

SMART NOTES INCOME TAX

[Part -5]
FOR AY 21/22



CA SACHIN GUPTA

CHAPTER – 11

AGRICULTURAL INCOME

Sec. 10(1) : Agricultural Income shall be exempt from Income Tax

Sec. 2(1A) : Agricultural Income includes

- a) **Rent derived** from Land situated in **India &** used for agriculture or
- b) **Income derived from such land**
 - By Agriculture or
 - By process employed by cultivator to render produce fit for market or
 - Through Sale of the produce raised **or** received as rent in kind or
- c) **Income derived from any Building occupied by cultivator** *provided:*
 - Building is situated on such agricultural land & is used as Dwelling House or Store House &
 - Land assessed to local rates **or** situated in rural area &
 - L & B is used for Agricultural purposes only & not for other purposes

1) Any income from seedling or sapling grown in nursery is also agricultural Income.

2) Agricultural Income will not include Income from **transfer of land situated in Urban Area**

Income which is Partially Agricultural and Partially from Business

RULE 8		RULE 7A		RULE 7B			
Growing & mfn TEA		Growing & Mfn RUBBER		Growing & manufacturing COFFEE			
Agrl.	Non Agrl.	Agrl.	Non Agrl.	<i>Coffee grown & cured</i>		<i>Coffee grown , cured, roasted & grounded</i>	
60%	40%	65%	35%	Agrl. :	Non Agrl.	Agrl.	Non Agrl.
				75%	25%	60%	40%

Special Points :

1. Computation of Income in case of **Tea, Rubber & Coffee.**
 - a. Compute the Income from Growing & Manufacture Operations under head P/G/B/P
 - b. Then Apply the % as above in order to determine Agrl. & Non Agrl. Income
2. **Computation of Income for Growing & manufacture product other than Tea ,Rubber, coffee) (Rule 7)**

Agricultural Income	Non-Agricultural Income
MV of Agricultural produce grown & used as raw material in business	Sale value of other product
Less : Cultivation expenses	Less : Market value of Raw material grown & utilized for production
	Less : Other Business expenses

Partial Integration of Agricultural Income with Non-Agricultural Income

♣ **Individual/HUF/AOP/BOI**

♣ Agricultural Income > ₹ 5,000 & Non-Agricultural Income > Exemption Limit

Step 1 : Calculate Tax on aggregate of Agrl. & Non-Agrl. Income [At Slab Rates]

Step 2 : Calculate Tax on (Exemption Limit + Agrl. income) [At Slab rates]

Step 3 : Step 1 – Step 2

Step 4 : Add Special Tax Rates if applicable eg Sec 111A, 112 etc

Step 5 : Deduct Rebate u/s 87A (if applicable)

Step 6 : Add Surcharge (if applicable)

Step 7 : Add 4 % Education Cess

Step 8 : Tax Liability

CHAPTER – 12

COMPUTATION OF INCOME

Step 1 : Find **Residential Status** for P/Y & determine his Income on as per Residential Status. (Sec 5)

Step 2 : Compute his **Total Income** as follows

Computation of Total Income of
for Assessment Year _____ (P/Y _____)

Heads of income	₹.	₹.
(A) Income under head Salary		
GROSS SALARY <i>(after allowing exemptions)</i>		
: Standard Deduction u/s 16(ia)	-----	
: Entertainment Allow. u/s 16 (ii)	-----	
: Employment Tax u/s 16(iii)	-----	=====
(B) Income under head House Property		
NAV of House Property u/s 23	-----	
Less : Statutory Deduction u/s 24(a)	-----	
: Interest Payable u/s 24(b)	-----	
Add : Recovery of Unrealised rent/	-----	
Arrear u/s 25A	,	=====
(C) Income under head P/G/B/P		
Net profit as per P&L a/c	-----	
Add: adjustments as per Sec 30 to 43	-----	
Less: adjustments as per Sec 30 to 43	-----	=====
(D) Income under head Capital Gains		
Long Term Capital Gains	-----	
Short Term Capital Gains	-----	
Less: Exemptions u/s 54	-----	=====
(E) Income under head Other Sources		
Gross Income	-----	
Less : Deduction u/s 57	-----	=====
(F) ADD : Income to be Clubbed u/s 60 to 64		
<i>(Under EACH Head)</i>		
(G) LESS: Set off & carry forward of losses u/s 70 to 80		
<i>(Under EACH Head)</i>		
Gross Total Income [GTI]		
(A + B+ C+ D+ E + F -G)		=====
Less: Deductions under chapter VI-A		
(Sec 80C to 80 U)		=====
Total Income [TI]		
<i>(Rounded off to nearest 10 rupee u/s 288A)</i>		=====

Special Points: Deductions from 80C to 80U not available against incomes taxable at Fixed rates

Step 3 : Computation of Tax on Total Income**Computation of Tax of For Assessment Year _____**

Tax on Total Income	XXXX

	XXXX
Less : Rebate u/s 87A if TI upto 5 lacs (Ind+R)	<u>XXXX</u>
	XXXX
Add : Surcharge is applicable	<u>XXXX</u>
	XXXX
Add : HEC @ 4%	XXXX

	XXXX
LESS: Relief u/s 89(1)	<u>XXXX</u>
	XXXX

Total Tax Liability	XXXX
LESS : Advance Tax / T.D.S	XXXX

Tax Payable or (Refundable)	XXXX
<i>(Rounded off to Nearest 10 rupee u/s 288B)</i>	-----

CHAPTER - 13

ADVANCE TAX

Sections covered in this chapter

Sec 207	Liability for payment of advance tax
Sec 208	Advance tax if 10,000 or more
Sec 209	Computation of advance tax
Sec 210	Computation of advance tax by AO
Sec 211	Due date of advance tax
Sec 234A	Interest for payment of Tax after due date of return
Sec 234B	Interest for non payment of advance tax
Sec 234C	Interest for deferment of advance tax
Proviso to sec 234C	Advance tax in case of capital gain/casual income

Sec 207 : Liability for payment of advance tax

- ❖ Tax shall be payable in **ADVANCE** during any F/Y
- ❖ on **Total Income** chargeable in following **A/Y** as per sections 208 to 219

Sec 208 : Advance tax payable during a F/Y if advance tax liability is **10,000 or more**

Special point : Advance Tax not applicable for Individual + Senior Citizen + NO PGBP

Sec 209 : Computation of Advance tax Liability

- Step 1 : **Estimate TOTAL INCOME** of the current financial year
- Step 2 : Compute Tax on such estimated income after Rebates & surcharges
- Step 3 : **Add HEC @ 4%**
- Step 5 : **Deduct T.D.S**

Balance is advance tax liability during the financial year

Sec 210 : Payment by assessee on his own

- ❖ Every person who is liable to pay advance tax shall **on his own** Pay Advance tax
- ❖ on or before due date u/s 211 & Calculated in manner u/s 209

Increase or decrease of subsequent installments

- ❖ A person who pays any installment of advance tax
- ❖ May increase or reduce advance tax payable in remaining installment
- ❖ In accordance with estimate of current income

Sec 211: Due dates for payment of advance tax

Due Date of installment	% of Advance Tax
Upto 15 June of current financial year	Atleast 15% of advance tax liability
Upto 15 September of current financial year	Atleast 45% of advance tax liability
Upto 15 December of current financial year	Atleast 75% of advance tax liability
Upto 15 March of current financial year	Atleast 100% of advance tax liability

Special point

1. Where assessee declares profits u/s 44AD/44ADA, whole amount of such advance tax can be paid on or before the 15th March of the F/Y
2. Any amount paid by way of advance tax on or before 31st day of March shall also be treated as advance tax paid during F/Y ending on that day for all the purposes of this Act.

Section	234C: Interest for Deferment of advance tax	234B: Interest for Non Payment of tax upto 31st march of P/Y	234A : Interest for payment of tax after due date of return
Default	No advance tax paid or Advance tax paid after Due dates	Advance tax paid < 90% of tax as per ROI	Tax paid after due date of return
Interest	1% per month	1% per month /part	1% per month /part
Duration	3 months/1 month for last installment	1 st April of A/Y to Date of payment	Date after DDR to Date of payment
Amount	Actual Advance tax liability on due date less Advance tax deposited upto due date	Tax as per ROI less Advance tax paid	Tax as per ROI less Advance Tax Paid

Interest u/s 234C For assessee covered u/s 44AD/44ADA

Advance tax paid upto 15 th March is less than 100 % of Tax as per ROI	1% pm	1 month	100% of Tax as per ROI Less Advance tax paid upto 15 th March
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Exception to Interest u/s 234C : No interest liability will arise u/s 234C if**1) Advance tax paid**

- upto 15th June is upto **12% of tax** as per ROI or
- upto 15th September is upto **36 % of tax** as per ROI

2) Proviso to Sec 234C:

- ✓ If **Capital gain/Casual income/Dividend/New business** arises **after due date of installment**
- ✓ & if **entire tax payable** on such incomes is paid in **remaining installments**
- ✓ If such income arises after 15 march, then entire tax should be paid by 31st march of relevant F/Y

244A : Interest on Refunds

Interest will be receivable on tax refundable at ½ % **pm or part** from 1st April of A/Y to date on refund

Special point :

- 1) No interest u/s 244A shall be receivable if amount of refund is < **10% of tax as per ROI**
- 2) If proceedings of refund are **delayed due to assessee**, such period of delay shall be excluded from period for which interest is payable

Sec 210 : Payment of advance tax on order of AO

- ❖ **If AO may issue an order** u/s 210 requiring a person To pay advance tax
- ❖ Provided that person has already been assessed by way of **regular assessment**
- ❖ Such order can be passed any time during the financial year but not later than last date of February

Sec 209 : Computation of advance tax by AO

For computing advance tax AO shall take the **higher of following**

- ❖ Total income of **latest P/Y** of regular assessment **OR**
- ❖ Total income declared in return for any p/y **after above previous year**

CHAPTER -14
TAX DEDUCTED AT SOURCE

Sections covered in this chapter

Sec 191	Direct payment
Sec 192	TDS on salary
Sec 193	TDS on interest on security
Sec 194	TDS on dividend
Sec 194A	TDS on other interest
Sec 194B	TDS on lottery, crossword puzzles etc
Sec 194BB	TDS on Horse races
Sec 194C	TDS on Contractor
Sec 194D	TDS on Insurance commission
Sec 194E	TDS on payment to NR sportsman or sports Association
Sec 194G	TDS on commission on sale of lottery tickets
Sec 194H	TDS on commission & Brokerage
Sec 194I	TDS on rent
Sec 194J	TDS on fees for professional/technical services
Sec 194LA	TDS on compulsory acquisition of immovable [property
Sec 195	TDS on Non resident
Sec 195A	Tax free payments
Sec 196	No TDS if payments to specified payees
Sec 197	Certificate for no TDS/lower rates
Sec 197A	Self declaration
Sec 198	TDS is deemed Income
Sec 199	Credit of TDS
Sec 200	Duty of person deducting tax
Sec 201	Consequences of failure to Deduct/Pay TDS
Sec 203	TDS certificates
Sec 203A	TAN
Sec 203AA	Annual Tax deduction/Deposit statement
Sec 205	Bar against direct demand on Assessee
Sec 206AA	Deductee to disclose PAN

***Specified payer : TDS u/s 194A 194C, 194H, 194I, 194J & 194IB**

- Individual and HUF (payers)

- **Business turnover > 1 crore in preceding f/y**
- **Professional receipts > 50 lakhs in preceding f/y**

-Non individual & Non HUF in all cases irrespective of turnover

Section	192	194	192A	194B	194BB	194C
Income	Salary	Dividend	RPF payment	Lottery, Crossword Puzzles, Card Game/ Other game	Horse races	Payment to Contractor/Sub contractor
Payer	Any Employer	Domestic company	EPF trustees	Any Payer	Any Payer	*Specified Payer
Payee	Any Employee	Resident Shareholder	Employee	Any Person	Any Person	Resident contractor
Exemption Limit	2,50,000 3,00,000 / 5,00,000	Ind shareholder + non cash + upto 5,000	Less than 50,000	10,000	10,000	30,000 per payment & 1,00,000 aggregate
Time of Deduction	Payment	Payment or Distribution	Payment	Payment	Payment	Payment or credit, earlier
Rate of deduction	At Slab rates + HEC	10%	10% TDS @ MMR if payee does not disclose his PAN to Payer	30%	30%	Contractor Ind/HUF : 1% Other case :2% Nil rate if transporter quotes his PAN
Other provisions	Employee may furnish details of previous salary to current employer Employee can also disclose other income & TDS on them or loss from HP to employer In both cases employer shall take the above & then deduct tax	No tds for dividend paid to insurance co				No TDS by Ind/HUF if payment for personal purpose

For TDS u/s 192, Employer being eligible start-up u/s 80-IAC, responsible for paying any income to assessee being perquisite of ESOP/Sweat Equity wef A/Y 21/22, shall deduct TDS within 14 days—

(i) after expiry of 48 months from end of relevant A/Y or

(ii) from date of sale of ESOP or sweat equity share by assessee; or

(iii) from date of the assessee ceasing to be employee,

whichever is earliest,

on the basis TDS rates of f/y in which ESOP or sweat equity share is allotted

Section	194 D	194E	194G	194H	194I	194IA
Income	Insurance commission	Income u/s 115BBA to NR Sportsmen/ Association or Entertainer	Commission on sale of lottery ticket	Commission/ Brokerage	Rent of P&M/F&F/ L&B	Rent of L&B
Payer	Any Payer	Any Payer	Any Payer	*Specified Payer	*Specified Payer	Non specified payer
Payee	Resident	Non resident sportsmen/Sport association/ Entertainer	Any person	Resident	Resident	Resident
Exemption limit	15,000	NIL	15,000	15,000	1,80,000	50,000pm
Time of Deduction	Payment or credit, earlier	Payment or credit, Earlier	Payment or credit,earlier	Payment or credit, earlier	Payment or credit, earlier	Payment or credit, earlier
Rate of deduction	5% for non company 10% for Company	20%	5%	5%	P&M : 2 % L&B or F/F : 10%	5%

Section	194 J	194K	194 LA	194IA	194IC	194M
Income	Fee for Professional /Technical services/Royalty Amount to non employee director	Income from units of mutual fund	Compensation on acquisition of land (other than agriculture land) or building	Consideration for transfer of Immovable Property (other than Rural Agricultural land)	Amount under collaboration agreement u/s 45(5A)	194C+194H +194J
Payer	*Specified Payer	<i>Mutual fund</i>	<i>Any Payer</i>	<i>Any Payer</i>	<i>Any payer</i>	IND /HUF (not cov u/s 194C, 194H 194J)
Payee	Resident	Resident unit holder	Resident	Resident	Resident	Resident
Exemption limit	30,000	5,000	2,50,000	<₹50,00,000	Nil	50,00,000
Time of Deduction	Payment or credit, earlier	Payment or credit, earlier	Payment or credit, earlier	Payment or credit, earlier	Payment or credit, earlier	Payment or credit, earlier
Rate of deduction	2% for FTS,Call centre & Royalty of cinema films 10% for other cases	10%	10%	1%	10%	5%
Other provisions	No TDS by Ind/HUF if payment for personal purpose			<i>Deductor need not apply for TAN Consideration include charges like club membership fee, car parking fee, electricity water facility maintenance fee, advance fee etc)</i>	<i>Deductor need not apply for TAN</i>	<i>Deductor need not apply for TAN</i>

Sec194N : Payment of certain amounts in cash

(i) Bank incl coop bank

(ii) Post office,

- paying aggregate sum, in cash, > ₹1 crore during p/y, to any person
- from one or more accounts maintained by recipient ,
- at time of payment,
- deducts amount @ 2% . of sum > ₹1 crore

If recipient has not filed returns of income for all of 3 p/y preceding the p/y in which payment of sum is made ,

the deduction shall be—

(a) @2% of aggregate sum in cash > 20 lakhs during p/y but upto ₹1 crore or

(b) @5% of aggregate sum in cash exceeds > 1 crore during p/y

Sec 194O : Payment of certain sums by e-commerce operator to e-commerce participant.

(1) Where sale of goods or provision of services of e-commerce participant is facilitated by e-commerce operator through its digital/electronic platform ,

such e-commerce operator shall, at time of credit or payment, earlier to account of e-commerce participant deduct income-tax @ of 1% . of t gross amount of sales or services or both.

(2) No deduction from account of e-commerce participant, being individual or HUF, if gross amount of sale/services during p/y is upto 5 lakhs and such e-commerce participant has furnished his PAN or Aadhaar number to e-commerce operator.

(3), Transaction under which TDS deducted by e-commerce operator under sub-section (1), or which is not liable to deduction under sub-section (2), shall not be liable to TDS under any other provision of this Chapter:

Provided that provisions of this sub-section shall not apply to aggregate of amounts received or receivable by e-commerce operator for hosting advertisements or providing any other services which are not in connection with the sale or services referred to in sub-section (1).

206AA : Requirement to furnish PAN

- ✓ The payee (Deductee) shall furnish his **PAN**
- ✓ to the person responsible for deducting such tax (Deductor)

***If Deductee does not disclose his PAN, TDS will be deducted at Applicable TDS rate or *20%, higher
*5% for TDS u/s 194O***

TDS RATES REDUCED FOR P/Y 20/21

S. No	Section	Payment	TDS RATES 1/04/20 to 13/5/20	TDS RATES 14/05/20 to 31/03/21
1	193	Interest on Securities	10%	7.5%
2	194	Dividend	10%	7.5%
3	194A	Interest other than interest on securities	10%	7.5%
4	194C	Payment of Contractors and sub-contractors	1% (IND/HUF) 2% (others)	0.75% (IND/HUF) 1.5% (others)
5	194D	Insurance Commission	5%	3.75%
6	194DA	Payment in respect of life insurance policy	5%	3.75%
7	194G	Commission, prize etc., on sale of lottery tickets	5%	3.75%
8	194H	Commission or brokerage	5%	3.75%
9	194-IA	Rent for plant and machinery	2%	1.5%
10	194-IB	Rent for immovable property	10%	7.5%

11	194-IA	Payment for acquisition of immovable property	1%	0.75%
12	194-IB	Payment of rent by IND or HUF	5%	3.75%
13	194-IC	Payment for Joint Development Agreements	10%	7.5%
14	194J	Fee for Professional or Technical Services (FTS), Royalty, etc.	2% (FTS, certain royalties, call centre) 10% (others)	1.5% (FTS, certain royalties, call centre) 7.5% (others)
15	194K	Payment of dividend by Mutual Funds	10%	7.5%
16	194LA	Payment of Compensation on acquisition of immovable property	10%	7.5%
17	194M	Payment to commission, brokerage etc. by Individual and HUF	5%	3.75%
18	194-O	TDS on e-commerce participants		0.75% (w.e.f. 1.10.2020)