“A PROJECT REPORT ON DIRECT TAX”

Submitted in partial fulfillment of the requirement

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BY

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CERTIFICATE

This is to certify that MISS: <u>RAJESHRI DHARMENDRA GIRI</u> of M.com Part 2nd, semester - 3rd , Roll No 46 has undertaken and completed the project report on- <u>DIRECT TAX</u> During the academic year 2015 – 2016 Under the guidance of <u>MS ANURADHA PARMAR</u>

submitted on / / 2015 date to this, College in fulfillment of curriculum of M.com UNIVERSITY OF MUMBAI This is bonafide project work and information presented is true and to the best of my knowledge and belief.

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DECLEARATION

I RAJESHRI DHARMENDRA GIRI here by declared that project report entitled: DIRECT TAX under the guidance of MS:ANURADHA PARMAR submitted in partial Fulfillment of the requirement for the award of degree of MASTER OF COMMERCE by UNIVERSITY OF MUMBAI is my original work.

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CHAPTER 1
INTRODUCTION

When discussing income tax, the term "income" has a specific connotation. A capital asset's sale, for example, is included in this category. For tax purposes, they are regarded differently since they are not yearly accruals.

It is mandated under Entry 82 of the Union of Schedule VII to the Constitution of India that India's federal government collect and remit income taxes to the state and local governments. This item is concerned with the taxation of income other than agricultural income. This study was completed with the passage of the Income Tax Act of 1961 in the United States.

According to the Act's provisions, India's tax system is laid out. Such subordinate legislation, like the Income Tax Rules, 1962, is also in effect. For more information, please refer to the Central Board of Direct Taxes (CBDT), the Ministry of Finance, and the Govt. of India's circulars and notifications on the income tax levy. Unless otherwise specified, references to sections shall be to provisions of the Tax Act, 1961, except as otherwise noted.

A person referred to as an assessee for the prior year significant to the assessment year is subject to income tax at the rates established in the applicable Finance Act.

CLASSIFICATION OF INCOME

As part of the income tax act, the term "income" is defined. According to the law, "income" includes the following items:

A. Profit and gains: an individual's earnings from a business or profession are included in this category, as are all other types of earnings.

B. Dividend:

C. This includes any money an employee receives from his or her company that is not a pay.

D. Allowances given to employees by their employers to cover the cost of performing their job duties, such as health reimbursement allowances (hra), medical allowances (ma), etc.

E. The term "any capital gains" refers to any profit that is declared on the sale of a capital asset of any kind. E.

F. Family games, card game winnings, and the like are examples of fine winnings.

G. Wherever the sum receipts for the employee welfare fund are,

The definition of income includes both monetary and non-monetary benefits. It should be noted that the income tax act does not distinguish between sources of legal and illegal revenue. Therefore, gambling and smuggling profits are taxed under the Income Tax Act. Gifts of a more personal nature, such as birthday or wedding-related presents, are generally not considered income. However, there are several exceptions to this rule.

As an additional point to be made, "income" does not just refer to "profits," but also to "negative income."

Calculation of Total Income

The tax rates in effect for the current year are applied to all the prior year's earnings in calculating the current year's taxable income. To speak about the calendar year that begins on April 1 and finishes on March 31, we use the term "assessment year." If you are trying to figure out when a person was assessed, "prior year" refers to the previous fiscal year.

Foreign earnings which have already been charged in another jurisdiction are excluded from the total worldwide income of a "resident" tax payer. In order to be taxed, nonresidents must pay income tax solely on income that is earned or regarded to have been earned in India.

Annual revenue and taxes are calculated by dividing revenue from various sources into these categories:

A. Amounts Paid

B. Rental Income from a Home

C. company or a professional's net income

D. Profits and Losses

E. Expenses from Other Means of Income

They all depend on one another, as are these five sources of money. When it comes to accounting, a source of income can only be classified as originating from a single source. Each source of revenue must be accounted for in line with a separate set of accounting principles. Following that, the various sources of revenue must be added together to arrive at a gross total income, which is subject to laws governing the offset of losses between different kinds of income. In order to compute the total income, first deduct the gross total income from the maximum amount of income permitted under Chapter VIA.

Long-term capital gains are taxed at the rates established in the relevant Financial Services act or in the Tax Act itself, which determines the overall amount of income tax due. In order to arrive at the final tax bill the government owes the assessee, any Chapter VIII refunds and relief are applied to this tax. The steps outlined above are succinctly described in the paragraphs that follow:

Gross Total Income = A+B+C+D+E

Total Income = Gross Total Income - Deductions under chapter VIA

Total Tax Payable = Tax on Total Income – Rebates and reliefs under Chapter-VIII

It is noteworthy that with effect from 1.4.2006, no rebate is allowable to an assessee.

CHAPTER 2

SALARIES

Introduction

In S.14, "salaries" is perhaps the most major unit of income defined, and it is also the next most significant heading of income reported. A broad range of additional receipts, gifts, perquisites, and perks are considered "salaries," not only the base wage.

Sections on salary income and its features are included in the detailed description of different income tax laws for calculating the tax payable on perks and concessions in addition to the relevant legislation. The terms "salaries" and "wage income" are defined in these sections.

Basis of charge

Section 15 lays the groundwork and specifies the parameters of wage taxation.

Whether or not it was really paid,

In addition, he must disclose any prior year's salary he received from an assessee, whether or not he was paid, from his current or past employer or any other person.

Amounts received or permitted by an employer in the previous year, provided they were not already taxed in any other prior year, must be included in a taxpayer's gross income for the next year.

It is explained in Sections 16 & 17 how to calculate salary income, as well as how to use the correct language.

Scope of Salary Income

It is explained in detail in Section 17 of Section 15 of this chapter. Section 17 defines pay as an all-encompassing term.

Salaries include the following:

a. Salary and compensation;

b. Pension or Annuity

c. A gratuity, if any;

d. in addition to or as a substitute for pay, salary, or commissions;

g. any salary rise;

f. Any withdrawal of leave pay;

g. The annual certification of the provident fund above the authorized limitations; and

h. credit to the employee's provident fund to the extent that it is taxed.

Pay comprises not only the base salary but also bonuses, incentives, the taxed value of additional benefits like cash bonuses and extra vacation days, as well as private pensions and the expenditure of rights to leave pay compensation and arrear compensation, and other perquisites like free housing, a free car for employees' children, and free education for their children. Here's how all of these revenues will be treated in terms of taxes.

Certain receipts have different tax treatments.

Payroll taxes

Their basic wage is set according to their contract of employment. It might be a flat rate or based on a grading system. In the graded system, yearly wage increases are pre-determined. Salary ranges from 12000-300 to 15000-500 to 20,000. A beginning wage of Rs 12,000 will be offered to the employee, and an annual raise of Rs 300 will be granted till his pay rises to Rs 15,000. After he hits Rs. 12,000, he will get an annual increase of Rs. 500 until he reaches Rs. 20,000.

After that, he will not get another raise until the next time he gets an increase, or unless he is promoted and moved up a grade.

Fees, bonuses, and commissions

Taxes are levied on all fees, commissions, bonuses, and incentives paid or given to an employee by their business. It is possible to pay a set sum, a percentage of sales, or a combination of the two, for such commissions and fees. For the purposes of calculating retirement benefits and other exclusions, commission earned based on a defined percentage of a company's total revenue is considered part of the employee's base pay.

Salary arrears:

Taxes are levied on any untaxed salary arrears if they have not already been taxed. Relief under section 89, on the other hand, shall be granted in light of these back payments.

Pay in Advance:

In the year of receipt, advance pay is subject to tax on a receipt basis. However, there is no tax due in the year in which the salary is actually earned. Section 89 tax relief for advance payments may be available to those who have been assessed. No tax is due on the loan to the employee since it is not recognized as a salary advance.

Section 10(10): Gratuity

When an employee retires or is terminated, the employer may provide a gratuity as a way of saying thank you for all of their hard work over the years. According to Section 10 of the Internal Revenue Code, gratuities are taxed at a rate of under-

1. Employees of the federal, state, or municipal government are exempt from paying taxes on the amount of gratuity they get when they leave the service.

2. The following sums would be paid to employees that are not excluded from Payment of Gratuity Act of 1972.

a. Payment of gratuities, if any:

b. an amount equal to or more than Rs. 10, 000,000.

C. 15 days' compensation for each year of service completed or portion thereof that exceeds a six-month period, based on the last wage received.

The lowest of the following amounts would be paid to any other workers not covered by the Payment of Gratuity Act, 1972:

a. Payment of gratuities, if any:

b. 10% of the total amount of Rs 10,00,000

Using the 10-month average income just before retirement, a worker earns half of a month's salary for each additional year of service. i.e.

CHAPTER 3

INCOME FROM HOUSE PROPERTY

Income through house property is unique from the other types of revenue since it comprises both actual and theoretical sources of revenue.

Sections 22–27 of the Tax Act of 1961 govern the taxation of family income, as per Chapter 4, Section 22. Sections 22–27 of the Code of Civil Procedure contain specific information on the monetary worth of residential real estate. When we talk about "passive income," we are referring to a person's income from their house or land.

For the calculation of the gross house income (GHI):

A home's annual value is determined under Section 23 of the Internal Revenue Code, and the deductions allowed under Section 24 are taken into consideration when determining the income from the property. These regulations are outlined in further detail below.

Section 23: Annual Dollar Amount

It is defined in Section 2 (22) as the value calculated annually in accordance with Section 23. However, there is no formal definition of the term in the legislation. For the purposes of this definition, "annual value" refers to a home or other piece of property's inherent potential to create income or the amount for which it may be expected to be leased out on an annual basis. It is not the amount of rent that is important, but the capacity to collect that money. As a result, it implies that a residence does not necessarily need to be leased out.

If the property is being utilized as a main home, its annual value will be greater than if it is being leased out or is mostly empty. The following conditions of Section 23 must be met in order to determine a yearly value for this purpose:

It is necessary to calculate the GAV [gross annual value].

This property's annual value exceeds the larger of its Reasonable Lettable Value [RLV]-S23 (1) and its Real Rate. (a)

Specifically, this refers to the amount of rent that has been paid or that is still owing by a landlord with respect to the property that is being leased out. In the real estate industry, the term "Reasonable Lettable Value" refers to the expected annual rental revenue that a property may earn depending on its present market circumstances (RLV). It is possible to compute this value regardless of whether or not the property is leased out. The following factors are taken into consideration while determining RLV:

(a) The rent for comparable residences in the same neighborhood. the rent for a similar piece of real estate. The fair rent may differ depending on the circumstances or the obligations under the contract.

b) Municipal Ratable Valuation/Municipal Taxable Value, which is the value of real estate determined by local governments for the purpose of evaluating the amount of local taxes owing. The municipal ratable value of a property is often calculated from the market rent obtained the assets, and as a result, it is generally considered a reasonably reliable benchmark for determining the property's acceptable leasing value.

c) In a certain location, the rent established by the Rent Regulating Act to regulate or limit the prevailing rentals is referred to as the "prevailing rent." In plain English, it means that the landlord is banned from charging a rent that is higher than the statutory limit. While the rent imposed by law cannot be decreased, landlords are permitted to do so in certain circumstances. As a result, while rent may cheaper than the fair rate, it will never exceed the standard rate.

(A) It is free from tax if the property is occupied by a company or profession that is carried on by the owner of the property. If the property generates any revenue, it should be considered company revenue. It is also permissible to claim such charges as municipal taxes, repairs, insurance premiums, and other related costs.

(B) Property that is used by the owner for his or her own purposes.

SOP-Annual Value to be Considered Null

U/S. 23(2)(a) takes into account the owner's personal use of a residential home portion as nil, but only if the following two requirements are met:

i. There was no actual let-out of the property or a portion of it in the preceding calendar year.

ii. There has been no other advantage to this property.

SOPs must address a number of critical issues.

1. Only individuals and HUFs are eligible for this exemption. This exception does not apply to any other non-living entities.

2. Only one self-occupied property is eligible for the exemption.

3. When a taxpayer has more than one self-occupied property, he or she may choose any one of them to be treated as such, but the others will be treated as if they were rented out.

4. However, even if no rent has been collected by the assessor, the gross annual value will be computed using the notional rental value of the premises. Internal Revenue Code (IRC) Sections 23 and 24 will be given deductions as usual.

5. For example, Section 24 applies mutatis mutandis to an assessee who owns just one property but cannot reside there due to his occupations or businesses (2).

There are no deduction can happen of a SOP except Interest.

1.The yearly value of a SOP may no longer be deducted if it has been set to zero. 23 and 24 of the Internal Revenue Code apply to municipal taxes, but not to interest on loans used to buy, build, repair, renew, or rebuild real estate, unless the following conditions are met: To the degree of Rs. 30,000, interest paid, due on loans obtained before April 1, 1999, would be authorized.

2. Interest paid or due on loans acquired after April 1, 1999 for the purchase or building of a home will be authorized up to the amount of Rs. 1,50,000.

3. After April 1, 1999, a deduction of Rs. 30,000 will be allowed for interest paid on a loan or for repairs or renovations on a home property that has been taken out after that date.

4. The accrual method of interest is permitted. It is not essential to have made a payment in the past.

5. The interest expense or repayment on money borrowed for the purchase or building of the house property may be deducted in five equal annual instalments beginning with the previous year.

6. You may take out a new loan to pay off the old one you took out to buy the property, build it, or whatever else you did with it. The new loan's interest will likewise be allowed in this situation.

7. There will be no allowance for interest paid on interest.

8. In order to get a loan for the building of a new home, brokers' or commissions' will not be authorized.

(C)Let-out Properties:

The yearly value of rented properties, including SOP, shall be calculated in accordance with the criteria outlined below.

1. Net Annual Value

A property's (NAV) is calculated by subtracting the municipal taxes the owner has paid from the property's gross annual value (GAV) (Proviso to S. 23). (1). The renter cannot deduct municipal taxes that they have paid or are responsible for paying. On a cash basis, not an accrual one, local governments collect their taxes.

Net Annual Value = [Gross Annual Value] - [Municipal Taxes paid by the Owner]

2. Deductions under section 24:

a) Assumption of a pre-tax income In the case of repair and collecting charges, a 30% amount is deducted, regardless of whether the assessor has actually spent the costs. This deduction is not available to the owner if the tenant is liable for repairs.

b) Unpaid rent

Arrears of rent collected from a property that was previously exempt from tax may be deducted at a rate of 30% for repairs and collection costs (Section 25 B of the tax code).

c) Lending money at a rate of interest

There is no restriction on the amount of interest that may be paid on a loan taken out for the purchase, building, renewal, repairs, or reconstruction of let-out properties. On an accrual system, interest on loans is permitted. Like SOP, pre-construction interest is amortized at 1/5th of an annual rate over a five-year period beginning with the year in which the home was purchased and ending at the conclusion of the prior year's financial year.

(d) property that is both rented and owned at the same time.

As long as the property is used for rental purposes for at least part of the year, it will be considered a let-out property for purposes of taxation under section 23, which compares actual rental income to the fair rent for the whole property (1). The SOP will not be recognized as such since Section 23(3) makes it plain that it may not be released for any period of time throughout the year and that no advantage may be obtained from it at any point during the year.

(E) a property that is partially rented and partially owned:

It is possible that a piece of the property has been rented out while the remainder is being used for one's own purposes; in this case, the calculations are done on a per-suite basis. Taxes and interest will be split evenly between the two halves, and deductions will be allowed for each part separately.

See the gap between the properties that has been left in to allow for splitting.

Let out/SOP in the divided section of the time.

(F) A co-ownership section is found in Section 26.

Property having several owners who have clearly defined and measurable interests in it will be considered as a single entity rather than as a collection of owners. Each owner's portion is canceled out if the property is utilized by the co-owners. Interest may only be deducted up to Rs 30,000 or Rs 1,50,000 per co-owner.

MISCELLANEOUS:

Recovering arrears from AY 2002-03 and onwards

In the year of recovery, rent arrears dating back to the assessment year 2002-03 will be subject to income tax, with a 30% reduction available under S. 25B.

Prior to the AY 2002-03, arrears had to be recovered.

IEC 61508-3-2

Until Assessment Year 2002-03, the yearly value of recoveries of unrealized rent was permitted as a deduction under Section 24. Recognized recoveries are subject to tax in the year of recovery, but a 30% reduction is no longer permitted (S. 25A/25AA).

TDS

It is not deductible to pay interest outside of India without deducting tax at the source.

Retain all of the losses you have previously had.

As long as the loss is attributable to interest under the "Income from House Property" category, it is allowed to be adjusted against other sources of income for up to eight assessment years.

We have reached the end of our allowance.

The usual deduction of 30% is supposed to cover all of these costs, including electricity, land income, ground rent, and insurance.

CHAPTER 4

PROFITS AND GAINS OF BUSINESS OR PROFESSION

Concept Of Business And Profession

Business and profession are significant terms in this section due to Section 13's including them in the list of income classifications.

This definition of "business" is found in Section 2(13), which states that it includes "any business of any kind." This includes "any business of any kind." According to Section 2(36), a "profession" is "any vocation or activity."

Business encompasses everything from trade and commerce to manufacturing and any other operation in the sphere of trade, commerce, or manufacturing.

Similarly, the term "profession" refers to both a job and a vocation in everyday speech.

Trading or selling products or services for a profit is referred to as commerce or trade. Manufacturing is the process of creating new commodities or products. The term "profession" refers to a person's ability to do Professions and vocations encompass everything from physicians and architects to attorneys and accountants, as well as clergy, astrologers, and plumbing and mechanical experts.

'Adventure in the field of trade, business, or production' highlights that enterprises or occupations do not need to be organized, systematic, or regular to be successful. If a single action constitutes a business or profession, then so be it. Because of this, the acquisition and development of land into smaller plots for resale was considered an adventure in the nature of trade, commerce, or manufacturing when it was done for profit.

Regardless of whether an activity is classified as a company or a profession, the law applies equally to both.

Legal or illegal, systematic or ad hoc, regular or unscheduled, and requiring one's own talents or abilities, any kind of company may exist. It will be a company, though, and as a result, it will be taxed. As an example, smuggling was ruled by the courts to be a legitimate kind of commerce.

SCHEME OF COMPUTATION -SEC. 28-29

A Computational Model at a High Level

Sections 28 through 44D cover a wide range of business-related topics. Section 28 specifies what constitutes business income, and Section 29 details how to do so by subtracting costs from earnings.

Only some of the firms may deduct their expenditures in sections 30 to 35, while sections 36 and 37 contain broad deductions that apply to all enterprises.

Amounts that are not tax deductible may be found in Sections 40, 40A, and 43B of the tax code.

A presumption foundation has been used to calculate company earnings in the case of smaller assesses such as merchants, construction firms, and transportation providers. The curriculum does not include these clauses

Chargeable income-Sec 28:

Income from the following sources is included in Section 28's definition of "business.

a) In the preceding year, the assessee made earnings and gains from all businesses and professions he or she had engaged in

b) Speculation income is recognized as a different source of revenue. Speculative transactions are those in which the difference in the price of commodities or securities is paid rather than delivered. In contrast to other forms of revenue, losses suffered under this classification may be carried forward for eight years.

c) Payment of termination compensation, among other things

d) Export incentives, such as monetary aid, duty drawbacks, and the Export Promotion Bonus (EPB), among others.

e) Profits from the selling of import permits

f) Trade, professional, or similar associations might earn money by providing certain services to their members.

g) partner compensation in the form of salary fees, commissions, and the like from a company.

h) any perquisites such as gifts, whether in cash or kind, that may be received

(i) There are two types of non-competition agreements:

j) The amount obtained as a bonus on a key man insurance policy, for example, is included in this category.

k) Money that was recouped as a result of past-due accounts.

l) Capital gains, if employed for scientific research and authorized in the early years, if they are sold for profit.

S.29: Calculation of company profit

Income from all sources indicated in Section 28 of the tax law minus all expenses and deductions specified in Sections 30 to 44D of the taxation system is classified as a business or profession.

If you take the two portions as a whole, the following traits and circumstances are essential:

1. A business or occupation is required.

2. The assessee must be engaged in such a business or profession.

3. The company or profession must have been in operation for at least one year prior to the current year.

4. Expenses cannot be deducted if a firm or profession shuts down.

5. As long as the expenses were spent in the previous year, they might be deducted from gross revenues.

6. Prior to starting a company, you cannot deduct expenses unless explicitly authorized by law.

7. Taxable business or professional profits are calculated by subtracting expenditures for producing the income from gross income, gross receipts, or total gross sales, as modified by Sections 30 to 44D of the Internal Revenue Code.

Accounting Method:

A company's earnings are calculated using the standard accounting technique that it uses on a regular basis. The mercantile system and the cash system are the two types of accounting.

1. Mercantile system: On an accrual basis, the mercantile method of accounting records all of the company's monetary transactions. It is not essential to receive or pay money in the course of the year. Regardless of whether or not revenue or costs were collected or paid during the accounting period, the net profit or loss is calculated.

2. Cash use For a given year, all revenues and payments are recorded using a cash basis. To calculate net profit in an accounting information system based on cash flow, net profit is equal to the difference between the total amount of cash received and total cash paid throughout the accounting year.

3. Hybrid System: Certain people use a mix of both ways, recording some transactions in cash while other transactions are documented on a mercantile basis. Tax payments must be made on a cash basis alone, even if the accounting system used is mercantile.

Under the Act, deductions are explicitly permitted.

The following may be deducted from your company or profession's income and gains

Repairs, maintenance, and insurance costs for the S. 30 building:

According to Sec. 30, business income may be deducted from the following revenue costs incurred in relation to the business premises

A. the cost of renting out space

b) For businesses that rent out their space, the renter is responsible for any repairs that need to be made.

C. the existing repair costs associated with other properties that are not tenants.

d. Local rates, Land revenue, and municipal taxes are all included in the definition of section 43B.

e. Damage or destruction of the premises is covered by an insurance premium. This provision does not enable a deduction for capital expenditures.

S. 31: Machinery, Plant & Furniture Repairs & Insurance

Taxpayers may deduct the cost of current maintenance and insurance on business-related machinery, equipment, and furnishings under Section 31. This clause does not enable deductions for capital expenditures.

This part does not include machinery rental costs, although they are included as a residual item under section 37.

S.32-Depreciation

Depreciation may only be claimed under certain conditions.

Depreciation is permitted as a deduction in determining an assessee's total income under Section 32, regardless of whether the assessee has submitted a claim for deduction:

(i) Assets that qualify for depreciation may only be depreciated if they are eligible.

In order to claim depreciation, only the following assets are eligible:

The acquisition of tangible and intangible assets took place on or after January 4th, 1998. Trademarks; licensing agreements; franchises are examples of intangible assets that make up the majority of a business' total assets.

The term "building" refers exclusively to the structure's exterior. Construction costs are not included in this figure.

Depreciable assets that can not be depreciated

Non-depreciable assets include those listed below.

i) Between March 1, 1975, and the end of 2001, whether it is used in the business of renting it out to visitors, or outside of Indian in his design business outside of India

(ii) If the Central Government enters into an agreement under Section 42, the real cost of the equipment or plant might be deducted over one or more years.

(iii) Ownership: Limited ownership: The assessee must own the depreciable asset in whole or in part. For depreciation purposes, fractional or partial ownership is taken into account. It is possible that the assessee is either the sole owner or a joint owner of the asset. Each co-owner of an asset will be entitled to depreciation based on his or her share of the asset's cost.

(iii) the assets' purpose or usage. The assessee must utilize the asset in the course of their business or profession.

(iv) The following individuals used the following assets in the previous year: To be depreciated, a company or profession's assets must have been used for at least a part of the prior year. There is a 50% reduction in the standard depreciation allowance for assets bought in the preceding year and utilized for business or profession for less than 180 days in that year.

It is important to remember that this requirement only applies to assets purchased during the year and not to any other assets. As a result, even if the equipment was never used, it would still be subject to wear and tear.

The process for calculating

I) When calculating depreciation, keep in mind the concepts listed below:

ii) After correcting for sales and purchases in the block, depreciation is computed using the WDV of the block.

(iii)The specified rates of depreciation for various assets are used.

Even if part of the assets in a block are already present, depreciation will be prohibited on that block if the WDV is zero.

iv. Similar to a block with no assets remaining, no depreciation is permitted on a block that is either empty or non-existent. In the near run, the block's WDV will be seen as a loss.

v. If an asset is used for than 180 days in the year of purchase, depreciation will be permitted at 50% of the required rates.

vii. Additional depreciation of 20% on real cost in some circumstances, covered further on in this session, will be discussed later on.

viii. Foreign vehicles will not be eligible for depreciation, with limited exceptions.

ix. There will be no allowance for depreciation on research assets, the whole cost of which is deductible under section 35.

CHAPTER 5
CAPITAL GAINS

An introduction to the essential ideas and rules for calculating taxable capital gains is provided here.

It is the difference between the sale price of a investment asset (stock, bond) and the volume earned on the sale (capital gain). Higher selling prices and lower purchasing prices result in profit. Capital losses occur when the value of a capital asset is less than its purchase price when it is sold.

a rise in a capital asset's value that makes it more valuable than the original acquisition price. Once the asset is sold, the profit is realized. It is important to note that capital gains might be short-term (one year or less) or long-term When the asset's value drops below its cquisition price, a loss of capital is suffered.

The amount received by a mutual fund when the price of a security it owns increases over the amount paid for the asset at the time of acquisition (realized gain). The benefit is lost if the security is held on to. If the inverse were to occur, a loss of capital would be incurred.

In addition to "investment income" obtained from tangible assets like stocks and bonds, the phrase "capital gains" may also apply to "investment" derived from intangible assets like company earnings.

Analysis of Capital Gains Tax

In order to determine the profit on a sale, deduct the purchase price from the selling price of the item in question. Making the following statement is all that is needed to do the computations.

Statement of Capital Gains

Particulars	Amount
Full Value of Consideration	-
Less: Cost of Acquisition*(COA)	-
Cost of Improvement*(COI)	-
Expenditure on transfer	-
Capital Gains	-
Less: Exemption U/S 54	-
Taxable Capital Gains	-

* To be indexed in case of LTCA

Net Profit

The amount of capital gains tax you owe is proportional to the length of time you owned the item in question before selling it. Using the terms "short-term capital asset" and "lengthy capital asset" interchangeably refers to an investment that is held for a period of less than or equal to 36 months. A share in a corporation is considered a short-term capital asset if it is held for less than one year, but a long-term capital asset if it is held for more than a year.

When short-term and long-term capital assets are transferred, they generate two kinds of capital gains:. STCG and LTCG are two distinct types of gains that must be distinguished when calculating capital gains income since the method of calculating gains and taxes owed on gains and the handling of losses differs between the two types of gains.

STCG (Short Term Capital Gains) STCG is calculated as follows:

STCG = Full value of consideration - (Cost of acquisition

+ Cost of improvement + cost of transfer)

Total income and tax obligations are calculated using the STCG as a result of the calculations made above.

Long Term Capital Gains (LTCG))

Long Term Capital Gains is computed as below:

LTCG = Full value of consideration received or accruing

- (indexed cost of acquisition + indexed cost of improvement + cost of transfer)

$$\text{Where, Indexed cost of acquisition} = \text{Cost of acquisition} \times \frac{\text{CII of year of transfer}}{\text{CII of year of acqeuisit}}$$

$$\text{Indexed cost of improvement} = \text{Cost of improvement} \times \frac{\text{CII of year of transfer}}{\text{CII of year of improvement}}$$

CII = Cost Inflation Index

Chapter VIA deductions are not to be used for LTCG, which is taxed at a rate of 20 percent since it falls under the heading of "Capital Gains" for the purposes of figuring out total income as outlined in Chapter I.

If your total income, excluding LTCG, is less than the zero-slab threshold, the tax on LTCG is lowered to twenty percent.

STCG and LTCG are distinguished by the following example.

On 12.4.09, 'X', a local person, sells a residential residence for Rs. 25,00,000/-, which is a record high price for the area. On 5.7.2006, he paid Rs. 5,00,000/- for the home, which had previously been renovated for a total of Rs. 1,00,000/- during the month of May 2005. The prior fiscal years 2009-2010 saw him earn zero dollars from all sources other than capital gains during the previous fiscal years 2009-2010.

In the period from 5.7.2006 to 12.4.4.2009, a narrow capital asset is one that a person (X) has only had for a short amount of time, and the selling of a short-term capital asset results in a profit for that person.

STCG on sale of house	= 25,00,000 - 5,00,000 - l,00,000
	= 19,00,000
Income under "Capital Gains"	= 19,00,000
Income under the heads other than Capital Gains	= Nil
Income under "Capital Gains"	= 19,00,000
Gross Total Income	= 19'00,000
Total Income	= 19, 00,000
Tax on total income	= 5, 19,000

Suppose that the same property is sold for the same consideration on 12.3.2010 by "X". In this situation, the residential house is classified as a long-term capital asset as the tenure of ownership would be greater than 36 months 5.7.2006 to 12.3.2010, and the transference results in lengthy capital profits.

Sale consideration = 25,00,000

Indexed cost of acquisition: 5,00,000 x 551/480 = 5,73,958

Indexed cost of improvement: 1,00,000 x 551/497 = 1,10,865 6,84,823

Income under the head "Capital Gains" = 18,15,177

Income under the head other than capital gains = Nil

Income under "Capital Gains" = 18,15,177

Gross total income = 18,15,177

TOTAL INCOME (rounded off) = 18,15,180

Tax thereon:

Tax on income other than LTCG = Nil

Tax on LTCG @ 20% of (18,15,180-1,10,000) = 3,43,036

*minimum slab for that assessment year

Total tax payable = 3,43,036.

CHAPTER 6
INCOME FROM OTHER SOURCES

Introduction:

In the income statement, the final and residuary head of revenue is S 56 [1, which stands for "income from other sources." It includes all such revenues that are not taxable under any other item of income, such as salaries, commissions, and royalties. Profits and gains from real estate, capital gains, and profits and gains from businesses and professions are all included. There are several clearly defined revenues under this heading, such as interest, dividends, profits from lotteries, and gift receipts, among others. –S 56 (2).

S 56 is the legal basis for the charge (1).

In addition, any revenue that is not exempt from paying taxes under the Income Tax Act shall be taxed under the heading of Income from Those other Source materials 56(1) if it is not exempt from paying taxes underneath the Income Tax Act.

In other terms, taxable income is any money that cannot be classified as another type of income, including such wages. It is important to charge "Income from Other Sources." for income from other sources, such as rental, capital gains, wages, and profits from businesses and professions.

Income that is subject to a tax under Section 56 (2)

Revenue from other sources: Section 56(2) of the Internal Revenue Code identifies revenues that are particularly liable to tax under the heading "Income from Other Sources." These are the earnings:

Dividends according to Section 2 (22) (a)

The receipt of any profits from races of any kind, lotteries, including horse races, and other games of any kind, as well as any gains from gambling or betting of any kind or type whatsoever,

The Income Tax Law defines a dividend as any credit or advance made by a firm to its owners. Corporations in which the public has little or no interest may use the dividend idea.

A dividend is defined under Section 2(22)(e) of the Internal Revenue Code. Dividends include any income that is regarded as a reward under the Internal Revenue Code, even if it is not distributed by a tightly held corporation. Section 2(22)(e) of the Income Tax Act governs the taxability of dividends.

vii. Rental revenue from equipment, plants, or furniture possessed by the assessee and rented out, if the rental income is not taxable under the heading "business or profession."

vii. It is the responsibility of the taxpayer to determine whether any money received under a key personnel insurance policy and bonus, is taxable income under this category if it is not taxable as salary or business revenue.

viii. If an individual or HUF receives more than Rs. 50,000 in cash or in kind after October 1, 2009, the total amount obtained for compensation exceeds Rs. 50,000.

ix) The aggregate fair market value of moveable property obtained without deliberation by an separate or HUF after October 1, 2009, if it exceeds Rs 50,000.

x. In the event that moveable property valued at more than Rs50,000 is obtained as compensation for insufficient consideration received by an individual .

xi. Stamp duty or HRF may be paid by anybody who acquires property worth more than Rs 50,000 after October 1, 2009.

The following additional revenues are included in this category:

Other sources of income are included in the residual income section of the income statement since they are not otherwise subject to taxation. Any extra earnings that are eligible for taxation under other heads of income will also be included in this head of income, resulting in a double taxation. Among them are the following:

i. Dividends received from a company that is not a domestic business organization. Non-domestic dividends from non-domestic companies. Dividends paid from a domestic company are tax-free in the hands of the recipient under Section 10 (34) of the Internal

Revenue Code. Cooperative banks' and foreign firms' dividends will be taxed like other forms of income when they are received.

(ii) Additional pensions received by the heirs of deceased employees are also being considered. Under Section 17(3) of the Income Tax Act, pensions earned by an employee over the course of his or her lifetime are taxable as income from pay.

(iii) Any winnings from games of chance, including but not limited to, lotteries, crossword puzzles, puzzles, and other forms of gambling or betting,

iv. Income from the rental of any equipment, machinery, or furniture when the assessee is not in the business of renting out such items of property.

v. Earnings from securities in the form of interest.

vi. If the assessee receives a payment for a staff welfare program from his workers, the assessee is required to report the amount received. It is true that if an individual contributes to a welfare program in a timely manner, they will be eligible for a refund.

vii. Rental a source of extra cash that comes from renting out your home to others. Deposits in banks, loans, and other financial instruments are rewarded with interest.

viii. Royalty

ix. Directors' fees and expenses

x. Income from a part-time job

xi. Agricultural revenue that is taxable, for example, land that is located in a foreign nation.

xii. Earnings from sources that are not reported.

xiii. Land rental for a tract of land

xiv. Mining rents and royalties are included.

xv Income from a will, contract, or trust deed that is not taxed.

xvi. The salary that a member of parliament is entitled to.

xvii. Grooming money received by a director who is not employed by the corporation.

CHAPTER 7
EXCLUSIONS AND DEDUCTIONS

INCOME TAX ACT DEDUCTIONS PERMITTED UNDER DIFFERENT SECTIONS OF CHAPTER

SECTION 80C:

The 2005 Finance Act included this clause. According to this part of the tax code, numerous investments, expenditures, and payments formerly eligible for a tax refund under Section 88 may now be deducted from total income. Only Rs. 1 lakh may be deducted under this clause, combined with sections 80CCC and 80CCD.

- Cost of Life Insurance Individual policies must be issued in the name of the insured their spouse. There is no limit to what HUF may do for a member.
- Contractual payment for a delayed annuity sum in anyone's life, whether it be a spouse or kid.
- An annuity payment for one's spouse or kid may be taken from one's paycheck by the government. Payouts are restricted to 20% of the employee's annual pay.
- contribution to the employee's provident fund.
- As a member of the PPF In the case of a HUF, it may be in the namee of any of the members of the family, including the spouse and any children.
- contribution to a recognized provident fund by an employee.
- Put money in a Post Office Savings Bank account for a period of 10 or 15 years.
- investment in an NSS-registered security or bank account.
- Unit Linked Savings Certificates, such as the NSC VIII issuance, may be subscribed to.
- LIC Mutual Fund's Dhanrakhsa 1989 Unit Linked Insurance Plan
- contribution to the National Housing Scheme's designated deposit scheme/pension fund

- This year's tax deductions will be subject to reassessment if the asset is sold or transferred under five years have passed since he first took possession of it at the end of the financial year during which he got such possession.
- An annuity plan from the LIC, such as the units of UTI/notified Mutual Fund. If the inference of u/s 80CCC has been taken and the reimbursement u/s 88 has been claimed, the deduction would not be allowed.
- Section 10 of the Income Tax Act requires notification of any subscriptions to mutual fund units (23D).
- Subscribe to the deposit plan of a government-owned corporation that provides mortgage financing.
- investment in a publicly traded firm or a public financial institution's authorized eligible capital offering.
- Fees paid to a school, university, or any educational organization in India for the full-time education of two children, whether at the time of entrance or otherwise. In the case of two children, it is available.

DEDUCTION FOR PREMIUM PAID FOR LIC OR OTHER INSURER ANNUITY PLAN PURSUANT TO SECTION 80CCC

Payment of an annuity premium to LIC or another insurance company. The highest amount that may be deducted is Rs. 100,000. (As of April 1, 2007, the limit was upraised from Rs. 10,000 to Rs. 1,00,000).

The LIC, like any other insurer's annuity plan or other contract for getting pension benefits from the fund, must have a premium paid to keep it active.

Sections 80C, 80CCC, and 80CCD (1) combined have a combined maximum deduction limit of Rs. 1,00,000/-. (Rs. one lacks only). Starting with the 2011-12 tax year, those who invest in infrastructure bonds will be able to claim an additional deductions of up to Rs. 20,000/-. (FY 2010-11).

PENSION ACCOUNT (BY ASSESSEE) DEDUCTION SET FORTH IN SECTION 80CCD (1)

Amounts paid or placed into a pension plan as announced by the Central Government may be up to the following:

a) If you are an employee, deduct 10% of your previous year's pay; if you are not, deduct 10% of your gross total income.

EMPLOYER CONTRIBUTION TO PENSION ACCOUNT DEDUCTION (SECTION 80CCD (2))

Allowable deduction for contributions by the employee's employer to a pension plan informed by the dominant government, up to 10% of the employee's income in the previous year:

Section 80D: MEDICAL INSURANCE DEDUCTION

Self-, spouse-, and dependent child insurance may be deducted up to Rs. 20,000/-for senior citizens besides others up to Rs. 15,000/-in every circumstances. In addition, a deduction of Rs. 20,000/-is allowed for insurance of together both father or mother and a deduction of Rs. 15,000/-is available in all other circumstances. Because of this, the maximum amount that may be deducted is Rs. 40,000/-. A deduction of Rs. 5,000 for a preventative health check is now available from AY 2013–14.

SECTION 24 OF THE INCOME TAX ACT PERMITS THE FOLLOWING DEDUCTIONS:

Section 24 of the Income Tax Act allows a deduction for interest paid on borrowed funds used to purchase, build, repair, or renovate residential property. However, the deduction is theme to the following limitations: Penal interest on a home loan cannot be deducted from taxable income. If a new loan is taken out in order to repay the existing debt, the interest collected on the new loan may be deducted from the original loan's interest.

1. It is permitted to deduct up to Rs. 1,50,000/-of the actual interest paid if the purchase or construction is completed within three years after the end of the financial year in which the money was obtained on or after January 4, 1999.

2. It is possible to deduct interest up to the amount of Rs. 30,000/-.

3. Self-occupied properties are exempt from the cap of 1,50,000 rupees or 30,000 rupees. If the property is rented, there is no restriction on the deduction of interest.

Deductions on Interest (U/s 80L)	
Up to Rs. 12,000/- :	If interest is earned on government securities, debentures, bank deposits, and post office deposits.
Additional deduction up to Rs. 3,000/-	If the Rs. 12,000/-limit has not already been reached, interest from government securities will be payable.

Deductions for health insurance premiums (under section 80cc)	
Up to Rs. 10,000/-	If a person, or a member of his or her family, or a member of the HUF, pays the medical insurance premium by check.
Up to Rs. 15,000/-	For senior citizens

Disability-related expenses (U/s 80DD) may be deducted from a taxpayer's income.	
Up to Rs. 40,000/-	A surgeon working in a government hospital must produce the requisite certificate before any money may be spent on treating, nursing, training, or providing an insurance benefit for a person with a disability.

Disease-related expenses (80DDB) are deductible.

Up to Rs.40,000 /-	Treatment of certain defined disorders for a person, his or her dependents, or a member of the HUF may be paid for by an individual or a HUF.
Rs.60,000 /-	For checkup of senior citizens
Only a limited number of disorders are eligible for this deduction.	

Contributions to pension funds (80CCA) are eligible for tax deductions.	
Up to Rs.10,000 /-	A person's pension will be taxed upon receipt if they pay into a specified pension fund.

CHAPTER 8
ILLUSTRATION

Illustration 1:

Calculate Mangesh's taxable income and tax due for AY 2012-13 using the information below:

Profit and Loss Account for the year ended 31st March, 2012.

Particulars	Rs.	Particulars	Rs.
To Salaries	2,10,000	By Gross Profit	5,18,000
To Rent	20,000	By Interest on Bank FD	8,000
To postage	7,000	By Dividend-Indian Co	20,000
To Stationery &Ptg	27,000	By Dividend -Co-Op Bank	2,000
To Advertising Exp.	20,000	By Lottery Prize	15,000
To Repairs to Office	22,700	By Interest on Debentures	5,000
To Conveyance	17,000		
To Income Tax	30,000		
To IT scrutiny Exp	4,000		
To CA's Fees for Tax	10,000		
To Misc. Expenses	25,000		
To Depreciation	5,000		
To Donation	20,000		
To Net Profit	1,50,300		
	5,68,000		5,68,000

Additional Information:

1. Salaries include Rs. 30,000 in unpaid bonuses for workers who failed to file their tax returns by the due date.

2. Two months' rent are due on Mr. Mangesh's residence.

3. On August 18, 2011, a one-time cash contribution of Rs. 20,000 was made for office repairs.

4. A fourth category of non-recurring costs includes the acquisition of stock in a company.

5. 20,000 rupees is the price of an Indian firm.

6. Donations of Rs. 15,000 and 5,000 to charity are among the most recent contributions.

7. to GIC for the care of his disabled brother, who lives with him.

8. By the income tax laws, this represents Rs. 4,000 in depreciation.

Solution:

For the year 2012-13, Mangesh's total income was calculated.

Particulars	Rs	Rs
Income from Business		
Net Profit as per P/L Account		1,50,300
<u>Add: Disallowable Expenditure</u>		
Bonus due but not paid u/s 43B	30,000	
Rent (Personal	20,000	
Purchase of share (Misc Exp)	20,000	
Income Tax	30,000	
Donation (15,000+ 5,000)	20,000	

Depreciation	5,000	1,25,000
		2,75,300
Less: Income Considered Separately		
Interest on Bank FD	8,000	
Dividend from Indian Company	20,000	
Dividend from Co-operative Bank	2,000	
Winning from Lottery	15,000	
Interest on Debentures of Ltd Co	5,000	50,000
		2,25,300
Less: Depreciation as per rules		4,000
INCOME FROM BUSINESS		2,21,300
II Income from Other Sources		
Interest on Bank FD	8,000	
Dividend from Indian Company (Exempt)	0	
Dividend from Co-operative Bank	2,000	
Winning from Lottery	15,000	
Interest on Debentures of Ltd Co	5,000	
INCOME FROM OTHER SOURCES		30,000
GROSS TOTAL INCOME		2,51,300
Less: Deductions- under Ch. VI-A		
80-DD: Maintenance. of handicapped dependant		50,000
TAXABLE INCOME		2,01,300
Tax Payable		2,130
Surcharge -3%		64
Total Tax Payable		2,194

SECTION: 2ND

INCOME TAX SLAB FOR 2010

Income Tax Rates/Slabs for A.Y. (2009-10)

Slab (Rs.)	**Tax (Rs.)**
less than 1,50,000	Nil
1,50,000 to 3,00,000	(TI – 1,50,000) * 10%
3,00,000 to 5,00,000	15,000 + (TI – 3,00,000) * 20%
Greater than 5,00,000	55,000 + (TI – 5,00,000) * 30%

Women aged 65 years or less

Slab (Rs.)	**Tax (Rs.)**
less than 1,80,000	Nil
1,80,000 to 3,00,000	(TI – 1,80,000) * 10%
3,00,000 to 5,00,000	12,000 + (TI – 3,00,000) * 20%
Greater than 5,00,000	52,000 + (TI – 5,00,000) * 30%

Senior Citizens (Individuals aged above 65 years)

Slab (Rs.)	**Tax (Rs.)**

less than 2,25,000	Nil
2,25,000 to 3,00,000	(TI – 2,25,000) * 10%
3,00,000 to 5,00,000	7,500 + (TI – 3,00,000) * 20%
Greater than 5,00,000	47,500 + (TI – 5,00,000) * 30%

INCOME TAX SLAB FOR 2011

The following income tax tables show the "2010-2011" tax brackets. In the first column, you will see the tax bracket, and in the second, you will see the actual tax rate. The proportion of your income that is subject to taxation is known as your income tax rate.

Income Tax Rates/Slabs for A.Y. (2010-11)

Slab (Rs.)	Tax (Rs.)
less than 1,60,000	Nil
1,60,000 to 3,00,000	(TI – 1,60,000) * 10%
3,00,000 to 5,00,000	14,000 + (TI – 3,00,000) * 20%
Greater than 5,00,000	54,000 + (TI – 5,00,000) * 30%

Women aged 65 years or less

Slab (Rs.)	Tax (Rs.)
less than 1,90,000	Nil
1,90,000 to 3,00,000	(TI – 1,90,000) * 10%
3,00,000 to 5,00,000	11,000 + (TI – 3,00,000) * 20%
Greater than 5,00,000	51,000 + (TI – 5,00,000) * 30%

Senior Citizens (Individuals aged above 65 years)

Slab (Rs.)	Tax (Rs.)
less than 2,40,000	Nil

2,40,000 to 3,00,000	(TI – 2,40,000) * 10%
3,00,000 to 5,00,000	6,000 + (TI – 3,00,000) * 20%
Greater than 5,00,000	46,000 + (TI – 5,00,000) * 30%

The general basic exemption limit will be raised from 160,000 to 180,000 per year. According to the assessment, the exemption ceiling for women is expected to remain at 1.9.

For older people, the basic exemption level will be raised from 2,40,000 to 2,50,000 .

Rest and relaxation for the elderly

The 65-year-old age limit for elderly people will be reduced to 60-year-olds.

A new group of 80-plus-year-olds will be eligible for the program.

In order to get a greater exemption limit of 5,00,000

INCOME TAX SLAB FOR 2012

Income Tax Rates/Slabs for A.Y. (2011-12)

Slab (Rs.)	Tax (Rs.)
less than 1,60,000	Nil
1,60,000 to 5,00,000	(TI – 1,60,000) * 10%
5,00,000 to 8,00,000	34,000 + (TI – 5,00,000) * 20%
Greater than 8,00,000	94,000 + (TI – 8,00,000) * 30%

Women aged 65 years or less

Slab (Rs.)	Tax (Rs.)
less than 1,90,000	Nil

1,90,000 to 5,00,000	(TI – 1,90,000) * 10%
5,00,000 to 8,00,000	31,000 + (TI – 5,00,000) * 20%
Greater than 8,00,000	91,000 + (TI – 8,00,000) * 30%

Senior Citizens (Individuals aged above 65 years)

Slab (Rs.)	**Tax (Rs.)**
less than 2,40,000	Nil
2,40,000 to 5,00,000	(TI – 2,40,000) * 10%
5,00,000 to 8,00,000	26,000 + (TI – 5,00,000) * 20%
Greater than 8,00,000	86,000 + (TI – 8,00,000) * 30%

INCOME TAX SLAB FOR 2013

Here are the new income tax rates for the financial year 2011-2012, which began on January 1, 2011. (i.e., A.Y. 2012-13). You can use this tax table to figure out how much income tax you owe for the 2011-12 year. It is based on the most up-to-date tax slab.

- The base level for general tax payers went up from 1.6 lacks to 1.8 lacks.
- The senior citizen age has been cut from 65 to 60. This is down from last year when it was 65 years old. The term "senior citizen" now refers to people who are between the ages of 60 and 80. From the previous year, the base slab for senior citizens was also raised to 2.5 million from the previous year. 2.4
- There is now a new category called "Very Senior Citizen" for people who are more than 80 years old.

To figure out how much money you will save because of the new tax brackets, you can use our free income tax calculator to do some quick math.

Income Tax Rates/Slabs for A.Y (2012-2013)

Income tax slabs A. Y. 2012-2013 for General tax payers

Income tax slab (in Rs.)	Tax
0 to 1,80,000	Nil
1,80,001 to 5,00,000	10%
5,00,001 to 8,00,000	20%
Above 8,00,000	30%

Income tax slabs A. Y. 2012-2013 for Women

Income tax slab (in Rs.)	Tax
0 to 1,90,000	Nil
1,90,001 to 5,00,000	10%
5,00,001 to 8,00,000	20%
Above 8,00,000	30%

Income tax slabs A. Y. 2012-2013 for Senior citizen

(Aged 60 years but less than 80 years)

Income tax slab (in Rs.)	Tax
0 to 2,50,000	Nil
2,50,001 to 5,00,000	10%

5,00,001 to 8,00,000	20%
Above 8,00,000	30%

Income tax slabs A. Y. 2012-2013 for Very Senior citizen (Above 80 years)

Income tax slab (in Rs.)	**Tax**
0 to 5,00,000	Nil
5,00,001 to 8,00,000	20%
Above 8,00,000	30%

INCOME TAX SLAB FOR 2014

The tax rates are adjusted on a yearly basis, so it is essential to have the most current information. The AY 2013-2014 income tax rates and slabs are shown below. However, the income slabs and rates are the same as they were for the previous fiscal year (FY 2012-13), with the exception of the following two significant changes:

(a) Section 87A of the Income Tax Act, 1961, provides an extra refund of Rs. 2000/-for individuals whose total does not exceed Rs. 5 lakhs. (b) As a result, individuals with yearly incomes of up to Rs 5 lakh have received a tax credit of Rs 2000/-.

(b) Taxpayers who make more than Rs 1 crore a year are subject to a 10% surcharge. Individuals, HUFs, businesses, and other entities with comparable tax status will be affected by this.

Income Tax Rates/Slabs for A.Y (2013-2014)

Income Range	**General (non-senior citizens) Category**	**Women (Below 60 years of age) (This category is abolished from this year and is thus is same as that of General Category**	**Senior Citizens (Men and Women above 60 years of age), but below 80 years**	**Very Senior Citizens (Men and Women above 80 years of age)**
Up to Rs. 2,00,000	Nil	Nil	Nil	Nil
Rs. 2,00,001 to Rs. 2,50,000	10% *	10% *	Nil	Nil
Rs. 2,50,001 to Rs. 5,00,000	10% *	10% *	10% *	Nil
Rs. 5,00,001 to Rs. 10,00,000	20%	20%	20%	20%
Above Rs. 10,00,000	30% **	30% **	30% **	30%**

On July 10th, 2014, Indian Finance Minister Arun Jaitley announced the FY 2014-15 Budget Proposals (AY 2015-16)

People earning up to Rs 5 lakh a year would be eligible for a tax credit of Rs 2,000 off the tax computed. However, if your income exceeds Rs 5 lakh, you will not be able to claim this Rs2,000 tax credit. Taxes on income up to Rs5 lakh would be charged at a 20 percent rate and an additional Rs30,000 in taxes for those earning more than Rs5 lakh, making a total tax of Rs30,000 plus a maximum tax credit of Rs2000.

A 10% surcharge is due when income exceeds Rs 1 crore.

INCOME TAX SLAB FOR 2015

Income Tax Slabs: As stated in the Union Budget 2013 by the Finance Minister, P. Chidambaram, the income tax slabs for the financial year 2013-14, i.e., A/Y 2014-15, may be categorized as follows:

A.INDIVIDUALS & HUF

1. In the case of males under the age of 60 and with a HUF
2. For females under the age of 60,
3. To be used by any senior citizen over the age of 60
4. Those over the age of 80 are eligible for this benefit.

B. BUSINESSES

1. In a cooperative society
2. Firms, government agencies, and small domestic businesses

However, for the financial year 2013-14 (A/Y 2014-15), a tax credit of Rs. 2,000 is being provided to people earning less than Rs. 5,00,000 per year. The Income Tax Slab remains the same for both the Financial Year 2012-13 (A/Y 2013-14) and the Financial Year 2013-14 (A/Y 2014-15). The following income tax slab rates are applicable to all types of income, with the exception of capital gains.

HUF AND INDIVIDUALS

The following tax rates are in effect for the 2013–14 fiscal year, which corresponds to the calendar year 2014–15. When preparing your tax return, use the following income tax rates to arrive at your tax liability: A 2% education cess and a 1% SHEC cess will be applied. Individuals and HUFs are not subject to a surcharge.

Income Tax Slabs: (A/Y 2014-15)

Income Tax Slabs	Income Tax Rates
Where Total Income does not exceed Rs. 2,00,000	NIL
Where the Total Income exceeds Rs. 2,00,000 but does not exceed Rs. 5,00,000	10% of the Amount by which it exceeds Rs. 2,00,000
Where the Total Income exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	20% of the Amount by which it exceeds Rs. 5,00,000
Where the Total Income exceeds Rs. 10,00,000	30% of the Amount by which it exceeds Rs. 10,00,000

1. For Male Individuals below 60 years of age & HUF

- Recommended Read: Capital Gains Tax Rate
- Recommended Read: Save Taxes by forming HUF

2. For females under the age of 60

For the fiscal year 2013-14, the income tax slabs for men and females are same, i.e.

Income Tax Slabs	Income Tax Rates
Where Total Income does not exceed Rs. 2,00,000	NIL
Where the Total Income exceeds Rs. 2,00,000 but does not exceed Rs. 5,00,000	10% of the Amount by which it exceeds Rs. 2,00,000
Where the Total Income exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	20% of the Amount by which it exceeds Rs. 5,00,000
Where the Total Income exceeds Rs. 10,00,000	30% of the Amount by which it exceeds Rs. 10,00,000

3. **for all Senior Citizens above 60 years of Age**

Income Tax Slabs	Income Tax Rates
Where Total Income does not exceed Rs. 2,50,000	NIL

Where the Total Income exceeds Rs. 2,50,000 but does not exceed Rs. 5,00,000	10% of the Amount by which it exceeds Rs. 2,50,000
Where the Total Income exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	20% of the Amount by which it exceeds Rs. 10,00,000
Where the Total Income exceeds Rs. 10,00,000	30% of the Amount by which it exceeds Rs. 10,00,000

4. **For all Senior Citizens above 80 Years of Age**

Income Tax Slabs	Income Tax Rates
Where Total Income does not exceed Rs. 5,00,000	NIL
Where the Total Income exceeds Rs. 5,00,000 but does not exceed Rs. 10,00,000	20% of the Amount by which it exceeds Rs. 5,00,000
Where the Total Income exceeds Rs. 10,00,000	30% of the Amount by which it exceeds Rs. 10,00,000

Computation of Age

If a person turns 60 or 80 during a fiscal year, his or her age is treated as 60 or 80 (as appropriate) for the duration of that fiscal year.

When you have calculated your total taxable income using the Income Tax Slabs, you will need to pay Challan No. 280 in advance tax installments by the due dates shown on the form, or face paying interest on the amount of tax you owe because of the time it takes to deduct TDS from your earnings.

CONCLUSION

According to the Indian Constitution, the government collects income tax under entry 82 of the Union Schedule VII. Taxation on sources of income other than agricultural income is the focus of this article. This objective was achieved with the passage of the Income Tax Act of 1961.

The Service Tax Act of India specifies how a service tax is to be charged and collected. One may rest easy knowing that it is backed by all three levels of government, as well as several additional rules at all levels. The Central Board of Indirect Taxes (CBIT) and the Ministry of Finance of India provide more information on excise taxes and announcements. Otherwise, the Maharashtra m-vat and Indian cen-vat are used unless explicitly stated otherwise.

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List of Sales Tax Offices in the State of Maharashtra


Nandurbar
Dhule
Jalgaon
Malegaon
Nashik
Thane
Mumbai
(Suburban)
Mumbai
Amravati
Nagpur
Gondiya
Bhandara
Akola
Wardha
Buldana
Washim
Yavatmal
Chandrapur
Aurangabad
Jalna
Hingoli
Gadchiroli
Ahmadnagar
Pune-I
Parbhani
Bid
Nanded
Pune-II
Raigarh
Barashi
Osmanabad
Latur
Solapur
Satara
Ratnagiri
Sangli-I
Sangli-II
Kolhapur
Sindhudurg
(Oras)