

Filing your Tax Return



INCOME TAX DEPARTMENT
Directorate of Income Tax (PR, PP & OL)
6th Floor, Mayur Bhawan, Connaught Circus,
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Index of Chapters

1. The Scheme for Filing of Tax Returns	1
2. What are Tax Returns	4
3. Due Dates for Filing Tax Returns	6
4. Some Helpful Tips for filing Income-Tax Returns	12
5. Manner of filing of Returns	18
6. How to Fill 'PAN Form'	21
7. How to Fill up A Tax Challan	25
8. Exemptions from Income	26
9. Income from Salary at a glance	35
10. Income from House Property at a Glance	37
11. Income from Capital Gains at a Glance	39
12. Income from Business or Profession at a Glance	41
13. Income from Other sources at a Glance	43
14. Deductions from Total Income	45
15. Income-Tax on Fringe Benefits	51
16. Some Helpful Tips for filing Wealth Tax Returns	60
17. Important prescribed Forms under I.T. Rules, 1962	64

This publication should not be construed as an exhaustive statement of the Law. In case of doubt, reference should always be made to the relevant provisions of the Income Tax Act 1961, Income Tax Rules 1962, Wealth Tax Act 1957, and Wealth Tax Rules 1957, and, wherever necessary, to Notifications issued from time to time.

PREFACE

Lack of awareness amongst taxpayers is often cited as one of the main reasons for low level of compliance towards tax laws. It has been a constant endeavour of the Directorate of Income Tax (PR, PP & OL) to increase the awareness of the taxpayers about the provisions of tax laws and the steps taken by the government to reduce the complexities of tax laws and improve Tax Payer Service. The booklets published under the Tax Payers Information Series have proved to be an effective and convenient tool to educate the tax payers in discharging their tax liabilities relating to Direct Taxes.

“**Filing Your Tax Return**” is one of the most popular booklets among the taxpayers. As reflected in the name, the booklet mainly deals with the procedure for filing of the tax returns. Besides, it also guides the reader about filling up the relevant forms/ challans correctly. In addition, the booklet gives a brief idea about various heads of income and the allowable deductions, and also the taxability of Fringe Benefits. Guidance has also been given in this booklet about the taxability of wealth and filing of wealth tax returns. The present edition incorporates the amendments in law made upto the Finance Act, 2008 including changes made in the procedure for filing of returns of income. The booklet is primarily based upon the position of law and tax rates as applicable for two years, i.e., Assessment Years 2008-09 and 2009-10. However, some important provisions pertaining to earlier years have also been discussed. Smt. Batsala Jha Yadav, Addl. CIT has taken keen interest in updating the edition.

It is hoped that this publication will prove to be more useful for the readers. The Directorate of Income Tax (Public Relations, Printing & Publications and Official Language) would welcome any suggestion to further improve this publication.



New Delhi

(Amitabh Kumar)

Dated: July 4 2008

Director of Income-Tax (PR, PP & OL))

CHAPTER – 1

THE SCHEME FOR FILING OF TAX RETURNS

The filing of income tax/wealth-tax return is a legal obligation of every person whose total income and wealth tax during the previous year exceeds the maximum amount which is not chargeable to income tax or wealth tax under the provisions of I.T. Act, 1961 or Wealth Tax Act 1957, as the case may be. The return should be furnished in the prescribed form on or before the due date(s).

At present, there is an emphasis on self compliance on the part of the taxpayers. The assessing officer will accept the returns, u/s 143(1) of the I.T. Act or u/s 16(1) of W.T. Act, as the cases, may be, on the basis of the returns/documents submitted by the assesses. That is the end of the matter for a majority of the cases, except in the small number of cases selected for scrutiny. It is, therefore, advisable for the taxpayers to furnish correct and complete particulars in the Income-Tax/WealthTax return itself.

INCOME TAX RETURN

It is compulsory for every company to furnish return of income. Every person, other than a company, whose total income from all sources of income exceeds the maximum amount which is not chargeable to income tax in any previous year ending on 31st March is liable to file the Income-tax Return. The maximum limit of income not chargeable to tax under the provisions of the Income Tax Act, 1961 is Rs. 1,10,000 (except in case of resident women below 65 years of age and resident senior citizens above 65 years of age) for assessment year 2008-09.

WHAT ARE THE RATES OF INCOME-TAX ?

In the case of Individuals, HUFs, AOPs and BOIs other than those covered under the following two parts of this table :

A.Y. 2008-09	
Upto Rs. 1,10,000	Nil
Rs. 1,10,001 to Rs. 1,50,000	10%

Rs. 1,50,001 to Rs. 2,50,000	20%
Above Rs. 2,50,000	30%

For Women, resident in India and below the age of 65 years :

Upto Rs. 1,45,000	Nil
Rs. 1,45,001 to Rs. 1,50,000	10%
Rs. 1,50,001 to Rs. 2,50,000	20%
Above Rs. 2,50,000	30%

For Senior Citizen and Women, age 65 years or more :

Upto Rs. 1,95,000	Nil
Rs. 1,95,001 to Rs. 2,50,000	20%
Above Rs. 2,50,000	30%

Surcharge on Income tax:- @10% shall be levied when income mentioned in the above tables exceeds Rs. 10 lakhs.

Education Cess @ 2% on income-tax is also chargeable and an additional levy of Secondary and High Education Cess is also payable @1% for the A.Y. 2008-09.

The rates of tax for A.Y. 2009-10 shall be as follows :

In the case of Individuals, HUFs, AOPs and BOIs not covered under the following two parts of this table :

Income Range	Rate of Income Tax A.Y. 2009-10
Upto Rs. 1,50,000	Nil
Rs. 1,50,001 to Rs. 3,00,000/-	10%
Rs. 3,00,001 to Rs. 5,00,000/-	20%
Above Rs. 5,00,000/-	30%

For women, resident in India and below the age of 65 years :

Income Range	Rate of Income Tax A.Y. 2009-10
Upto Rs. 1,80,000	Nil
Rs. 1,80,001 to Rs. 3,00,000/-	10%
Rs. 3,00,001 to Rs. 5,00,000/-	20%
Above Rs. 5,00,000/-	30%

For senior citizen and women, aged 65 years or more:

Income Range	Rate of Income Tax A.Y. 2009-10
Upto Rs. 2,25,000	Nil
Rs. 2,25,001 to Rs. 3,00,000/-	10%
Rs. 3,00,001 to Rs. 5,00,000/-	20%
Above Rs. 5,00,000/-	30%

The Surcharge, Education Cess and Secondary and Higher Education Cess will be the same as for the assessment year 2008-09.

For the A.Y. 2008-09 and 2009-10, two partnership firms and domestic companies the tax rate shall be 30%, but surcharge of 10% will be levied only if the net income of the partnership firm or the domestic company exceeds Rs 1 crore, education cess will be levied at 2% and an additional Secondary and higher education cess of 1% shall be levied.

WEALTH TAX RETURN

Every Individual, Hindu Undivided Family and Company whose net wealth exceeds the maximum amount which is not chargeable to wealth tax in any previous year ending of 31st March is liable to file the wealth tax return. The maximum limit of net wealth not chargeable to tax under the provisions of the Wealth tax Act, 1957 is Rs. 15 lakhs at present.

WHAT IS NET WEALTH ?

Net wealth is the aggregate value, computed under the provisions of the W.T. Act, 1957, of all assets (including deemed assets), belonging to the assessee on the valuation date, MINUS the aggregate value of all debts owed by the assessee on the valuation date which have been taken in relation to the assets attracting wealth tax.

HOW IS WEALTH TAX CHARGED ?

It is charged @ 1% of the amount by which the net wealth exceeds Rs. 15 Lakhs.

CHAPTER – 2

WHAT ARE TAX RETURNS

Through Latest Amendments, the Central Board of Direct Taxes (CBDT) has prescribed new return of income forms for the assessment years 2008-09 onwards, as shown in the table below:

FORM	FOR WHOM
ITR-1	Individuals having salary, pension, family pension or interest income.
ITR-2	Individuals and Hindu undivided family (HUFs) not having income from business or profession.
ITR-3	Individuals and HUFs who is a partner in partnership firm but does not carry on a proprietary business or profession.
ITR-4	Individuals and HUFs carrying on a proprietary business or profession.
ITR-5	Partnership firms, Association of Persons (AoP) and Body of Individuals (BoI).
ITR-6	Companies other than companies claiming exemption under section 11.
ITR-7	Persons including companies which are charitable or religious trust, political party, scientific research association, news agency, hospital, trade union, university, college or other institution specified in sub-section (4A), (4B), (4C) and (4D) of section 139 of the Act.
ITR-8	Persons not liable to file return of

income but are liable to file return of fringe benefits

ITR-V

Where the data of the return of income or Fringe benefits in Forms ITR-1, ITR-2, ITR-3, ITR-4 ITR-5, ITR-6 & ITR-8 is transmitted electronically without digital signature.

The above forms are not required to be filed in duplicate. But where the return form is filed in paper format, acknowledgement slip attached should be duly filled in.

Where a return of income or return of fringe benefits, relates to the assessment year commencing on the 1st day of April, 2007 or any earlier assessment year, it shall be furnished in the appropriate form as applicable in that assessment year.

All these Forms (except Form ITR-7) have been designed as annexure-less so as to make them amenable for electronic filing. Thus except form ITR-7, which is in respect of charitable/religious trusts, political parties and other non-profit organizations, all the forms can be electronically filed.

Form prescribed for filing return of wealth tax :

Form No. BA: For filing net wealth of individuals/HUFs and companies from Assessment year 1993-94 onwards.

The form is available at website: www.incometaxindia.gov.in

CHAPTER – 3

DUE DATES FOR FILING TAX RETURNS

WHAT ARE THE DUE DATES FOR FILING OF RETURNS ?

The Due dates for filing Income Tax returns are:-

I.	Where the assessee is a Company	31st October of the Assessment Year.
II. Where the assessee is a person other than a company:-		
a)	1. where accounts of the assessee are to be Audited or 2. a working partner of a firm whose accounts are required to be audited under the Income Tax Act or any other law	31st October of the Assessment Year.
b)	Where the return has to be filed under the one-by-six criteria	Discontinued w.e.f. A.Y. 2006-07
c)	Any other assessee	31st July of the Assessment Year.

Vide Finance Act, 2008, the due date for filing of return for the following categories of assessee has been specified as 30th September of the assessment year instead of 31st October of the assessment year (w.e.f. 1-4-2008):

- (i) a company;
- (ii) a person (other than a company) whose accounts are to be audited
- (iii) a working partner of a firm whose accounts are to be audited

CONSEQUENCES OF SUBMISSION OF RETURN AFTER DUE DATE

If a return is submitted after the due date, the following consequences will be applicable:

1. The assessee will be liable for penal interest under section 234 A.
2. A penalty of Rs 5,000 may be imposed under section 271 F if belated return is submitted after the end of the assessment year.
3. If the return of loss is submitted after the due date, a few losses cannot be carried forward.
4. If the return is submitted belated, deductions allowable under certain sections will not be available.

INTEREST U/S. 234-A FOR LATE OR NON-FURNISHING OF INCOME TAX RETURN	
For defaults in furnishing Return of income	Simple interest @ 1% for every month or Part thereof from the due date of filing of the Return to the date of furnishing of the return & in case return is not filed, it is upto the date of completion of assessment u/s 144. The interest is calculated on the amount of the tax on the total assessed income as determined under sub-section (1) of section 143 or on regular assessment u/s 143(3) as reduced by the Advance Tax, if any, paid and any tax deducted or collected at source.

IF AN ASSESSEE DOES NOT FILE HIS RETURN OF INCOME, IS ANY PENALTY IMPOSABLE UPON HIM ?

Yes, Penalty of Rs. 5000 is imposable for non-filing of return within the assessment year. Interest is also chargeable for non-filing or late filing, as shown above.

IS TAX TO BE PAID DURING THE FINANCIAL YEAR ON THE BASIS OF PAY AS YOU EARN ?

Yes, Such payments have to be made in instalments and are known as ‘Advance-Tax’ payments. However the liability for payment of advance tax arises only where the amount of such tax payable by the assessee during that year is Rs. 5,000 or more.

The due dates and the percentage of instalments of Advance Tax for assessees other than Companies are as below :-

Due Date of instalments	Amount payable
1st on or before 15th September.	Amount not less than 30% of such advance tax.
2nd on or before 15th December.	Amount not less than 60% of such advance tax after deducting amount paid in earlier instalment.
3rd on or before 15th March.	Entire balance amount of such advance tax.

In case of companies, there are 4 instalments of advance tax payable on or before 15th June (15%); 15th Sept. (45%); 15th Dec. (75%); & balance amount of Advance Tax payable by 15th March. Also, any amount paid by way of Advance Tax on or before the 31st March of that year, is treated as Advance Tax Paid during that Financial Year. The percentages of 45% and 75% specified with reference to dates of 15th Sept. and 15th Dec. include the amount of advance tax paid earlier during the year.

IF THE TAX PAYER FAILS TO PAY 90% TAX PLUS APPLICABLE INTEREST THEN HOW IS INTEREST FOR SHORT PAYMENT OF SUCH ADVANCE-TAX CALCULATED ?

INTEREST U/S. 234-B FOR SHORT PAYMENT OF ADVANCE TAX	
Shortfall in payment of Advance tax of more than 10%.	Simple interest @ 1% for month or part thereof is chargeable w.e.f. 1st April of the Assessment Year to the date of determination of income u/s. 143(1) or regular assessment u/s 143(3) on the assessed tax. “Assessed tax” means the tax on the total income determined under sub section (1) of section No. 143 or on regular assessment u/s 143(3), as reduced by the amount of tax deducted or collected at source.

HOW IS INTEREST FOR DEFERMENT OF ADVANCE-TAX CALCULATED ?

(A) INTEREST U/S. 234-C FOR DEFERMENT OF ADVANCE TAX (Non Corporate assessees)	
1. If no advance tax is paid or the advance tax paid in 1st installment on or before 15th September is less than 30% of the tax payable on the returned income as reduced by taxes deducted at source.	Simple interest @ 1% p.m. is chargeable on the amount of shortfall for a period of 3 months.
2. If no advance tax is paid or if the advance tax paid in 2nd installment on or before 15th December is less than 60% inclusive of 1st installment of the tax payable on the returned income as reduced by taxes deducted at source.	Simple interest @ 1% p.m. is chargeable on the amount of shortfall for a period of 3 months.
3. If the advance tax paid on the current income on or before the 15th day of March is less than the tax due on the returned income.	Simple interest @ 1% is chargeable on the amount of shortfall from the tax due on the returned income.
B. INTEREST U/S 234C FOR THE CORPORATE ASSESSEES	
1. If advance tax paid on or before June 15th is less than 12%.	Simple interest @ 1% p.m. is chargeable on the amount of shortfall for a period of three months.
2. If advance tax paid on or before Sept. 15th is less than 36%.	Simple interest @ 1% p.m. is chargeable on the amount of shortfall for a period of three months.
3. If advance tax paid on or before Dec., 15th is less than 75%.	Simple interest @ 1% p.m. is chargeable on the amount of shortfall for a period of three months.
4. If advance tax paid on or before March 15th is less than tax due on returned income (100%).	Simple interest @ 1% is chargeable on the amount of shortfall from the tax due on the returned income.

However, no interest is leviable if the short fall in payment of advance-tax is on account of under estimation or failure to estimate the amount of capital gains or any income from winnings from lotteries, crossword puzzles, races, and other games including an entertainment program on television or electronic mode, in which people compete to win prizes etc., and the assessee has paid the tax on such income as part of the remaining instalments of advance tax which are due or if no instalment is due, by 31st March, of the Financial Year.

WHAT ARE THE DUE DATES FOR FILING OF WEALTH TAX RETURNS ?

The due dates for filing Wealth Tax returns by different assessees, are the same as that given above for filing Income Tax returns.

WHAT ARE THE CONSEQUENCES OF NOT FILING OR LATE FILING OF WEALTH TAX RETURNS ?

Where the assessee had defaulted in timely furnishing of his return of wealth, then penal interest @ 1% for every month or part of a month of delay is chargeable for Non/Late filing of return.

CHAPTER – 4

SOME HELPFUL TIPS FOR FILING INCOME TAX RETURNS

“SOME HELPFUL TIPS FOR INCOME TAX RETURN

Income-tax return is a legal document and it should be filed by the assessee with due care and caution. There should be no corrections or overwriting and it should be properly signed and verified by the person authorized to do so under the provisions of the Income-tax Act. The following important points may be taken care of while filling up the return forms:

1. Assessment year to which New Forms are applicable

The new ITRs notified are applicable for the assessment years 2008-09 onwards only, for return of income relating to earlier assessment years return is to be furnished in the appropriate form as applicable in that assessment year. Each assessee has to identify the correct ITR Form applicable in its case before filing the return of income.

2. No enclosures to the return

Rule 12(2) of the I.T Rules provides that the return of income and return of fringe benefits required to be furnished in Form No. ITR-1, ITR-2, ITR-3, ITR-4, ITR-5, ITR-6, or ITR-8 shall not be accompanied by a statement showing the computation of tax payable on the basis of return, or proof of tax, if any, claimed deducted or collected at source or the advance tax or tax on self assessment, if any, claimed to have been paid or any document or copy of any account or form or report of audit required to be attached with the return of income or return of fringe benefits under any provisions of the Act.

3. For timely delivery of refunds, ensure correct address and account number on your Return of Income

From 1.10.07 onwards, all income tax refunds in Bangalore, Chennai, Delhi, Kolkata and Mumbai will be delivered by the Refund Banker directly at the communication address mentioned on the Return of Income. Taxpayers are requested to fill in the correct address

(available during working hours for delivery) to ensure speedy delivery of refunds. In the case of taxpayers who opt for refunds through ECS, it will be credited directly to the bank account for which correct MICR code/ Bank Account Number has to be furnished on the Return.

4. Manner of filing the new Forms

These Forms can be submitted in the following manner:

- (i) a paper form;
- (ii) e-filing
- (iii) a bar-coded paper return.

Returns can be e-filed through the internet. E-filing of return is mandatory for companies and firms requiring statutory audit u/s 44AB. E-filing can be done with or without digital signature-

- a) If the returns are filed using digital signature, then no further action is required from the tax payers.
- b) If the returns are filed without using digital signature, then the tax payers have to file ITR-V with the department within 15 days of e-filing.
- c) The tax payers can e-file the returns through an e-intermediary who would e-file and assist him in filing of ITR-V within 15 days.

Where the form is furnished by using bar coded paper return then the tax payers need to print two copies of Form ITR-V. Both copies should be verified and submitted. The receiving official shall return one copy after affixing the stamp and seal.

5. Filling out acknowledgement

Where the return is furnished in paper format, acknowledgement slip attached with the return should be duly filled in. The new forms are not required to be filed in duplicate.

6. Intimation of processing under section 143(1)

The acknowledgement of the return is deemed to be the intimation of processing under section 143(1). No separate intimation will be sent to the taxpayer unless there is a demand or refund.

7. Furnishing details of high value transactions

In the return the details of high value transactions need to be compulsorily stated, which are ordinarily reported through the annual information return (AIR) and these details are cross checked and matched with the data in the AIR.

8. Filing your return through Tax Return Preparers (TRPs)

If you are an individual or an HUF assessee and you are not required to get your accounts audited (called 'eligible person') under the provisions of the Income Tax Act, then you can use the services of a Tax Return Preparer (TRP). However, if the 'eligible person' is not a resident in India during the previous year relevant to such assessment year, he can not avail of the services of a TRP.

If you are filing your returns through a TRP then you should ensure that:

- i) You are eligible to file return of Income under this Scheme;
- ii) You give your consent to any Tax Return Preparer to prepare your return of income for any assessment year;
- iii) You verify that the facts mentioned in the return are true and correct before you sign the return;
- iv) You certify the amount which has been paid by you under this Scheme to the Tax Return Preparer for preparing and furnishing of the return of income; and
- v) You take a receipt of the payment made to the Tax Return Preparer and produce the same before the Resource Centre or Assessing Officer, if required,

Incentive to Tax Return Preparers

The Tax Return Preparer shall charge a fee of two hundred and fifty rupees for any assessment year from the eligible person for preparing and furnishing his return of income for that assessment year:

Provided that he will charge no fees for preparing and furnishing the return for any eligible assessment year if the amount disburseable to him as per the scheme notified by the government for that eligible assessment year exceeds two hundred and fifty rupees. If the amount

disburseable is less than two hundred and fifty rupees, we can charge the difference between rupees two hundred fifty and the amount disburseable.

9. Verification

The verification must be signed by the authorized person before furnishing the return and the name and designation of the person signing the return should also be written. Any person making false statement is liable to be prosecuted under section 277 of the Act.

WHO CAN VERIFY AND SIGN THE INCOME TAX RETURN ?

- a) Individual : The individual filing his Income Tax Return has to sign the return. In case the individual is mentally incapable, then the return may be signed by his Guardian or by any other person competent to act on his behalf.

In case the individual is absent from India or because of any other reason he is not able to sign and verify his return of income, then any person duly empowered by him through valid Power of Attorney may sign on his behalf. In such a case, a certified copy of the Power of Attorney must accompany the return.

- b) Hindu Undivided Family : By the Karta or where he is absent from India or is mentally incapacitated from attending to his affairs, by any other adult member of such family.
- c) Company : In this case by the following :-
 - 1) Resident : Managing Director or, where there is no Managing Director or he is not able to sign and verify the return due to any unavoidable reason, by any director thereof.
 - 2) Non-Resident : The return may be signed and verified by a person holding a valid Power of Attorney from the Company, which should be attached to the return.
 - 3) Wound up/taken over by the Govt. : The return should be signed and verified by the Liquidator or the Principal Officer as the case may be.

- d) Firm : Managing Partner, or where there is no Managing Partner or due to some unavoidable reasons, he is not able to sign and verify the return, by any partner thereof not being a minor.
- e) Local Authority : By the Principal Officer.
- f) Association of Persons : By any member of the Association or the Principal Officer thereof.

Documents to be enclosed with return:

- 1. Acknowledgment slip in duplicate.
- 2. Statement of Computation of Income and Tax.
- 3. Ensure that Challan Identification Number (CIN) is mentioned in your Income-tax Challan. Attach copy of the acknowledgment of Challan.
- 4. Attach original T.D.S. Certificate in Form No. 16 or 16A or 16AA as applicable.
- 5. Certificates/Receipts of payment of insurance premium, provident fund, purchase of NSCs, new equity shares, mutual fund, NSS, medical insurance, donations etc. in support of deductions/rebates claimed. Requisite evidence where ever prescribed by law in support of your claim for any deduction/exemption, must be attached alongwith the return. Failure to do so may deprive you of the deduction and such evidence, even if produced later may not be entertained by the Assessing Officer.
- 6. Certificate of interest on housing loan from the lender, in support of deduction from house property income.
- 7. Other documents/statements as specified in the return itself and in support of income.
- 8. Quote your PAN clearly and correctly.
- 9. In case the assessee has applied for PAN but has yet not received allotment, a copy of PAN application form filed earlier and its acknowledgment should be enclosed with the return.

- 10. The name of the employer needs to be mentioned. Salaried employees to mention whether they are pensioners/Sr. Citizens.
- 11. Details of bank account to be mentioned to help in issue of electronic refunds.

It may, however, be noted that the new return forms on mentioned in Chapter-2 are not required to be filed in duplicate and no annexures are to be filed with such forms.

WHERE TO FILE THE INCOME TAX RETURNS ?

An existing assessee must file his Income-Tax Return with the Assessing Officer who had previously assessed him or with the Assessing Officer where his case stands transferred. A new assessee should file the Return with the Assessing Officer having territorial jurisdiction over the area where he resides or his principal place of business is situated or with the Assessing Officer having special jurisdiction over specific assessee or classes of income. For example, where the major source of income of an assessee is the income from contract business, the IT Return should be filed with the assessing officer having jurisdiction over the contractor circles. A doctor or C.A. or an Advocate should file the returns in professional circles if any specified.

The return may be delivered at the counter in the concerned Range/Circle or it may be sent by registered post. The return is attached with two acknowledgement forms which should be duly filled in by the assessee. One copy of the acknowledgement form is to be returned by the official at the counter duly signed, stamped, numbered and dated in support of having received the return. In case of any doubt or problem, the taxpayer should contact the Public Relations Officer for guidance and help.

CHAPTER – 5

MANNER OF FILING OF RETURNS

MANNER OF FURNISHING RETURNS

Rule 12(3) provides that the return of income or return of fringe benefits referred to in rule 12(1) may be furnished in any of the following manners namely:

- (i) furnishing the return in a paper form;
- (ii) furnishing the return electronically under digital signature;
- (iii) transmitting the data in the return electronically and thereafter submitting the verification of the return in Form ITR-V
- (iv) furnishing a bar-coded return in a paper form:

Provided that-

- (a) a firm required to furnish the return in Form ITR-5 and to whom provisions of section 44AB are applicable or a company required to furnish the return in Form ITR-6 shall furnish the return in the manner specified in clauses (ii) or (iii) above.
- (b) A person required to furnish the return in Form ITR-7 shall furnish the return in the manner specified in clause (i).

Filing of Bulk Return by Employer [Section 139 (1A)]

Under section 139(1A) the Board has specified a scheme for Bulk filing of returns by employer, wherein the eligible employee at his option may furnish a return together with documents to his employer and such employer shall furnish returns received by him on or before the due date on computer readable media using the authorized Bulk Return Preparation Software (BRPS).

Filing of return of income on computer readable medium [Section 139(1B)]

Any person may, at his option, on or before the due date, furnish a return of income under section 139(1) in accordance with the scheme specified by the Board. Under this scheme, return has to be submitted in a computer readable media(including on a floppy, diskette, magnetic cartridge tape, CD-ROM or any other computer readable media) and such return shall be deemed to be a return furnished u/s 139(1).

This is an optional scheme and under this scheme, an eligible taxpayer can furnish his return to one of the intermediaries authorized for this purpose, who will transcribe the data from paper return to the Income-tax department. The intermediary will then submit the paper return to the department. The intermediary will also provide the facility of preparing the returns of income of taxpayers at their request on the basis of the documents provided by such taxpayers.

Filing of return in electronic form

Section 139 D provides that the Board may make rules providing for:

- (a) the class or classes of persons who shall be required to furnish the return in electronic form;
- (b) the form and the manner in which the return in electronic form may be furnished;
- (c) the documents, statements, receipts, certificates or audited reports which may not be furnished along with the return in electronic form but shall be produced before the Assessing Officer on demand;
- (d) the computer resource or the electronic record to which the return in electronic form may be transmitted.

Scheme of filing returns by salaried employees (getting Form No. 16AA) through employer

The scheme is optional and provides an additional mode of furnishing returns of income by persons deriving income from salaries. An eligible employee (having gross salary upto Rs 1,50,000) may at his option furnish his return through he employer under the Scheme, as follows:

- (1) On receipt of TDS in Form 16AA from the employer, he shall verify the information given and furnish the same after signing and verifying to the employer before the due date.
- (2) On receipt of the duly signed and verified Form 16 AA, the employer shall furnish the return of income to the income-tax department and receive an acknowledgement.
- (3) The employer shall ensure that the return is furnished before the due date and distribute the acknowledgement to the respective eligible employees and the date on which the employer furnished the return shall be treated as the date of filing of return by the eligible employee.”

CHAPTER – 6

HOW TO FILL ‘PAN FORM’

WHO HAS TO APPLY FOR PAN?

The following persons should apply for allotment of PAN in Form 49A-

- Every person whose assessable income exceeds the maximum amount which is not chargeable to tax or any person carrying out business or profession whose total sales/turnover is likely to exceed Rs 5,00,000 in a year.
- A person who is required to furnish return under sub-section (4A) of section 139.
- An employer who is required to furnish return of fringe benefits tax.
- The Central Government has power to specify by notification any class or classes of persons by whom tax is payable under the Income-tax Act or any tax or duty is payable under any other law for the time being in force.

WHAT ARE THE IMPORTANT POINTS TO REMEMBER WHILE FILLING THE ‘PAN’ FORM (FORM NO. 49A) ?

The PAN form should be filled in by the assessee with due care and caution. There should be no corrections or overwriting and it should be properly signed and verified by the persons who is authorized to do so, under the provisions of IT Act. The following important points may be taken care of while filling up the form :

NAME & ADDRESS :

The name and address must be written in block letters and while filling up the same, one cage may be left blank after each word. No initials are allowed to be used while filling in the same. Full name has to be given.

STATUS

Correct code number of the assessee’s status/residential status may be filled in.

DATE OF BIRTH :

Date of birth is very important and should be filled correctly.

FATHER'S NAME :

Father's name has to be given even in case of married ladies.

SOURCES OF INCOME :

A person should have at least one source of income to apply for PAN. So the relevant box should be checked in the form.

IN CASE OF COMPANIES, THE FOLLOWING ADDITIONAL DETAILS HAVE TO BE FILLED IN THE FORM

- The ROC registration number of the company.
- The date of incorporation of the company.
- The date of commencement of business by the company.
- In which business activity the company is engaged in.

VERIFICATION :

The verification must be signed by the authorized person, and other particulars viz. Name, Assessment Year, Capacity, Place and Date should be correctly filled therein. Please note that any person making a false statement is liable to be prosecuted under Section 277 of the Income-Tax Act.

WHO CAN VERIFY AND SIGN THE 'PAN' FORM ?

Individual : The individual filling his PAN form has to sign it. In case the individual is mentally incapable, then the PAN form may be signed by his Guardian or by any other person competent to sign on his behalf.

In case the individual is absent from India or because of any other reason, he is not able to sign and verify his PAN form, then any person duly empowered by him through valid Power of Attorney may sign on his behalf. In such case, a certified copy of Power of Attorney must accompany the PAN form.

Hindu Undivided Family : By the Karta or where he is absent from India or he is mentally incapacitated from attending to his affairs, by any other adult member of such family.

Company : In this case by the following :-

- i) Resident :** The Managing Director or, where there is no Managing Director or he is not able to sign and verify the PAN form due to any unavoidable reason, by any director thereof.
- ii) Non-Resident :** The PAN form may be signed and verified by a person holding a valid Power of Attorney from the Non-Resident, which should be attached to the PAN form.
- iii) Wound up/taken over by the Govt.:** The PAN form should be signed and verified by the Liquidator or the Principal Officer as the case may be.
- iv) Firm :** Managing Partner, or, where there is no Managing Partner or due to some unavoidable reasons, he is not able to sign and verify the PAN form, by any partner thereof, not being a minor.
- v) Local Authority :** By the Principal Officer
- vi) Association of Persons :** By any member of the Association or the Principal Officer thereof.

WHERE TO FILE THE PAN FORM ?

Presently, the Pan application may be submitted at the UTIISL counters along with the following.

- a) Two photographs of stamp size in case of Individual.
- b) Proof of identity and proof of residence & date of Birth
- c) Payment of fee of Rs. 60/- + Rs. 5/- (application form cost)

The tamper proof high security PAN card will be issued within 15 days from the date of filing of the application.

There is a Tatkal Scheme under which the PAN card will be issued within 2 days on payment of D.D of Rs. 150/- in case of urgency.

To know the position of allotment, one may enquire with PAN query centre or PRO in Income Tax Offices. Further, there is a website available - www.incometaxindia.gov.in.

In case of transfer of an assessee from one Region to another, the fact of transfer has to be informed at the old station with a request for

transfer of PAN to the present Region.

WHEN CAN ASSESSING OFFICER ALLOT PAN SUO MOTO?

The Assessing Officer may allot PAN to any person by whom tax is payable (or with effect from June 1, 2006 tax not payable). Besides, persons who are registered under the Central Sales Tax Act (CST) or general sales tax law or register after 11th Dec, 2001, then before making an application under the CST Act or general sales tax law should apply for PAN.

CHAPTER – 7 HOW TO FILL UP A TAX CHALLAN

All the columns in the challans form should invariably be filled in such as PAN No., assessment year, Assessing Officer, and his code, status and full address of the assessee in capital letters. The relevant columns of tax, interest etc. should also be filled in properly.

“ONLINE TAX ACCOUNTING SYSTEM (OLTAS)”

The Department and the RBI with the participation of 31 commercial banks have introduced the OLTAS, for simplifying the payment of taxes from 1st June 2004. The new simplified single copy challan for this purpose is available with Income-tax offices. The counterfoil will be returned to the taxpayer after stamping the ‘Challan Identification Number (CIN)’. The CIN is to be quoted in the return.

For payment of Advance-tax or self assessment tax, taxpayers will fill in challan form ITNS 280 specifying the type of payment i.e. Advance-tax or Self assessment tax.

For depositing TDS or tax collection at source tax-payers will fill the challan form ‘ITNS 281’.

CHAPTER – 8

EXEMPTIONS FROM INCOME

For the sake of guidance, brief details of certain exemptions are discussed as under:-

GRATUITY – SECTION 10(10)

- a) Any Death-cum-Retirement gratuity to Govt. Employees : Wholly exempt.
- b) Any gratuity received by the employees covered under Payment of Gratuity Act, 1972. Least of the following is exempt:-
 - 15 days salary (7 days in case of seasonal employment) for each completed year of service or part in excess of 6 months.
 - Rs. 3,50,000.
 - Amount of gratuity actually received
- c) Any other gratuity, (not covered under (a) or (b)):
Least of the followings is exempt:-
 - Rs 3,50,000
 - Half month's salary for each completed year of service
 - Amount of gratuity actually received.

COMMUTED PENSION – SECTION 10 (10A)

- a) Government Employees : Wholly exempt.
- b) Non-Govt. Employees :
 - i) Where the employee receives gratuity, amount not exceeding the commuted value to the extent of 1/3rd of the pension is exempt.
 - ii) In other cases : the commuted value of ½ of pension is exempt.

LEAVE ENCASHMENT ON RETIREMENT WHETHER ON SUPERANNUATION OR OTHERWISE – SEC, 10 (10AA)

- a) Govt. Employees : wholly exempt.
- b) Non-government Employees : Exemption is available in respect of the least of the following :
 - Cash equivalent of the leave salary in respect of the period of earned leave to the credit of the employee at the time of retirement but not exceeding 30 days for each year of actual service and also not exceeding for a period of ten months;
 - The Amount calculated on the basis of 10 months average salary immediately preceding his retirement;
 - Rs. 3,00,000 if date of retirement is on or after 1.4.98;
 - Leave encashment actually received.

RETRENCHMENT COMPENSATION – SECTION 10 (10B) :

The retrenchment compensation received by a workman is exempt provided that in general it does not exceed the sum calculated on the basis provided in Section 25F(b) of Industrial Disputes Act, 1947 or any such amount as is specified by the Central Govt. by a Notification, whichever is less. The maximum exemption is Rs. 5 lakhs where retrenchment is on or after 1-1-1997.

PAYMENT RECEIVED ON VOLUNTARY RETIREMENT SECTION 10 (10C):

Any amount received by an employee of a Public Sector Company or of any other company at the time of voluntary retirement is exempt to the extent such amount does not exceed Rs. 5 lacs, provided the scheme of such voluntary retirement is in accordance with the guidelines prescribed under rule 2BA of Income Tax Rules 1962. If an exemption has been allowed under this section for any assessment year, no exemption there under is allowable in relation to any other assessment year. Further, the benefit of the exemption has been extended to employees of an authority established under a Central, State or Provincial Act, or a local authority or to employees of a Co-operative society, university, Indian institute of Technology and notified Institute of Management.

SPECIAL ALLOWANCE/BENEFIT – SEC. 10 (14) :

Any special allowance or benefit specifically granted to the employee to meet the expenses in the performance of duties of an office or employment of profit (as is prescribed in the I.T. Rules, 1962) is exempt to the extent of actual expenditure incurred.

ANNUAL ACCRETION TO PROVIDENT FUND ACCOUNT –

Schedule – IV : Part - A Rule 6 :

- a) Employer's contribution to the extent of 12% of the salary
- b) Interest on the credit balances at the notified rate of 12%.

HOUSE RENT ALLOWANCE – SEC 10 (13A) READ WITH RULE 2A :

When the employee is occupying a rented residential accommodation, the amount of house rent allowance received by him is exempt to the extent of least of the following amounts:

- a) 50% of the salary where residential house is situated at Bombay, Calcutta, Madras or Delhi and 40% of the salary where residential house is situated at any other place.
- b) House Rent Allowance actually received by the Employee in respect of the period during which the residential accommodation is occupied by him during the year.
- c) Amount of rent paid in excess of 10% of the salary.

Besides the above, there are certain other incomes also, which are totally exempt or exempt subject to fulfillment of certain conditions. A list of such incomes is given below:-

- Agricultural income. Section 10 (1).
- Sums received from family income by a member of a Hindu undivided family. Section 10 (2).
- Payment by way of compensation received by victims of Bhopal gas leak disaster. Section 10 (10BB).
- Scholarship granted to meet the cost of education. Section 10 (16).

- Any income by way of rewards/awards given by the Central or State government. Section 10 (17A).
- Annual value of any one palace occupied by a former ruler. Section 10 (19A).
- Income of a local authority. Section 10 (20).
- Any income of an authority whether known as Khadi and village Industries Board or by any other name for the development of Khadi or village industries. Section 10 (23BB).
- Any income by way of property income and income from other sources of a registered trade union or an association of registered trade unions. Section 10(24).
- Income received by a person on behalf of statutory provident fund, recognized provident fund, approved superannuation fund, approved gratuity fund etc. Section 10(25).
- Income of Employees State Insurance Fund. Section 10(25A).
- Any Income of National Minorities Development and Finance Corporation. Section 10(26BB).

(whether Central or State).

There are certain other incomes which are also exempt but subject to fulfilment of given conditions. Some of these are listed herein below:

- Interest received by a non-resident from specified securities or bonds. Section 10(4)(i).
- Interest received by a person who is resident outside India on amounts credited in "Non-resident (External) Account." Sec. 10(4)(ii).
- In the case of an Indian citizen or a person of Indian origin being a non-resident, the interest from notified Savings Certificates subscribed in, foreign currency or other foreign exchange remitted from outside through official channels (issued before 1-6-2002). Section 10 (4B).
- The value of leave travel concession provided by an employer to his Indian citizen employee. Section 10(5).

- Remuneration received by foreign diplomats of all categories. Section 10(6)(ii).
- Remuneration received by a non-resident foreign citizen in India as an employee of a foreign enterprise, provided his stay in India does not exceed 90 days. Section 10(6)(vi).
- Income by way of salary received by a non-resident foreign citizen as a member of ship's crew provided his total stay in India does not exceed 90 days. Section 10 (6) (viii).
- Remuneration received by an employee, who is a foreign national, of a foreign government deputed in India for training in a Government concern or Public Sector undertaking. Section 10(6)(xi).
- Tax paid on behalf of foreign companies drawing income by way Royalty or technical services with effect from the assessment year 1984-85 received before 1-6-2002. Section 10(6A).
- In the case of non-resident/foreign company, tax paid by Government or Indian concern before 1-6-2002. Section 10(6B).
- Income arising to certain foreign companies by way of royalty or fees for technical services provided in or outside India, in respect of projects connected with security of India. Section 10(6C).
- Foreign allowance or perquisites granted by the Government of India to its employees rendering services outside India. Sec. 10(7).
- Sums by way of remuneration received from a foreign Government by an individual who is in India in connection with any sponsored co-operative technical assistance program with Govt. of a foreign state and income of family members of such employee out side India. Section 10(8) & 10(9).
- Remuneration/fees received by non-resident consultants and their employers. Sections 10(8A)/10(8B).
- Any sum (including bonus) on life insurance policy (subject to certain exceptions). Section 10 (10D)

- Any amount from provident fund paid to retiring employee. Section 10(11).
- Accumulated balance of a recognized Provident Fund subject to Rule 8 of Part A of the Fourth Schedule. Section 10(12).
- Amount from an approved superannuation fund to legal heirs of the employee, who is beneficiary of the fund. Section 10(13).
- House rent allowance subject to certain limits. Section 10(13A).
- Special allowance or benefit granted to an employee. Section 10(14).
- Interest from certain exempted securities prescribed in Section 10(15).
- Any payment made by an Indian company, engaged in the business of operation of aircraft, to acquire an aircraft on lease from a foreign government or foreign enterprise, under approved agreement. Section 10(15A).
- Any income by way of daily allowance of a Member of Parliament or State Legislature (entire amount is exempt). In case of a member of parliament any other allowance received is also exempt. Section 10(17).
- Any income of an approved scientific research association. Section 10(21).
- Income of a notified news agency subject to fulfillment of certain conditions. Section 10(22B).
- Any income (other than income from property, income received for rendering any specific services and income by way of interest or dividends) of professional bodies, approved by the Central Govt. by notification. Section 10(23A).
- Income received by any person on behalf of any Regimental Fund or non-public fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependents. Section 10(23AA).

- Any income of pension fund setup by LIC. or any other insurer approved by the Controller of Insurance or by Insurance Regulatory Development Authority (IRDA). Section 10(23AAB).
- Income of fund established for welfare of employees. Section 10(23AAA).
- Any business income of a public charitable trust or a society approved by Khadi and Village Industries Commission. Section 10(23B).
- Income of the European Economic Community derived in India by way of, interest, dividends or capital gains in certain cases. Section 10(23BBB).
- Any income arising to anybody or authority established, constituted or appointed under any enactment for the administration of public religious or charitable trusts or endowments or societies for religious or charitable purposes. Section 10(23BBA).
- Income of SAARC Fund for Regional Projects, set up by Colombo Declaration. Section 10(23BBC).
- Any income of Secretariat of Asian Organisation of Supreme Audit Institutions. Section 10(23BBD).
- Any income received by any person on behalf of specified national funds and approved public charitable trust or institution. Section 10(23C).
- Income of Mutual Fund set up by — a public sector bank or a public financial institution. Section 10(23D).
- Any income by way of dividend, or long term capital gains of venture capital funds and venture capital companies. Section 10(23F).
- Income of a member of Scheduled Tribe, living in Nagaland, Manipur, Tripura, Arunachal Pradesh and Mizoram from any source arising by reason of his employment therein and

- income by way of dividend and interest on securities. Section 10(26).
- Any income accruing or arising to any resident of Ladakh from any source therein or out of India before the assessment year 1989-90, provided that such person was resident in Ladakh in the previous year relevant to the assessment year 1962-63. Section 10(26A).
- Any income of a statutory Central or State corporation or of a body/institution, financed by the Government formed for promoting the interest of Scheduled Castes/Tribes. Section 10(26B).
- Income of co-operative society formed for promoting interests of members of Scheduled Castes/Scheduled Tribes. Section 10(27).
- Income by way of subsidy from Tea Board for replanting or replacement of tea bushes or for the purpose of rejuvenation or consolidation of areas used for cultivation of tea in India. Section 10(30).
- Subsidy received by planters of Rubber, Coffee, Cardamon. Section 10(31).
- Income of a minor child up to Rs. 1,500 in respect of each minor child whose income is includible under section 64(1A). Section 10(32).
- Any income by way of Capital gains on transfer of US-64 units. Section 10(33).
- Dividend on or after April, 2003 from domestic companies. Section 10(34).
- Income on units of Mutual Funds on or after April 1, 2003. Section 10(35).
- Long term Capital gains on transfer of listed Equity Shares purchased during 1-3-2003 to 29-2-2004. Section 10(36).
- Capital gain to individual/HUF on compensation received on compulsory acquisition of urban agriculture land. Section 10(37).

- Long term capital gain in some cases. Section 10(38).
- Sum received without consideration from international sporting event held in India. Section 10(39).
- Income of Industrial Units situated in trade-free zones, specified technology parks etc. Section 10A.
- Income from specified 100% export oriented undertakings Section 10B.
- Income from property held for approved charitable or religious purposes. Section 11.
- Specified Income of Registered political parties. Section 13A.

CHAPTER – 9

INCOME FROM SALARY AT A GLANCE

“Salary” is the remuneration received/or accruing periodically by/ to an individual for service rendered as a result of expressed or implied contract. The Income-Tax Act has stipulated that salary includes:

Salary, including advance salary and arrears of salary;

Wages,

Fees;

Commission;

Pension or Annuity;

Perquisite or Profits in lieu of Salary;

Receipt from Provident Fund;

Retrenchment compensation;

Compensation as a result of variation in service contract;

Contribution of employer to Recognised Provident Fund in excess of notified rates;

Encashment of leave;

Value of any prescribed fringe benefit or amenity;

Contribution by Central Government towards pension fund.

The definition of “Salary” is inclusive and not exclusive.

“Income from salaries is computed after making the following deductions:

(a) Elimination of Standard Deduction for Salaried Employees:

Standard deduction u/s 16(i) is not available from A.Y 2006-07

(b) Entertainment Allowance [Under Section 16(ii)]

The entertainment allowance received is first included in the employee's income and then a deduction is allowed in case of *Government servants only*, for a sum equal to 1/5th of the salary (exclusive of any allowance, benefit or other perquisite), or Rs.5,000, or actual allowance received, whichever is less.

Other assesses (i.e., assessee who are not in receipt of salary from the Government)- No deduction from AY 2002-03.

(c) Tax on Employment (Profession Tax) [Section 16(iii)]

Where an employee has paid tax on employment under the relevant State Law, the tax so paid or recovered from his salary is deductible from his gross salary income. The deduction is available in the year in which the tax is actually paid by the employee.

Perquisites- is gain or profit incidentally made from employment in addition to regular salary or wages. It is defined in section 17(2) of the Act. Perquisites can be broadly divided in following three categories:-

- (i) Rent-free accommodation -section 17(2)(i)
- (ii) Concession in rent –section 17(2)(ii)
- (iii) Benefit or amenity given to a specified employee-section 17(2)(iii).

The valuation of perquisites is provided in Rule 3 of the Income-tax Rules.

With effect from A.Y. 2006-07 the Fringe Benefits prescribed for the purpose of Section 17(2)(vi) exclude the Fringe Benefits chargeable to tax under Chapter XII-H. The Fringe benefits prescribed u/s 17(2)(vi) include - (i) interest free or concessional loan. (ii) Use of moveable asset (iii) Transfer of moveable asset. (Detailed Provisions of Fringe Benefit Tax introduced by the Finance Act, 2005 have been given in a separate chapter).

CHAPTER – 10

INCOME FROM HOUSE PROPERTY AT A GLANCE

CHARGEABILITY UNDER THE HEAD INCOME FROM HOUSE PROPERTY:

Under the Income-tax Act, the owner of a house property (consisting of any building or land appurtenant thereto) is taxed on the income in the form of its annual value under the head "Income from house property".

It is therefore clear that following conditions must be satisfied before the rental income from property can be taxed under this head-

- (1) The property must consist of buildings or lands appurtenant thereto;
- (2) The assessee must be the owner of such property;
- (3) The property may be used by the owner for any purpose but any portion of such property shall not be used by the owner for the purposes of business or profession carried on by him, the profits of which are chargeable to tax.

BASIS OF COMPUTATION OF INCOME FROM HOUSE PROPERTY

1. Gross Annual Value (Section 23):

- (a) Reasonable expected rent and is deemed to be the sum for which the property might reasonably be expected to be let out from year to year;
- (b) Rent actually received or receivable, if this sum is in excess of the sum referred to in clause (a), then the amount so received or receivable;
- (c) If due to vacancy during the whole or part of the year, the actual rent received or receivable is lower than the reasonable expected rent, then such rent is taken as the Gross annual value.

Unrealized rent (which the owner could not realize) shall be excluded from rent received or receivable in clauses (a)&(b), above.[Expln. To section 23(1)]

However, if the owner is in self occupation of the house property for his residential use, or cannot actually occupy it owing to his employment, business or profession carried on at any other place and he has to reside in a building not owned by him, then the annual value of such house shall be taken to be Nil.

2. Deduct municipal taxes- From the Gross annual value, deduct municipal taxes (including service tax) levied by any local authority, only if these taxes are borne by the owner and actually paid by him during the previous year.

3. Deduction under section 24-

The following two deductions are available u/s 24:

- (a) Standard deduction- 30% of the net annual value irrespective of any expenditure incurred by the taxpayer; and
- (b) Interest on borrowed capital is allowed as deduction on accrual basis, if capital is borrowed for the purpose of purchase, construction, repair, renewal or reconstruction of house property. For self-occupied house, deduction allowable is of Rs 30,000, if the capital is borrowed prior to 01.04.1999, the maximum ceiling of deduction is Rs1,50,000, if the capital is borrowed after 01.04.1999 for acquiring or constructing a house property, and the construction, acquisition is completed within 3 years from the end of the financial year in which the capital was borrowed and further that the person extending the loan certifies that such interest was advanced for acquisition or construction of the house property or re-finance of the principal amount outstanding under an earlier loan.

CHAPTER – 11

INCOME FROM CAPITAL GAINS

AT A GLANCE

Any profit or gain arising from sale or transfer of a Capital Asset is chargeable to tax under the head “Capital Gains”. The income under this head is deemed to be the income of the year in which the transfer takes place.

Capital gains are chargeable to tax on accrual basis whether the consideration is received or not, especially in the case of gains from sale of shares and securities.

Capital gains are of two kinds, namely:

- Short term Capital gains, if the assets like shares and securities, are held by the assessee for a period not exceeding 12 months or 36 months in the case of other assets.
- Long term Capital gains, if the assets like shares and securities, are held by the assessee for a period exceeding 12 months or 36 months in the case of other assets. Units of UTI and specified mutual funds will now be eligible for treatment as long term capital assets if they are held for a period exceeding 12 months.

Long term Capital gains are computed by deducting from the full value of consideration for the transfer of a capital asset the following :

- Expenditure connected exclusively with the transfer;
- The indexed cost of acquisition of the asset, and
- The indexed cost of improvement, if any, of that asset.

In the case of shares, **expenditure** in connection with the transfer includes the stock broker’s commission but the salary of an employee is not deducted in computing capital gains though the employee may have helped in the transfer of the shares.

Cost of acquisition, in such cases includes the price-paid, cost of share transfer stamps, cost of postage for sending the shares for transfer to the transfer-agents of the company, legal expenses etc.

“Indexed cost of acquisition” means an amount which bears to the cost of acquisition the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the first year in which the asset was held by the assessee.

CHAPTER – 12

INCOME FROM BUSINESS OR PROFESSION AT A GLANCE

Income from business, profession or vocation is taxed under this head. It includes the following:-

- Profits or gains of a business;
- Any compensation or such payment due/received by any person in connection with modification/termination of his management; etc.
- Income derived by a trade, professional association from specific services for its members;
- Export incentives;
- Value of any benefit arising during carrying out of business;
- Any interest, salary, bonus, commission or remuneration due/ received by a partner from the firm in which he is partner;
- Any sum received under Keyman insurance Policy;
- Income from speculation business, etc.

HOW IS INCOME FROM BUSINESS OR PROFESSION COMPUTED ?

Income chargeable to tax is computed after deducting the following:-

1. Expenditure incurred during the previous year wholly and exclusively for the purpose of the business;
2. After deducting allowances and deductions provided in Sections 30 to 43D of the I.T. Act. 1961;

3. The following expenses are not allowable:-
- Expenditure relating to a discontinued business;
 - Expenditure incurred before setting up of a business;
 - Provisions, anticipated losses, reserves or contingent liabilities, bad debts etc. which have not arisen during the previous year.

CHAPTER – 13

INCOME FROM OTHER SOURCES AT A GLANCE

It is residuary head of Income which must satisfy the following conditions:-

1. There must be an income;
2. This income is NOT exempt under the IT Act 1961; and
3. This income is not chargeable to tax under the other heads of income viz. “Salary”, “House property”, “Business or Profession” and “Capital Gains”.

WHAT ARE SOME EXAMPLES OF THIS SOURCE ?

Some examples of certain incomes normally taxed under this head are given below:-

- Interest on bank deposits, loans or company deposits,
- Dividend;
- Family pension (received by legal heirs of an employee),
- Income from sub-letting of house property by a tenant,
- Agricultural income from agricultural land situated outside India,
- Interest received from IT Dept. on delayed refunds,
- Remuneration received by Members of Parliament,
- Casual receipts and receipts of non-recurring nature,
- Insurance commission,
- Examiner-ship fees received by a teacher (not from employer),
- Income from royalty,

- Director's commission for standing as guarantor to bankers,
- Winnings from Lotteries, Crossword Puzzles, Horse Races and Card Games,
- Interest on securities,
- Income from letting out of machinery, plant or furniture, etc.
- From A.Y. 2007-08 onwards, any sum of money exceeding in aggregate Rs. 50,000 received without consideration on or after 1-4-2006. Some exception are mentioned in section 56(2) (vi).

On or after 1st April, 2006, any sum exceeding Rs. 50,000/- received without consideration shall be treated as income provided that the sum of money is not received from any relative or on the occasion of marriage of the individual or under a will or inheritance etc.

HOW IS INCOME FROM 'OTHER SOURCES COMPUTED ?

Income from this source is computed after deducting the following:-

1. Expenditure incurred during the previous year;
2. Expenditure incurred wholly and exclusively for the purpose of earning the said income;
3. After deducting allowances and deduction provided in Section 57 of the IT Act 1961;

And after disallowing the following:-

- A) expenditure relating to personal expenses
- B) interest, salary payable outside India on which TDS not made,
- C) Income/Wealth Tax paid, excessive-payments to relatives etc.
- D) Expenditure in respect of royalty and technical fees received by a foreign company;
- E) expenditure in respect of winning from lottery.

CHAPTER – 14 DEDUCTIONS FROM TOTAL INCOME

WHAT DEDUCTIONS FROM TOTAL INCOME ARE AVAILABLE TO TAXPAYERS ?

Some of the various deductions available to a taxpayer are enumerated below:

DEDUCTION IN RESPECT OF LIFE INSURANCE PREMIA, DEFERRED ANNUITY, CONTRIBUTIONS TO PROVIDENT FUND, SUBSCRIPTION TO CERTAIN EQUITY SHARES OR DEBENTURES, ETC. [SEC. 80C, APPLICABLE FROM THE ASSESSMENT YEAR 2006-07]

1. Under section 80C, deduction would be available from gross total income.
2. Only an individual or a Hindu undivided family can claim deduction under section 80C.
3. **Qualifying investment** - The investments eligible for deduction under section 80C are largely the same as those which were earlier entitled for rebate under section 88. These include life insurance premia, contributions to provident fund or schemes for deferred annuities, purchase of infrastructure bonds, payment of tuition fees, repayment of principal amount of housing loans, contribution towards **NSC VIII** issue (including accrued interest for first 5 years), etc. However, in order to minimize distortions, there are no sectoral caps in the new section and the assessee is free to invest in any one or more of the eligible instruments within the overall ceiling specified.
4. Investment may or may not be out of chargeable income - Amount invested in these investments would be allowed as deduction irrespective of the fact whether (or not) such investment is made out of income chargeable to tax.
5. Amount deductible under section 80C - Amount deductible under section 80C is equal to (a) 100 per cent of the 'qualifying investment', or (b) Rs. 1 lakh, whichever is lower.

6. Maximum amount deductible under sections 80C, 80CCC and 80CCD - The maximum amount deductible under sections 80C, 80CCC and 80CCD cannot exceed Rs. 1 lakh.

Finance Act, 2006 has included

- 1) term deposits for five years or more with scheduled banks in Section 80C.
- 2) investment ceiling in respect of annuity plan (Section 80CCC) increased to Rs. 1,00,000/-. Overall limit for Sections 80C, 80CCC and 80CCD to be Rs. 1,00,000/-

Changes made as per Finance Act, 2008:

The Finance Act, 2008 has enlarged the scope of eligible saving instruments u/s 80C of the Act by including the following investments within the qualifying investments subject to the overall ceiling of Rs. 1,00,000/-

- i) 5 year time deposit in an account under Post Office Time Deposit Rules, 1981 and
- ii) Deposit in an account under the Senior Citizens Savings Scheme Rules, 2004

Further, it has also been provided that where any amount is withdrawn by the assessee from such account before the expiry of a period of 5 years from the date of its deposit, the amount so withdrawn shall be deemed to be income of the assessee of the previous year in which the amount is withdrawn and shall be liable to tax. If such amount has suffered taxation in any of the earlier years, such amount shall not be taxed again.

The amendment shall apply to investments made during the Financial Year 2007-08 and subsequent years.

Deduction in respect of medical insurance premia

The Finance Act, 2008 has amended section 80D of the Act and substituted it with a new section 80D providing for the following :

The provisions of section 80D provide for a deduction of

Rs. 15,000/- to an individual or HUF to keep in force an insurance on the health of the assessee or spouse or dependent parents or dependent children of the assessee provided the payment for the insurance is made through a mode other than cash and out of the taxable income of the assessee. This deduction is allowed upto Rs.20,000/- in case of health insurance for senior citizens.

Now it has been provided in the Finance Act, 2008 to allow an additional deduction of Rs. 15,000/- to an individual on the payment made to keep in force an insurance on the health of parent(s). The earlier existing condition of 'dependent' with respect to parent(s) has been dispensed with. In case of senior citizens, the same shall be allowed upto Rs. 20,000/-. This deduction shall be in addition to existing deduction available to the individual on medical insurance for himself, spouse and dependent children.

This amendment shall take effect from 1st April, 2009 and will accordingly apply to assessment year 2009-10 and subsequent assessment years.

DEDUCTION FOR PHYSICALLY HANDICAPPED & DISABLED DEPENDENT

Till A.Y. 2003-04, a deduction of Rs. 40,000 u/s 80DD was allowed to an Individual or HUF in respect of expenditure incurred on medical treatment of a handicapped dependent.

Now, w.e.f. 1.4.04 i.e. for A.Y. 2004-05 and subsequent years, a total deduction of Rs. 50,000 will be available to the parents, spouse, Children, brothers & sisters or any one of such dependents in respect of either medical expenditure incurred on medical treatment of or for the deposits for future needs of the disabled or handicapped dependent. However in case of 80% or more of disability a sum of Rs. 75,000 is allowed. For details, section 80 DD may be referred to.

DEDUCTION FOR MEDICAL TREATMENT OF SERIOUS AILMENTS U/S 80DDB

With effect from assessment year 2004-05, section 80DDB provides that if a resident individual or HUF actually pays any amount for the medical treatment of a specified disease or ailment for himself or dependent or a member of HUF (in case of HUF assessee), then the

amount actually paid or Rs. 40,000/- (Rs.60,000/- if the patient is a senior citizen), whichever is less shall be allowed as deduction. For availing this deduction, a certificate in prescribed form has to be furnished along with return of income from the concerned specialist working in a govt hospital.

DEDUCTION U/S 80CCC FOR NEW PERSONAL CUM-FAMILY PENSION SCHEME

Section 80CCC provided that if an assessee being an individual pays or deposits any amount out of his income chargeable to tax to effect or keep in force a contract for any annuity plan of Life Insurance Corporation of India or any other insurer for receiving pension from the fund referred to in section 10(23 AAB), he shall be allowed a deduction of the amount equal to the deposit or Rs. one lakh whichever is less.

The amount of pension received in the hands of the contributor or the nominees shall be taxable.

Section 80CCC has been amended with effect from A.Y. 2006-07 so as to provide that where any amount paid or deposited by the assessee, has been allowed as a deduction u/s 80CCC, then a deduction of such amount shall not be allowed u/s 80C.

DEDUCTION IN RESPECT OF INTEREST ON LOAN TAKEN FOR HIGHER EDUCATION [SEC. 80E. AS SUBSTITUTED FROM THE ASSESSMENT YEAR 2006-07]

Section 80E has been substituted by a new Section with effect from the A.Y. 2006-07. The provisions of new Section are given below-

Conditions - The following conditions should be satisfied -

1. The taxpayer is an individual.
2. He had taken a loan for the purpose of pursuing his higher education. "Higher education" for this purpose means full-time studies for any graduate or post-graduate course in engineering, medicine, management or for post-graduate course in applied sciences or pure sciences including mathematics and statistics.
3. The aforesaid loan was taken from any bank, an approved charitable institution or a financial institution notified by the Government.
4. During the previous year, the taxpayer has paid interest on such loan.

5. Such interest is paid out of his income chargeable to tax.

Amount deductible - If the above conditions are satisfied, the entire amount paid by way of interest is deductible under section 80E. However, the following points should be noted-

1. The above deduction is allowed in computing the taxable income of the initial assessment year (i.e., the assessment year relevant to the previous year in which the assessee starts paying the interest on the loan) and 7 immediately succeeding assessment years (or until the above interest is paid in full, whichever is earlier).
2. From the assessment year 2006-07, no deduction will be available under section 80E in respect of repayment of principal amount.
3. From assessment year 2008-09 onwards, deduction under this section is also allowable for interest or Loan for higher education of assessee's relative

DEDUCTION FOR DONATIONS MADE TO NATIONAL SPORTS FUND

Besides other funds, hundred percent deduction for donations made to National Sports Fund is now available u/s 80-G.

DEDUCTION OF RENTS PAID U/S 80GG

A deduction in respect of any expenditure incurred by an assessee, who is not in receipt of any income falling within clause (13A) of Section 10 of the Act, in excess of 10% of his total income towards payment of rent in respect of any furnished or unfurnished accommodation occupied by him for the purpose of his own residence to the extent of Rs. 2,000 per month or 25% of his total income, whichever is less, will be allowed under Section 80GG. This deduction is allowable to only those assesseees who do not own any residential accommodation.

DEDUCTION U/S 80JJA

Section 80JJA provides a deduction of whole of profits to an assessee in business of collecting, processing and treating biodegradable waste for the specified purpose for a period of 5 consecutive assessment years from the year of commencement of business.

DEDUCTION U/S 80JJAA

Section 80JJAA provides a deduction to Indian companies on employing new regular workmen. This section is applicable from assessment year 1999-2000 onwards. This deduction is allowable of 30% of additional wages paid to the new regular workmen employed by the assessee for 3 assessment years, including the assessment year in which such employment is provided.

DEDUCTION IN RESPECT OF INTEREST ON CERTAIN SECURITIES AND DIVIDENDS- SECTION 80L

No deduction under section 80L is admissible from A.Y. 2006-07, as it is omitted vide Finance Act, 2005, w.e.f.1-4-2006.

DEDUCTION IN CASE OF A PERSON WITH DISABILITY- SECTION 80U

Deduction is available to a resident individual with disability of Rs 50,000 and in cases of severe disability the deduction available is Rs 75,000/-.”

DEDUCTION FOR DONATION FOR “NATIONAL URBAN POVERTY ERADICATION FUND”

The government is setting up a fund called ‘National Urban Poverty Eradication Fund’. Donations made to this fund would qualify for 100% deduction u/s 80-GGA. This deduction is only available to tax payers other than those deriving income from business or profession.

DEDUCTION FOR PROFITS FROM INDUSTRIAL UNDERTAKING OR ENTERPRISE ENGAGED IN INFRASTRUCTURE DEVELOPMENT

A deduction of 100% of profits and gains derived from such business is allowable for 10 consecutive assessment years. If the assessee develops, or operates and maintains, or develops, operates and maintains any specified infrastructure facility then the deduction of 100% of profits and gains derived from such business is allowable for any ten consecutive assessment years out of 20 years beginning with the year in which the undertaking or enterprise develops and begin to operate the infrastructure facility. (for details section 80 IA may be referred to).

CHAPTER – 15 INCOME-TAX ON FRINGE BENEFITS

INCOME-TAX ON FRINGE BENEFIT (SEC. 115W TO 115 WL, APPLICABLE FROM THE A.Y. 2006-07 ONWARDS]

Employees enjoy many fringe benefits at the cost of the employers. In some cases, the entire expenditure incurred by the employer is taxable in the hands of the employees. In some other cases, these perquisites are taxable in the hand of the employees at concessional mode of valuation provided by rule 3. Some of them are exempt and not chargeable to tax because of specific provisions under rule 3 or because of executive instructions.

The new provisions of Fringe Benefit tax with the amendments in the Act are as below:

Amendment of section 17 and rule 3(7) - Section 17 (2) defines perquisite. Sub-clause (vi) of this section has been amended with effect from the A.Y. 2006-07. Rule 3(7) has also been amended. The cumulative impact of these changes as applicable for the assessment year 2008-09 is as under:

Section 17(2) (vi) - It includes “the value of any other fringe benefit or amenity (excluding the fringe benefits chargeable to tax under Chapter XII-H) as may be prescribed.”

Fringe benefits prescribed for the purpose - The following fringe benefits have been prescribed:

1. Interest free or concessional loan (except some specified exemptions)
2. Travelling, touring, accommodation and any other expenses for any holiday availed of by employee or his family member (except some specified exemptions)
3. Free food or non-alcoholic beverages (except some specified exemptions)
4. Gift, voucher or token (except some specified exemptions)
5. Credit card (except some specified exemptions)
6. Club expenditure (except some specified exemptions)

7. Any other benefit or amenity, service, right or privilege except expenses on telephones and a mobile phone actually incurred by the employer.

Definition of “employer” as given in Section 115W - For the purpose of fringe benefit tax, the term “employer” means –

- a. a company;
- b. a firm;
- c. an association of persons or a body of individuals, whether incorporated or not [but it does not include any fund or trust or institution which is eligible for exemption under Section 10(23C) or registered under section 12AA];
- d. a local authority; and
- e. every artificial juridical person, not falling within any of the above.

□ The following points should be noted –

1. A company, firm, local authority and an artificial juridical person are liable for fringe benefit tax even if they do not have any income which is chargeable to income-tax. For instance, a company having only agricultural income (which is exempt under Section 10) is liable for payment of fringe benefit tax if other conditions are satisfied.
2. The following cannot be “employers” for the purpose of fringe benefit tax (in other words, fringe benefit tax is not applicable in the case of following employers) -
 - a. an individual (whether or not books of account are audited);
 - b. a Hindu undivided family (whether or not books of account audited);
 - c. an AOP/BOI whose income is eligible for exemption under Section 10(23C) or which is registered under Section 12AA;
 - d. Central Government;
 - e. a State Government.

Basis of charge as given under Section 115WA - As per Section 115WA, fringe benefit tax is applicable if the following conditions are satisfied–

1. Fringe benefits are provided (or deemed to be provided) by an “employer”.

2. These benefits are provided to his/its employees.
3. These benefits are provided during the previous year.

If these conditions are satisfied, the employer would be liable for fringe benefit tax with effect from the A.Y. 2006-07. The tax will be calculated at the rate of 30 percent (+SC+EC) on the “value” of fringe benefits. This is in addition to regular income-tax. Fringe benefit tax is not applicable if a person does not have any employee during the previous year.

Meaning of “fringe benefits” and “value of fringe benefits” as given in Section 115WB and 115WC - Section 115WB(1) defines “fringe benefits” which are narrated in *Column 1* of Part A of the table given below. Section 115WB(2) defines “deemed fringe benefits” which are given in *Column 1* of Part B of the table. Section 115WC defines “value of fringe benefits”. These values are given in *Column 2* of Parts A and B of the table. Fringe benefit tax liability is calculated at the rate of 30 percent (+ SC + EC) of the value given in *Column 2*–

Part A	
“Fringe benefits”, as per Section 115WB(1), means any consideration for employment provided by way of-	Value as per section 115WC
Any privilege, service, facility or amenity, directly or indirectly, provided an employer, whether by way of reimbursement or otherwise, to his employees (including former employees) [not being expenses mentioned in <i>Note 1</i>]	No value given.
Any free or concessional ticket provided by the employer for private journeys of his employees or their family members	100% (cost at which the same benefit is provided to the general public) <i>minus</i> any recovery from the employee
Any contribution by the employer to an approved superannuation fund for employees	The amount of contribution which exceeds Rs 1 lac in respect of each employee.
Any specified security or sweat equity shares allotted or transferred, directly or indirectly, by the employer free of	The fair market value of the specified security or sweat equity shares on the date of

cost or at concessional rate to his employees (including former employee or employees)	vesting of option with the employees as reduced by the amount actually paid by, or recovered from the employee in respect of such security or shares
Part B	
<i>Deemed fringe benefits [the following shall be deemed to have been provided by the employer to his employees if the employer has in the course of his business and profession (whether or not such activity is carried on with the object of deriving income) incurred these expenses] as per section 115WB(2)</i>	<i>Value as per section 115WC</i>
Entertainment	20%
Provision of hospitality of every kind by the employer to any person, whether by way of provision of food or beverages or in any other manner whatsoever and whether or not such provision is made by reason of any express or implied contract or custom or usage of trade (but does not include any expenditure on, or payment for, food or beverages provided by the employer to his employees in office or factory and any expenditure on or payment through paid vouchers which are not transferable and usable only at eating joints or outlets)	20% (hotels 5%, carriage of passengers or goods by aircraft and ship 5%)
Conference (not being fee for participation by the employees in any conference) [Any expenditure on conveyance, tour	20%

and travel (including foreign travel), on hotel, or boarding and lodging in connection with any conference shall be deemed to be expenditure incurred for the purposes of conference]	
Sales promotion including publicity (not being the expenditure mentioned in Note 2)	20%
Employees' welfare (not being any expenditure incurred or payment made to fulfil any statutory obligation or mitigate occupational hazards or provide first aid facilities in the hospital or dispensary run by the employer)	20%
Conveyance	20% (construction business 5%, business of manufacture/production of pharmaceuticals 5%, manufacture/production of computer software 5%)
Use of hotel, boarding and lodging facilities	20% (business of manufacture/production of pharmaceuticals 5%, manufacture/production of computer software 5%, carriage of passengers and goods by aircraft and ship 5%)
Repair, running (including fuel), maintenance of motorcars and the amount of depreciation thereon	20% (business of carriage of passengers or goods by aircraft : Nil)
Repair, running (including fuel), maintenance of aircrafts and the amount of depreciation thereon	20% (business of carriage of passengers or goods by aircraft)
Use of telephone (including mobile phone) other than expenditure on leased telephone lines	20%
Maintenance of any accommodation	20%

in the nature of guest house (other than accommodation used for training purpose) (Not applicable w.e.f. A.Y. 2009-10)	
Festival celebrations	
Use of health club and similar facilities	50%
Use of any other club facilities	50%
Gifts	50%
Scholarships	50%
Tour, Travel, foreign travel (from A.Y. 2007-08)	5%

Note 1 - The privilege, service, facility or amenity does not include perquisites in respect of which tax is paid or payable by the employee.

Note 2 - The following expenditure on advertisement shall not be taken as “deemed fringe benefit” -

- a. the expenditure (including rental) on advertisement of any form in any print (including journals, catalogues or price lists) or electronic media or transport system.
- b. the expenditure on the holding of, or the participation in, any press conference or business convention, fair or exhibition;
- c. the expenditure on sponsorship of any sports event or any other event organized by any Government agency or trade association or body;
- d. the expenditure on the publication in any print or electronic media of any notice required to be published by or under any law or by an order of a court or tribunal.
- e. the expenditure on advertisement by way of signs, art work, painting, banners, awnings, direct mail, electric spectaculars, kiosks, hoardings, bill boards or by way of such other medium of advertisement; and
- f. the expenditure by way of payment to any advertising agency for the purposes of (a) to (e) above;
- g. the expenditure on distribution of samples either free of cost or at concessional rate; and

- h. the expenditure by way of payment to any person of repute for promoting sale of goods or services of the business of the employer.

Return of fringe benefits - Every employer who has paid (or made provisions for payment) fringe benefits to his employees during the previous year shall submit the return of fringe benefits to the Assessing Officer on or before the due dates given below—

<i>Different employers</i>	<i>Due date of the assessment year</i>
If the employer is a company	September 30
If the employer is a person other than company and books of account are required to be audited	September 30
If the employer is a person other than company and books of account are not required to be audited	July 31

The due date for filing of return of fringe benefits provided in section 115WD(1) of the Act has also been advanced from 31st Oct. of the assessment year to 30th Sept. of the assessment year in the case of following categories of assesseees :

- i) a Company;
- ii) a person (other than a company) whose accounts are to be audited;

This amendment has taken effect from 1st April, 2008.

Note: Notice can be issued by the Assessing Officer if return is not submitted.

Belated return and revised return - Belated return and revised return can be submitted within the following time-limit—

1. Within one year from the end of the relevant assessment year; or
2. Before the completion of the assessment, whichever is earlier

Assessment – The provisions of summary assessment, regular assessment, reassessment, notice for reassessment are given in sections 115WE, 115WF, 115WG and 115WH. These provisions have been incorporated on similar lines as given in sections 139, 143, 144, 147 and 148.

Advance payment of fringe benefits tax:

- (a) All companies who are liable to pay advance tax on current

fringe benefits have to pay the same in four instalments as below:

Due date of installment	Amount payable (Progressive)
On or before 15 th June	15%
On or before 15 th September	45%
On or before 15 th December	75%
On or before 15 th March	100%

- (b) In the case of other assessee (other than companies), the same has to be paid in three instalments, i.e; Before 15th September(30%), Before 15th December (60%), and before 15th March (100%).

Interest for short/non payment of advance tax - If an assessee does not pay or pays less than ninety percent of the assessed tax as advance tax on fringe benefits during the relevant financial year, he shall be liable to pay simple interest at the rate of one percent for every month or part of a month from 1st April of the assessment year to the date of assessment.

Interest for deferment of advance tax - If an assessee does not pay or pays less than the required progressive amount of advance tax on fringe benefits to be paid by each of the specified dates of 15th June/ 15th Sept./15th December in the case of a company and 15th Sept./ 15th December in other cases during a financial year, he shall be liable to pay simple interest at the rate of three percent on the amount of shortfall in respect of each such progressive amount of payment required to be made on each such date.

Further, If an assessee does not pay or pays less than the total amount of advance tax on fringe benefits required to be paid by 15th March during a financial year, he shall be liable to pay simple interest at the rate of one percent on the amount of shortfall in required payment.

Interest for default in furnishing return of fringe benefits - Where the return of fringe benefits for any assessment year under section 115WD is furnished after the due date, or is not furnished, the employer shall be liable to pay simple interest at the rate of one percent for every month or part of a month. Interest is payable for the period commencing on the date immediately following the due date and ending on the date of furnishing of the return or where no return is furnished ending on the date of completion of the assessment. Interest is payable on the amount of fringe benefit tax determined on regular/ summary assessment as reduced by the advance tax paid.

Changes made as per Finance Act, 2008 :

The earlier existing provisions of section 115WB(2) of the Income-tax Act provided that wherein employer incurs any expenditure, inter-alia for the purpose of entertainment, hospitality, conference and sale promotion, such employer shall be deemed to have provided Fringe Benefits to its employees.

1. The Finance Act, 2008 has made following amendments to section 115WB(2):-

- i) any expenditure on or payment through prepaid electronic Meal Card shall be excluded from the hospitality expenditure for calculation of the value of fringe benefit. Such electronic meal card should not be transferable and should be useable only at eating joints or outlets.
- ii) Explanation to Clause (E) has been amended to provide that any expenditure incurred or payment made to -
 - Provide creche facility for the children of the employee;
 - Sponsor a sportsman, being an employee;
 - Organize sports events for the employees,
 shall not be considered as expenditure for employees welfare for the purpose of calculation of the fringe benefits.
- iii) Clause (K) has been omitted. Hence any expenditure on or payment made for maintenance of any accommodation in the nature of guest house shall not be included in fringe benefit.

Further, amendment has been made in section 115WC(1)(c)(d) to provide that value of fringe benefits on account of expenditure on festival celebration shall be 20% against the existing rate of 50%.

These amendments shall take effect from 1st April, 2009.

II. A new section 115WKB has also been inserted to provide that where fringe benefit tax (with respect to allotment or transfer of specified security or sweat equity shares) has been paid by the employer and subsequently recovered from the employee, the recovery of fringe benefit tax shall be deemed to be the tax paid by such employee in relation to value of fringe benefits provided to him. The deeming provisions shall apply only to the extent to which the amount of recovery relates to the value of the fringe benefits provided to such employee and the employee shall not be entitled to any refund for such deemed payment of tax and shall also not be entitled to claim any credit of such deemed payment of tax against tax liability on other income or against any other tax liability

This amendment has taken effect from 1st April,2008.

CHAPTER – 16

SOME HELPFUL TIPS FOR FILING WEALTH TAX RETURNS

Besides the precautions to be taken for filing Income Tax Returns given in Chapter-4 of this book, other specific points to be kept in mind are given here-in-below:-

The W.T. return for Individuals, Hindu Undivided Families and Companies is to be filed in Form BA. Value of an asset for an assessment year is to be declared as on the relevant Valuation Date i.e. 31st March of each year. Thus, for the assessment year 2002-03, the valuation date will be 31.3.2002, while for the A.Y. 2003-04, the valuation date will be 31.3.2003 & for A.Y. 2004-05, it will be 31.3.04.

Value of an asset, other than cash, is to be determined on the basis of the rules of Schedule III. The details of calculation of the value of each asset under the relevant rule of this schedule should be attached with the return. Also, Wherever any rule of this schedule prescribes that a particular document in support of the valuation is to be attached with the return, the same must be so attached.

The assessee must sign all attached documents.

IMMOVABLE PROPERTY

Furnish in the given columns the details of all immovable properties held by the assessee, including agricultural land whether located in or outside India, and whether assessable or exempt.

Details of similar assets belonging to any other person but includible in net wealth of the assessee should be given.

Value of immovable property should be declared as per rule 3 to 8, 20 and 21 of Schedule III. Where the assets are held as assets of business for which accounts are maintained regularly, the valuation should be done as per rule 14 of this Schedule.

MOVABLE PROPERTY

Furnish in the given columns the details of all movable property held by the assessee, including those mentioned in, Section 2(e) which are not assets for purposes of the Wealth tax Act, whether located in India or outside India, whether assessable or exempt under section 5.

Details of similar assets belonging to any other person but includible in the net wealth of the assessee under section 4.

Value of movable property should be declared as per rules 1, 2 and 17 to 21 of Schedule III. Where the assets are held as assets of business for which accounts are maintained regularly, the valuation should be done as per rule 14 of Schedule III.

HELD AS ASSETS OTHER THAN IN BUSINESS OR PROFESSION

Indicate amount of cash in hand.

Indicate the form of gold, silver, platinum or other precious metal, its gross and net weight in grams and its value as per rule 20 of Schedule III. Valuation of jewellery is to be done as per rules 18 and 19 of Schedule III. In support of the valuation of jewellery; the prescribed form to be attached with the return is:-

- Where the value of the jewellery on the valuation date is upto Rs. 5 lakhs, a statement in Form No. 0-8A as prescribed by rule 13 (c), signed by the assessee, or
- Where the value of the jewellery on the valuation date exceeds Rs. 5 lakhs, a report of Registered Valuer in Form 0-8, as prescribed by rule 8D.

HELD AS ASSETS OF BUSINESS OR PROFESSION

Indicate in the given column details of movable properties held as assets of business or profession carried on by the assessee as proprietor.

Indicate here the value of each asset as calculated on the basis of the provisions of the relevant rule of Schedule III.

A copy of the balance sheet or trial balance as on the valuation date and a copy of the auditor's report if any, must be attached.

Where the assets are held as assets of business for which accounts are maintained regularly, rule 14 of Schedule III will apply for purposes of valuation. Give the description of movable property and also of claimed exemptions.

After showing such assets, if any as the case may be, these should be claimed as exempt.

The amount of tax, penalty or interest payable in consequence of any order passed under certain Direct Taxes Acts, which is outstanding on the valuation date, and

- If the amount is disputed in appeal, revision or other proceedings, or
- Though not disputed as above, if the amount is outstanding for more than 12 months on the valuation date, it should be clearly indicated.
- Indicate the net amount of debt, which is deductible in the computation of net wealth. Indicate in the given columns details, in respect of the following debts:-
 - a) Those which are secured or incurred in relation to assets other than assets of business of profession carried on by the assessee, and
 - b) Those which are not related to any asset, e.g. a loan taken for purposes of marriage or education of children or any other personal loans.

OTHER GENERAL POINTS TO BE REMEMBERED ARE :

There should be no corrections or overwriting and it should be properly signed and verified by the person who is authorized to do so under the provisions of I.T. Act.

The permanent Account Number (PAN) given to the taxpayer and under the Income-tax Act, 1961 and Ward/Circle/Range are to be quoted here.

All parts and Columns must be filled in. If any part or column does not apply, please mention NA (Not Applicable) and do not put any other mark or symbol.

In case space provided under any item of the Return Form is found insufficient, then give computation in respect of such item on separate sheet (s) using the columns indicated for that purpose under the said item in the return Form and attach that to the return. The sum totals of such computation done should be indicated in the columns provided under the relevant item in the Return Form.

Similarly, any other information asked for in the, Form, which cannot be completely furnished on account of paucity of space, maybe furnished on a separate, sheet.

STATEMENT OF TAXES

Wealth-tax payable on the net wealth arrived at is to be indicated. The tax should be calculated according to the rates specified in Part I of Schedule I. Indicate interest chargeable for late filing of return. The net tax/interest payable or refund due, as the case may be, is to be indicated.

LIST OF DOCUMENTS/STATEMENTS ATTACHED

Please give complete particulars of documents attached to the return of Wealth.

WHY HAS INTEGRATION OF THE RETURNS OF INCOME AND WEALTH IN A SINGLE FORM NOT BEEN CONSIDERED?

The question of integrating in a single Form, was duly considered but found not feasible for the following reasons:-

- I) The number of Income tax assessees is far larger than the number of Wealth Tax assessees. Therefore, an integrated Form will mean unnecessary and redundant space in the return, resulting in wastage of stationery and storage space, besides causing inconvenience to majority of taxpayers who may be liable to Income Tax only;
- II) Major amendment would be needed in IT & WT Act and
- III) The purpose of better enforcement through simultaneous scrutiny of Returns of income and wealth was achieved by making it mandatory for taxpayers who are liable to both Income & Wealth Taxes, to file their Returns of income and wealth together.

CHAPTER – 17
IMPORTANT PRESCRIBED
FORMS UNDER I.T. RULES 1962

Refer	Subject	Prescribed	
		Form No.	I.T. Rules
I. Charitable & Religious trusts etc.:			
(a)	Notice for accumulation of income to be given to the Assessing Officer/the prescribed authority u/s 11(2) or under the said provisions as applicable to sections 10(21)	10	17
(b)	An application u/s 12A (1)(aa) for registration of charitable or religious trusts etc.	10A	17A
(c)	The auditor's report u/s 12A(b)	10B	17B
(d)	Application for approval/continuance u/s 80G(5)(vi) [in triplicate]	10G	11AA(1)
(e)	Application for approval/continuance u/s 10(23AAA) [in triplicate]	9	16C(3)
(f)	Application for grant of exemp./conti. thereof u/s 10(23C)(vi)/(via) [in quatruplicate]	56D	2CA(2)
(g)	Application for approval u/s 10(23G) by an enterprise [in duplicate]	56E	2E(1)
II. Salary:			
(a)	Furnishing of particulars of -		
1.	Income u/s 192(2A) for claiming relief u/s 89 by an employee.	10E	21AA
2.	“Salaries” received from other employer or employers to the person responsible for deduction of tax at source (i.e. present employer) [Sec. 192(2)]	12B	26A(1)
3.	Perquisites and/or profits in lieu of salary provided to the employee, where the amount of salary paid/payable.		

(a) is not more than Rs. 1,50,000 [Sec. 192(2C)]	16	26A(2)(a)
(b) is more than Rs. 1,50,000 [Sec. 192 (2C)]	12BA	26A(2)(b)
Form No. 12BA should accompany the return of income of the employees		
4. Income under the heads of income other than “Salaries” for deduction of tax at source [Section 192(2B)]	Not prescribed	26B
(b) Certificate of (1) deduction of tax at source: & (2) payment of tax u/s 192(1A) by the employer on behalf of the employee, u/s 203	16	31(1)(a)
(c) Annual return of deduction of tax form “Salaries” u/s 206	24	37

III. Business/profession :

(a) Report of audit of the accounts:-		
1 u/s 33AB(2)	3AC	5AC
2 u/s 33ABA(2)	3AD	5AD
3 u/s 35D(4)/35E(6) [for assessee other than a company & co-operative society]	3AE	6AB
4 u/s 44AB [Tax audit], in the case of a person who carries on business or profession:-		
A. Who is required by or under any other law to get accounts audited	3CA	6G(1)(a)
B. Who is not required by or under any other law to get accounts	3CB	6G(1)(b)
The particulars to be furnished u/s 44AB	3CD	6G(2)
5 u/s 142(2A)	6B	14A
6 u/s 80HHB(3)(i) [For assessee other than a company & co-operative society]	10CCA	18BBA(I)
7 u/s 80HHBA(2)(i) [For assessee other than a company & co-operative society]	10CCAA	18BBA(1A)
8 u/s 80HHC (4), 80HHC(4A)(a)	10CCAC	18BBA(3)
9 u/s 80HHD(6)	10CCAD	18BBA(4)
10 u/s 80HHE(4)80HHE(4A)(i)	10CCAF	18BBA(7)
11 u/s. 80-I(17) or 80-IA(7) [Other than u/s. 80-IB(7A), 80-IB(7B) and 80-IB (11B)]	10CCB	18BBB(1)
12 80JJAA(2)(b)	10DA	19AB
(b) Report from an accountant certifying that the deduction has been correctly claimed-		
1 u/s. 10A(5)	56F	16D
2 u/s 10(B)(5)	56G	16E
3 u/s 32(I)(ia)[i.e. additional depreciation]	3AA	5A
4 u/s. 80HHF(4)	10CCAI	18BBA(9)
5 u/s. 80-IB(7A)	10CCBA	18DB(2)

(c) Report from an accountant u/s. 115JB(4) certifying that the book profit has been computed in accordance with the provisions of section 115JB	29B	40B		
(d) Report of accountant u/s. 50B(3) certifying that 'net worth' has been correctly arrived	3CEA	6H		
(e) Report from an accountant to be furnished u/s 92E relating to international transaction(s)	3CEB	10E		
(f) Certificate from the Export/trading House which is required to be furnished by the supporting manufacturer u/s. 80HHC(4A)(b)	10CCAB	18BBA(2)		
(g) Certificate from the person making payment to an assessee, engaged in the business of a hotel or of a tour operator or of a travel agent u/s. 80HHD(2A)	10CCAE	18BBA(6)		
(h) Certificate from the exporting company which is required to be furnished by the supporting software developer u/s. 80 HHE(4A)(ii)	10CCAG	18BBA(8)		
(i) Certificate referred to in section 80 HHB(3)(ia) from an accountant certifying that deduction has been correctly claimed u/s. 80HHB	10CCAH	18BBA(1B)		
(j) Certificate from an accountant u/s. 80-1A(6), specifying the amount credited to reserve account and the amount utilised during the previous year for the highway project.	10CCC	18BBE(3)		
(k) A person carrying on medical profession to keep and maintain 'a daily case register'	3C	6F(3)(i)		
IV. Deduction of tax at source on payment of income other than "Salaries":				
(a) Application to the Assessing Officer for certificate for deduction of tax at lower rates by a person u/s 197 (I)	13	28(I)		
(b) Application by non-resident/foreign company for certificate authorizing receipt of interest or other sums (not being salary) without deduction of tax	15C/15D	29B(3)		
(c) Declaration in duplicate u/s. 197A (1), to be made by a resident individual claiming receipt of				
1 "Dividends" without deduction of tax	15G	29C(1)		
2 Payment of any amount referred to in section 80CCA(2)(a) [i.e. National Savings Scheme, 1987] without deduction of tax	15-G	29C(1)		
(d) Declaration in duplicate u/s. 197A (1C) to be made by an Individual for payment, without deduction of tax at source of				
			interest on securities [Section 193] or interest other than "interest on securities" [Section 194A] or income in respect of units [Section 194K]	15H 29C(1A)
			(e) Certificate for deduction of tax at source u/s. 203 in respect of payment of income by way of : "Interest on securities" [Sec. 193], dividend [Sec. 194A], winning from any lottery or crossword puzzle or any card game/other game of any sort [Sec. 194B], winnings from horse race [Sec. 194BB], contractors/sub-contractors [Sec. 194C], insurance commission [Sec. 194D], withdrawals from National Savings Scheme, 1987 [Sec. 194EE], repurchase of units referred to in section 80CCB [Sec. 194F], commission etc. on sale of lottery tickets [Sec. 194G], commission or brokerage [Sec. 194H], rent [Sec. 194-I], fees for professional or technical services [Sec. 194J] & income in respect of units [Sec. 194K]	16A 31(1)(b)
			(f) Application in duplicate for allotment of tax deduction account number u/s. 203A	49B 114A(I)
			V. Annual return of deduction of tax at source to be furnished u/s. 206 from:	
			(a) Annual return of deduction u/s 192 from Salaries	24 37
			(b) In cases other than salaries	26 37
			VI. Collection of tax at source u/s 206C :	
			(a) Application in duplicate for allotment of a tax collection account number u/s. 206CA(I)	49B 114AA(I)
			(b) Declaration for no collection of tax at source under section 206C (IA)	27C 37C(I)
			(c) Certificate for collection at source to be given by the person collecting tax u/s. 206C(5)	27D 37D
			(d) Application by a buyer for certificate for Collection of tax at lower rate u/s. 206C(9)	13 37G
			(e) Certificate to be issued by AO in lieu of application made by the buyer under rule 37G	-- 37H
			(f) Annual return of tax collection at source u/s 206C	27E 37E

VII.	Deduction from gross total income under Chapter VI A:		
(a)	U/s. 80DDB-Furnishing of certificate from the prescribed authority i.e. doctor registered with the Indian Medical Association with post-graduate qualification	10I	11DD(2)
(b)	U/s. 80G(5C)(V)-Report of audit in respect of details of accounts u/s. 80G(5C)(v)	10AA	18AAAA(2)
(c)	U/s 80GG-Declaration to be filed by the assessee claiming deduction u/s. 80GG	10BA	11B

VIII. Return of income for A.Y.2008-09

Returns as prescribed in Income Tax Rule 12(1) for A.Y.2008-09 are as below:

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ITR-1	Individuals having salary, pension, family pension or interest income.
ITR-2	Individuals and Hindu undivided family (HUFs) not having income from business or profession.
ITR-3	Individuals and HUFs who is a partner in partnership firm but does not carry on a proprietary business or profession.
ITR-4	Individuals and HUFs carrying on a proprietary business or profession.
ITR-5	Partnership firms, Association of Persons (AoP) and Body of Individuals (BoI).
ITR-6	Companies other than companies claiming exemption under section 11.
ITR-7	Persons including companies which are charitable or religious trust, political party, scientific research association, news agency, hospital, trade union, university, college or other institution specified in sub-section (4A), (4B), (4C) and (4D) of section 139 of the Act.
ITR-8	Persons not liable to file return of income but are liable to file return of fringe benefits.
ITR-V	Where the data of the return of income or Fringe benefits in Forms ITR-1, ITR-2, ITR-3, ITR-4 ITR-5, ITR-6 & ITR-8 is transmitted electronically without digital signature.

IX Payment of advance tax :

(a)	Notice of demand u/s 156 to be served upon the assessee in pursuance of an order u/s 210(3)/(4)	28	38
(b)	Intimation which an assessee has to send to the Assessing Officer u/s 210(5) in pursuance of an order received u/s 210(3)/(4)	28A	39

X Refunds

A claim for refund of tax under section 239	30	41(1)
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XI Appeals:

(a)	To the Commissioner (Appeals) in duplicate	35	45(1)
(b)	To the Appellate Tribunal (in triplicate) (with challan for fees paid)	36	47(1)
(c)	A memorandum of cross-objections u/s 253(4) to the Appellate Tribunal (in triplicate)	36A	47(2)

The Forms prescribed under the I.T Rules are available at the site www.incometaxindia.gov.in