

AMENDMENTS IN INCOME TAX - APPLICABLE TO MAY 2021 ATTEMPT

(SAME MATERIAL WILL APPLY FOR THE STUDENTS OF IPCC & CA INTER)



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Dear Students,

All latest amendments applicable to Nov 2020 attempt are included in this material. For the convenience of students, we have included the amendments applicable to May 2020 attempt, in this material itself. Such content is provided as italics.

1. INTRODUCTION TO INCOME TAX

- TAX RATE FOR DOMESTIC COMPANY:** Flat-30 % (Flat-25% in case of the turnover of such company during the P.Y 2018-19(Earlier it was 17-18) does not exceed 400crores
- SURCHARGE:** In case of LTCG u/s 112A, STCG u/s 111A and Dividend income, the applicable surcharge rate cannot exceed 15%. (i.e., 25%, 37% surcharge rates are not applicable)
- OPTIONAL TAX RATES (I.E CONCESSIONAL RATES)**

Section	Applicable to	Rates
Sec 115BAC	Individuals/ HUF (No age limit) (Whether Resident/Non – Resident)	Up to 2.5L-0 Next 2.5L-5% Next 2.5L-10% Next 2.5L-15% Next 2.5L-20% Next 2.5L-25% Above 15L-30% +Applicable surcharge +Health& Education cess @4%
Sec 115BAD	Resident Co-operative societies	Flat 22%+ Surcharge 10%+ Health& Education cess @4%

Sec 115BAB	Domestic company carrying Manufacturing activity and registered on or after 1.10.19	Flat 15%+ Surcharge 10%+ Health& Education cess @4%
Sec 115BAA	Other Domestic company	Flat 22%+ Surcharge 10%+ Health& Education cess @4%

NOTES:**FOR SEC.115BAC:****A) Assessee is not eligible to claim following benefits:**

- a) Leave travel concession u/s 10(5);
 - b) House rent allowance u/s 10(13A)
 - c) Allowance exempt u/s 10(14)[other than transport, conveyance, allowance to meet cost of travel or daily allowance at place of duty;
 - d) Allowance to MPs/MLAs u/s 10(17);
 - e) Allowances of Income of a minor u/s 10(32);
 - f) Deduction for SEZ unit u/s 10AA;
 - g) Standard deduction of Rs 50,000, deduction for entertainment allowance and employment/professional tax as contained in section 16.
 - h) Interest u/s 24 in respect of self occupied or vacant property u/s 23(2).
 - i) Additional depreciation u/s 32(1)(iia);
 - j) Deduction u/s 32AD, 33AB, 33ABA;
 - k) Various deduction for donation for or expenditure on scientific research u/s 35(1)(ii)/(iia)/(iii) or 35(2AA).
 - l) Deduction u/s 35AD or section 35CCC;
 - m) Deduction from Family pension u/s 57(1a);
 - n) All deductions under Chapter VIA except 80CCD (2) and 80JJAA.
- B) Not allowed to set off any loss or depreciation attributable to any of the deductions referred above.
- C) Not allowed to set off any loss from "Income from house property" against any other head.
- D) Rebate u/s 87A is available even if assessee opt section 115BAC.
- E) Tax on special rates income (like 112, 112A): Taxable at special rates only.
- F) AN individual or HUF who does not have any business income would have an option to choose either of the two tax regimes each year depending upon their tax liability under each one of them.
- G) In respect of an Individuals or HUFs having business income, the option once exercised cannot be withdrawn. In such a case once exercised would be applicable for all subsequent assessment years and 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, except where such individual or HUF ceases to have any business income.
- H) Individual/HUF which opt for section 115BAC shall not be required to pay AMT. B/F AMT credit cannot be set-off against income u/s 115BAC, so if assessee has b/f AMT credit, it can first exhaust the AMT credit, and thereafter opt for section 115BAC in a subsequent PY.

1) FOR SEC.115BAD:

- a) Assessee should not claim any benefit of section 10AA, 32AD, Additional Depreciation, 33AB, 33ABA, 35(1)(ii)/(iia)/(iii), 35(2AA), 35AD, 35CCC & any deduction u/s VI-A except 80JJAA & 80LA.
- b) The beneficial provisions of this section would apply if option is exercised in the prescribed manner on or before the due date u/s 139(1) for furnishing the return of income for any PY relevant to A.Y.2021-22 or any subsequent A.Y.. Such, option once exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

- c) Co-operative society which opt for section 115BAD shall not be required to pay AMT. B/F AMT credit cannot be set-off against income u/s 115BAD, so if assessee has b/f AMT credit, it can first exhaust the AMT credit, and thereafter opt for section 115BAD in a subsequent PY.

2) FOR SEC.115BAA, 115BAB:

- a) Company should not claim benefit of deduction under sec.10AA or sec.32(1)(ia) or sec.32AD, or sec.33AB, sec. 35AD or sec.35CCC or 35CCD or under any provisions of chapter VI-A other than the provisions of sec.80JJAA, 80LA and 80M.
- b) Company cannot set-off any loss carried forward from any earlier AY if such loss is attributed to any deduction referred above. Such loss shall be deemed to have been already give full effect to and no further deduction for such loss shall be allowed for any subsequent year.
- c) The beneficial provisions of this section would apply if option is exercised in the prescribe manner on or before the due date u/s 139(1) for furnishing the return of income for any PY relevant to A.Y.2020-21 or any subsequent A.Y.. Such option, once exercised, would apply to subsequent assessment years. Further, once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

3) FOR SEC.115BAB:

- a) The company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it.
- b) Business of generation of electricity is treated as manufacturing business.

EXAMPLE 1: Mr. Sai (aged 29 years) furnishes the following information for the P.Y. 2020-21. (Assume that, the Assessee has not opted for Provisions of Sec 115BAC)

Gross Salary	Rs.4,30,000
(-) Standard deduction <u>Rs. 50,000</u>	Rs. 3,80,000
Interest on Bank Deposits	Rs. 1,90,000
L.T.C.G on sale of land	Rs. 2,40,000
PGBP income	Rs. 5,40,000
S.T.C.G on sale of Building	Rs. 2,30,000
Winnings from lotteries	Rs. 1,20,000
Chapter VI A Deductions	Rs. 1,30,000

Compute his total income and tax liability for the A.Y. 2021-22

❖ **Recompute the answer if the assessee has claimed option U/S 115BAC**

ANS:

a) COMPUTATION OF TOTAL INCOME OF MR. SAI FOR THE A.Y. 2021 – 2022:

Particulars	Normal method	Optional method
Income from Salaries	3,80,000	4,30,000
Income from House Property	-	-
P,G,B,P	5,40,000	5,40,000
Capital Gains:		
L.T.C.G	2,40,000	2,40,000
S.T.C.G	2,30,000	2,30,000
Other sources:		
Interest	1,90,000	1,90,000
Winnings	1,20,000	1,20,000
Gross total Income	17,00,000	17,50,000
Less: Chapter VI A deductions	(1,30,000)	-
NET NCOME	15,70,000	17,50,000

COMPUTATION OF TAX LIABILITY:**A. Normal method:**

L.T.C.G (2,40,000 x 20%)	48,000
Winnings (1,20,000 x 30%)	36,000
Other income (15.7L – 3.6L) = 12.1L	
Upto 2,50,000	
Next 2,50,000 (5%)	12,500
Next 5,00,000 (20%)	1,00,000
Bal. 2,10,000 (30%)	63,000
	<u>1,75,500</u>
	2,59,500
Add: Health & Education cess: (@4%)	<u>10,380</u>
Net Tax liability	<u>2,69,880</u>

B. Optional method:

L.T.C.G (2,40,000 x 20%)	48,000
Winnings (1,20,000 x 30%)	36,000
Other income	13.9L
(17.5L – 3.6)	
Up to 2,50,000	
Next 2,50,000 (5%)	12,500
Next 2,50,000 (10%)	25,000
Next 2,50,000 (15%)	37,500
Next 2,50,000 (20%)	50,000
Bal. 1,40,000 (25%)	<u>35,000</u>

2,44,000**Add: H & EC: (@4%)** _9,760

Net tax liability

2,53,760

EXAMPLE 2: BB Ltd is incorporated on 20.10.2019 to commence manufacture of Bikes in Rajasthan. Manufacturing activity is stated on December 10, 2019. For the year ending March 31, 2021, income of BB Ltd is as follows-

Particulars	₹
Income from Manufacturing of Bikes (computed as per provisions of section 115BAB)	60,45,000
Bank FD INTEREST	3,00,000
Short term capital gain on transfer of land (Computed)	18,00,000
Short term capital gain on transfer of a depreciable assets (computed)	2,00,000
Rental income from commercial property	7,00,000

BB Ltd donated Rs 50,000 to a political party. BB Ltd has opted for lower tax regime of section 115BAB. Necessary option was up loaded at the time of submission of first income tax return of the assessment year 2020-21. Find out the tax liability of BB Ltd.

Ans:**Computation of total income**

Particulars	Rs	Rs
Income from house property		
Rental income from commercial property	7,00,000	
Deduction u/s 24	-	7,00,000
PGBP		
Income from manufacturing activities		60,45,000
Capital gain		
STCG on Land		18,00,000
STCG on depreciable assets		2,00,000
Income from other sources		
Interest on bank FD		3,00,000
Gross total income		90,45,000
Deduction u/s 80GGB: Donation to political party		NA
Total income(NIT)		90,45,000

Computation of tax liability

Particulars	Income	Tax rate	Rs
i) Tax on House property income	7,00,000	22%	1,54,000
ii) Tax on Interest on FD	3,00,000	22%	66,000
iii) STCG on land	18,00,000	22%	3,96,000
iv) Tax on balance Income	62,45,000	15%	9,36,750
Total	90,45,000		15,52,750
Add: Surcharge @ 10%			1,55,275
Add: HEC@4%			17,08,025
			68,321
Net tax payable			17,76,346

2. RESIDENTIAL STATUS

1) **SEC 6: DETERMINATION OF RESIDENTIAL STATUS OF AN INDIVIDUAL:**

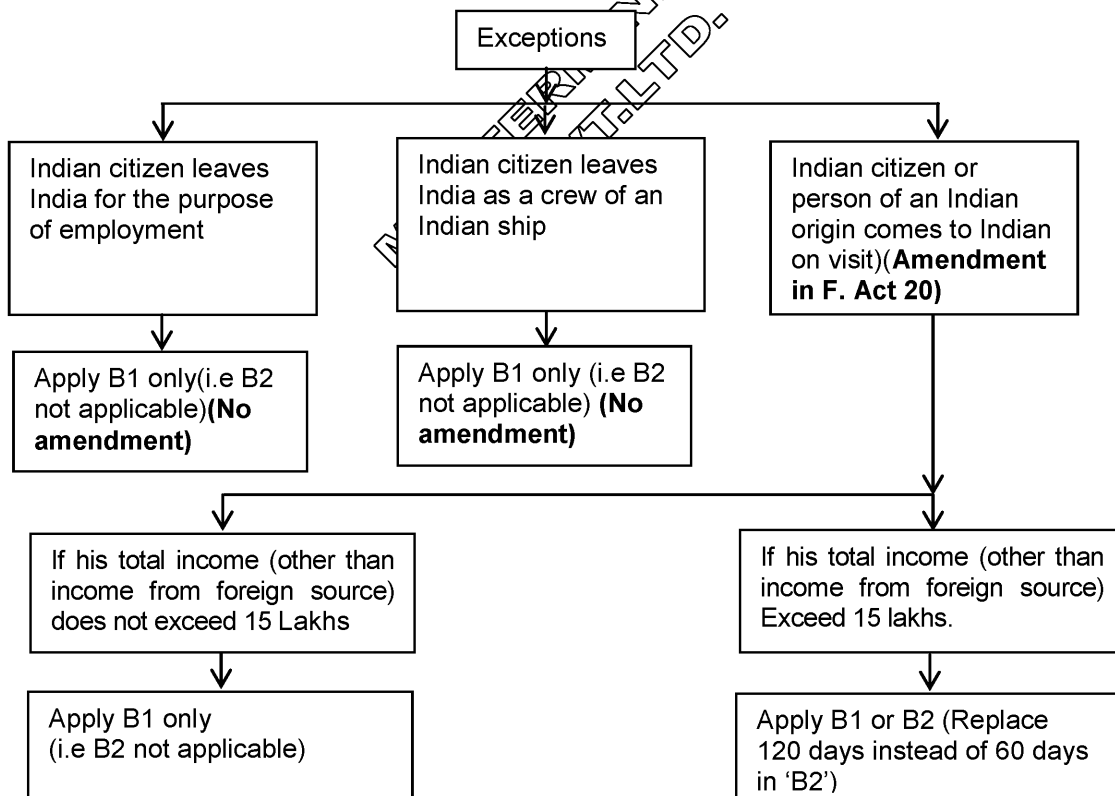
❖ **General cases:** Need to satisfy any one of the following basic conditions (B1 OR B2) for getting the status of Resident by an Individual.

B1: Stay in India for more than or equal to 182 days during the Relevant previous year

(OR)

B2: Stay in India for more than or equal to 60 days during the Relevant previous year and more than or equal to 365 days during 4 years preceding the Relevant previous year.

Exceptions: In the following exceptional cases the above rule is not applicable.



❖ **Foreign source:** Income accrues or arise outside India (except from income from business controlled from or profession set up in India.) Which is not deemed to accrue or arise in India.

2) **SEC 6(1A): DEEMED RESIDENT:** An individual, being an Indian citizen, having total income (other than foreign sources) exceeding 15 Lakhs during the P.Y. would be deemed to be resident in India in that P.Y. if he is not liable to pay tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.

However, this provision will not apply in case of an individual who is resident of India in the P.Y as per sec 6(1).

- 3) In the following 2 cases, the Individual is said to be always Resident but not ordinarily resident (i.e need not check additional conditions).
- If an Indian citizen or person of an Indian origin comes to India or visit and having total income (other than foreign sources) exceeding 15 lakhs during the P.Y, who has been in India for 120 days or more but less than 182 days during the P.Y or
 - Deemed resident as per Sec 6(1A).

EXAMPLE: Brett Lee, an Australian cricket player visits India for 100 days in every financial year. This has been his practice for the past 10 financial years.

- Find out his residential status for the assessment year 2021-22.
- Would your answer change if the above facts relate to Srinath, an Indian citizen who resides in Australia and represents the Australian cricket team?
- What would be your answer if Srinath had visited India for 120 days instead of 100 days every year, including P.Y.2020-21?

ANS:

1) **DETERMINATION OF RESIDENTIAL STATUS OF MR. BRETT LEE FOR THE A.Y. 2021-22:-**

Period of stay during previous year 2020-21 = 100 days

Calculation of period of stay during 4 preceding previous years (100 x 4=400 days)

Mr. Brett Lee has been in India for a period more than 60 days during previous year 2020-21 and for a period of more than 365 days during the 4 immediately preceding previous years. Therefore, since he satisfies one of the basic conditions under section 6(1), he is a resident for the assessment year 2021-22.

Since his period of stay in India during the past 4 previous years is less than 730 days, he is a not-ordinarily resident during the assessment year 2021-22. (See Note below)

Therefore, Mr. Brett Lee is a resident but not ordinarily resident during the previous year 2020-21 relevant to the assessment year 2021-22.

NOTE: An individual, would be not-ordinarily resident person if he satisfies any one of the conditions specified under section 6(6), i.e.,

- If such individual has been non-resident in India in any 9 out of the 10 previous years preceding the relevant previous year, or
- If such individual has during the 7 previous years preceding the relevant previous year been in India for a period of 729 days or less.

In this case, since Mr. Brett Lee satisfies condition (ii), he is a not-ordinarily resident for the A.Y. 2021-22.

- If the above facts relate to Mr. Srinath, an Indian citizen, who residing in Australia, comes on a visit to India, he would be treated as non-resident in India, irrespective of his total income (excluding income from foreign sources), since his stay in India in the current financial year is, in any case, less than 120 days.
- In this case, if Srinath's total income (excluding income from foreign sources) exceeds ₹ 15 lakh, he would be treated as resident but not ordinarily resident in India for P.Y.2020-21, since his stay in India is 120 days in the P.Y.2020-21 and 480 days (i.e., 120 days x 4 years) in the immediately four preceding previous years.

If his total income (excluding income from foreign sources) does not exceed ₹ 15 lakh, he would be treated as non-resident in India for the P.Y.2020-21, since his stay in India is less than 182 days in the P.Y.2020-21.

4) **SEC.9:**

Concept of Significant Economic Presence to establish Business Connection of an Income with India: The applicability of concept of Significant Economic Presence has been deferred by the government (Not Applicable)

- Royalty Meaning:** Consideration for sale, Distribution or Exhibition of Cinematographic films is also covered with in the scope of Royalty. (Earlier it was excluded).

3. SALARIES

- 1) **FOLLOWING BENEFITS ARE NOT AVAILABLE IN CASE OF ASSESSEE OPTS THE PROVISION U/S 115 BAC:**
 - a) Leave travel concession(10(5)]
 - b) House rent allowance(10(13A)
 - c) Special allowances u/s (10(14) except Transport allowance, Conveyance allowance, allowance to meet cost of Travel or tour, Daily allowance
 - d) Allowance to MP's, MLA's (10(17)]
 - e) Deduction u/s 16(All three deductions)
 - f) Exemption of perquisite in respect of Food and beverages provided by employer to employee through Food coupons(Food provided during working hours in office premises continues to be exempted).
- 2) Any allowance paid to High court Judge or **Supreme court Judge** (Amendment) is not taxable.
- 3) **NEW PROVISION U/S 17(2)(VII):** Aggregate of Employers' s Contribution to any of the following accounts in Excess of Rs 7.5 Lacs is considered a perquisite:
 - a) Recognised provident fund;
 - b) NPS referred to u/s 80CCD(1); AND
 - c) Approved Superannuation Fund
- 4) **PROVISION UNDER NEW SUB –CLAUSE(VIIA) TO SECTION 17(2):** If any Employer's Contribution to a fund becomes a perquisite in the hands of Employee u/s 17(2)(vii), Annual Accretion on such amount by way of ' Interest, Dividend or any other amount of similar nature' during the PY shall be considered as a perquisite in the hands of employee u/s 17(2)(vii).

4. INCOME FROM HOUSE PROPERTY

- 1) Deduction of Interest respect of self-occupied property u/s 24(b) is not available if the Assessee opts the Concessional rate u/s 115BAC.
- 2) Loss from House property can not be set off against other heads of income, if Assessee opts the provisions u/s 115BAC etc.

5. PGBP

- 1) **SEC 32(1)(IIA): ADDITIONAL DEPRECIATION:** Additional depreciation @ 35% to Assessee carrying Manufacturing activity in Andhra Pradesh/ Telangana / West Bengal/ Bihar: Now not available, because last date of investment in 31.3.2020 for claiming depreciation @ 35%, but 20% of additional depreciation will continue.
- 2) **Points relating to Persons opted the provisions of section 115BAC etc:**
 - a) Following benefits are not available under this head:
 - i) Additional depreciation u/s 32(1)(ia)
 - ii) Deduction u/s 32AD
 - iii) Deduction u/s 35(1)(ii), 35(1)(ia), 35(1)(iii), 35(2AA)
 - iv) Deduction u/s 35AD, 35CCC, 35CCD
 - b) where there is a depreciation allowance in respect of a block of assets which has been given effect to prior to the AY 21-22, corresponding adjustment shall be made to the WDV of such block of assets as on the 1.4.20 in the prescribed manner, if option u/s 115BAC is exercised for a PY 20-21 relevant to the AY 21-22.
- 3) **SEC 32AD: (INVESTMENT ALLOWANCE):** Now this deduction is not available because the last date of Investment for claiming this deduction is 31.3.2020 .

4) SEC 35: (SCIENTIFIC RESEARCH EXPENDITURE)

- a) Sec 35(2AB) (In house research made by specified Company) – Deduction is restricted to 100% only. (Earlier it was 150%)
- b) Sec 35(2AA)(Contributions by IIT, National laboratory) - Deduction is restricted to 100% only. (Earlier it was 150%)
- c) Sec 35(1)(ii)(Contributions by Research association) - Deduction is restricted to 100% only. (Earlier it was 150%)

5) **SEC 35AD (SPECIFIED BUSINESS):** Sec 35AD deduction is available only if the Assessee has opted to claim deduction other wise not available.

6) **SEC 35D(AMORTIZATION OF PRELIMINARY EXPENDITURE):** Assessee is a person other than Company/ Co-operative society Deduction u/s 35D is not admissible unless accounts are audited.

7) **SEC 43(5) (DEFINITION OF SPECULATIVE BUSINESS):** Replace the word Recognised Stock exchange for the word Recognised association whenever they occur.

8) **SEC 43CA(CONSIDERATION ON TRANSFER OF IMMOVABLE PROPERTY):** If Actual consideration is less than SDV, then SDV to be consider as Consideration only if such SDV exceeds 110% of actual consideration.(Earlier it was 105%)

EXAMPLE: Mr.X is a dealer in property, sells his house to Mr. Y for Rs 20,00,000(SDV:21L), the cost such asset is 15L, compute the business income in the hands of Mr.X.

SOLUTION:**Computation of PGBP:**

Sale consideration	20L
Less: Cost of asset	<u>15L</u>
	<u>5L</u>

NOTE: SDV does not considered, because it does not exceed 110% of actual consideration (i.e. does not exceed 22L)(20Lx110%)

9) SEC 44AB(TAX AUDIT):

- a) In case of business Assessee, the Threshold limit of Turnover limit will be increase to ₹ 5 Crores, only on satisfaction of following 2 conditions, otherwise ₹1 Crore will continue.
 - i) The Aggregate of all receipts in cash during the previous year does not exceeds 5% of such receipts. (And)
 - ii) The Aggregate of all Payments in cash during the previous year does not exceeds 5% of such Payments.
- b) **Due date of submission audit report:** Upload the Audit report 1 month prior to the due date for filling the Return of income u/s 139(1) [i.e on or before 30 September], because the due date was extended to 31st October from 30th September to the following persons.
 - i) Company
 - ii) Other than company whose books of accounts are required to be audited under income tax Act or any other law
 - iii) Partner of a firm whose accounts are required to be audited.

EXAMPLE:

Receipts	Cash	Non-cash	Total
Sale of goods	15,00,000	2,90,00,000	3,05,00,000
Sale of car	-	2,50,000	2,50,000
Sale of P&M	3,00,000	75,00,000	78,00,000
Sale of land	2,00,000	80,00,000	82,00,000

Income tax refund	-	5,00,000	5,00,000
Other receipts	4,00,000	20,00,000	24,00,000
Total	24,00,000		4,96,50,000

Cash receipts: $24,00,000 \times 100\% / 4,96,50,000 = 4.83\%$

Payments	Cash	Non-cash	Total
Purchase of goods	-	54,00,000	54,00,000
Purchase of car	1,00,000	50,00,000	51,00,000
Purchase of P&M	5,00,000	41,00,000	46,00,000
Purchase of land	-	17,50,000	17,50,000
Other payments	8,00,000	76,00,000	84,00,000
Total	14,00,000		2,52,50,000

Cash Payments: $14,00,000 \times 100\% / 2,52,50,000 = 5.54\%$

CONCLUSION: In this case cash receipts is up to 5% of Total receipts but cash payments is more than 5% of total payments. So Turnover limit of Rs 5 Crores is not applicable in this case. In this case Assessee requires to audit his Books of accounts as Turnover is more than Rs 1 crore and submit audit report 1 month before the due date of return filing.

6. CAPITAL GAINS

- 1) Indexed number for the P.Y is 301.
- 2) **SECTION 50C:** On transfer of Immovable property, if actual consideration is less than stamp duty value, then stamp duty value to be considered as consideration, only if such stamp duty value exceeds 110% of actual consideration (Earlier it was 105%)

EXAMPLE: Mr.X sells his house to Mr. Y for Rs 20L (SDV:23L), the indexed cost of acquisition is Rs 12L. Compute the Capital gain in the hands of Mr. X

SOL:

Computation of CG:

Sale consideration(SDV)	23L
Less: Indexed Cost of acquisition	12L
LTCG	11L

NOTE: SDV to be taken as consideration, because it exceeds 110% of actual consideration (i.e. $20L \times 110\% = 22L$)

- 3) **SECTION 55:** In case a capital asset being land or building or both the Fair market value of such asset as on 1.4.2001, shall not exceed the stamp duty value wherever available of such asset as on 1.4.2001. (i.e If FMV SDV, then SDV to be considered as cost of acquisition).

EXAMPLE: X purchase an asset for 2L in 1995, FMV as on 1.4.01 is 8L (SDV as on 1.4.01 is 7L). The asset was transferred in 2020-21 for 25L. Compute the CG in the hands of Mr. X for the AY: 21-22

SOL:

Computation of CG

Consideration	25,00,000
Less: Indexed cost of acquisition (7LX 301/100)	21,07,000
LTCG	3,93,000

NOTE: If asset was acquired before 1.4.2021, then actual cost or FMV as on 1.4.2001 whichever is higher to be considered as cost of acquisition but subject to SDV as on 1.4.2001.(i.e FMV as on 1.4.2001 cannot exceed SDV on that date)

7. INCOME FROM OTHER SOURCES

1) SECTION 56(2)(X)[CONCEPT OF GIFT]:

- a) Immovable property purchased for inadequate consideration
- b) Value of gift in this case = Stamp duty value of such asset – consideration paid.
- c) But, the taxability will arise only if the value of gift exceeds higher of the following
 - i) 10% of actual consideration
 - (OR)
 - ii) 50,000

EXAMPLE: X Purchased a building for 20 Lakhs (SDV 21 Lakhs) from Mr. Y calculate taxable value of Gift in the hands of Mr. X.

ANS:

Taxable value of Gift: Stamp duty value - Consideration

21,00,000 - 20,00,000 = 1,00,000 (Not taxable, because the benefit is not exceeding the specified limit)

NOTE: Taxability will arise only if the value exceeds 10% of consideration or 50,000 (Whichever is higher)

2,00,000 (20L X 10%) OR 50,000 (Whichever is higher) = 2,00,000

2) SECTION 57:

a) Deduction form Dividend income etc.

- i) Deductions from dividend income in the hands of recipient/ income from units of mutual fund specified u/s 10(23D)/ Income from units from a specified company specified u/s 10(35).
- ii) No expenses are allowed as deduction except interest expenses incurred to earn such income.
- iii) Amount of deduction: Exceeds 20% of such income included in total income for that year.

Example:

Mr. X received dividends of Rs 3 Lakhs, expenses incurred for receipt of dividends are

- Interest 70,000
- Other expenses 10,000

Determine the Taxable value of dividends.

SOL:

COMPUTATION OF TAXABLE VALUE OF DIVIDENDS:

Dividends received	3,00,000
Less: Deduction u/s 57(3,00,000x20%)	<u>60,000</u>
	<u>2,40,000</u>

NOTE:

- i) Deduction is available only to Interest not to other expenses.
- ii) Maximum deduction can not exceed 20% of amount received as dividend.

b) No deduction from Family pension, if Assessee opts the provisions u/s 115BAC.

- 3) **Sec 115BBDA:** This section will be **inactive** from the A.Y 21-22, because the domestic dividends are now taxable in the hands of shareholders.
- 4) **Sec 115(O)(DDT):** DDT is removed from the A. Y.21-22, it means, the Domestic companies are not required to pay tax on dividend distributed by them, it will be taxable in the hands of recipient i.e shareholders.
- 5) **Sec 10(34): Exemption of domestic dividends:** From the A.Y 2021-22, dividends declared by Domestic company & Deemed dividends are now taxable in the hands of share holders, because DDT u/s 115O is now removed.

- 6) **Sec 115R:** Tax on distributed income to unit holders is removed from the A.Y 2021-22. It means the specified company/ mutual fund is not required to pay tax on income distributed by them. It will be taxed in the hands of recipient (i. e unit holders).
- 7) **Sec 10(35): (Exemptions of income distributed by specified company/ mutual fund):** From the A.Y 2021-22, This exemptions is not available because the specified company/ mutual fund not liable to pay tax on distributed amount(115R). Now such distributed amount will be taxable in the hands of unit holders.

8. SET OFF AND CARRY FORWARD OF LOSSES

ASSESSEE OPTED THE PROVISIONS U/S 115BAC ETC. ARE:

- 1) Not allowed to set off any loss or depreciation attributable to any of the deductions which are not allowed if Assessee opted the Optional provisions.
- 2) Not allowed to set off any current year loss from House property against any other head.

9. CHAPTER VI A DEDUCTIONS

- 1) **80EEA: Deduction if interest on loan taken for acquisition of house property:** This deduction is available only if the date of borrowing on or before 31.3.2021(Earlier it was 31.3.20) (i.e benefit extended).
- 2) **80GGA: Donation for scientific research or Rural development or urban poverty education fund:** Any deduction referred in Sec 80 GGA paid by cash exceeding ₹2,000 will not be allowed as deduction(Earlier it was 10,000)
- 3) **OTHER CHANGES:**
 - a) U/s 115BAC: The Assessee is not eligible to claim Chapter VI A deductions except 80CCD(2) and 80JJAA.
 - b) U/s 115BA: The Assessee is not eligible to claim Chapter VI A deductions except 80JJAA.

10. RETURN OF INCOME

- 1) **SEC.139(1): DUE DATE FOR FILING RETURN OF INCOME:**
 - a) **Assessee:**
 - i) Company
 - ii) Other than company whose books of accounts are required to be audited under income tax Act or any other law
 - iii) Partner of a firm whose accounts are required to be audited
 - b) **Due date:** 31st October of assessment year (earlier it was 30th September)
- 2) **SEC.139AA:** Every person already holding PAN on 1st, July 2017, shall link Aadhar with PAN with in the time allowed by the government. Now the time limit was extended by the government to 31st March, 2021.

11. TDS & TCS

TAX DEDUCTED AT SOURCE

- 1) **SEC 194: THE COMPANY DISTRIBUTING DIVIDEND HAS TO DEDUCT TDS AS UNDER.**
 - a) On dividends distributed in any mode i.e. either in cash or cheque etc.
 - b) If such dividend paid more than 5,000 (Earlier it was 2,500)
 - c) Rate of TDS is 10%
 - d) **Time of TDS:** Earlier of the following:
 - Before making payment (or) Before issuing any cheque/ warrant (or) Before making any distribution
 - e) **Exceptions:** Dividends paid or credited to LIC OR GIC OR any other insurer

2) SEC 194A:

a) Applicable Assessee (Payer): All Assessee but Individuals, HUF having business turnover more than 1 crore (More than 50 Lakhs in case of Professional person) in immediately preceding financial year in which such amount liable for TDS is paid or credited. And

(Earlier, it was Individual or HUF whose books are required to be audited in preceding financial year).

b) In case of Co-operative society if the sales, Gross receipts or turnover of such co-operative society exceeds 50 Crores in preceding financial year and the interest paid or credited during the current financial years is more than 40,000 (50,000 in case of senior citizen).

The co-operative society is required to deduct tax @ 10% in respect of amount paid or credited.

3) Sec 194C, 194H, 194I, 194J: Same as 194A (point A)

4) **SEC 194J:** If payment of Fees for Technical services not being a professional services or Royalty is in the nature of Consideration for sale, Distribution or exhibition of Cinema autographic films, then the applicable TDS Rate is 2% instead of 10%.

5) SEC 194N: (ADDITIONAL NOTE POINT):

a) TDS applicable only if payer paying sum or aggregate of sum in cash in excess of 1 Crore in PY from one or more accounts maintain by payee

b) If payee has not filed the returned of income for all of the 3 AY' s relevant to the 3 PY's for which the time limit of file return of income u/s 139(1) has expired, immediately preceding the PY in which the payment of the sum is made to him, the TDS deducted as follows:

i) Amount withdrawn more than Rs 20 Lakhs but up to 1 Crore: 2%

ii) Amount withdrawn more than 1 crore: 5%

Example: In case of an Individual, say, the relevant PY is 20-21. In respect of AY'S 17-18, 18-19, & 19-20 (Relevant to the FY'S 16-17, 17-18 and 18-19), he has not furnished the ROI and the time limit for filling the return u/s 139(1) has expired, during the FY 20-21, the bank has paid Rs 50 lakhs in cash; in case of his HUF similar position prevails and during the financial year 20-21 the amount paid in cash to it by the Bank is Rs 120 lakhs.

Sol:

In the above cases, the modified threshold limit of Rs 20 lakhs would apply.

The bank have to deduct TDS 2% of Rs 30 Lakhs in case of the Individual i.e 60,000. In case of HUF TDS @2% of 80 Lakhs and 5% of 20 Lakhs i.e 2,60,000

6) SEC 194K AND SEC 194-O (NEW SECTIONS):

Section	Payment	Threshold Limit	Payer	Payee	Rate of TDS	Time of deduction	Payments / Income exempted from TDS
Sec 194K:	Income in respect of units of Mutual funds as per sec 10(23) or units of specified company	5,000	Any person (UTI/MF)	Resident person	10% (7.5% from 14.5.2020 to 31.3.21)	At the time of credit of income or at the time of payment whichever is earlier	
194O (w.e.f 1.10.20)	Payment by E-Commerce operator for	5,00,000 only in case of Recipient is an Ind/HUF and	Any person being E-Commerce	Resident person being E-Commerc	1% or Gross amount (0.75%)	At the time of credit of Amount or at the time of	

	sale of goods/ Rendering services	furnished his PAN/ Aadhar to the E-Commerce operator	operator	e participant	from 1.10.2020 to 31.3.21)	payment whichever is earlier	
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NOTES FOR SEC 194-O:

- a) Under this section TDS deductible on gross amount of such sale of goods/ services for this purpose, any payment made by a purchaser of goods or services directly to an E- Commerce participant, facilitated by E- Commerce operator, shall deemed to be the amount paid/ credited by E- commerce operator to E- commerce participant and shall be included in gross amount for the purpose of TDS
- b) If TDS deducted u/s 194O- TDS can not be deductible under any other section. However this rule is not applicable if amount received by E- commerce operator for hosting advertisement or providing any other services which are not related to sale of goods/ services.

Example: BB Virtuals Pvt Ltd. (E-commerce participant) selling books (Compact) through Amazon. In (E-commerce operator), wants to know about TDS implication in following cases:

CASE 1: During the PY 20-21 Amazon. In sold books of Rs 32 Lakhs and transferred Rs 25.6 Lakhs to BB virtuals on 31.3.21(after deduction commission @20% on sale).

Sol: In this case Amazon is required to deduct TDS @ 1%/0.75% on gross sale amount of Rs 32 Lakhs i.e Rs 24,000 on 31.3.21.

CASE 2: Suppose in above example Gross amount is only Rs 4.5 Lakhs instead of Rs 32 Lakhs and paid/ credited on 31.3.21.

Sol: Exception of TDS apply only in case of Ind/HUF E-commerce participant, here BB Virtuals Pvt Ltd is a company so TDS apply @ 1%/0.75% of Rs 4.5 Lakhs.

CASE 3: Suppose in case of Assessee is Mr.BB instead of BB virtuals Pvt Ltd and Mr. BB furnishes his PAN/Aadhar to Amazon.

Sol: In this case TDS not applicable

CASE 4: Suppose in case 1 Amazon sold books of ₹ 32 Lakhs but amount of Rs 15 Lakhs directly received by BB Virtuals Pvt. Ltd from customers and remaining received from Amazon Rs 10.6 lakhs (after commission of 20%on Rs 32 Lakhs)

Sol: In this case Amazon is required to deduct TDS@1%/0.75% on gross sale amount of Rs 32 lakhs i.e Rs 24,000.

- 7) In case the provisions of Sec 193, 194, 194A, 194C, 194D, 194DA, 194EE, 194F, 194G, 194H, 194I, 194IA, 194IB, 194IC, 194J, 194K, 194LA, 194M, 194-O, required to deduct TDS during the period 14.5.2020 to 31.3.2021, then the deduction of TDS shall be made at the rate being 3/4th (75%) of the rate specified in those sections.

TAX COLLECTION AT SOURCE

- 1) **SEC 206C (1G)(NEW)** : TCS on remittance outside Indian or sale of Tour package (Added by FA 20 W,ef.01.10.20)
 - a) In case of authorized dealer, who receives an amount of more than Rs 7,00,000 in PY from a buyer who remitting such amount out of India under the Liberalized Remittance Scheme(LRS) of the RBI then he required to collect TCS@5% in excess of Rs 7,00,000.
 Note: If remitted amount is out of Educational loan taken from Financial Institution then TCS rate shall be 0.5% instead of 5%.
 - b) In case of sale of an overseas tour program package(OTPP), seller receives any amount from a buyer required to collect TCS@5%.

NOTES:

- a) OTPP means any tour package which offers visits to a country or countries or territory or territories outside India and includes expenses for travel or hotel stay or boarding or lodging or any other expenditure of similar nature or in relation thereto.

- b) Above section not applicable if buyer is
- Liable to deduct TDS under IT Act and deducted the same.
 - CG,SG, an embassy, High commission, legation, commission, consulate, the trade representation of a foreign state, a local authority or any notified person.

EXAMPLE 1:

Case 1: On 10/12/2020 Mr. BB wants to transfer ₹10 lakhs to USA through AB Ltd. (an authorized dealer) under LRS scheme of RBI.

Sol: In this case AB Ltd require to collect TCS from Mr. BB at the rate of 5% of ₹3,00,000 i.e. ₹ 15,000 on 10/12/2020.

Case: 2 Suppose in Case-1, Mr. BB wants to transfer ₹10 lakhs on 16/07/20 instead of 10/12/20.

Sol: In this case TCS not applicable as this section applicable only w.e.f. 01/10/2020.

Case: 3 Suppose in Case-1, Mr. BB not submitted PAN/Aadhar to AB Ltd.

Sol: In this case TCS applicable at the rate of 10% of ₹ 3,00,000 i.e. ₹ 30,000

Case: 4 Suppose in Case-1, Mr. BB takes an Education loan from IDFC First Bank for his son's higher education outside India, ₹ 10 lakhs remitted through AB Ltd. on 10/12/20.

Sol: In this case TCS applicable at the rate of 0.5% of ₹ 3,00,000 i.e. ₹ 1,500.

Case: 5 Suppose in Case-1 Mr. BB remitted ₹ 5 lakhs through AB Ltd. (dealer) and ₹ 5 lakhs through JJ Ltd (dealer).

Sol: In this case TCS not applicable as dealer not received amount of more than ₹ 7 lakhs.

EXAMPLE 2: Mr. Devam purchased Singapore tour package from Thomas Cook for ₹ 2,50,000 on 16/01/21.

Sol: In this case Thomas cook required to collect TCS @ 5% of ₹ 2,50,000 i.e. ₹ 12,500.

Example 3: Suppose in example 2 Devam deducted TDS of Thomas Cook u/s 194C.

Sol: If TDS deducted under any provisions of IT then TCS not apply u/s 206C.

- 2) **SEC 206C(1H)(NEW): TCS on sale of Goods (Added by FA 20 W.E.F.0.1.10.20):** In case of sale of any goods of the value or aggregate of such value more than Rs 50 lakhs in any P.Y, (other than the goods being exported out of India or goods covered in 206C(1) or 206c(1F) or 206c(1G) seller shall collect TCS from the buyer@0.1% of the sale consideration in excess of Rs 50 lakhs.(0.075% from 01.10.20 till 31.3.21).

NOTES:

- Seller means a person whose T/O OR G/R from the business carried on by him more than 10 crore in last PY.
- Buyer means a person who purchase any goods, but does not include-
 - CG,SG, an embassy, High commission, legation, commission, consulate, the trade representation of a foreign state, a local authority
 - A person importing goods into India or any other notified person.
- Sec 206C(1H) not applicable in case of sale of service as this section mention only sale of Goods.
- If buyer not submit PAN or Aadhaar then TCS rate is 1% in this section.
- If buyer liable to deduct TDS under IT Act and deducted the same then TCS not apply.
- The threshold limit of Rs 50L is per buyer per year, this limit shall be calculated from the beginning of the Financial year.
- TCS shall be collect from the buyer at the time of receipt of amount, so, the liability to collect TCS will arise even in the case of advance payment for future delivery of goods.

Example:

Seller	T/O for PY 19-20(₹)	Buyer	Sale of Goods up to 30.9.20	Sale between 1.10.20 to 31.3.21	TCS liability
Mr.BB	₹10 Crore	KK Ltd	₹30 lakhs	₹40 Lakhs	No TCS
Mr.BB	₹12 crore	KK Ltd	₹40 Lakhs	₹12 Lakhs	TCS@0.1%/0.075% of 2 Lakhs
Mr.BB	₹12 crore	Maha Govt	₹40 Lakhs	₹12 Lakhs	No TCS
D Ltd	₹15 crore	Mr. Jetthalal	₹150 Lakhs	₹20 Lakhs	TCS@0.1%/0.075% of 20 Lakhs
Local authority	₹20 crore	Mr. Popat	₹10 Lakhs	₹150 Lakhs	TCS@0.1%/0.075% of 110 Lakhs

THE END

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