in securitization trust (section 194LBC) and cash withdrawals (section 194N).

Newly inserted section 206CCA is applicable to **specified person (non-filers)** in receipt of amounts subjected to TCS under the provisions of Income-tax Act. TCS will be made at higher of the two rates from amounts paid to specified person:

- Twice the rate specified in the relevant provision
- At the rate of 5%

Comments : *These are totally unfair provisions casting onerous compliance requirements on both the payer and the payee. Besides being onerous, it is cumbersome, impractical and is against the principle of ease of doing business.*

RELAXATION IN ADVANCE TAX LIABILITY FOR DIVIDEND INCOME

Presently, taxpayers are required to pay advance tax on basis of estimated income. Interest is levied under section 234C, for shortfall in payment of due advance tax installments on account of difference between returned income and estimated income. There is however relaxation for levy of interest under section 234C for certain types of income (such as capital gains, first-time income from business or profession, winnings from lotteries, games, races, etc.), if the requisite advance tax has been duly paid in the advance tax installment due after the income is earned. The rationale for their exclusion is that accurate determination of advance tax liability on such incomes is not possible due to their intrinsic nature.

Now, **w.e.f. A.Y. 2021-22** onwards, dividend income [except deemed dividend under section 2(22)(e)] has been included in the list of exceptions for purpose of computing interest under section 234C.

Comments : *This is a beneficial amendment given that dividend income from Indian companies is taxable in hands of the shareholder from AY 2021-22. The amendment is on the lines of exclusion provided to the erstwhile regime of taxing dividend income from domestic company in excess of INR 10 lakh in hands of certain resident taxpayers. The amendment is expected to reduce potential interest burden of taxpayers who have duly paid advance tax in the installments subsequent to earning of their dividend income.*

RATIONALIZATION OF VARIOUS TIME LIMITS FOR REVISED RETURNS/ ASSESSMENTS U/S. 143(1)/143(3)/144:

Assessment year	Due dates for Original Return	Due date of filing revised return	Time limit for processing the return u/s. 143(1).	Time limit for selection of case for scrutiny assessment u/s. 143(3) / 144
2020-21	10th January 2021 / 15th February 2021	31st March 2021	31st March 2022	30th September 2021
2021-22	31st July / 31st October / 30th November 2021	31st December 2021	31st December 2022	30th June 2022
2022-23 and onwards	31st July / 31st October / 30th November 2022	31st December 2022	31st December 2023	30th June 2023

Comments : *While the period within which the revised and belated return can be filed is intended to be curtailed, the language in the proposed amendment may be interpreted to mean that such return is to be filed only in the last 3 months of the relevant assessment year. The above table reflects the intended due date and not the manner in which one can interpret the provision.*

CONSTITUTION OF DISPUTE RESOLUTION COMMITTEES

With a view to reduce pending litigation and provide tax certainty, Vivad se Vishwas scheme was launched last year to settle pending disputes.

In order to provide early tax certainty to certain assesseees, the Central Government is empowered to constitute a scheme for formation of one or more Dispute Resolution Committees. Under the proposed scheme, only those disputes where the returned income is INR 50 lakh or less and the aggregate amount of variation proposed in specified order is INR 10 lakh or less shall be eligible to be considered under this scheme. The Committee shall have the powers to reduce or waive any penalty imposable under the Act or grant immunity from prosecution for any offence under this Act.

Benefit of this scheme shall not be eligible where -

- The specified order is based on search, survey or requisition cases, or in case of information received under DTAA.
- There is detention, prosecution or conviction under various laws as specified in the proposed section.

In line with the objective to impart greater efficiency, transparency, accountability and to eliminate human interface, the Central Government is empowered to make a scheme for e-dispute resolution to eliminate the interface between the Dispute Resolution Committee and the assessee.

Comments : *While this is a welcome move for resolution of dispute in the case of small and medium taxpayers, effective implementation would be the key factor to successful resolution. Thus, in addition to the current appellate mechanism available to the assessee, the assessee has an option to opt for Dispute Resolution. However, the provisions are silent in respect of the binding nature of the order passed by the Dispute Resolution Committee.*

FACELESS ITAT PROCEEDINGS

Presently, sections 254 and 255 lay down procedure for disposal of appeal by ITAT, wherein the assessee or his authorized representatives exercise their opportunity of being heard by physically appearing before the ITAT.

In line with the objective to impart greater efficiency, transparency and accountability and to eliminate human interface, faceless assessment scheme, faceless penalty scheme and faceless appeal scheme have already been introduced. To take it further to next level, the Central Government is empowered to launch a faceless scheme for e-disposal of appeal by ITAT.

Comments : *There is significant apprehension in respect of the faceless nature of the appellate scheme and therefore, it is important that personal hearing (physically or through video conferencing facility) is provided as a matter of right to the appellants.*

EXTENSION OF TIME LIMIT FOR START-UPS

Presently, eligible start-ups are entitled to a tax holiday. Among other conditions, such eligible start-ups were required to be incorporated during the period between 1st April 2016 and 31st March, 2021. It is proposed to extend this period by one year. Accordingly, eligible start-ups incorporated between 1st April, 2016 and 31st March, 2022 shall be entitled for the tax holiday.

Also, long term capital gains on transfer of residential property made up to 31st March, 2022 would now be eligible for exemption under section 54GB in respect of investment in eligible start-ups.

T.D.S. RATE CHART

FINANCIAL YEAR 2020-21 & 2021-22

Sr. No.	Section	Nature of Income	Amount over which TDS to be deducted	Rate of TDS	
				If PAN is available	If PAN is not available
1	192	Salary	to be seen as per slab	Average Rate	30%
2	192A	Payment of accumulated balance due of Employees' Provident Fund	If accumulated balance is more than 50,000	10%	30%
3	193	Interest on securities	Debenture-5,000 Other-10,000	10%	20%
4	194	Payment of Dividend			
		Dividend other than of 115-O (up to A.Y. 2020-21)	2,500	10%	20%
		Dividend (From A.Y. 2021-22)	5,000	10%	20%
5	194A	Interest other than interest on securities			
		Interest received from Bank	40,000	10%	20%
		Interest received from others	5,000		
6	194B	Income by way of winnings from lotteries puzzles	10,000	30%	
7	194BB	Income by way of winnings horse race	10,000	30%	30%
8	194C	Payment to contractors/Subcontractors	30,000 one time 1,00,000 in whole year	individual/ HUF 1% Others 2%	20%
9	194D	Insurance Commission	15,000	Domestic Co. - 10% Others - 5%	20%
10	194DA	payment under Life Insurance Policy	1,00,000	Up to Aug-19 - 1% From Sep-19 - 5%	20%
11	194E	Payment to NR Sports Person	No Limit	20%	20%
12	194EE	Payment from National Savings Scheme	2,500	10%	20%
13	194F	Payments on account of repurchase of units by Mutual Fund	No Limit	20%	
14	194G	Commission on sale of lottery tickets	15,000	5%	20%
15	194H	Payment of Commission or Brokerage	15,000	5%	20%
16	194-I	Payment of rent			
		For Land, building or furniture.	2,40,000	10%	20%
		For plant and machinery or equipment		2%	
17	194 IA	Payment on transfer of certain immovable property other than agricultural land	50,00,000	1%	20%
18	194 IB	Payment of rent of land or building by Individual/HUF who are not liable for Audit U/s. 44AB	50,000 p.m.	5%	
19	194 IC	Payment of Consideration (not being in kind) under Joint Development Agreement	No Limit	10%	

T.D.S. RATE CHART (Contd...)

FINANCIAL YEAR 2020-21 & 2021-22 (Contd...)

Sr. No.	Section	Nature of Income	Amount over which TDS to be deducted	Rate of TDS	
				If PAN is available	If PAN is not available
20	194J	Fees for professional or technical services			
		Normally in all cases for Professional Services	30,000	10%	20%
		person engaged only in the business of operation of call center (w.e.f. 01/06/2017)		2%	
		Fees for Technical Services (w.e.f. 01/04/2020)		2%	
21	194LA	Payment of compensation on acquisition of certain immovable property	2,50,000	10%	20%
22	194LB	Income by way of interest from infrastructure debt fund to a non resident or Foreign Co.	No Limit	5%	20%
23	194LBA	Certain income from units of a business trust			
		Payment to resident	No Limit	10%	20%
		Payment to Non-resident		5%	20%
24	194LBB	Income in respect of units of investment fund			
		Payment to resident	No Limit	10%	20%
		Payment to Non-residents/Foreign Company		30% / 40%	
25	194LBC	Income in respect of investment in securitization trust			
		Payment to individual/HUF	No Limit	25%	
		Payment to Non-residents/Foreign Company		30%/40%	
		Payment to Others		30%	
26	194LC	Income by way of interest from Indian company or business trust to a non-resident/foreign co.	No Limit	5%	
27	194LD	Income by way of interest on certain bonds and Government securities to FIIs or QFIs	No Limit	5%	
28	194M w.e.f. 01/09/19)	(Applicable to Individuals/HUF who are not liable for audit u/s. 44AB and not required to deduct TDS u/s. 194C/194H or 194J) Payment by Individuals/HUF to Contractors or Payment of commission/brokerage for personal use/purpose.	50.00 Lakhs	5%	
29	194N w.e.f. 01/09/19)	TDS by banks/Post offices on Cash withdrawals in excess of Rs.1.00 Crore. (Single or aggregate in year)	1.00 Crore	2%	
30	194-O (w.e.f. 01/04/20)	TDS on payment by E-commerce operator to E-commerce participant	Gross amount for sale of goods or services credited to E-com. Participant	1% (However, TDS shall not be made when seller is individual/HUF and gross amount of sales/services through e-commerce platform does not exceeds 5.00 Lakhs)	

T.D.S. RATE CHART (Contd...)

FINANCIAL YEAR 2020-21 & 2021-22 (Contd...)

Sr. No.	Section	Nature of Income	Amount over which TDS to be deducted	Rate of TDS	
				If PAN is available	If PAN is not available
31	194-P (w.e.f. 01/04/21)	<p>TDS to be made by notified banks on Pension + Bank interest income of resident senior citizen.</p> <p>(Applicable to resident senior citizens of age 75 years or more having only pension income and Bank Interest income)</p> <p>TDS to be made by notified banks on Pension Income and interest income from notified bank of a resident senior citizen of the age of 75 years or more.</p> <p>Conditions :</p> <ul style="list-style-type: none"> • If such senior citizen is of the age of 75 years or more at any time during the previous year; • If such senior citizen is earning only pension income in an account maintained with a specified bank (to be notified); • The only other income, in addition to the pension income, is interest received or receivable in an account maintained by such senior citizen in the same bank where pension income is received; and • Such senior citizen has furnished a declaration to the bank containing prescribed particulars. <p>Such resident senior citizen shall not be required to file return of income u/s. 139(1) as the total tax by way of TDS along with other details shall be filled through notified bank.</p>	<p>TDS to be made by the notified bank on total income of such person based on declaration furnished.</p> <p>TDS shall be equivalent to tax on total pension and bank interest income as reduced by deduction under chapter VI-A and rebate u/s. 87A (if available)</p>		
32	194-Q (w.e.f. 01/07/21)	<p>TDS on Purchase of Goods (Applicable to Every buyer whose total sales, gross receipts or turnover from the business carried on by him exceeds Rs.10 Crores in the preceding financial year)</p> <p>Every such buyer who purchases goods of the value or aggregate value in excess of Rs.50 Lakhs shall be liable to deduct TDS @ 0.1% on the amount in excess of Rs.50 Lakhs at the time of payment or credit whichever is earlier.</p>	<p>If value or aggregate value of goods purchased exceeds INR 50 lakh then</p> <p>TDS to be made at 0.1% on the amount in excess of INR 50 lakh, at the time of payment or credit whichever is earlier.</p>	0.1%	5%

T.C.S. RATE CHART

Sr. No.	Nature of Goods		Rate of TCS
1	Alcoholic liquor for human Consumption		1.000
2	Indian made foreign liquor		1.000
3	Tendu leaves		5.000
4	Timber obtained under forest lease		2.500
5	Timber obtained by any mode other than a forest lease		2.500
6	Any other forest produce not being timber or tendu leaves		2.500
7	Scrap (Waste and scrap arises from manufacture or mechanical working of materials)		1.000
8	Minerals, being coal or lignite or Iron ore.		1.000
9	Parking lot, Toll Plaza, Mining and quarrying		2.000
10	Cash consideration for Bullion exceeding Rs. 2 lakh & Jewellery exceeding Rs.5 lakh	TCS – N.A. w.e.f. 01.04.2017 due to operation of new prov. Of sec.269ST of restriction of Rs.2.00 Lakh in cash transaction	----
11	Cash consideration for any other goods / service exceeding Rs. 2 lakh		
12	Motor vehicle of value exceeding Rs.10 lakh (w.e.f. 01-06-16)		1.000
13	Receipts by an Authorised Dealer Rs.7.00 Lakhs or more in a financial year for remittance outside India under Liberalized Remittance Scheme (LRS) of RBI (w.e.f. 01/04/2020)		5.000
14	Receipt of any amount by a seller of Overseas tour program packages. (w.e.f. 01/04/2020)		5.000
15	TCS ON SALE OF GOODS (w.e.f. 01/10/2020) Every Seller, whose Turnover in preceding financial year exceeds Rs.10.00 Crore, who receives an amount exceeding Rs.50.00 Lakhs in aggregate from a buyer in any previous year on sale of goods, shall collect a sum of 0.1% as TCS on sale consideration exceeding Rs.50.00 Lakhs from the buyer of such goods. (This TCS shall not apply where TDS/TCS is applicable in any other section of the Act except Section 194-Q)		0.1% (1% if PAN/Aadhaar is not available)

ANALYSIS OF TDS ON PURCHASE OF GOODS - SECTION 194-Q (APPLICABLE FROM 01-07-2021)

Point : 1 - Applicability of Provisions :

- ✓ Applicable to all taxpayers whose Gross Turnover, sales or receipts (excluding GST) in previous financial year is in excess of Rs.10.00 Crore. All taxpayers have to check applicability w.r.t. turnover of previous year for each year separately.
- ✓ Applicable on Purchase of Goods only.
- ✓ Liability to deduct TDS will be payment or credit to the account of supplier **whichever is earlier.**

Point : 2 - Rate of TDS & Compliance :

- ✓ 0.1% of sum exceeding Rs.50.00 Lakhs
- ✓ If the buyer does not have PAN/AADHAR - 5%
- ✓ Interest and Penalty Provisions of other TDS/TCS sections will apply to this section.
- ✓ Due date of payment of TDS to the govt. will be 7th of next month in which TDS is deducted.
- ✓ Quarterly return of TDS in form no.26Q on or before 30th /31st of the next month after the end of quarter shall be filled.
- ✓ No Lower/NIL rate certificates can be obtained from Income tax Department for this provision.

Point : 3 - Non-Applicability of Provisions :

- ✓ All taxpayers whose Gross Turnover (excluding GST) in previous year does not exceed Rs.10.00 Crore.
- ✓ Transactions not in the nature of Purchase of Goods. i.e. Availing of Services.
- ✓ **The tax shall not be deducted under this provision if the tax is deductible or collectible under any other provision except Section 206C(1H). Thus, if a transaction is subject to TCS under Section 206C(1H), the buyer shall have the first obligation to deduct the tax. If he does so, the seller will not have any obligation to collect the tax under Section 206C(1H). (See Illustrations below)**
- ✓ TDS will not be applicable for purchase of goods imported out of India.
- ✓ TDS will not be applicable for inter-branch transfer of the same assessee.

Point : 4 - Determination of applicability of transactions for TDS on Purchase of Goods

- ✓ According to the provisions, the buyer of the goods shall deduct tax @ 0.1%, if the value of goods are purchased for a value or aggregate of value exceeding Rs.50.00 Lakhs. i.e. all the transactions with suppliers with whom purchase exceeding Rs.50.00 lakhs have been made are within the ambit of this section and liability of TDS shall be triggered at the time of payment or credit whichever is earlier from such seller in excess of Rs.50.00 Lakhs. **(See examples in this sheet).**
- ✓ **In absence of any clarification, TDS should be made on total Invoice value of purchase including GST.**
- ✓ As on 30th June, 2021, from all outstanding Trade Payables, identify creditors/suppliers with whom purchase of goods more than Rs.50.00 Lakhs have been made. TDS will be applicable to all those transactions entered on or after 01/07/2021 from such Creditors/suppliers with whom payment or credit for purchase of goods more than Rs.50.00 Lakhs have been made.
- ✓ Please note that TDS will not be applicable for Purchase of goods and payment already made in excess of Rs.50.00 Lakhs before 30/06/2021.
- ✓ In case of any creditor/supplier, if purchase or payment is made in excess of Rs.50.00 lakhs before 30/06/2021 then for such transactions before 30/06/2021 TDS is not applicable but the same creditor/supplier falls under the ambit of this section as purchase/payment limit of Rs.50.00 lakhs is already triggered. Hence, all the transactions with such creditor/suppliers on or after 01/07/2021 will be liable for TDS as per the provisions and limit.
- ✓ In case of Creditors/Suppliers outstanding with respect to any financial years other than F.Y. 2020-21 (i.e. 19-20/18-19/17-18/etc..) and in respect of such creditors if any payment is made after 01/07/2021 in excess of Rs. 50.00 lakhs then TDS will be applicable.
- ✓ In case of any advance is paid to any creditor/supplier in excess of Rs.50.00 Lakhs then also this TDS provision will be applicable.
- ✓ In case of the adjustment made to the ledger of the supplier/creditor by issuing the debit note will not have an impact on the tax to be deducted. The position would remain the same if, after the deduction of tax, the seller repays some consideration to the buyer. In such a situation, the amount of purchase value shall not be reduced with the amount so refunded or the debit note so adjusted for calculation of TDS.
- ✓ No adjustments w.r.t. purchase return/discounts etc. shall be made for TDS on purchase as TDS liability is on purchase of goods for credit or payment, whichever is earlier.
- ✓ These provisions of TDS are applicable to "Purchase of Goods". Hence, all types of transactions **may be covered** apart from normal manufacturing and trading business such as :

- Real Estate Builders.
- Immovable properties (if not covered by other TDS provisions) **(However, no clarification is given whether immovable property is considered as goods).**
- Purchase of any asset such as Machinery/Equipment etc... by any manufacturing/trading business.
- Purchase of Electricity.
- Purchase of Motor Vehicle (if not covered by other TDS/TCS Provision) Etc...

However, the term 'goods' is not defined in the Income-tax Act. The term 'goods' is of wide import. Anything which comes to the market can be treated as goods. However, this term 'Goods' has been defined under the Sale of Goods Act, 1930 and Central Goods and Services Tax Act, 2017.

Therefore, the tax **may require to be deducted under this provision** from the purchase value of the following:

- Movable property;
- Any commodity;
- Shares or Securities; **(no clarification)**
- Electricity; **(no clarification)**
- Software; **(no clarification)**
- Agriculture produce;
- Fuel;
- Motor vehicle;
- Liquor;
- Jewellery or bullion;
- Art or Drawings;
- Sculptures;
- Scraps;
- Forest produce, etc.

However, there is no clarification is provided for applicability TDS on Purchase of Goods on various transactions as listed above (whether to consider as goods). Hence, CBDT may provide such circular/clarification regarding applicability TDS under this section in future.

Point : 5 - Examples of TDS on Purchase of Goods

TDS on Purchase of Goods u/s. 194-Q Vs. TCS on Sales of Goods u/s. 206C(1H)

Second Proviso to Section 206C(1H) provides that if the buyer is liable to deduct tax under any other provision on the goods purchased by him from the seller and has deducted such amount, no tax shall be collected on the same transaction. Section 194Q(5) provides that no tax is required to be deducted by a person under this provision if tax is deductible under any other provision or tax is collectable under section 206C [other than a transaction on which tax is collectable under Section 206C(1H)].

Though Section 206C (1H) excludes a transaction on which tax is actually deducted under any other provision (which will cover Section 194Q as well), but Section 194Q(5) does not create a similar exception for a transaction on which tax is collectible under Section 206C(1H). Thus, **the buyer shall have the primary and foremost obligation to deduct the tax and no tax shall be collected on such transaction under Section 206C(1H).** However, if the buyer makes a default, the liability to collect the tax gets shifted to the seller.

Both these provisions are distinguished in the below table:

Basis of distinction	TDS on purchase of goods [Section 194Q]	TCS on Sale of goods [Section 206C(1H)]
Who is liable for deduction/collection	Buyer is liable to deduct the tax	Seller is liable to collect the tax
Turnover limit of dedicator or collector	The total sales, gross receipts or turnover of the buyer from the business should exceed Rs. 10 crores during the financial year immediately preceding the financial year in which such goods are purchased	The total sales, gross receipts or turnover of the collector from the business should exceed Rs. 10 crores during the financial year immediately preceding the financial year in which such goods are sold
Threshold limit of purchase/sale	If the value of purchase exceeds Rs. 50 lakhs	If the value of sales exceeds Rs. 50 lakhs
Rate	0.1%	0.1%
Amount on which tax to be deducted/collected	On the amount of purchase in excess of Rs. 50 lakhs	On the amount of sale consideration in excess of Rs. 50 lakhs
Time of deduction/collection	At the time of credit or payment, whichever is earlier	At the time of receipt
Preference to be given	Purchaser is first liable to deduct the tax if the transaction could be subject to both provision	Seller shall be liable to collect the tax only if the purchaser is not liable to deduct the tax or purchaser failed to deduct tax

Example - 1

Particulars	Scenario 1	Scenario 2	Scenario 3
Turnover of Seller (In cr.)	12	6	12
Turnover of Buyer (In cr.)	6	12	12
Sale of goods (In cr.)	2	2	2
Sales consideration paid during the year (In cr.)	1	1	1
Who is liable to deduct or collect tax?	Seller	Buyer	Buyer
Rate of Tax	0.1%	0.1%	0.1%
Amount on which tax to be deducted or collected (In Cr.)	0.5	1.5	1.5
Tax to be deducted or collected	5,000	15,000	15,000

Example - 2

Seller Turn-over (In Crore)	Buyer Turn-over (In Crore)	Receipt or Payment for sale or purchase of Goods in previous year (In Lakhs)	Amt. on which tax will be calculated	Seller PAN	Buyer PAN	TDS	TCS	Liabe Person	Section under IT Act	Exclu-sion Section	Reason
9	12	54	4	Available	N/A	Yes @0.1%	N/A	Buyer	194Q	Out of scope of Sec 206C (1H)	Seller Turnover less than 10 Cr.
14	8	57	7	N/A	Available	N/A	Yes @0.1%	Seller	206C(1H)	Out of scope of Sec 194Q	Buyer Turnover less than 10 Cr.
13	14	62	12	Available	Available	Yes @0.1%	N/A	Buyer	194Q	Out of scope of Sec 206C (1H)	Exclusion Provided under Sec 206C(1H)
9	12	54	4	Not Available	N/A	Yes @5%	N/A	Buyer	194Q/ 206AA	Out of scope of Sec 206C (1H)	Seller Turnover less than 10 Cr.
14	8	57	7	N/A	Not Available	N/A	Yes @1%	Seller	206C(1H) / 206AA	Out of scope of Sec 194Q	Buyer Turnover less than 10 Cr.

Example - 3

Details	Amount	Seller turnover	Buyer turnover	Section	Responsibility
Purchase /sales	Above 50 lakh	11Cr	11Cr	194Q	Buyer and if buyer fails then seller has to collect
Purchase /sales	Above 50 lakh	9 Cr	11Cr	194Q	Only Buyer
Purchase /sales	Above 50 lakh	11Cr	9Cr	206C (1H)	Only Seller

TAXABILITY / EXEMPTIONS OF ALLOWANCES RECEIVED UNDER THE HEAD SALARY

Sr. No.	Nature of Allowance	Conditions/Exemption	Remarks
1	House Rent Allowance (Sec. 10(13A) and rule 2A	Deduction shall be least of the following: - Amount equal to 50% (for Bombay, Calcutta, Delhi or Madras) or 40% (in other city) of salary - Actual HRA received - Excess of Rent paid over 10% of Salary	Salary means Basic Salary + DA+ fixed commission
Allowance u/s. 10(14) - Where exemption depends upon Actual Expenditure by the Employee. Exemption will be least of ; - Amount of allowance or - Amount utilized for the specific purpose for which allowance is given.			
1	Travelling/transfer Allowance	Granted to meet the cost of travel on tour or on transfer including sum paid for transfer, packing or transportation	Exemption based on actual cost incurred
2	Conveyance Allowance	Granted to meet expense on conveyance in performance of duties of office (journey between office and residence is not covered as exemption)	Exemption based on actual cost incurred
3	Daily Allowance	Granted on tour or for journey in connection with transfer, to meet daily charges incurred by an employee on account of absence from his normal place of duty.	Exemption based on actual cost incurred
4	Helper Allowance	Granted to meet cost of helper if such helper is engaged for performance of official duties	Exemption based on actual cost incurred
5	Research Allowance	Granted for encouraging the academic research.	Exemption based on actual cost incurred
6	Uniform Allowance	Granted to meet expenditure on purchase or maintenance of uniform for wear in office duties.	Exemption based on actual cost incurred
7	City Compensatory Allowance	Always Taxable	NA
8	Tiffin Allowance	Always Taxable	NA
9	Fixed Medical Allowance	Always Taxable	NA
10	Servant Allowance	Always Taxable	NA

TAXABILITY / EXEMPTIONS OF ALLOWANCES RECEIVED UNDER THE HEAD SALARY (Contd...)

Sr. No.	Nature of Allowance	Conditions/Exemption	Remarks
Allowance does not depend on actual expenditure. Exemption will be least of ; - Amount of allowance or - Amount specified in Rule 2BB			
1	Allowance for transport employees	Granted to employee working in any transport system to meet personal expense during his duty performed in the course of running of transport and such person is not in receipt of daily allowance	70% of allowance or Rs.10,000/month whichever is lower.
2	Children Education Allowance	For children education	Rs.100/month/child up to 2 Children
3	Hostel Expenditure Allowance	For hostel expenditure of child	Rs.300/month/child up to 2 children
4	Transport Allowance	Granted to meet expense for the purpose of commuting between residence and the place of duty. w.e.f. A.Y. 2019-20, exemption of Rs.3200/month is available to employee who is blind or deaf and dumb or orthopedically handicapped only. <u>For other employees no exemption is available from AY 2019-20</u>	Rs. 3,200/- month (Available only to employee who is blind or deaf and dumb)

EMPLOYEE PROVIDENT FUND AND PUBLIC PROVIDENT FUND - TAXABILITY

Sr. No.	Different Transactions	Recognized Provident Fund	Public Provident Fund
1	Employer's Contribution to PF	Not treated as income up to 12% of salary. Excess contribution of 12% of salary is taxable	Not Applicable
2	Deduction u/s. 80C for employee's Contribution	Available (overall limit Rs.150000)	Available (overall limit Rs.150000)
3	Interest Credited to PF	Up to AY 21-22- Not treated as Income From AY 22-23[#] - (See Note)	Exempt from Tax
4	Lump sum payment at the time of retirement or termination of service	See Table Below	Exempt from Tax

Note: From A.Y. 2022-23, as per amended section 10(11) & 10(12), no exemption under the sections would be available for interest income accrued during the previous year in the account of the person to the extent it relates to the contribution made by an employee exceeding INR 2.5 lakh/INR 5.00 Lakh (refer to amendments earlier in this book) in any previous years. This amendment is applicable for contribution made on or after 1st April 2021 and taxability of such interest would be in the prescribed manner.

WITHDRAWAL FROM RECOGNIZED PROVIDENT FUND - TAXABILITY

Withdrawal	Investment Amount		Entire Interest Amount
	Employee's Contribution	Employer's Contribution	
After 5 years of continuous service	Exempt	Exempt	Exempt read with u/s. 10(11)/(12) as amended from A.Y. 22-23
Before 5 years of continuous service	If deduction u/s. 80C availed at the time of investment - Taxable as Income from Salary. Deduction u/s. 80C not availed at the time of investment - Not Taxable	Taxable as 'Income from Salary'	Taxable as 'Income from other sources'

RESTRICTION ON EMPLOYER'S CONTRIBUTION VARIOUS EMPLOYEE RETIREMENT RELATED FUNDS (FROM A.Y. 2021-22)

As per amended section 17(2)(vii) from A.Y. 2021-22, total contribution made by employer to the following retirement funds, in excess of Rs.7,50,000 per year, shall be treated as taxable perquisite in the hands of employee.

- Recognized Provident Fund
- Scheme of NPS
- Any other approved superannuation fund

Further, as per new clause 17(2)(viia) which provides that annual accretion by way of interest, dividend or any other amount during the previous year to the balance at the credit of the fund or scheme referred to above shall be treated as taxable perquisite to the extent it relates to the contribution referred to above (i.e. Rs.7,50,000). Such interest/dividend/other amount shall be included in the total income of the employee in prescribed manner and liable to tax w.e.f. A.Y. 2021-22

WITHDRAWAL OF AMOUNT FROM NPS – TAXABILITY

Sr. No.	Different Situations/Transactions	Taxability (From A.Y. 2020-21)
1	Partial withdrawal from NPS (to the extent it does not exceed 25% of an employee's contribution)	Exempt
2	Amount received by employee/Non-employee on closure of account or opting out of the NPS	60% Exempt
3	Amount received by nominee on the death of assessee	Exempt
4	Pension received out of NPS	Taxable
5	Amount received as per (2), (3) or (4) above is utilized for purchasing annuity plan in same previous year.	Exempt
6	Pension received out of annuity plan purchase as per (5) above	Taxable

IMPORTANT COMPONENTS OF SALARY AND ITS TAXABILITY

(A) LEAVE ENCASHMENT

Nature of Leave encashment	Status of Employee	Taxability
Leave encashment during continuity of employment	Govt./Non-Govt. Employee	Chargeable to tax
Leave encashment at the time of retirement/leaving job	Govt. Employee	Fully exempt from tax u/s. 10(10AA)(i)
Leave encashment at the time of retirement/leaving job	Non-Govt. Employee	Fully or partly exempt from tax in some cases as per section 10(10AA)(ii) as given below
For Non-Govt. Employee leave salary as per 10(10AA)(ii) is exempt on the basis of least of the following : <ul style="list-style-type: none"> - Period of earned leave to the credit of employee at the time of retirement or leaving of job X Average monthly salary - 10 X Average monthly salary - Amount specified by Govt. i.e. Rs.3,00,000 - Actual leave salary received at the time of retirement 		
Avg. monthly salary means average salary drawn during last 10 months immediately preceding retirement		
Earned leave / Leave standing credit to employee at the time of retirement will be : $[(a) \times (b) - (c)] / 30$ <ul style="list-style-type: none"> - Duration of Service in number of years - (a) - Total leave credit by employer as per service rules (not exceeding 30 days/year) (Max. 30 days/year or actual whichever is lower) - (b) - Earned leave actually en-cashed in Service time - (c) 		

(B) GRATUITY

Status of Employee	Taxability
Govt. Employee	Fully Exempt u/s. 10(10)(i)
Non-Govt. Employee covered by Payment of Gratuity Act, 1972	Fully or partly exempt u/s. 10(10)(ii) (See below)
Non-Govt. Employee not covered by Payment of Gratuity Act, 1972	Fully or partly exempt u/s. 10(10)(iii) (See below)
Employee covered by Payment of Gratuity Act, 1972 : Least of following will be exempt : <ul style="list-style-type: none"> - 15 days' salary based on salary last drawn for each year of service (15 days' Salary X length of service) - Rs.20,00,000 - Gratuity Actually received 	
Employee NOT covered by Payment of Gratuity Act, 1972 : Least of following will be exempt: <ul style="list-style-type: none"> - Rs.20,00,000 - Half month's average salary for each completed year of service - Gratuity Actually received 	
15 days' Salary means - Last drawn salary divided by 26 X 15 days	
Average salary means - Last 10 month's avg. salary proceeding the month of retirement.	
Gratuity received while in service is fully taxable for all types of employees	

(C) PENSION

Pension	Status of Employee	Taxability
Uncommuted Pension	Govt./Non-govt. Employee	Chargeable to tax
Commuted Pension	Govt. Employee	Fully exempt from tax u/s. 10(10A)(i)
Commuted Pension	Non-Govt. Employee	Fully or partly exempt from tax as per section 10(10A)(ii) as given below
Status of Employee	Gratuity received / not received	Exemption of commuted pension u/s. 10(10A)
Govt. Employee	Gratuity may / may not be received	Entire commuted pension is exempt from tax u/s. 10(10A)(i)
Non-Govt. Employee	Gratuity is received	One-third of the pension which he is normally entitled to receive is exempt from tax u/s. 10(10A)(ii)
Commuted Pension	Gratuity is not received	One-half of the pension which he is normally entitled to receive is exempt from tax u/s. 10(10A)(ii)

LIST OF EXEMPT INCOME U/S. 10 (IN BRIEF)

Nature of Income	Exemption u/s. 10	Remarks
Agricultural Income	Exempt u/s. 10(1)	Income from land will be treated as agriculture income if following conditions satisfied : • Rent or revenue derived from land • Land should be situated in India • Land is used for agriculture purpose
Share of profit from partnership firm	Exempt u/s. 10(2A)	Share of profit received as a partner from partnership firm on which tax is paid by such firm.
Income from Sukanya Samriddhi Account	Exempt u/s. 10(11A)	Payment from Sukanya Samriddhi Account including interest and withdrawals.
Income of Minor	Exempt u/s. 10(32)	If income of assessee includes income of minor child as per sec.64, then he is entitled to exemption of Rs.1500 for each child and maximum up to income of minor so included in his total income
Income on account of Buy-back of shares (listed or un-listed)	Exempt u/s. 10(34A)	Tax distribution of profit by way of Buy-Back of shares is payable by company.
LTCG on Equity Shares or units covered by STT	Exempt u/s. 112A	LTCG up to Rs.1.00 Lakh only is exempt from tax. LTCG in excess of Rs.1.00 lakh is chargeable to tax.
Interest on PPF	Exempt u/s. 10(11)	Yearly interest credited in PPF Account is exempt from Tax.
Dividend on Shares/Mutual Fund	Exempt u/s. 10(34)/(35) up to F.Y. 2019-20 only	Dividend on Shares/Mutual Fund up to 31st March, 2020 was exempt. From F.Y. 20-21, it is taxable as per slab rates in the hands of shareholder.

LIST OF EXEMPT INCOME U/S. 10 (IN BRIEF) (Contd...)

Amount received on Life insurance policies : Exempt u/s. 10(10)(D) as per below table		
Nature of Policy	Annual Premium payable as a % of actual sum assured	Availability of Exemption
Keyman Insurance Policy	-	No Exemption
Any other policy (received on death of person)	-	Exempted. Nothing is chargeable to tax
Any other policy (When sum received other than death of person)		
• Policy issued before 01-04-2003	-	Exempted. Nothing is chargeable to tax
• Policy issued after 01-04-03 & before 01-04-12	20%	Exempted if annual premium payable is not more than 20% of sum assured.
• Policy issued during 2012-13	10%	Exempted if annual premium payable is not more than 10% of sum assured.
• Policy issued on or after 01-04-13	10%/15%	Exempted if annual premium payable is not more than 10% of sum assured. However, 15% is applicable if policy is taken of life of a person with disability / sever disability as per sec. 80U or suffering from disease as specified in sec. 80DDB
ULIPs issued on or after 1-02-2021	Annual premium under any ULIP or aggregate premium for multiple ULIPs exceeds Rs.2.50 Lakhs	<ul style="list-style-type: none"> • No exemption available for such maturity and the same will be taxable as mutual fund u/s. 112A. • If the amount is received on the death of the person insured, the amount would continue to be exempt from tax.

DEDUCTIONS FROM “INCOME FROM HOUSE PROPERTY”

Description	Nature of Deductions
Municipal Taxes	Municipal taxes including service-taxes levied by any local authority in respect of house property is allowed as deduction, if: a) Taxes are borne by the owner; and b) Taxes are actually paid by him during the year.
Standard Deduction[Section 24(a)]	30% of net annual value of the house property is allowed as deduction if property is let-out during the previous year.
Interest on Borrowed Capital * [Section 24(b)]	a) In respect of let-out property, actual interest incurred on capital borrowed for the purpose of acquisition, construction, repairing, re-construction shall be allowed as deduction
	b) In respect of self-occupied residential house property, interest incurred on capital borrowed for the purpose of acquisition or construction of house property shall be allowed as deduction up to Rs. 2.00 lakhs. The deduction shall be allowed if capital is borrowed on or after 01-04-1999 and acquisition or construction of house property is completed within 5 years. (See below)
	c) In respect of self-occupied residential house property, interest incurred on capital borrowed for the purpose of reconstruction, repairs or renewals of a house property shall be allowed as deduction up to Rs. 30,000.

***Any interest pertaining to the period prior to the year of acquisition/ construction of the house property shall be allowed as deduction in five equal installments, beginning with the year in which the property was acquired/ constructed.**

***Deduction for interest on borrowed capital shall be limited to Rs.30,000 in following circumstances:**

- If capital is borrowed before 01-04-1999 for the purpose of purchase or construction of a house property;
- If capital is borrowed on or after 01-04-1999 for the purpose of re-construction, repairs or renewals of a house property;
- If capital is borrowed on or after 01-04-1999 but construction of house property is not completed within five years from end of the previous year in which capital was borrowed.

Note:

With effect from Assessment Year 2020-21, deduction for interest paid or payable on borrowed capital shall be allowed in respect of **two self-occupied** house properties. However, the aggregate amount of deduction under this provision shall remain same i.e., Rs. 30,000 or Rs. 2,00,000, as the case may be.

COST INFLATION INDEX TABLE FOR CAPITAL GAIN TAXATION

F. Y.	INDEX	F. Y.	INDEX
2001-02	100	2009-10	148
2002-03	105	2010-11	167
2003-04	109	2011-12	184
2004-05	113	2012-13	200
2005-06	117	2013-14	220
2006-07	122	2014-15	240
2007-08	129	2015-16	254
2008-09	137	2016-17	264
2017-18	272	2018-19	280
2019-20	289	2020-21	301

CARRY FORWARD AND SET-OFF OF LOSSES

Sr. No.	Type of Loss	Set off Under/Against*	Carried Forward for
1	House Property	House Property (See Note)	8 Years
2	Speculation	Speculation	4 Years
3	Unabsorbed Depreciation / Cap Exp. on Scientific Research / Family Plan.	Any Income (Other Than Salary)	No Limit
4	Other Business Losses	All heads except "Salaries"	8 Years
5	Short Term Capital Loss	Short Term and Long Term Capital Gains	8 Years
6	Long Term Capital Loss	Long Term Capital Gain	8 Years
7	Owning / Maintaining Horse races	Owning / Maintaining Horse races	4 Years
8	Specified Business u/s. 35AD	Specified Business u/s. 35AD	No Limit

Notes :

- No loss can be set off against winning from lotteries, crossword puzzles, races including horse race, card games and any sort of receipt from gambling or betting of any form or nature.
- For Loss to be carried forward for future periods, Return of loss must be filed in due dates specified under Income Tax Act.
- W.e.f. A. Y. 2018-19, new section 71(3A) provides that set-off of loss under the head "House Property" against any other head of income shall be restricted to Rs.2.00 Lakh only for any assessment year. However, unabsorbed loss shall be allowed to be carried forward for set-off in subsequent years.

TAX AUDIT REQUIREMENTS

Turnover or Gross Receipts	Profit and gains	Existing Tax Audit Applicable?	Proposed Tax Audit Applicable?	
			Cash Receipts / Payments*	
			Up to 5% of total	> 5% of total
Up to 1 crores	< 8% (or 6%)	Yes (44AD)	Yes (44AD)	Yes (44AD)
	8% (or 6%) or more	No	No	No
1 – 2 crores	< 8% (or 6%)	Yes (44AD)	Yes (44AB)	Yes (44AB)
	8% (or 6%) or more	No	No	No
2 – 10 crores (See below [#])	Up to 8% (or 6%)	Yes (44AB)	No	Yes (44AB)
	>8% (or 6%)	Yes (44AB)	No	Yes (44AB)

*Receipts/payments = sales, turnover or gross receipts / expenditure

#Upper Limit of Turnover of Rs.5 Crores is increased to Rs.10 Crores w.e.f. from A.Y. 2021-22.

ADVANCE TAX

Due Date	Corporate & Non-Corporate Assessee	Assessee covered by presumptive Taxation u/s. 44AD or 44ADA
15th June	Up to 15%	---
15th Sep	Up to 45%	---
15th Dec	Up to 75%	---
15th Mar	100%	100%

- 1) Liability of Advance tax arises in every case where advance tax payable is Rs.10,000 or more.
- 2) A senior citizen (i.e. resident individual who is at least 60 years or more) not having any income from Business or Profession, is not liable to pay any advance tax.

PARTNER REMUNERATION

Book Profit	Amount deductible [u/s. 40(b) for Business & Profession]
Loss	Maximum Rs. 1,50,000
Up to Rs. 3,00,000	Rs. 1,50,000 or 90% of book profit, whichever is more
More than Rs. 3,00,000	90% of 3,00,000 and 60% of balance book profit

ALLOWANCE OF STATUTORY LIABILITY - U/S 43B

Section 43B covers following liabilities / payments allowed in return of income only on actual payment basis.

- Any sum payable by way of tax, duty, cess or fee (under any law or Act)
- Any sum payable by an employer as employer's contribution to provident fund, superannuation fund or any other fund for the welfare of employees.
- Amount payable as bonus to employees
- Interest payable to any financial institution/financial corporation/NBFC/ Scheduled Banks/Co-operative Banks etc..
- Amount payable by an employer in lieu of leave at the credit of his employees
- Amount payable to Indian Railway for use of Railway assets

The above expenses are deductible only in the year in which actual payment is made. **However, it is deductible on accrual basis in the year in which the liability is incurred if payment is actually made on or before the due date of filing of return of income.**

DUE DATES CHART

Month	Payment of TDS	Quarterly TDS Return	Payment of TCS	Quarterly TCS Return	Filing of Income Tax Return	Filing of Various Audit Reports	Advance Tax Payment	ESIC Payment	PF Payment
April	30	-	7	-	-	-	-	15	15
May	7	31	7	15	-	-	-	15	15
June	7	-	7	-	-	-	15	15	15
July	7	31	7	15	31	-	-	15	15
August	7	-	7	-	-	-	-	15	15
September	7	-	7	-	-	30*	15	15	15
October	7	31	7	15	31*	31*	-	15	15
November	7	-	7	-	30*	-	-	15	15
December	7	-	7	-	-	-	15	15	15
January	7	31	7	15	-	-	-	15	15
February	7	-	7	-	-	-	-	15	15
March	7	-	7	-	-	-	15	15	15

- For Assessee covered under Transfer Pricing regulations, due date of filling of Income Tax Return is 30th November and due date for filling of Audit Report of Transfer Pricing is 31st October. (From A.Y. 2020-21)
- For Regular assessee covered under Audit, due date of filling of Income Tax Return is 31st October and due date of filling of Audit Report is 30th September. (From A.Y. 2020-21)
- Due to Covid-19 relaxations, Due date of filling of TDS / TCS returns for first two quarters (i.e. Apr-June & Jul-Sep) for F.Y. 2020-21 is extended to 31st March, 2021. This is one time relaxation applicable to F.Y. 2020-21 only and from F.Y. 2021-22 regular due dates shall apply.

SECTION - 139 - DUE DATES FOR INCOME TAX RETURNS

TYPE	DUE DATES
Income Tax Return (w/o Audit)	31 st July
Income Tax Return (with Audit)	31 st October
Audit Report (Not covered in Transfer Pricing)	30 th September
Income Tax Return (Working Partner)	31 st October
Income Tax Return (Non-working Partner)	31 st October
Income Tax Return (Transfer Pricing)	30 th November
Audit Report (Covered in Transfer Pricing)	31 st October

DEDUCTIONS UNDER CHAPTER VI-A AT GLANCE

Section	Particulars	Amount	Persons Covered
80C	LIC / NSC / PPF / ULIP / ELSS MF / Bank FDR (5 Yrs.) / Home Loan Repayment / EPF / School Fees / Sukanya Samriddhi Scheme / tuition fees etc.	Rs. 1,50,000/-	Individual/ HUF
80CCC	Pension Fund		Individual
80CCD	Contribution to Pension Scheme (See Note)		Employed / Self employed
80CCD (1B)	Additional Contribution to Pension Scheme (See Note)	Rs. 50,000/-	Employed / Self employed
80D	Mediclaim Insurance (See Note) (payment mode other than cash)	Rs.25,000/- (Individual & Family Members) & Rs.30,000/- (In case of Sr. Citizen)	Individual / HUF
	Preventive Health Check-up	Rs. 5,000/-	
	Mediclaim Insurance of Parents (See Note) (payment mode other than cash)	Rs.25,000 (Individual & Family Members) & Rs.30,000 (In case of Sr. Citizen)	
	Medical Expenditure on the health of Resident Senior Citizen and Very Senior Citizen, if Mediclaim insurance is not paid for such person	Rs. 50,000/-	Individual
80DD	Medical treatment of dependent who is a person with disability (See Note)	Rs.75,000/-	Individual/HUF
		Rs.1,25,000/-	
80DDB	Medical treatment of Prescribed diseases as per rule 11DD (See Note)	Rs.40,000/-	Individual/HUF
		Rs.1,00,000/- for senior citizens	
80E	Interest on Loan for Higher Education	Interest paid every year for 8 years	Individual
80EEA	Deduction of Interest on Housing Loan (From AY 2020-21)	Rs.1,50,000 (See Note)	Individual
80G	Donation	100% / 50% of donation. Donation in excess of Rs.2000 must be given by any mode other than cash.	All

DEDUCTIONS UNDER CHAPTER VI-A AT GLANCE (Contd...)

Section	Particulars	Amount	Persons Covered
80GG	Payment of House Rent by Self-employed individual or salaried employee who is not in receipt of HRA	Deduction will be least of the following : - Rs.5000 per month or - 25% of total income excluding LTCG/STCG and amounts deductible u/s. 80C to 80U or - Excess of actual rent paid over 10% of total income excluding LTCG/STCG and amounts deductible u/s. 80C to 80U	Individual
80TTA	Interest on Deposits in Savings Account	Rs.10,000	Individual / HUF Other than Senior Citizen/V. Senior Citizen
80TTB	Interest on Savings A/c, Deposits with Banks, Post-offices etc.	Rs.50,000	Senior Citizen & Very Sen. Citizen

Notes:

1) Limits of contribution u/s. 80CCD are :

- ✓ As per Sec. 80CCD (1) - By Employee - 10% of Salary, by an assessee (not being an employee) 20% of GTI. **These both will be counted in overall limit of Rs. 1.50 Lakhs.**
- ✓ Contribution by Employers Sec. 80CCD (2) - Not Exceeding 10% of Salary - **Not to be counted for limit of Rs. 1.50 Lakhs.**
- ✓ **Additional contribution u/s. 80CCD (1B) up to Rs. 50,000 by an individual assessee can be allowed as deduction apart from the contribution given above. - Not to be counted for limit of Rs. 1.50 Lakh.**

2) Overall Maximum deduction u/s 80D can be explained as below :

Sr. No.	Different Situations	Premium Amount Rs.		Max. Ded. u/s. 80D
		Self/Family/Children	Parents	
1	Self, Spouse, Children and Parents Age below 60 years.	25,000	25,000	50,000
2	Self, Spouse, Children below 60 years but Parents above 60 years.	25,000	50,000	75,000
3	Both Family and Parents above 60 years.	50,000	50,000	1,00,000

3) For Deduction u/s. 80DD

- ✓ Applicable to Individual or HUF
- ✓ Taxpayer should have either incurred expenditure for medical treatment of a dependent (being a person with disability) or has deposited under any scheme framed by LIC or other insurer or Administrator or specified company and approved by the board for maintenance of dependent (being a person with disability)
- ✓ Dependent for individual means spouse, children, parents, brothers and sisters of the individual or any of them.
- ✓ In case of HUF, dependent means members of HUF
- ✓ Person who is claiming deduction under this section has not claimed deduction u/s. 80U.
- ✓ Higher deduction of Rs. 1,25,000 shall be allowed in case where dependent is a person with severe disability having any disability of 80% or more.

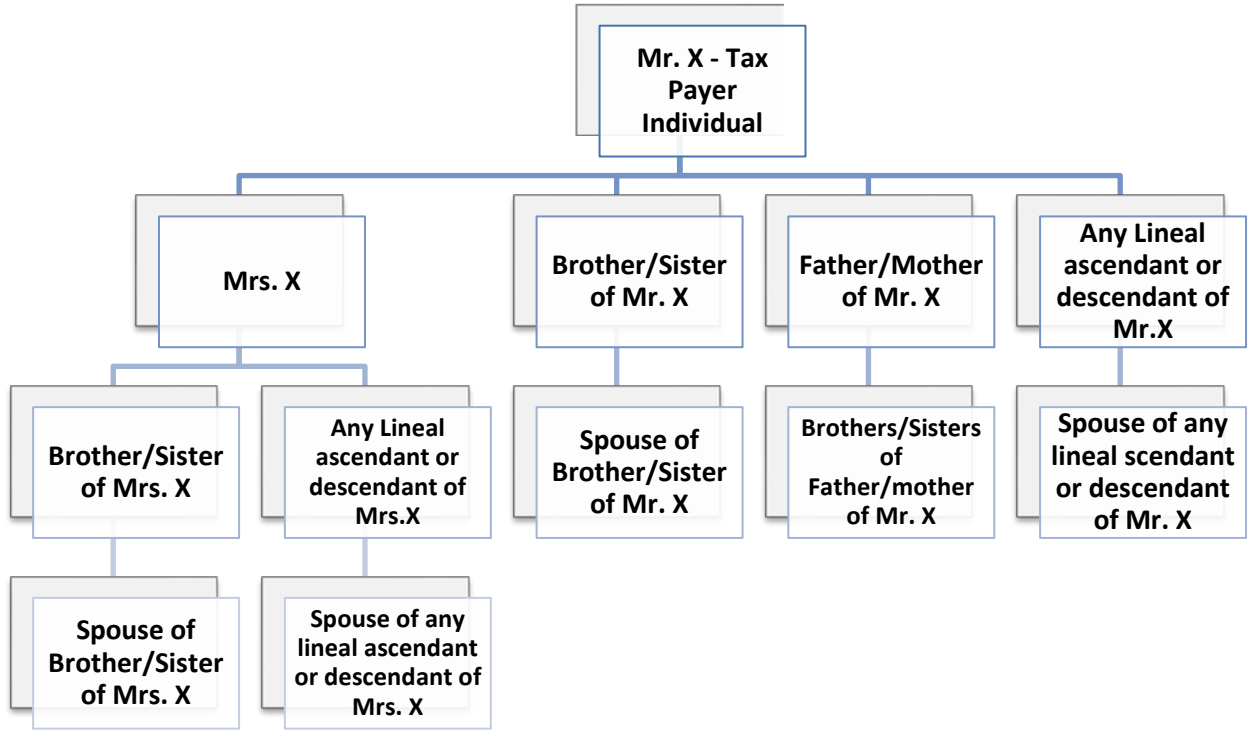
4) For Deduction u/s. 80DDB

- ✓ Applicable to Individual or HUF
- ✓ Taxpayer has actually paid any amount for medical treatment of a specified disease or ailment as prescribed by the Board under **rule 11DD**.
- ✓ The expenditure is actually incurred for medical treatment of assessee himself or wholly/mainly dependent husband/wife, children, parents, brothers and sister of the taxpayer. In case of HUF, the expenditure is actually incurred for the medical treatment of any member of the family who is wholly/mainly dependent upon the family.

5) For deduction u/s. 80EEA

- ✓ Loan should be sanctioned in F.Y.2020-21 only.
- ✓ The Stamp Duty Value of Residential Property should not be more than Rs.45 Lakhs.
- ✓ The assessee should not own any residential property on the date of sanction of loan.
- ✓ If deduction of interest is claimed under this section, then no deduction will be allowed in respect of such interest under section 24(b) or any other provisions of the Act.
- ✓ If the assessee is opting of concessional tax regime u/s. 115BAC, then deduction under this section shall not be available.

CHART OF RELATIVE - SECTION 56 OF INCOME TAX ACT, 1961



નીચેની વ્યક્તિઓ પાસેથી ગિફ્ટ મળે તો કરમુક્ત	નીચેની વ્યક્તિઓ પાસેથી ગિફ્ટ મળે તો કરપાત્ર
લગ્નસાથી (પતિ/પત્નિ)	બાજુમાં દર્શાવેલ વ્યક્તિઓ સીવાયની કોઈપણ ત્રાહિત વ્યક્તિ
માતા-પિતા, દાદા-દાદી, નાના-નાની, પરદાદા-પરદાદી, પરનાના-પરનાની	કોઈપણ સગા ના HUF
પુત્ર-પુત્રવધુ, પુત્રી-જમાઈ, પૌત્ર-પૌત્રવધુ, પરપૌત્ર-પરપૌત્રવધુ	કાકાજી - કાકીજી
સાળી-સાઢુ, સાળા-સાળાવેલી	ફોઈજી-કુવાજી
સાસુ-સસરા, વડસાસુ-વડસસરા	મામાજી-મામીજી
નણંદ-નણદોઈ, જેઠ-જેઠાણી, દિયર-દેરાણી	માસાજી-માસીજી
કાકા-કાકી, મામા-મામી, માસા-માસી, ફોઈ-કુઆ	
ભાઈ-ભાભી, બહેન-બનેવી	

DEPRECIATION RATE CHART: AS PER INCOME TAX ACT, 1961

Block	Nature of Asset	Rate of Depreciation
Block-1	Building	
	Residential building other than hotels and boarding houses	5
Block-2	Office, factory, godowns or building - not mainly residential purpose	10
Block-3	Temporary erections such as wooden structures	40
Block-4	Furniture	
	Furniture - Any furniture / fittings including electrical fittings	10
Block-5	Plant and Machinery	
	Any plant or machinery (not covered by block 6,7,8,9,10,11 or 12) and motors cars (other than those used in a business of running them on hire) acquired or put to use on or after April 1, 1990	15
	Motorcars, other than those used in a business of running them on hire, acquired on or after the 23rd August, 2019 but before the 1st April, 2020 and are put to use before the 1st April, 2020.	30
Block-6	Ocean-going ships, vessels ordinary operating on inland waters including speed boats	20
Block-7	Buses, lorries and taxies used in business of running them on hire, machinery used in semi-conductor industry, Moulds used in rubber and plastic goods factories	30
	Motor buses, motor lorries and motor taxies used in a business of running them on hire, acquired on or after the 23rd August, 2019 but before the 1st April, 2020 and is put to use before 1st April, 2020.	45
Block-8	Aero planes, life saving medical equipment	40
Block-9	Containers made of glass or plastic used as refills, new commercial vehicle which is acquired during Jan 1, 2009 and Sept 30, 2009 and is put to use before Oct 1, 2009 for the purpose of business / profession.	40
Block-10	Computers including computer software, Books (other than annual publication) owned by a professional; Gas Cylinders, plants used in mineral oil concerns, fire glass melting furnaces	40
Block-11	Energy saving devices; renewal energy devices; rollers in flour mills, sugar works and steel industry; electrical equipment; burners; cogeneration systems	40
Block-12	Air pollution control equipment; water pollution control equipment; solid waste control equipment, recycling and resource recovery systems; Books (being annual publications) owned by assesses carrying on a profession or books (may or may not be annual publications) carrying on business in running lending libraries; Cinematograph films, plants used in mines and quarries, wooden Match frames.	40
Block-13	Intangible Assets (No Depreciation shall be allowed on Goodwill from A.Y. 2021-22)	
	Intangible assets (acquired after march 31, 1998) - Know-how, patents, copyrights, trademarks, licenses, franchises and any other business or commercial rights of similar nature	25

DEPRECIATION RATE CHART: AS PER COMPANIES ACT, 2013

Nature of Assets	Useful Life	Rate (SLM)	Rate (SLM)
i. Buildings [NESD]			
(a) Building (other than factory buildings) RCC Frame Structure	60 Years	1.58%	4.87%
(b) Building (other than factory buildings) other than RCC Frame Structure	30 Years	3.17%	9.50%
(c) Factory buildings	30 Years	3.17%	9.50%
(d) Fences, wells, tube wells	05 Years	19.00%	45.07%
(e) Other (including temporary structure, etc.)	03 Years	31.67%	63.16%
ii. Bridges, culverts, bunkers, etc. [NESD]			
iii. Roads [NESD]			
(a) Carpeted Roads			
i. Carpeted Roads - RCC	10 Years	9.50%	25.89%
ii. Carpeted Roads - other than RCC	05 Years	19.00%	45.07%
(b) Non-carpeted roads	03 Years	31.67%	63.16%
iv. Plant and Machinery			
(a) General rate applicable to Plant and Machinery not covered under Special Plant and Machinery			
i. Plant and Machinery other than continuous process plant not covered under specific.	15 Years	6.33%	18.10%
ii. Continuous process plant for which no special rate has been prescribed under (ii) below.	08 Years	11.88%	31.23%
(b) Special Plant and Machinery			
i. Plant and Machinery related to production and exhibition of Motion Picture Films			
1. Cinematograph films - Machinery used in the production & exhibition of cinematograph films, recording & reproducing equipment's, developing machines, printing machines, editing machines, synchronizers & studio lights	13 Years	7.31%	20.58%
2. Projecting equipment for exhibition of films	13 Years	7.31%	20.58%
ii. Plant and Machinery used in glass			
1. Plant and Machinery except direct fire glass melting furnaces - Recuperative and regenerative glass melting furnaces	13 Years	7.31%	20.58%
2. Plant and Machinery except direct fire glass melting furnaces - Moulds [NESD]	08 Years	11.88%	31.23%
3. Float Glass Melting Furnaces [NESD]	10 Years	9.50%	25.89%
iii. Plant and Machinery used in mines and quarries Portable underground machinery and earth moving machinery used in open cast mining	08 Years	11.88%	31.23%
iv. Plant and Machinery used in Telecommunications [NESD]			
1. Towers	18 Years	5.28%	15.33%
2. Telecom transceivers, switching centers, transmission and other network equipment	13 Years	7.31%	20.58%
3. Telecom - Ducts, Cables and optical fiber	18 Years	5.28%	15.33%
4. Satellites	18 Years	5.28%	15.33%

DEPRECIATION RATE CHART: AS PER COMPANIES ACT, 2013 (Contd...)

Nature of Assets	Useful Life	Rate (SLM)	Rate (SLM)
v. Plant and Machinery used in exploration, production and refining oil and gas [NESD]			
1. Refineries	25 Years	3.80%	11.29%
2. Oil and gas assets (Including wells), processing plant and facilities	25 Years	3.80%	11.29%
3. Petrochemical Plant	25 Years	3.80%	11.29%
4. Storage tanks and related equipment	25 Years	3.80%	11.29%
5. Pipelines	25 Years	3.80%	11.29%
6. Drilling Rig	25 Years	3.80%	11.29%
7. Field operations (above ground) Portable boilers, drilling tools, well-head tanks, etc.	08 Years	11.88%	31.23%
8. Loggers	08 Years	11.88%	31.23%
vi. Plant and Machinery used in generation, transmission and distribution of power [NESD]			
1. Thermal / Gas / Combined Cycle Power Generation Plant	40 Years	2.38%	7.22%
2. Hydro Power Generation Plant	40 Years	2.38%	7.22%
3. Nuclear Power Generation Plant	40 Years	2.38%	7.22%
4. Transmission lines, cables and other network assets	40 Years	2.38%	7.22%
5. Wind Power Generation Plant	22 Years	4.32%	12.73%
6. Electric Distribution Plant	35 Years	2.71%	8.20%
7. Gas Storage and Distribution Plant	30 Years	3.17%	9.50%
8. Water Distribution Plant including pipelines	30 Years	3.17%	9.50%
vii. Plant and Machinery used in manufacture of			
1. Sinter Plant	20 Years	4.75%	13.91%
2. Blast Furnace	20 Years	4.75%	13.91%
3. Coke Ovens	20 Years	4.75%	13.91%
4. Rolling mill in steel plant	20 Years	4.75%	13.91%
5. Basic Oxygen Furnace Converter	25 Years	3.80%	11.29%
viii. Plant and Machinery used in manufacture of non ferrous metals			
1. Metal pot line [NESD]	40 Years	2.38%	7.22%
2. Bauxite crushing and grinding section	40 Years	2.38%	7.22%
3. Digester Section [NESD]	40 Years	2.38%	7.22%
4. Turbine [NESD]	40 Years	2.38%	7.22%
5. Equipment's for Calcinations [NESD]	40 Years	2.38%	7.22%
6. Copper Smelter [NESD]	40 Years	2.38%	7.22%
7. Roll Grinder	40 Years	2.38%	7.22%
8. Soaking Pit	30 Years	3.17%	9.50%
9. Annealing Furnace	30 Years	3.17%	9.50%
10. Rolling Mills	30 Years	3.17%	9.50%
11. Equipment's for Scalping, Slitting, etc. [NESD]	30 Years	3.17%	9.50%
12. Surface Miner, Ripper Dozer, etc. used in mines	25 Years	3.80%	11.29%
13. Copper refining plant [NESD]	25 Years	3.80%	11.29%

**DEPRECIATION RATE CHART: AS PER COMPANIES ACT, 2013
(Contd...)**

Nature of Assets	Useful Life	Rate (SLM)	Rate (SLM)
ix. Plant and Machinery used in medical and surgical operations [NESD]			
1. Electrical Machinery, X-ray and electrotherapeutic apparatus and accessories thereto, medical, diagnostic equipment's, namely, Cat-scan, Ultrasound Machines, ECG Monitors, etc.	13 Years	7.31%	20.28%
2. Other Equipment's	15 Years	6.33%	18.10%
x. Plant and Machinery used in manufacture of pharmaceuticals and chemicals [NESD]			
1. Reactors	20 Years	4.75%	13.91%
2. Distillation Columns	20 Years	4.75%	13.91%
3. Drying	20 Years	4.75%	13.91%
4. Vessel / Storage tanks	20 Years	4.75%	13.91%
xi. Plant and Machinery used in civil construction			
1. Concreting, Crushing, Piling Equipment's and Road Making Equipment's	12 Years	7.92%	22.09%
2. Heavy Lift Equipment's -			
• Cranes with capacity more than 100 tons	20 Years	4.75%	13.91%
• Cranes with capacity less than 100 tons	15 Years	6.33%	18.10%
3. Transmission line, Tunneling Equipment's [NESD]	10 Years	9.50%	25.89%
4. Earth-moving equipment's	09 Years	10.56%	28.31%
5. Others including Material Handling/Pipeline/Welding Equipment's [NESD]	12 Years	7.92%	22.09%
xii. Plant and Machinery used in salt works [NESD]	15 Years	6.33%	18.10%
v. Furniture and fittings [NESD]			
(a) General furniture and fittings	10 Years	9.50%	25.89%
(b) Furniture and fittings used in hotels, restaurants and boarding houses, schools, colleges and other education institutions, libraries, welfare centers, meeting halls, cinema houses, theatres and circuses and furniture and fittings let out on hire for used on occasion of marriages and similar functions	08 Years	11.88%	31.23%
vi. Motor Vehicles [NESD]			
(a) Motor cycles, scooters and other mopeds	10 Years	9.50%	25.89%
(b) Motor buses, motor lorries, motor cars and motor taxies used in a business of running them on hire	06 Years	15.83%	39.30
(c) Motor buses, motor lorries, motor cars and motor taxies other than those used in a business of running them on	08 Years	11.88%	31.23%
(d) Motor tractors, harvesting combines and heavy vehicles	08 Years	11.88%	31.23%
(e) Electrically operated vehicles including battery powered or fuel cell powered vehicles	08 Years	11.88%	31.23%

**DEPRECIATION RATE CHART: AS PER COMPANIES ACT, 2013
(Contd...)**

Nature of Assets	Useful Life	Rate (SLM)	Rate (SLM)
vii. Ships [NESD]			
(a) Ocean-going ships			
i. Bulk Carriers and liner vessels	25 Years	3.80%	11.29%
ii. Crude	20 Years	4.75%	13.91%
iii. Chemicals and Acid Carriers			
1. With Stainless steel tanks	25 Years	3.80%	11.29%
2. With other tanks	20 Years	4.75%	13.91%
iv. Liquefied gas carriers	30 Years	3.17%	9.50%
v. Conventional large passenger vessels which are used for cruise purpose also	30 Years	3.17%	9.50%
vi. Coastal service ships of all categories	30 Years	3.17%	9.50%
vii. Offshore supply and support vessels	20 Years	4.75%	13.91%
viii. Catamarans and other high speed passenger for ships or boats	20 Years	4.75%	13.91%
ix. Drill ships	25 Years	3.80%	11.29%
x. Hovercrafts	15 Years	6.33%	18.10%
xi. Fishing vessels with wooden hull	10 Years	9.50%	25.89%
xii. Dredgers, tugs, barges, survey launches and other	14 Years	6.79%	19.26%
xiii. similar ships used mainly for dredging	14 Years	6.79%	19.26%
(b) Vessels ordinarily operating on inland waters			
i. Speed boats	13 Years	7.31%	20.58%
ii. Other vessels	28 Years	3.39%	10.15%
viii. Aircrafts or Helicopters [NESD]	20 Years	4.75%	13.91%
ix. Railway siding, locomotives, rolling stocks, tramways and railway used by concerns, excluding railway	15 Years	6.33%	18.10%
x. Ropeway structures [NESD]	15 Years	6.33%	18.10%
xi. Office equipment's [NESD]	05 Years	19.00%	45.07%
xii. Computers and data processing units [NESD]			
(a) Servers and networks	06 Years	15.83%	39.30%
(b) End user devices, such as, desktops, laptops, etc.	03 Years	31.67%	63.16%
xiii. Laboratory equipment [NESD]			
(a) General laboratory equipment	10 Years	9.50%	25.89%
(b) Laboratory equipment's used in education institutions	05 Years	19.00%	45.07%
xiv. Electrical Installations and Equipment [NESD]	10 Years	9.50%	25.89%
xv. Hydraulic woks, pipelines and sluices [NESD]	15 Years	6.33%	18.10%

INTEREST RATES UNDER INCOME TAX ACT

Description	Sec.	Period	Rate (per month or part of it)
A. Income Tax Return			
Delay in submission	234A	From Due Date to Date of submission of return	1%
Non-submission	234A	From Due Date to Date of completion of assessment u/s. 144/147	1%
B. Advance Tax			
Failure to pay 90% of assessment tax	234B	From 1st April of A.Y. to completion of assessment	1%
Deferring Advance tax	234C	From Due Date to Due date of next installment	1%
C. TDS			
Failure to deduct	201(1A)	From required date for deduction to actual date of deduction	1%
Failure to deposit in time	201(1A)	From actual date of deduction to actual date of deposit	1.5%
D. TCS			
Failure to collect tax	206C(7)	From required date for collection to the actual date of collection	1%
E. Late Filing Fees			
Delay in Furnishing of Return	234F	Return filed After due date but before 31st Dec. Other cases	Rs. 5,000/- Rs.10,000/-
		Note : In case Total Income does not exceed Rs. 5 Lakhs. amount of late fees not exceeding Rs. 1,000/-	

PENALTIES (IN BRIEF) UNDER INCOME TAX ACT

NATURE OF DEFAULT	MINIMUM PENALTY	MAX. PENALTY
Failure to pay whole or any part of income tax or interest or both.	Such amount as the assessing officer may impose.	Tax in arrears.
Penalty for under reporting and misreporting of income.	50% of tax payable on under reported income and 200% in case of misreporting of income.	
Non-compliance with notice u/s. 142(1), 143(2), 115WD (2), 115WE (2) or non-compliance with directions issued u/s. 142(2A) as required by assessing officer.	Rs. 10000* of each failure	Rs. 10000** for each failure
Failure to keep or maintain books of account documents etc. as required under section 44AA.	Rs. 25000	Rs. 25000
Failure to get accounts audited under section 44AB or furnish said report as required under section 44AB	0.5% of total sales turnover or gross receipts	Rs. 100000 (Rs. 150000 with effect from 01/04/2011)
Penalty for failure to collect TCS	Amt. of tax which a person has failed to collect.	
Taking or accepting any loan or deposit or specified sum (See note 1) in contravention of provision of section 269SS	Amount of loan/deposit so taken or accepted.	
Receiving an amount or Rs 2 lakh or more otherwise than by an account payee cheque/draft/use of electronic clearing system through a bank account in contravention of provision of section 269ST.	100% of the amount of such receipt.	
Repaying any loan or deposit or (w.e.f 01/06/2015) specified advance (See note 1) referred to in section 269T otherwise than in accordance with the provision of section 269T.	Amount of deposit so repaid	
Failure to furnish annual information return (or statement of financial transaction or reportable account) under section 285BA(1)	Rs 100(Rs 500 with effect from 01/04/2018) for each day default.	
Failure to furnish annual information return within period specified in notice under section 285BA(5) (Applicable from 01/04/2014)	Rs 500 (Rs 1000 with effect from 01/04/2018) for each day of default commencing from the day immediately following the day on which the time specified in notice for furnishing the return expires.	
Failure to submit (or furnishing incorrect statements in) quarterly TDS/TCS returns (applicable from 01/07/2012)	Rs 10,000	Rs. 1,00,000
False Invoice/Entries, bogus entries, missing entries in books of accounts under section 271AAD	100% of Amount of Invoices/Entry	

RESTRICTION ON CASH TRANSACTIONS

NATURE OF EXPENDITURE	I.T. SECTION	CEILING LIMIT	IN CASE OF VIOLATION
CAPITAL - Payment for Fixed Assets Purchase	43	Rs. 10,000/- per day per asset	The expenditure shall not be included in the cost of asset. No Depreciation benefit.
Payment of Expenses on Specified Business	35AD	Rs. 10,000/- per day per person	No deduction shall be allowed in respect of such expenditure.
Payment of Business Expenses	40A(3)	Rs. 10,000/- per day per person	No deduction shall be allowed in respect of such expenditure.
Payment made for plying, hiring or leasing goods carriages	Second Proviso to 40A (3A)	Rs. 35,000/- per day to a person (Provided transporter has PAN)	No deduction shall be allowed in respect of such expenditure.
Any Payment received:- (a) in aggregate from a person in a day; (b) in respect of a single transaction; or (c) in respect of transactions relating to one event or occasion from a person	269ST	Rs. 2,00,000/-	Penalty u/s. 271DA equal to the amount of such payment received by a person.
Payment of Donation u/s. 80G to a registered trust or institution	80G	Rs.2,000/-	Donation in excess of Rs. 2000 by cash to any registered trust shall not be allowed as deduction u/s. 80G

FOR DAILY BUSINESS TRANSACTIONS COMPLIANCE/CONSEQUENCE SNAPSHOT

Sr. No.	Nature of Transactions or events	Compliance/dis-allowance/possible effect/penalty etc. as per Law
1	If any depreciable asset is sold	No depreciation will be allowed in Income Tax in the year of sale
2	If Provident fund/ESI for any month is not paid in due date i.e. 15 th of Next Month	Employee's Share will be considered as deemed income of the unit
3	Any type of Penalty, personal expenditure, Capital Expenditure Any type of Prior Period related Expenditure	Dis-allowed in Income Tax
4	Pay all statutory liabilities like PF/ESI/GST/PT/Bonus/Bank Interest o/s as on 31 st March before due date of return of income	Non-payment will be considered as income of the unit
5	Transactions in Un-secured loans should be by way of banking channels only (Section 269SS/269T)	Transactions in cash will attract penalty
6	Transactions in cash between two parties during any financial year in excess of Rs. 2 Lakhs	Will attract Penalty of 100% of the amount
7	Donations u/s. 80G in excess of Rs. 2000 must be by banking channels	80G Donations in excess of Rs. 2000 in Cash will not be allowed as deductions
8	Non-Deductions/Short-Deduction of TDS on various payments u/s. 192B, 194C, 194A, 194J, 194H, 194I etc.	Relevant Expenditure will be dis-allowed Unit will be considered as assessee in default for non compliance of TDS and will have to pay penalty
9	Non-Filing of TDS/TCS Return in due date	Unit will be liable for penalty of Rs. 200/day
10	Expenditure/Payment more than Rs. 10,000 to a person in a day	Expenditure will be dis-allowed
11	Payment of more than Rs. 10,000 for purchase of any asset in cash	Such portion of cost of asset will not be eligible for depreciation
12	If unit has Direct Export Sales	Don't forget to book export incentives such as duty drawback, export licenses as income on accrual basis
13	Purchasing of Immovable properties in excess of Rs. 50 Lakhs (other than Agricultural land)	Deduct 1% TDS (See TDS Chart)
14	Payment to transporters / Freight Expense	Unit must have copy of Transporter declaration for non-deduction of TDS
15	In case of company, please note that none of shareholders holding 10% or more should have debit balance in company accounts	Will be considered as Deemed Dividend
16	If unit is selling manufactured Waste or Scrap	Unit must collect 1% TCS (if declaration by buyer for home consumption is not submitted)
17	If unit is receiving form no. 15G/15H or other form for lower/nil deduction of TDS	The details of such forms/declarations must be filled online with department in TDS Return otherwise the same are not valid
18	If any individual is paying Mediclaim	It must be paid by banking channel to avail deduction

FOR DAILY BUSINESS TRANSACTIONS COMPLIANCE/CONSEQUENCE SNAPSHOT (Contd...)

Sr. No.	Nature of Transactions or events	Compliance/dis-allowance/possible effect/penalty etc. as per Law
19	In case of any un-listed company / Private limited company	Do not transfer shares between shareholders... Do not issue new shares at premium... Without making valuation as per prescribed methods given in Income Tax Laws
20	In case of any un-listed company / Private limited company	Do not accept un-secured loans from persons other than members, directors and relative of directors
21	If you are an Individual/HUF (not liable for Audit) and making payment by way of contract labor work, Rent, commission for personal purpose	You might be liable for deduction of TDS as per the new provisions of TDS (REFER TDS CHARTS)
22	If Unit has GST TDS/GST TCS receivable from supplier invoices	Don't take direct ITC of that portion in GSTR-3B It must be separately claimed in portal in Cash ledger by way of filling separate return
23	Expenditure related to acquisition / construction of Fixed Assets	Asset related expense like freight / transit insurance / installation / loading-unloading / consultancy or any other asset related expense at the time of construction / purchase must be capitalized and not claimed as expense
24	Interest on Term Loan for Purchase/Construction of Asset	Term loan interest for Purchase / Construction of Asset, for the portion before put to use of asset is capitalized in cost of asset and not debited as expenditure
25	If unit has TDS/TCS Receivable as per income tax	Income with respect to TDS/TCS as per 26AS must be matched with books of accounts
26	Unit having transactions in Foreign Currency (Export/Import/Foreign Travelling / Other Expense)	Unit must maintain detailed records of Foreign exchange earnings and outgo for reporting and disclosure in Audit Report under various laws
27	As per Finance Bill, 2020 If any false entry, bogus invoices or bogus entry is found in books of accounts (whether in GST or Income Tax)	Penalty equal to 100% of transaction amount will be levied in Income Tax
28	If unit is a hospital/Doctor/Medical Professionals	Unit must maintain Form 3C Registers on daily basis showing patient records, charges and other details as per income tax law
29	If unit is making payment outside India	Always check whether Form 15CA/15CB is required?

FOR DAILY BUSINESS TRANSACTIONS COMPLIANCE/CONSEQUENCE SNAPSHOT (Contd...)

Sr. No.	Nature of Transactions or events	Compliance/dis-allowance/possible effect/penalty etc. as per Law
30	If unit is claiming bad debts in books of account	Keep proper documents of communication/recovery and PAN Card of debtors (in case of amount is more than Rs.1.00 Lakh) to claim Bad Debt expense
31	If unit is paying interest on loan to any private finance co/NBFC which is not a scheduled bank	Unit must deduct TDS u/s. 194A on Interest paid
32	If unit has purchased any asset from outside India	Foreign currency gain/loss on account of payment for such imported asset will be adjusted in cost of asset and no allowable as expense
33	Transactions in Securities in Intra day trading	Will be considered as Speculation Gain/Loss in Income Tax
34	If assessee has transactions/investment in Shares/Securities/Mutual Funds	Always check and cross tally shares / securities / mutual funds as on 31 st March with relevant demat holding or statements
35	If assessee is dealing in securities by way of trading in shares by delivery/F&O/Intra-day	<p>Always check Turnover as per definition given in section 44AB. You might be liable for compulsory Tax Audit. Turnover in securities will counted as follows:</p> <ul style="list-style-type: none"> - Delivery based transaction - Sale figure - F&O - Sum of daily Profit & Loss / Positive & Negative - Intra-Day - Diff. net off bill generated <p>Based on above, if T/O exceeds limits given in 44AB, then books of accounts must be audited.</p>
36	If the unit is not required to register and do not have GST number because of providing exempt supply of goods or service	<p>Check whether unit has received any supply which liable for GST Liability under reverse charge mechanism (RCM)?</p> <p>If yes, then the unit must apply of GST registration and discharge GST RCM Liability even if its main business of supply of goods or services is exempt.</p>

ખેડુતો પાસેથી ખેત પેદાશો ની ખરીદી કરતી વખતે ધ્યાન માં લેવાના મુદ્દા અને જરૂરી આધાર પુરાવા

A. ખેત પેદાશો ની ચેક થી ખરીદી

A/C. PAYEE ચેક થી કરેલ ખરીદી માટે કોઈ નાણાકીય મર્યાદા નથી.

1) URD ખરીદી વાઉચર/બીલ કે જેમાં નીચે ની વિગતો નો સમાવેશ કરવો.

- ✓ ખેડુત નું પુરૂ નામ
- ✓ ગામ, તાલુકો તથા જિલ્લા નું નામ
- ✓ માલ ની વિગત
- ✓ વજન
- ✓ કિંમત
- ✓ ટ્રાન્સપોર્ટ ખર્ચ ની વિગત (ખરીદી ટ્રાન્સપોર્ટ ખર્ચ સાથે છે કે ટ્રાન્સપોર્ટ ખર્ચ વગર)

2) વાઉચર માં ખેડુત ની અચૂક સહી લેવી.

3) ખેડુત નાં PAN CARD ની COPY અને PAN CARD ઉપરાંત નીચેનાં માંથી કોઈપણ એક ID PROOF સરનામાં સાથે લેવું.

- ✓ આધાર કાર્ડ
- ✓ ચુંટણી કાર્ડ
- ✓ ડ્રાઇવિંગ લાઇસન્સ

4) જો PAN CARD ન ધરાવતા હોય તો તેવા CASE માં ઉપર નાં માંથી કોઈપણ એક ID PROOF સરનામાં સાથે લેવું ફરજિયાત છે.

5) ૭/૧૨/૮-અ નો ચાલુ વર્ષ નો ઉતારો લેવો હિતાવહ છે, કે જેમાં પાક ઉત્પાદન ની વિગત લખેલી હોવી ફરજિયાત છે.

B. ખેત પેદાશો ની રોકડ થી ખરીદી

1) રોકડ ખરીદી નાં કેસ માં, ૦૧.૦૪.૨૦૧૭ થી કોઈપણ એક વ્યક્તિ (ખેડુત) સાથે વર્ષ દરમિયાન, કે એક વ્યવહાર માં કે ટુકડે-ટુકડે રૂપિયા ૨.૦૦ લાખ થી વધુ નો કોઈપણ જાતનો નાણાકીય વ્યવહાર થઈ શકે નહિ. મતલબ કે એક ખેડુત પાસેથી વર્ષ દરમિયાન રૂપિયા ૨.૦૦ લાખ થી વધુ ની કુલ રોકડ ખરીદી થઈ શકે નહીં.

2) URD ખરીદી વાઉચર/બીલ કે જેમાં નીચે ની વિગતો નો સમાવેશ કરવો.

- ✓ ખેડુત નું પુરું નામ
- ✓ ગામ, તાલુકો તથા જિલ્લા નું નામ
- ✓ માલ ની વિગત
- ✓ વજન
- ✓ કિંમત
- ✓ ટ્રાન્સપોર્ટ ખર્ચ ની વિગત (ખરીદી ટ્રાન્સપોર્ટ ખર્ચ સાથે છે કે ટ્રાન્સપોર્ટ ખર્ચ વગર)

3) વાઉચર માં ખેડુત ની અચુક સહી લેવી.

4) ખેડુત નાં PAN CARD ની COPY અને PAN CARD ઉપરાંત નીચેનાં માંથી કોઈપણ એક ID PROOF સરનામાં સાથે લેવું.

- ✓ આધાર કાર્ડ
- ✓ ચુંટણી કાર્ડ
- ✓ ડ્રાઇવિંગ લાઇસન્સ

5) જો PAN CARD ન ધરાવતા હોય તો તેવા CASE માં ઉપર નાં માંથી કોઈપણ એક ID PROOF સરનામાં સાથે લેવું ફરજિયાત છે.

૭/૧૨/૮-અ નો ચાલુ વર્ષ નો ઉતારો અચુક લેવો કે જેમાં પાક ઉત્પાદન ની વિગત લખેલી હોવી ફરજિયાત છે.

COMPARATIVE TAX CHART IN OLD & NEW TAX REGIME AT VARIOUS INCOME & DEDUCTION LEVEL

Total Income of the assessee before availing deductions/ exemptions	Tax liability under the tax rates specified in First Schedule to the Finance Bill, 2020 (with benefit of deductions and exemptions)		Tax liability under the proposed new section 115BAC of the Act (without benefit of deductions and exemptions)	Savings under new regime
	Taxable Income	Total Tax	Total Tax (on total income)	
A	B = A - deduction amount	C = Tax on B	D = Tax on A	E = C - D
i. Case where deduction or exemption to the tune of Rs. 50,000 is being availed.				
5,00,000	4,50,000			
6,00,000	5,50,000	23,400	23,400	-
9,00,000	8,50,000	85,800	6,2,400	23,400
13,00,000	12,50,000	1,95,000	1,43,000	52,000
15,00,000	14,50,000	2,57,400	1,95,000	62,400
17,00,000	16,50,000	3,19,800	2,57,400	62,400
ii. Case where deduction or exemption to the tune of Rs. 1,00,000 is being availed.				
5,00,000	4,00,000	-	-	-
6,00,000	5,00,000	-	10,400	(10,400)
6,50,000	5,50,000	23,400	28,600	(5,200)
7,00,000	6,00,000	33,800	33,800	-
9,00,000	8,00,000	75,400	62,400	13,000
13,00,000	12,00,000	1,79,400	1,43,000	36,400
15,00,000	14,00,000	2,41,800	1,95,000	46,800
17,00,000	16,00,000	3,04,200	2,57,400	46,800
iii. Case where deduction or exemption to the tune of Rs. 1,50,000 is being availed.				
5,00,000	3,50,000	-	-	-
6,00,000	4,50,000	10,400	(10,400)	-
8,50,000	7,00,000	54,600	54,600	-
9,00,000	7,50,000	65,000	62,400	2,600
13,00,000	11,50,000	1,63,800	1,43,000	20,800
15,00,000	13,50,000	2,26,200	1,95,000	31,200
17,00,000	15,50,000	2,88,600	2,57,400	31,200

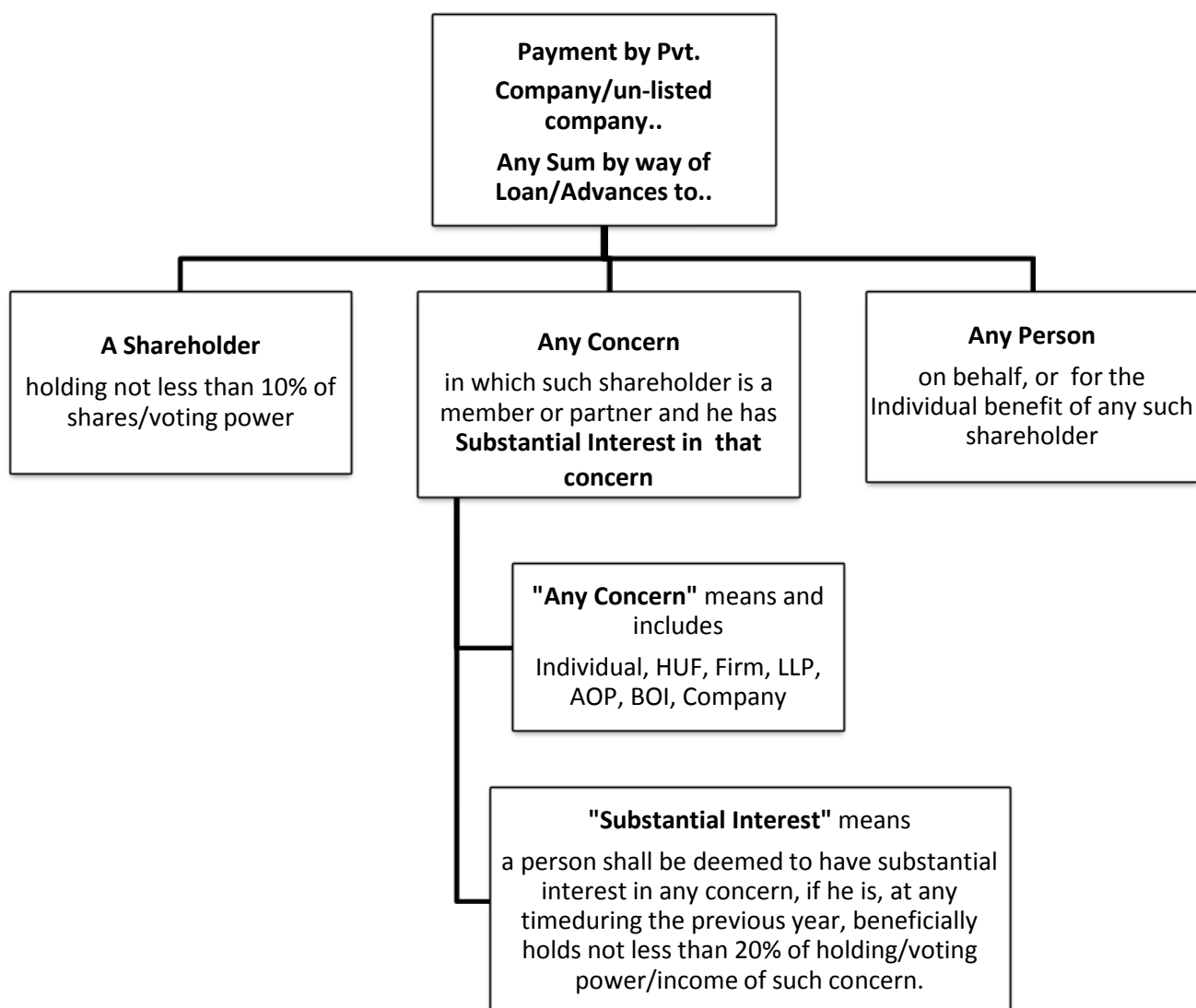
COMPARATIVE TAX CHART IN OLD & NEW TAX REGIME AT VARIOUS INCOME & DEDUCTION LEVEL (Contd...)

Total Income of the assessee before availing deductions/exemptions	Tax liability under the tax rates specified in First Schedule to the Finance Bill, 2020 (with benefit of deductions and exemptions)		Tax liability under the proposed new section 115BAC of the Act (without benefit of deductions and exemptions)	Savings under new regime
	Taxable Income	Total Tax	Total Tax (on total income)	
A	B = A - deduction amount	C = Tax on B	D = Tax on A	E = C - D
iv. Case where deduction or exemption to the tune of Rs. 2,00,000 is being availed.				
5,00,000	3,00,000	-	-	-
6,00,000	4,00,000	-	10,400	(10,400)
9,00,000	7,00,000	54,600	62,400	(7,800)
12,25,000	10,25,000	1,24,800	1,24,800	-
13,00,000	11,00,000	1,48,200	1,43,000	5,200
15,00,000	13,00,000	2,10,600	1,95,000	15,600
17,00,000	15,00,000	2,73,000	2,57,400	15,600
v. Case where deduction or exemption to the tune of Rs. 2,50,000 is being availed.				
5,00,000	2,50,000	-	-	-
6,00,000	3,50,000	-	10,400	(10,400)
9,00,000	6,50,000	44,200	62,400	(18,200)
13,00,000	10,50,000	1,32,600	1,43,000	(10,400)
15,00,000	12,50,000	1,95,000	1,95,000	-
17,00,000	14,50,000	2,57,400	2,57,400	-
vi. Case where deduction or exemption to the tune of Rs. 3,00,000 is being availed.				
5,00,000	2,00,000	-	-	-
6,00,000	3,00,000	-	10,400	(10,400)
9,00,000	6,00,000	33,800	62,400	(28,600)
13,00,000	10,00,000	1,17,000	1,43,000	(26,000)
15,00,000	12,00,000	1,79,400	1,95,000	(15,600)
17,00,000	14,00,000	2,41,800	2,57,400	(15,600)

DEEMED DIVIDEND CHART - SECTION 2(22)(E) OF INCOME TAX ACT, 1961

Any Payment by Company, not being a company in which the public are substantially interested

(i.e. Private Limited / un-listed Company), **of any sum by way of Loans or Advances to.....**



SECTION 40A(2)(B) - RELATIVE CHART

