

# Rajput Jain & Associate Chartered Accountants

## Income Tax Act, 1961 compliance

**IncomeTax Act, 1961**





# About US



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## 1. Tax Rates for Applicable for AY 2021-22 & 2022-23:

### Income Tax Rates for Individuals/HUF

For Assessment Year 2021-22 and onwards, the Income Tax Act has given an option to the Individual and HUF taxpayers to choose from 2 sets of rates i.e. such a taxpayer may calculate their income tax liability by applying the rates at which tax incidence is lesser.

#### a) Normal Rates provided under First Schedule of the Finance Act, 2021:

- General Rates:

Net Income Range	Income Tax Rate
Up to ₹ 2,50,000	Nil
Above 2,50,000 up to 5,00,000	5%
Above 5,00,000 up to 10,00,000	20%
Above 10,00,000	30%

- For resident senior citizen, i.e., every individual, being a resident in India, who is of the age of 60 years or more but less than 80 years at any time during the previous year:

Net Income Range	Income Tax Rate
Up to ₹ 3,00,000	Nil
Above 3,00,000 up to 5,00,000	5%
Above 5,00,000 up to 10,00,000	20%
Above 10,00,000	30%

- For resident super senior citizen, i.e., every individual, being a resident in India, who is of the age of 80 years or more at any time during the previous year:

Net Income Range	Income Tax Rate
Up to ₹ 5,00,000	Nil
Above 5,00,000 to 10,00,000	20%
Above 10,00,000	30%

#### b) Optional Scheme of Taxation for Individuals & HUF:

Finance Act 2020 had introduced section 115BAC providing the Individual taxpayers and HUF, an option to pay tax at reduced rates. Thus, the Individual and HUF taxpayers can choose to pay tax at the rates prescribed in the above tables in (a), (b) & (c) or the rates mentioned u/s 115BAC mentioned below, whichever rates are beneficial to them. The rates prescribed by section 115BAC are as follows:

Net Income Range	Income Tax Rate
0 – 2.5 Lakhs	Nil
Above 2.5 Lakhs – 5 Lakhs	5%
Above 5 Lakhs – 7.5 Lakhs	10%
Above 7.5 Lakhs – 10 Lakhs	15%
Above 10 Lakhs – 12.5 Lakhs	20%
Above 12.5 Lakhs – 15 Lakhs	25%
Above 15 Lakhs	30%

However, in order to exercise this option, the eligible taxpayers are required to forego certain deductions and/or exemptions which are stated as follows:

Section	Short-Title
10(5)	LTC
10(13A)	HRA
10(14)	Other Allowances
10(17)	For MPs & MLAs
10(32)	Clubbed Income
10AA	SEZ
16	Standard Deduction
24(b)	Interest on Self Occupied Property
32(1)(iia)	Additional Depreciation
32AD	Investment in P&M in backward areas
33AB	Tea, Coffee & Rubber

Section	Short-Title
35(2AA)(1)(ii) or (iia) or (iii) or 35(2AA)	Expenditure on Scientific Research
33ABA	Site Restoration Fund
35AD	Specified Business important for economy
35CCC	Agricultural Extension Project
57(iia)	Family Pension
Chapter VIA	All deduction except 80CCD(2) and 80CCD(1B)

- **Surcharge:**  
10% of Income Tax where total income exceeds ₹ 50 Lakh;  
15% of Income Tax where total income exceeds ₹ 1 crore;  
25% of Income Tax where total income exceeds ₹ 2 crore; and  
37% of Income Tax where total income exceeds ₹ 5 crore.
- **Health & Education Cess:**  
4% of Income Tax and surcharge

**Note:** A resident individual is entitled for rebate under section 87A, if his net taxable income does not exceed ₹ 5,00,000. The amount of rebate shall be 100% of income-tax or ₹ 12,500, whichever is less.

#### Income Tax Rate for Partnership Firm:

A partnership Firm (including LLP) is taxable at 30%.

#### **Surcharge:**

- 12% of tax where total income exceeds ₹ 1 crore.

#### **Health & Education Cess:**

- 4% of Income Tax and surcharge

### Income Tax Rates for Companies:

- **Tax Rate for Domestic Companies:**

Particulars	Income Tax Rate
Total turnover or gross receipts during the previous year 2018-19 doesn't exceed ₹ 400 Crore	25%
Other Domestic Companies	30%

- **Tax Rate for Foreign Companies:**

The tax rate of foreign company is 40%.

- **Surcharge:**

Company	Net Income	
	Between 1 Cr. To 10 Cr.	Exceeds 10 Cr.
Domestic	7%	12%
Foreign	2%	5%

- **Health & Education Cess:**

4% of Income Tax and surcharge

### Income Tax Rates for Co-operative Society:

Net Income Range	Income Tax Rate
Up to ₹ 10,000	10%
10,000 to 20,000	20%
Above 20,000	30%

- **Surcharge:**

12% of tax where total income exceeds ₹ 1 crore.

- **Health and Education cess:**

4% of income tax and surcharge.

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**Note:** Domestic Manufacturing companies incorporated on or after 1<sup>st</sup> October 2019 and other domestic companies may opt for concessional tax rate scheme and pay tax @ 15% and 22%, respectively. Further, resident co-operative societies shall also have an option to pay tax @ 22%. Such option shall be available if the afore-mentioned companies & co-operative societies, do not avail any incentive/exemption (Refer Appendix 1) offered under the Income Tax Act, 1961.

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### Income Tax Rate for Local Authority:

A local authority is taxable at 30%.

- **Surcharge:**

12% of tax where total income exceeds ₹ 1 crore.

- **Health and Education cess:**

4% of income tax and surcharge.



## 2. Advance Tax:

As per section 208, every person whose estimated tax liability for the year is ₹ 10,000 or more, shall pay his tax in advance, in the form of "advance tax". Advance tax is to be paid in different instalments. The due dates for payment of different instalments of advance tax are as follows:

Due Date	% of Tax Payable
On or before 15 <sup>th</sup> June	15%
On or before 15 <sup>th</sup> Sep	45%
On or before 15 <sup>th</sup> Dec	75%
On or before 15 <sup>th</sup> March	100%

For taxpayers who have opted for Presumptive Taxation Scheme under section 44AD & 44ADA (discussed later), the due date for payment of Advance Tax:

Due Date	% of Tax Payable
On or before 15 <sup>th</sup> March	100%

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**Note:** An eligible assessee who is governed by section 44AD/ADA is required to pay advance tax by 15<sup>th</sup> March of the previous year irrespective of the fact that he has substantial incomes apart from the income deemed under section 44AD/ADA.

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**Note:** A resident individual who is of the age of 60 years or more at any time during the previous year shall not be required to deposit any tax in advance provided he has not earned any income under the head PGBP.

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### 3. Tax Deducted at Source (TDS)

TDS is income tax reduced from the money paid at the time of making specified payments such as rent, commission, professional fees, salary, interest etc. by the persons making such payments.

#### a) TDS Rate Chart

Section	Nature of Payment	Threshold	TDS Rate (%)	
			Ind/HUF	Others
192	Salaries	Slab Rate	Based on Slab Rates	
192A	Premature withdrawal from EPF	50,000	10%	10%
193	Interest on Securities	10,000	10%	10%
194	Dividend	5,000	10%	10%
194A	Interest from Banks, Co-operative societies & Post Offices	40,000 [50,000 for Sr. Citizens]	10%	10%
194A	Interest from others	5,000	10%	10%
194B	Winning from Lotteries	10,000	30%	30%
194BB	Winning from Horse Race	10,000	30%	30%
194C	<b>Payments to Contractors:</b> For Single Transaction For Multiple Txns & Transporter with > 10 carriages	30,000 1,00,000	1% 1%	2% 2%
194D	Insurance Commission	15,000	5%	5%
194DA	Life Insurance Policy	1,00,000	5%	5%
194E	Non-Resident Sportsmen & Sports Association	Nil	20%	20%
194EE	Deposit under NSS	2,500	10%	10%
194F	Repurchase of units by MF or UTI	Nil	20%	20%
194G	Commission on Lottery Tickets	15,000	5%	5%
194H	Commission/ Brokerage	15,000	5%	5%
194I	<b>Rent:</b> Plant & Machinery Land or Building	2,40,000 2,40,000	2% 10%	2% 10%
194IA	Transfer of Immovable Property	50,00,000	1%	1%
194IB	Rent by Individual/HUF	50,000 p.m.	5%	5%
194IC	Monetary Consideration under Jt. Dvpt. Agreement	Nil	10%	10%
194J	Fees for Technical Services Professional Fees & others Payments to Call Centre Operators	30,000 30,000 30,000	2% 10% 2%	2% 10% 2%
194K	Payments i.r.o. Units of MF, administrator etc.	5,000	10%	10%
194LA	Compensation on Transfer of immovable property <b>Note: W.E.F. 01-04-2017, no deduction of tax shall be made on any payment which is exempt from levy of income-tax under Right to Fair Compensation Act,</b>	2,50,000	10%	10%



	2013.			
<b>194M</b>	Commission/Brokerage/Contractual Fees by Individual/HUF not liable to tax audit	<b>50,00,000</b>	<b>5%</b>	<b>5%</b>

<b>194N</b>	Cash withdrawals from account with Bank, PO etc.	<b>1,00,00,000</b>	<b>2%</b>	<b>2%</b>
<b>194O</b>	E-Commerce operator payment to e-commerce participant w.e.f. 01-10-2020	<b>5,00,000 [Ind/HUF]</b>	<b>1%</b>	<b>1%</b>
<b>194Q</b>	On purchase of any other goods by purchasers whose total sales in the preceding FY exceeds ₹ 10 crore w.e.f. 01-07-2021	50,00,000	0.10%	0.10%

*Note 1: Surcharge and HEC is not deductible on payments made to residents, other than salary. Note 2: TDS rate without PAN- 20% flat (if TDS Rate is lower than 20%). Note 3: In case of non- resident, surcharge would be applicable on TDS.*

#### b) TDS Provision for NRIs

- TDS on interest on non-resident ordinary account is 30%. No TDS on interest earned on non-resident external accounts and foreign currency non-resident (FCNR) accounts.
- TDS on rent of house property or other rent & commission / brokerage or any other income is 30%.
- NRI investments in shares/ Mutual funds attract TDS and below is the TDS rate applicable of MF redemptions by NRIs for FY- 2020-21:

	<b>STCG</b>	<b>LTCG</b>
<b>Equity Oriented Fund</b>	15%	10%
<b>Other than EOF (MF)</b>	30% [If investor in highest slab]	20% [Listed with Indexation] 10% [Unlisted without Indexation]

*Note: STCG and LTCG along with applicable surcharge, and health & education cess will be deducted at the time of redemption of units in case of NRIs.*

#### c) TDS Rate Chart for Non-Residents or Foreign Companies:

<b>Nature of Income</b>	<b>TDS Rate (%)</b>
Income in respect of investments made by NRI [Sec 115E(a)]	20.80%
LTCG referred to in Sec 115E for NRI [Sec 115E(b)]	10.40%
LTCG on unlisted securities referred to in Sec 112(1)(c)(iii)	10.40%
LTCG referred to in Sec 112A	10.40%
STCG referred to in Sec 111A	15.60%
Any other type of LTCG	20.80%
Any other income	41.60%

**d) Higher Rate of TDS for Non-Filers of ITRs:**

Section 206AA provides for higher rate of TDS for non-furnishing of PAN. For tightening the grip on non-filers of ITRs, Finance Act, 2021 has introduced Section 206AB w.e.f. 01-07-2021.

Section 206AB shall be triggered upon satisfaction of following conditions:

- Payment is made to a person who has not filed his ITR for 2 years immediately prior to previous year in which TDS is required to be deducted for which time limit for filing the ITR u/s 139(1) has expired; and
- The aggregate of TDS/TCS in his case is ₹ 50,000 or more in each of such previous years.

Section 206 AB provides for deduction of TDS at higher of following rates:

- At twice the rates specified in the relevant provisions of the act
- At twice the rates in force
- 5%

Further, this section shall not be applicable on TDS deductible u/s 192, 192A, 194B, 194BB, 194LBC 194N.



#### 4. Tax Collected at Source (TCS)

Tax collected at source (TCS) is the tax payable by a seller which he collects from the buyer at the time of sale. Rate of TCS applicable for AY 2021-22 are as follows:

##### a) TCS Rate Chart

Section	Nature of Payment	Threshold	TCS Rate (%)
<b>206C(1)</b>	Sale of the Following:		
	a) Alcoholic Liquor for Human Consumption	Nil	1%
	b) Tendu Leaves	Nil	5%
	c) Timber obtained under a Forest Lease	Nil	2.5%
	d) Timber obtained other than under a Forest Lease	Nil	2.5%
	e) Any other Forest produce	Nil	2.5%
	f) Scrap	Nil	1%
	g) Minerals being coal, lignite or iron ore	Nil	1%
<b>206C(1C)</b>	Grant of lease or license of the following:		
	a) Parking Lot	Nil	2%
	b) Toll Plaza	Nil	2%
	c) Mining & Quarrying	Nil	2%
<b>206C(1F)</b>	Sale of Motor Vehicle of value > 10 Lakh	10,00,000	1%
<b>206C(1G)(a)</b>	On Foreign remittance through Liberalised Remittance Scheme (LRS)	7,00,000	5% (10%, if PAN or Aadhaar not available)
<b>206C(1G)(b)</b>	On overseas tour package	Nil	5% (10%, if PAN or Aadhaar not available)
<b>206C(1H)</b>	On sale of any other goods by sellers whose total sales in the preceding FY exceeds ₹ 10 crore	50,00,000	0.10% (1%, if PAN or Aadhaar not available)

##### b) Higher Rate of TCS in certain cases:

Section 206CC of the Act provides for higher rate of TCS for non-furnishing of PAN. For tightening the grip on non-filers of ITRs, Finance Act 2021 has introduced section 206CCA [similar to section 206AB for TDS] w.e.f. 01-07-2021. The conditions for triggering section 206CCA are the same as for section 206AB [already discussed in previous section].

Section 206CCA provides for collection of TCS at higher of following rates:

- At twice the rates specified in the relevant provisions of the Act;
- 5%.

## 5. Presumptive Taxation Scheme:

A person adopting the presumptive taxation scheme can declare income at a prescribed rate and, in turn, is relieved from tedious job of maintenance of books of account and from getting the accounts audited.

### a) Prescribed rates for declaration of income for **SMALL BUSINESSES** (Section 44AD):

S.No	Presumptive Profit	Conditions
1.	6% of Gross Receipts	Received by an account payee cheque or account payee bank draft or use of ECS through a banking channel during the previous year or before the due date specified in sub-section (1) of section 139 in respect of that previous year.
2.	8% of Gross Receipts	Other than those covered above

- Applicable on businesses whose Turnover is up to ₹ 2 Crore.
- The income computed as per the prescribed rates shall be the final taxable income of the business covered under the presumptive taxation scheme and no further expenses will be allowed or disallowed. While computing income as per the provisions of section 44AD, separate deduction on account of depreciation is not available. However, the written down value of any asset used in such business shall be calculated as if depreciation as per section 32 has been claimed and has been allowed.
- If a person opts for presumptive taxation scheme, then he is also required to follow the same scheme for next 5 years. If he fails to do so, then presumptive taxation scheme will not be available to him for next 5 years. Further, he is required to keep and maintain books of account and he is also liable for tax audit as per section 44AB from the AY in which he opts out from the presumptive taxation scheme. [If his total income exceeds maximum amount not chargeable to tax].
- Not applicable on LLPs, professions referred u/s 44AA (1), commission/ brokerage income & agency business/ business of Plying, Hiring, or Leasing goods carriage.
- Any person opting for the presumptive taxation scheme under section 44AD is liable to pay whole amount of advance tax on or before 15th March of the previous year.

### b) Prescribed rates for declaration of income for **SMALL PROFESSIONALS** (Section 44ADA):

- Applicable on professionals whose Gross Receipts is up to ₹ 50 Lakh.
- Eligible Assessee can declare profits of at least 50% of Gross Receipts (Deemed Profit);
- If an Eligible taxpayer wants to declare profit, lower than the Deemed Profit prescribed u/s 44ADA, then he is required to get his accounts audited in accordance with Income Tax Act 1961.

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*For Partnership Firms declaring their presumptive profit u/s 44AD or 44ADA, the Partners Remuneration and Interest are not allowed to be deducted from the 'Deemed Profit' derived under the aforesaid sections. They are presumed to be part of expenses.*

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## 6. Applicability of Tax Audit

Following categories of persons shall be required to carry out tax audit under section 44AB: -

Category of Person	Threshold
<b>BUSINESS</b>	
• Carrying on business (not opting for presumptive taxation scheme*)	Total sales, turnover or gross receipts exceeds ₹ 1 crore in the FY.
• Carrying on business and total amount received or paid in cash is up to 5% of total sales/turnover/gross receipts or 5% of total expenditure, respectively	Total sales, turnover or gross receipts exceeds ₹ 10 crore in the FY.
• Carrying on business eligible for presumptive taxation under Section 44AE, 44BB or 44BBB	Claims profits or gains lower than the prescribed limit under presumptive taxation scheme
• Carrying on the business and is not eligible to claim presumptive taxation under Section 44AD due to opting out from presumptive taxation in any one financial year of the lock-in period i.e. 5 consecutive years from when the presumptive tax scheme was opted	If income exceeds the maximum amount not chargeable to tax in the subsequent five consecutive tax years from the financial year when the presumptive taxation was not opted for
<b>PROFESSION</b>	
• Carrying on Profession	Total gross receipts exceed ₹ 50 lakh in the FY
• Carrying on the profession eligible for presumptive taxation under Section 44ADA	<ul style="list-style-type: none"> <li>• Claims profits or gains lower than the prescribed limit under the presumptive taxation scheme; and</li> <li>• Income exceeds the maximum amount not chargeable to income tax</li> </ul>

Tax auditor shall furnish his report in a prescribed form which shall be either Form 3CA or Form 3CB where:

- **Form No. 3CA:** This form is furnished when a person carrying on business or profession is already mandated to get his accounts audited under any other law.
- **Form No. 3CB:** This form is furnished when a person carrying on business or profession is not required to get his accounts audited under any other law.

In case of either of the aforementioned audit reports, the tax auditor must furnish the prescribed particulars in **Form No. 3CD**, which forms part of the audit report.

The due date for filing Tax Audit Report for AY 2021-22 is 30<sup>th</sup> September 2021 [**extended to 31<sup>st</sup> October 2021 by CBDT Circular 09/2021**]



## 7. Capital Gains

### Cost Inflation Index:

FY	CII	FY	CII
2001-02	100	2011-12	184
2002-03	105	2012-13	200
2003-04	109	2013-14	220
2004-05	113	2014-15	240
2005-06	117	2015-16	254
2006-07	122	2016-17	264

### Summary of Capital Gain Exemptions:

Section	Nature	Available to	POH*	Amount of Exemption	Conditions	Amount unutilised till due date u/s 139(1)	Deposit unutilised	Consequences of t/f within lock-in
54	Transfer of residential house	Ind/HUF	Long Term	<p>If Capital Gain &lt; Amount invested = Full Amount</p> <p>If Capital Gain &gt; Amount invested = Amount Invested</p>	<p>Reinvestment in one residential house property in India either:</p> <ul style="list-style-type: none"> <li>- Purchased 1 year before transfer</li> <li>- Purchased 2 years after transfer</li> <li>- Constructed 3 years after transfer</li> <li>- House can't be transferred for 3 years after purchase or construction</li> <li>- Now, assessee can purchase &amp;/or construct 2 residential houses for availing exemption u/s 54. This</li> </ul>	Deposit in CGAS	Unutilised amount taxable as CG in the PY in which 3 years from the date of transfer of original asset expires.	Cost of new asset reduced from capital gains exempted earlier.

					benefit is available if LTCG < 2 crore & once in a lifetime.			
<b>54B</b>	Transfer of agricultural land	Ind/HUF	More than 2 years (Long Term)	<p>If Capital Gain &lt; Amount invested = Full Amount</p> <p>If Capital Gain &gt; Amount invested = Amount Invested</p>	<ul style="list-style-type: none"> <li>- Agricultural land not in rural areas used by assessee or his parents for agricultural purposes for period of 2 years prior to date of transfer, is transferred.</li> <li>- Purchase of agricultural land within 2 years from the date of transfer.</li> <li>- It should not be transferred for 3 years from the date of purchase.</li> </ul>	Deposit in CGAS	Unutilised amount taxable as CG in the PY in which 2 years from the date of transfer of original asset expires.	Cost of new asset reduced from capital gain s exempted earlier.
<b>54D</b>	Compulsory acquisition of land & building as a part of industrial undertaking	Any Assessee	More than 2 years. However, Short Term in case of depreciable assets	<p>If Capital Gain &lt; Amount invested = Full Amount</p> <p>If Capital Gain &gt; Amount invested = Amount Invested</p>	<ul style="list-style-type: none"> <li>- Purchase or constructed land &amp; building within 3 years from the date of compulsory acquisition</li> <li>- Newly acquired L&amp;B to be used for industrial purposes</li> <li>- It should not be transferred for 3 years from the date of acquisition.</li> </ul>	Deposit in CGAS	Unutilised amount taxable as CG in the PY in which 3 years from the date of transfer of original asset expires.	Cost of new asset reduced from capital gain s exempted earlier.
<b>54F</b>	Transfer of LTCA other than HP	Ind/HUF	Long Term	<ul style="list-style-type: none"> <li>- If cost of new house &gt; Net Consideration (NC) of assets transferred = Full Amount</li> <li>- If cost of new house &lt; NC of asset transferred, the exemption = <math>CG \times \text{Cost of New House} / NC</math></li> </ul>	<ul style="list-style-type: none"> <li>- Assessee owns not more than 1 other HP on the date of transfer (excluding new house). Exempt if invested in 1 residential house in India within the time limits specified in sec 54.</li> <li>- Assessee can't purchase for 2 years or construct for 3 years any other HP. Otherwise CG exempted will be taxable in year of purchase or construction as LTCG.</li> <li>- New house should not be transferred for 3 years from the date of its acquisition.</li> </ul>	Deposit in CGAS	Unutilised amount taxable as CG in the PY in which 3 years from the date of transfer of original asset expires.	Capital Gain s exempted earlier taxable in the year new asset is sold.
<b>54G</b>	Transfer of assets in cases of shifting of industrial	Any Assessee	Any period [Thus, can be long term or short term]	<p>If Capital Gain &lt; Amount invested = Full Amount</p> <p>If Capital Gain &gt; Amount invested = Amount Invested</p>	<p>Assessee has 1 year before or 3 years after date of transfer:</p> <ul style="list-style-type: none"> <li>- Purchased new P&amp;M and</li> <li>- Acquired L&amp;B</li> </ul>	Deposit in CGAS	Unutilised amount taxable as CG in the PY in which 3 years from the date of	Cost of new asset reduced from capital gain s exempted earlier.

	undertaking from urban areas (only P&M, L&B)				<ul style="list-style-type: none"> <li>- Shifted the original asset &amp; transferred the establishment to such area.</li> </ul> <p>New undertaking should not be in urban area.</p>		transfer of original asset expires.	
<b>54EC</b>	Any Long-Term Capital Asset	Any Assessee	LTCA	<p>Lower of</p> <ul style="list-style-type: none"> <li>- Amount Invested; or</li> <li>- ₹ 50 Lakhs; or</li> <li>- Capital Gains</li> </ul>	<ul style="list-style-type: none"> <li>- Purchase of specified bonds of NHAI &amp; RECL (These bonds have maturity of 5 years or more).</li> <li>- Within 6 months from the date of transfer of capital assets.</li> </ul>	Deposit in CGAS	NA	<p>On sale or loan taken on securities within 5 years, LTC G exempt earlier will be taxable.</p>



**Duration of Long-Term and Short-Term Capital Assets:**

Assets	Duration of the Assets		Tax Rate*	
	Short Term	Long Term	STCG	LTC G
Immovable Property e.g. House property	Up to 2 years	More than 2 years	Slab Rate	20.80% with indexation
Movable Property e.g. Gold/Jewellery	Up to 3 years	More than 3 years	Slab Rate	20.80% with indexation
Listed Shares*	Up to 1 year	More than 1 year	15.60%	10.40%, if exceeds ₹ 1 Lakh
Equity Oriented Funds	Up to 1 year	More than 1 year	15.60%	10.40%, if exceeds ₹ 1 Lakh
Debt Oriented MFs	Up to 3 years	More than 3 years	Slab Rate	20.80% with indexation

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\* Tax rates mentioned above are excluding surcharge @ 10% on income between ₹ 50lakhs to ₹ 1 cr. & 15% on income above ₹ 1Cr.

\*\*Applicable only on the shares sold through stock exchange in India on which STT has been paid.

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## 8. Income from House Property

Income from house property shall be taxable under this head if following conditions are satisfied:

- The house property should consist of any building or land appurtenant thereto.
- The taxpayer should be the owner of the property.
- The house property should not be used for the purpose of business or profession carried on by the taxpayer.

Income from a house property shall be determined in the following manner:

Particulars	Amount
Gross Annual Value	XXX
Less: Municipal Taxes	XXX
<b>Net Annual Value</b>	XXX
Less: Standard Deduction @ 30% [Sec 24(a)]	XXX
Less: Interest on Borrowed Capital [Sec 24(b)]	XXX
<b>Income from House Property</b>	XXX

### Interest on Borrowed Capital:

Taxpayer can claim a deduction of up to ₹ 2 lakh on their home loan interest if the owner or his family reside in the house property. The same treatment applies when the house is vacant. If a person has rented out the property, the entire interest on the home loan is allowed as a deduction.

The deduction of interest on borrowed capital is limited to ₹ 30,000 if the taxpayer fails to meet any of the conditions given below:

- The home loan must be for purchase or construction of a property.
- The loan must be taken on or after 1 April 1999.
- The purchase or construction must be completed within 5 years from the end of the financial year in which the loan was taken.

## 10. Equalization Levy

With the intention of taxing digital transactions, Equalisation Levy [EL] was introduced by Finance Act 2016 that required certain service recipients to withhold tax at the time of payment. Subsequent to that, Finance Act, 2020 has expanded its application on the amount of 'consideration received or receivable' by an e-commerce operator from e-commerce supply or services made or provided or facilitated by or through it to specified persons.

### **Equalization Levy on Online Advertisement:**

'EL' shall be withheld by the service recipient at the rate of 6% of the gross consideration to be paid for the services viz Online Advertisement & any provision for digital advertising space or facilities/ service for the purpose of online advertisement, if the following two conditions are satisfied:

- The payment should be made to a non-resident service provider; and
- The annual payment made to one service provider exceeds ₹ 1,00,000 in one financial year.

Further, Levy so collected shall be deposited to the credit of Central Government by 7<sup>th</sup> of the following month.

### **Equalization Levy on E-Commerce Transactions:**

Here, 'EL' shall be withheld @ 2% of the amount of consideration received or receivable by a non-resident, e-commerce operators who owns, operates, or manages digital or electronic facility or platform for online sale of goods or online provision of services or both and derive revenues from e-commerce supply or services made or provided or facilitated by it.

The levy so withheld shall be deposited to the credit of central government in the following manner:

Quarter ending date	Due Date	Quarter ending date	Due Date
30 <sup>th</sup> June	7 <sup>th</sup> July	31 <sup>st</sup> December	7 <sup>th</sup> January
30 <sup>th</sup> September	7 <sup>th</sup> October	31 <sup>st</sup> March	31 <sup>st</sup> March

### **Filing of Equalization Levy Statement:**

The person responsible for withholding Equalization Levy i.e. service recipient shall be required to file a 'Return of Equalization Levy' in Form-1. This return shall be filed by 30<sup>th</sup> June of the following financial year.

### **Consequences of Non-Compliances:**

- **Levy not deducted:**  
In addition to interest, a penalty equal to the amount of equalisation levy that he failed to deduct.
- **Levy deducted but not deposited:**  
In addition to interest, a penalty equal to ₹ 1,000/- for every day subject to the maximum of the levy failed to be deducted.
- **Delay in filing of statement:**  
In case of delayed filing of statement, penalty shall be paid at the rate of ₹ 100 for each day during which failure continues.

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*Equalization Levy is aimed at taxing business to business transactions, therefore, provisions of equalisation levy are not applicable if the payments are made for personal purpose.*

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## 11. Taxability of Gifts

**a) Any amount of money (in cash, cheque or draft):**

If the total amount of money received by an individual from one or more persons during a previous year exceeds

₹ 50,000/-, the whole of such amount will be chargeable to tax.

**b) Tax on Immovable property in India without consideration:**

If any immovable property is received (without any consideration), the stamp duty value of which exceeds ₹

50,000/-, then the stamp duty value will be chargeable to tax in each such transaction.

**c) Immovable property for a consideration which is less than the stamp value:**

If any immovable property is received for a consideration which is less than the stamp value (stamp duty value exceeds 110% of consideration) of the property by an amount exceeding ₹ 50,000/-, then the difference between stamp duty value and consideration is chargeable to tax in every such transaction.

**d) Tax on Movable property in India without consideration:**

If aggregate fair market value of movable properties such as shares and securities, jewellery, archaeological collections, drawings, paintings, or any work of art received without consideration during a previous year exceeds

₹ 50,000/-, the whole of aggregate fair market value of movable properties will be chargeable to tax.

**e) Movable property for a consideration which is less than the fair market value:**

If movable property such as shares and securities, jewellery, archaeological collections, drawings, paintings or any work of art is received for a consideration which is less than the aggregate fair market value of the property by an amount exceeding ₹ 50,000/-, then the difference between aggregate fair market value and consideration is chargeable to tax.

**f) Gift from Relatives:**

Any amount or property received from a relative is exempt from income tax. The following are the relatives considered for this exemption:

- i) Spouse of individual
- ii) Brother or sister of the individual
- iii) Brother or sister of the spouse of individual
- iv) Brother or sister of either of the parents of the individual
- v) Any lineal ascendant or descendant of the individual
- vi) Any lineal ascendant or descendant of the spouse of individual
- vii) Spouse of the person referred to in clauses (ii) to (vi)

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The gifts received by bride and the groom from relatives, friends or anybody on their marriage are free from any tax liability. The gift is exempt on marriage and not on the day of marriage, hence gifts received on tilak, tika and similar religious function prior to marriage day will also be exempt from income tax.

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## 12. Special Provisions for Taxation of Partnership Firms:

- Remuneration is allowed only to working partners.
- The payment of remuneration to a working partner should be authorized by & should be in accordance with the terms of the partnership deed. This amount shall be allowed as deduction only if the deed either specified the amount of remuneration payable to each individual working partner or lays down the manner of quantifying the remuneration.
- Remuneration should be within the permissible limits as mentioned below. Please note that this limit is for total salary to all partners and not per partner.

Book Profit	Amount Deductible as remuneration
If book profit is - ve	₹ 1,50,000
If book profit is + ve- On first ₹ 3 lakh of book profit	₹ 1,50,000 or 90% of book profit whichever is more
On the balance of book profit	60% of book profit

- Following adjustments shall be made to the Net Profit under PGBP for computation of **Book Profits**:
  - a) Only the Interest income classified under head PGBP is to be taken.
  - b) Current year & B/f depreciation is to be deducted.
  - c) Brought forward losses not to be deducted.
  - d) Deductions under chapter VI-A not to be allowed.
  - e) Remuneration is to be added back if it is debited to P&L A/c.
  - f) Interest paid to partners to the extent it is deductible shall not be added back.
- The payment of interest to a partner should not exceed the amount calculated @ 12% p.a. simple interest. If the firm pays interest to a partner & the partner pays interest to the firm on his drawings, then the interest shall not be netted off. The interest received by the firm shall be taxable as income from PGBP.
- Interest paid by the firm to its partners on their Fixed capital account, current capital account and loan account is allowable as deduction to the partnership firm provided the deed specifically authorizes the payment of interest on Fixed capital account, current capital account and loan account. If the deed authorizes the payment of interest on fixed capital account only then interest on current &/ or loan account shall not be allowed as deduction.

### 13. Restriction on cash receipts

No person shall receive an amount of **₹ 2 lakhs** rupees or more: -

- In **aggregate** from a person in a day or
- In respect of **single transaction** or
- In respect of transactions **relating to one event or occasion** from a person. otherwise than by an A/c payee cheque, bank draft or ECS.

This section covers the payee / recipient of cash, under its ambit and not the payer. Vide this section, following three situations are covered:

**a) Receipt of ₹ 2 Lakhs or more from a person in a day in aggregate:**

Section 269ST relates to payments received in aggregate from 'a person' in 'a day'. Attention is to be given to words 'a person' and 'in a day'. This section will get attracted if a sum of ₹ 2 Lakhs or more is received in aggregate from the same person in a single day. However, there will be no violation of section 269ST, if payments are received from different persons in a single day and none of such payments exceeds the specified limit of ₹ 2 Lakhs.

**b) Receipt of ₹ 2 Lakhs or more in respect of a single transaction:**

This point covers receipt of ₹ 2 Lakhs or more in respect of a single transaction. It envisages to cover the receipt of Rs 2 lakhs or more which is split into various dates in respect of a single transaction although not in aggregate on a single day. To illustrate, if Mr. A receives a sum of ₹ 6 Lakhs in respect of a single transaction, in four instalments of ₹ 1.5 Lakhs each, on different dates, then apparently, this would be covered under the purview of second condition. Accordingly, this condition prohibits the splitting of payments over period.

**c) Receipt of ₹ 2 Lakhs or more in relation to one event or occasion from a person:**

This condition is of the widest amplitude as it seeks to cover all receipts from a person in relation to transactions in respect of single event or occasion. It would cover all transactions relating to one event or occasion such as cash gifts on the occasion of marriage, birthday, anniversary etc. So, this condition would impact the people from all walks of society. Under the income tax law, though gifts received from 'relatives' are exempt without any capping. But with the introduction of section 269ST cash gift even from relatives to the tune of ₹ 2 Lakhs or more towards single event or occasion, would attract consequences u/s 271DA.

### 14. Restrictions of Cash Payments

Section 40A(3) calls for disallowance of certain expenditure, payment for which is made in cash. This section shall be attracted if the following conditions are fulfilled:

- Assessee incurs an **expenditure**
- In respect of which **payment or aggregate of payments** made
- To a **person**
- In a **single day**
- Of a **sum exceeding ₹ 10,000/-** (₹ 35,000/- in case of transporters)
- otherwise than by an account payee cheque or demand draft or use of ECS or Credit or Debit Card or Net Banking or IMPS or UPI or RTGS or NEFT or BH



## 15. Statement of Financial Transactions [SFT]

To curb Black Money, the Government took an initiative to cast obligation on government agencies & other authorities who are a valuable & reliable source of information, to report high-value transactions. Such specified persons were required to submit 'Annual Information Return [AIR]' introduced in 2003 with respect to specified financial transactions under Section 285BA. Later, Finance Act 2014 replaced Section 285BA & renamed it as 'obligation to furnish Statement of Financial Transaction or Reportable Account' to widen the scope of specified persons and to introduce various other provisions.

SFT is a report of specified financial transactions by specified persons including prescribed reporting financial institutions. Such specified persons who register, maintain or record such specified financial transactions are under a mandate to submit SFT to the income tax authority or such other specified authority or agency.

CBDT has prescribed the following set of information required to be reported under SFT under Rule 114E of the Income Tax Rules, 1962:

S.No.	Nature of transaction to be reported	Specified person required to submit SFT	Monetary threshold of transaction
1.	A banking company or Co- operative bank to which Banking Regulation applies	Payment made in cash for purchase of bank drafts or pay orders or banker's cheque	Aggregating to ₹ 10 lakh or more in a FY
		Cash payments for purchase of pre-paid instruments issued by Reserve Bank of India	Aggregating to ₹ 10 lakh or more in a FY
		Cash deposits in one or more current account of a person	Aggregating to ₹ 50 lakh or more in a FY
		Cash withdrawals from one or more current account of a person	Aggregating to ₹ 50 lakh or more in a FY
2.	A banking company or Co- operative bank to which Banking Regulation applies Post-Master General of post office	Cash deposits in one or more accounts other than a current account and time deposit of a person	Aggregating to ₹ 10 lakh or more in a FY
3.	A banking company or Co- operative bank to which Banking Regulation applies Post-Master General, Nidhi Company as per Section 406 of the Companies Act, 2013 NBFC – Non banking financial company holding certificate of registration under RBI Act to hold or accept deposit from public	One or more time deposits (other than renewed time deposit of another time deposit) of a person	Aggregating to ₹ 10 lakh or more in a FY

4.	A banking company or Co-operative bank to which Banking Regulation applies or	Credit card payments made by any person either in cash or by any other mode in a FY.	Aggregating to ₹ 1 lakh or more in cash or ₹ 10 lakh or more by any other mode in a FY
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any other company or institution issuing credit card		
A company or institution issuing bonds or debentures	Receipt from any person for acquiring bonds or debentures issued by the company or institution (other than renewal)	Aggregating to ₹ 10 lakh or more in a FY
A company issuing shares	Receipt from any person for acquiring shares (including share application money) issued by the company	Aggregating to ₹ 10 lakh or more in a FY
Listed company purchasing its own securities under section 68 of the Companies Act, 2013	Buyback of shares from any person (other than the shares bought in the open market)	Aggregating to ₹ 10 lakh or more in a FY
A trustee of a Mutual Fund or any such other person authorised to manage the affairs of the Mutual Fund	Receipt from any person for acquiring units of one or more schemes of a Mutual Fund (other than transfer from one scheme to another)	Aggregating to ₹ 10 lakh or more in a FY
Authorised person as referred to in Section 2(c) of the Foreign Exchange Management Act, 1999	Receipt from any person for sale of foreign currency including any credit of such currency to foreign exchange card or expense in such currency through a debit or credit card or through issue of travellers cheque or draft or any other instrument	Aggregating to ₹ 10 lakh or more during a FY
Inspector-General appointed under section 3 of the Registration Act, 1908 or Registrar or Sub-Registrar appointed under section 6 of that Act.	Purchase or sale of immovable property	Transaction value or valuation of stamp duty authority referred in Section 50C for an amount of ₹ 30 lakhs or more.
Any person who is liable for audit under section 44AB of the Act	Cash receipt for sale, by any person, of goods or services of any nature (other than those specified at Sl. Nos. 1 to 10)	Exceeding ₹ 2 lakh

SFT in Form 61A shall be submitted by 31<sup>st</sup> May of the FY, immediately following the FY in which the transaction is recorded or registered. For FY 2020-21, the date has been extended to 30<sup>th</sup> June, 2021 **by CBDT Circular 09/2021**.

## 16. Deductions

Section	Deduction in respect	Amount of Deduction
<b>80C</b>	Investment in ELSS Contribution to PPF & EPF Contribution to Approved Superannuation Fund Investment Tax Saving Fixed Deposit Investment in (NSC) Investment in ULIP Sukanya Samriddhi Yojana Senior Citizen Saving Scheme Life Insurance Premium Tuition Fees Repayment of Housing Loan	<b>Maximum Deduction of ₹ 1,50,000 subject to Section 80CCE</b>
<b>80CCC</b>	Annuity Plan of LIC or any other insurer	
<b>80CCD(1)</b>	Contribution made to NPS (Max. 10% of Salary)	
<b>80CCD(2)</b>	Employer's Contribution to NPS	
<b>80CCD(1 B)</b>	Additional Contribution to NPS	<b>₹ 50,000</b>
<b>80D</b>	Medical Insurance Premium - For self, spouse & dependent children - For Parents	<b>₹ 25,000</b> <b>₹ 25,000 [50,000 if Sr. Citizen]</b>
<b>80DD</b>	Medical Treatment of Dependent Disabled	<b>₹ 75,000 [1,25,000 for severe disability]</b>
<b>80DDB</b>	Expenditure on Medical Treatment	<b>Max. ₹ 40,000 (1,00,000 for Sr. Citizen)</b>
<b>80E</b>	Interest on loan for higher education	<b>Entire Interest up to 8 years of loan or till date of payment of Interest</b>
<b>80EE</b>	Interest on Loan for acquisition of self-occupied house property. Conditions: - Loan Sanctioned during FY 2016-17 - Amount of Loan is up to 35 Lakhs - Value of House is up to 50 Lakhs - No other house on the date of loan	<b>₹ 50,000</b>
<b>80EEA</b>	Interest on Loan for acquisition of self-occupied house property. Conditions: - Loan Sanctioned during FY 2019-21 - SDV of House is up to 45 Lakhs - No other house on the date of loan	<b>₹ 1,50,000</b>
<b>80EEB</b>	Purchase of Electric Vehicles If the loan is sanctioned during 2019-20 to 2022-23	<b>₹ 1,50,000</b>
<b>80TTA</b>	Interest on deposits in Savings A/c	<b>₹ 10,000</b>
<b>80TTB</b>	Interest on FD received by Sr. Citizen	<b>₹ 50,000</b>
<b>80U</b>	For person with disability	<b>₹ 75,000 [1,25,000 for severe disability]</b>

**17. Interest Payable under Income Tax Act**

Description	Section	Duration	Rate (per month)
Income Tax Return			
Delay in submission	234A	From due date to the date of submission of return	1% of tax payable
Non-Submission		From due date to the date of assessment	1% of tax determined
Advance Tax			
Failure to pay 90% of assessed tax	234B	From 1 <sup>st</sup> April of A.Y. to completion of assessment	1%
Deferring Advance tax	234C	From Due Date to Due date of next instalment	1%
TDS			
Delay in deduction	201(1A)	Due date of deduction to the actual date of deduction	1%
Delay in deposit		Actual date of deduction to the actual date of deposit	1.5%
TCS			
Failure to collect tax	206C(7)	From required date for collection to the actual date of deposit	1%



## 18. Penalties under Income Tax Act

Section	Description	Penalty
221(1)	Default in making payment of taxes	Amount as directed by the assessing officer. However, the amount of penalty cannot exceed the amount of tax in arrears
234E	Failure to prepare the statements in respect of TDS/TCS within the time prescribed	₹ 200 for every day of default
234F	Default in furnishing of return under section 139(1) within the time prescribed	₹ 5,000 Note: if the income does not exceed ₹ 5 Lakhs then the penalty shall not exceed ₹ 1,000.
270A	Penalty for under-reporting of income Penalty for under-reporting on account of misreporting of income	50% of the amount of tax payable on under- reported income; 200% of the amount of tax payable on misreported income.
271A	Failure to keep, maintain or retain the books of account, documents as required under Section 44AA	₹ 25,000
271AA(1)	Penalty in respect of an international transaction/specified domestic transaction for: <ul style="list-style-type: none"> <li>- failure to keep and maintain any such information and document as required by Section 92D(1) or 92D(2)</li> <li>- failure to report such transaction which is required to be done</li> <li>- Maintaining or furnishing incorrect information or document</li> </ul>	2% of the value of each international transaction or specified domestic transaction entered into
271AA(2)	Failure to furnish information and document to the authority prescribed as required under Section 92D(4)	₹ 5,00,000
271AAC	Income under section 68,69,69A,69B,69C,69D determined by the assessing officer if not included by assessee or tax under Section 115BBE not paid  Section 68- Cash Credits Section 69- Unexplained Investments Section 69A- Unexplained money	<b>10% on tax payable</b> under Section 115BBE



	Section 69B-Amount of investments not fully disclosed in books of account Section 69C-Unexplained expenditure	
<b>271B</b>	Failure to get the accounts audited or furnish the report as required under Section 44AB	½% of the turnover/gross receipts or ₹ 1,50,000, whichever is less
<b>271BA</b>	Failure to furnish TP Audit report	1,00,000
<b>271C</b>	Failure to deduct TDS	Sum equal to the amount of tax not paid or failed to deduct
<b>271CA</b>	Failure to collect TCS	Sum equal to amount of tax not collected
<b>271D</b>	Accepting loan or deposit or specified sum in contravention of Section 269SS	Sum equal to the loan or deposit or specified sum taken
<b>271DA</b>	Receiving any sum [₹ 2 Lakhs or more] in contravention to the provisions of Section 269ST	Sum equal to the amount of receipt
<b>271E</b>	Failure to comply with the provisions of Section 269T with regard to the repayment of loan/deposit/specific advance	Sum equal to the amount of loan/deposit/specific advance repaid.
<b>271H</b>	Failure to furnish TDS/TCS statements of furnishing incorrect information within the prescribed time	Minimum: ₹ 10,000 Maximum: ₹ 1,00,000

#### **APPENDIX-1**

**Reference list of Incentive /exemption that cannot be claimed where concessional rate of tax is claimed:**

<b>section</b>	<b>Name</b>
10AA	Special provisions in respect of newly established units in SEZ
32(1)(iia)	Additional Depreciation
32AD	Investment in new plant or machinery in notified backward areas in certain states
33AB	Tea development account, coffee development account and rubber development account
33ABA	Site restoration fund
35(1)(ii), (iia), (iii), (2AA), (2AB)	Expenditure on scientific research
35AD	Deduction in respect of expenditure on specified business
35CCC	Expenditure on agricultural extension project
35CCD	Expenditure on skill development project
80G	Deduction on donations
80H to Sec 80TT (except sec 80JJAA)	Deduction in respect of certain incomes

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