

Income Tax

Participant's Workbook



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Key Learning Outcomes

At the end of the course, you will be able to:

1. Develop an understanding of the important provisions of Income Tax Law.
2. Learn the concept and importance of Income-tax.
3. Understand how to determine Residential status.
4. Know about the Individual Tax Rates & Corporate Tax Rates.
5. Understand the concepts of TDS, TCS & Advance Tax.





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Module 1

Introduction to Income Tax

Income Tax

- Income tax basically is a tax on income.
- Income may be either capital or revenue in nature. Revenue income is generally taxable, unless specifically exempted; whereas, Capital income is generally exempt, unless specifically taxable.
- Income tax is a direct tax, **that is**, tax levied directly on the income or wealth of a person.

Direct tax Vs Indirect tax

Taxes are levied by the government to meet the common welfare expenditure of the society. There are two types of taxes – Direct tax and Indirect tax.

Direct tax	Indirect tax
Levied on income and activities conducted	Levied on products and services
The incidence and burden of tax is on the same person.	The incidence and burden of tax is on different persons.
Eg. Income tax	Eg. GST

Components of Income Tax law

- The Income-tax Act, 1961 – Consists of 23 chapters, 298 sections, and 14 schedules.
- The Income tax rules, 1962 – Formulated for the proper administration of the Act
- Annual Finance Act – Amendments in the Income Tax Act, 1961 are effected every year through the Annual Finance Act.
- Notifications – Issued to give effect to the provisions of the Act /make or give clarifications in respect of the provisions of the Act.
- Circulars – An internal order or comment given by a department or ministry for procedural functions of its subordinates.
- Case law decisions – Decisions delivered by various Courts to interpret the various provisions of Income-tax laws.

Definitions

- **Assessee**
 - a) **Normal Assessee** – An assessee is a person who pays tax or any sum of money under the provisions of the Income Tax Act, 1961. The term 'assessee' covers everyone who has been assessed for his income, the income of another person for which he is assessable, or the profit and loss he has sustained.
 - b) **Representative assessee** – When a person is liable to pay taxes for the income or losses incurred by a third party, such a person is known as a representative assessee.
Eg. Non-resident, minor, lunatic, etc.
 - c) **Deemed Assessee** – An individual might be assigned the responsibility of paying taxes by the legal authorities and such individuals are called deemed assessee.
Eg. The eldest son or a legal heir of a deceased person who has expired without writing a will.
 - d) **Assessee-in-default** – A person who has failed to fulfill his statutory obligations as per the Income Tax Act such as not paying taxes to the government or not file his income tax return.

- **Financial Year**

It means the year is commencing on the 1st day of April. Hence, it is the 12 months starting from 1st April and ending on 31st March of the following year. It is also known as Previous year.

- **Assessment Year**

The year in which the income earned in a financial year is taxed. It is the year immediately following the financial year.

Eg. The AY for FY 2022-23 is AY 2023-24

- **Person**

Person includes: (i) an individual, (ii) a Hindu undivided family, (iii) a company, (iv) a firm, (v) an association of person or a body of individuals, whether incorporated or not, (vi) a local authority, and (vii) every artificial juridical person.



Test your knowledge Quiz

1. Which of the following statements is incorrect?
 - (a) Income tax is not a direct tax
 - (b) Wealth tax is a central government tax
 - (c) Excise duty is an example of direct tax
 - (d) Entry tax is a state govern tax

2. Financial Year is the 12 months commencing on 1st day of _____.
 - (a) April every year
 - (b) December every year
 - (c) July every year
 - (d) January every year

3. Income tax on income earned during a financial year is taxed in the corresponding _____.
 - (a) Financial Year
 - (b) Assessment Year
 - (c) Previous Year
 - (d) Accounting Year

4. The term "person" includes:
 - (a) An Individual
 - (b) An HUF
 - (c) A Company
 - (d) All of the above

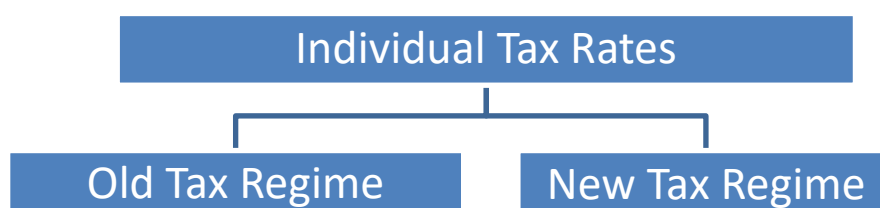
1. An individual who is liable to pay taxes for the income earned during a financial year is known as a _____.
 - (a) Representative Assessee
 - (b) Deemed Assessee
 - (c) Normal Assessee
 - (d) Assessee in default

Module 2

Persons and Tax rates

Applicable Tax Rates for an Individual

Individual simply refers to a natural human being, whether male or female, minor or major. There are two taxation regimes applicable for an individual – Old Scheme and New Scheme.



Tax rates under Old Scheme

Income Slab	Tax Rate
Upto ₹ 2,50,000	NIL
₹ 2,50,000 – ₹ 5,00,000	5%
₹ 5,00,000 – ₹ 10,00,000	20%
Above ₹ 10,00,000	30%
Surcharge (<i>subject to Marginal Relief</i>)	10% (If taxable income > ₹ 50 lacs)
	15% (If taxable income > ₹ 1 Crore)
	25% (If taxable income > ₹ 2 Crore)
	37% (If taxable income > ₹ 5 Crore)
Health & Education Cess	4% of (Income Tax + Surcharge).

- For Senior citizens (Aged 60 years or more but less than 80 years) – Basic threshold limit shall be Rs. 3,00,000 instead of Rs. 2,50,000.
- For Super Senior Citizens (Aged 80 years or more) – Basic threshold limit shall be Rs. 5,00,000 instead of Rs. 2,50,000.
- Rebate under Section 87A is available upto Rs 12,500 or 100% of income tax (whichever is lower) for individuals with income upto Rs 5 Lakhs.

Tax Rates under New Scheme

Taxable Income Slab	Income Tax Rate
Upto ₹ 2,50,000	NIL
₹ 2,50,000 – ₹ 5,00,000	5%
₹ 5,00,001 – ₹ 7,50,000	10%
₹ 7,50,001 – ₹ 10,00,000	15%
₹ 10,00,001 – ₹ 12,50,000	20%
₹ 12,50,001 – ₹ 15,00,000	25%
Above ₹ 15,00,000	30%

Surcharge and Cess shall remain the same as in the old scheme.

There is no specific concessions for Senior/ Super Senior citizens in the new scheme.

In the new scheme, many of the deductions available under the old regime shall not be available and the total income shall be computed without claiming such deductions under the provisions of Chapter VI A, exemptions, and set-off of losses.

The option to choose between the new scheme and the old scheme depends on whether the Individual has business income or not.

A). In case of Individuals not having any Business Income

1. Option has to be exercised every year.
2. The option can be exercised at the time of filing the Income Tax Return.
3. A person can freely opt-in to the scheme and opt-out of the scheme. The tax rates will be applicable as per the option exercised at filing Returns every year.

B). In the case of Individuals having Business Income

1. Once the new regime is opted, switch back to the old system is allowable only once.
2. Option has to be exercised before the due date of filing the Income Tax Return for the Assessment Year.

Applicable Tax Rates for a Company

Company means a company formed and registered under either the Companies Act, 2013, or an earlier Companies Act legislations. There are two types of tax rates applicable to a company – Normal tax rates and Special tax rates.

Normal Tax Rates

Criteria	Tax rate
If total turnover \leq Rs. 400 crores in the year immediately preceding the financial year	25%
If total turnover $>$ Rs. 400 crores in the year immediately preceding the financial year	30%

Surcharge

Criteria	Tax rate
If total income $>$ Rs. 1 crore	7%
If total income $>$ Rs. 10 crores	12%

Education Cess – Applicable at 4% on tax amount plus surcharge irrespective of turnover. If any amount of tax is payable, education cess shall be computed on such tax.

Special Tax rates

A company has the option to claim taxation at a reduced tax rate if it foregoes certain tax exemptions and deductions. In such a case, the tax rate would be as follows:

- For Manufacturing companies – 15%
- For Other than Manufacturing companies – 22%

In such cases, surcharge at 10% and education cess at 4% shall be applicable irrespective of the turnover of the company.

The option to tax at this special rate shall be exercised by filing Form 10IC with the Income Tax Department.

Applicable Tax Rates for Partnership firms and Limited Liability Partnership firms

Tax Rates

A flat rate of 30% shall be the tax rate applicable to both Partnership firms and LLPs

Test your knowledge Quiz

1. What is the Tax rate for LLP?
(a) 30%
(b) 22%
(c) 15%
(d) 25%
2. No deduction is allowed under the new tax regime
(a) True
(b) False
3. Indian company means a company formed and registered under either the Companies Act:
(a) 1956
(b) 2013
(c) Both a and b
(d) None of the Above
4. What is the Full form of LLP
(a) Liability limited Partnership
(b) Liability Limited Partnership
(c) Local Liability Partnership
(d) None of the above
5. Section 87A of the Income Tax Act provides a rebate that helps you lower your income tax payment.
(a) True
(b) False

Module 3

Heads of Income

Heads of Income

All the Income earned during a Financial year by a person has to be assessed to Income tax under a particular head of income. The following are the 5 heads of income:

1. Income from Salaries – Income earned from salary and pension is taxable under this head of income.
2. Income from House property – Income earned from renting a house property is taxable under this head of income.
3. Income from Capital gains – Income from sale of a capital asset such as mutual funds, shares, house property etc is taxable under this head of Income.
4. Profits and gains of business or profession – Profits earned by businesses and professionals are taxable under this head.
5. Income from Other Sources – This is a residuary head of income, that is, income not taxable under any other head of income is taxable under this head. Income from savings bank account interest, fixed deposits, winning in lotteries etc. is taxable under this head.

Gross Total Income

The 'gross total income (GTI)' is the total income you earn by adding income under all the heads of income, that is, salary, house property, other sources, business or profession, and capital gains earned in a financial year are all added to arrive at the GTI.

Total Income

The 'total income' (TI) is derived after subtracting the various eligible deductions and exemptions from the GTI. So, you first calculate the GTI and then subtract the deductions to arrive at the TI.

TI = GTI – Eligible deductions

Computation of Total Income & Tax Liability for the A.Y. ___

Particulars	Amount
Salaries	XXX
Income from house property	XXX
Profits and gains of business or profession	XXX
Capital gains	XXX
Income from other sources	XXX
Gross Total Income	XXXX
Less: Chapter VIA Deduction u/s 80C to 80U	XXX
Total Income (Taxable Income)	XXXX
Tax Amount	XXX
Add, Surcharge	XX
Add, Cess 4%	XX
Total Tax Liability	XXX
Less, TDS Paid	XX
Less, TCS Paid	XX
Less, Advance Tax Paid	XX
Tax Paid/Refund	XXX

Test your knowledge Quiz

1. Winnings from horse racing or lottery, dividend income, and interest from government bonds and securities are taxed under the head
 - a) Salary
 - b) Capital Gains
 - c) House Property Income
 - d) Income from Other Sources
2. Any kind of income that you obtain from trade, manufacture, commerce, or profession is chargeable under the head
 - a) Income from salary
 - b) Income from House Property
 - c) Profit or Gain from Business or Profession
 - d) Income from other sources
3. The 'total income' (TI) is the income before subtracting the various admissible deductions.
 - a) True
 - b) False
4. The 'Gross Total Income (GTI) is the total income you earn by adding all heads of income, namely, Income from salary, property, other sources, business or profession, and capital gains earned in a financial year are all added to arrive at the GTI.
 - (a) True
 - (b) False

Module 4

Basics of Profits & gains from business or profession

Business

Business includes –

- any trade, commerce or manufacture; or
- any adventure or concern in the nature of trade, commerce or manufacture.

Profession

Profession includes vocation. Profession requires purely intellectual skill or manual skill on the basis of some special learning and qualification gathered through past training or experience e.g. chartered accountant, doctor, lawyer etc.

Tax Audit

- In the case of a business, tax audit shall be applicable if the turnover exceeds Rs. 1 crore.
- However, if cash receipts less than 5% of total cash receipts and cash payments less than 5% of total cash payments, tax audit shall be applicable only if turnover exceeds Rs. 10 crores.
- In the case of a profession, tax audit shall be applicable if the turnover exceeds Rs. 50 lakhs.

Presumptive Taxation

- In the case of an individual or a partnership firm carrying on business, if the total turnover does not exceed Rs. 2 crores, then the assessee can opt for presumptive taxation and declare 8% of turnover (received in cash) and 6% of turnover (received digitally) as taxable income.

- In the case of an individual or a partnership firm carrying on profession, if the total turnover does not exceed Rs. 50 lakhs, then the assessee can opt for presumptive taxation and declare 50% of turnover as taxable income.
- Maintenance of books of accounts and audit shall not be mandatory in such case.

Cash transactions Rules

In order to discourage the use and circulation of cash and consequently control black money, successive governments have been putting more and more restriction on cash transactions. The following are the key points to be kept in mind in this regard:

1. Cash payment for any expenditure to a single person shall not exceed Rs. 10,000 in a day.
2. Any deposit or loan exceeding Rs. 20,000 shall not be accepted or repaid in cash.
3. Any amount received in cash for sale of goods or services exceeding Rs. 2,00,000 shall be reported on a yearly basis in Statement of Financial transactions in Form 61A.

Proforma for computation of Income under the head PGBP

	Particulars	Rs.	Rs.
	Profit as per P & L A/c		XXX
Add :	i) Expenses or losses disallowed but charged in P & L A/c	XXX	
	ii) Incomes taxable as business income but not credited to the P & L A/c	XXX	
	iii) Expenses in excess of the allowed amount charged to P & L A/c	XXX	
	iv) Under valuation of closing stock or over valuation of opening stock	XXX	XXX
Deduct	i) Expenses or losses allowed but not debited to P & L A/c	XXX	

	Particulars	Rs.	Rs.
	ii) Incomes not taxable as business income but credited to the P & L A/c	XXX	
	iii) Income exempt from tax but credited in P & L A/c	XXX	
	iv) Over valuation of closing stock and under valuation of opening stock	XXX	XXX
	Taxable income from Business		XXX



Test your knowledge Quiz

1. If the Assessee is professional with turnover less than 50 Lakhs. His Taxable Income under Section 44ADA will be
 - a) 20% of turnover
 - b) 30% of turnover
 - c) 40% of turnover
 - d) 50% of turnover
2. Cash payment for any expenditure to a single person should not exceed Rs _____ in a day
 - a) 10,000
 - b) 20,000
 - c) 50,000
 - d) 1,00,00
3. Income Tax Audit under Section 44AB is applicable to a business if the total sales, turnover or gross receipts exceed Rs. _____ in the FY
 - a) 10 Lakhs
 - b) 30 Lakhs
 - c) 50 Lakhs
 - d) 1 Crore
4. IF an entity is getting Rs. 2,00,000 in cash from a single person it should be disclosed in _____.
 - a) ITR Form
 - b) SFT Form
 - c) Cash Form
 - d) All of the above



Module 5

Residential Status

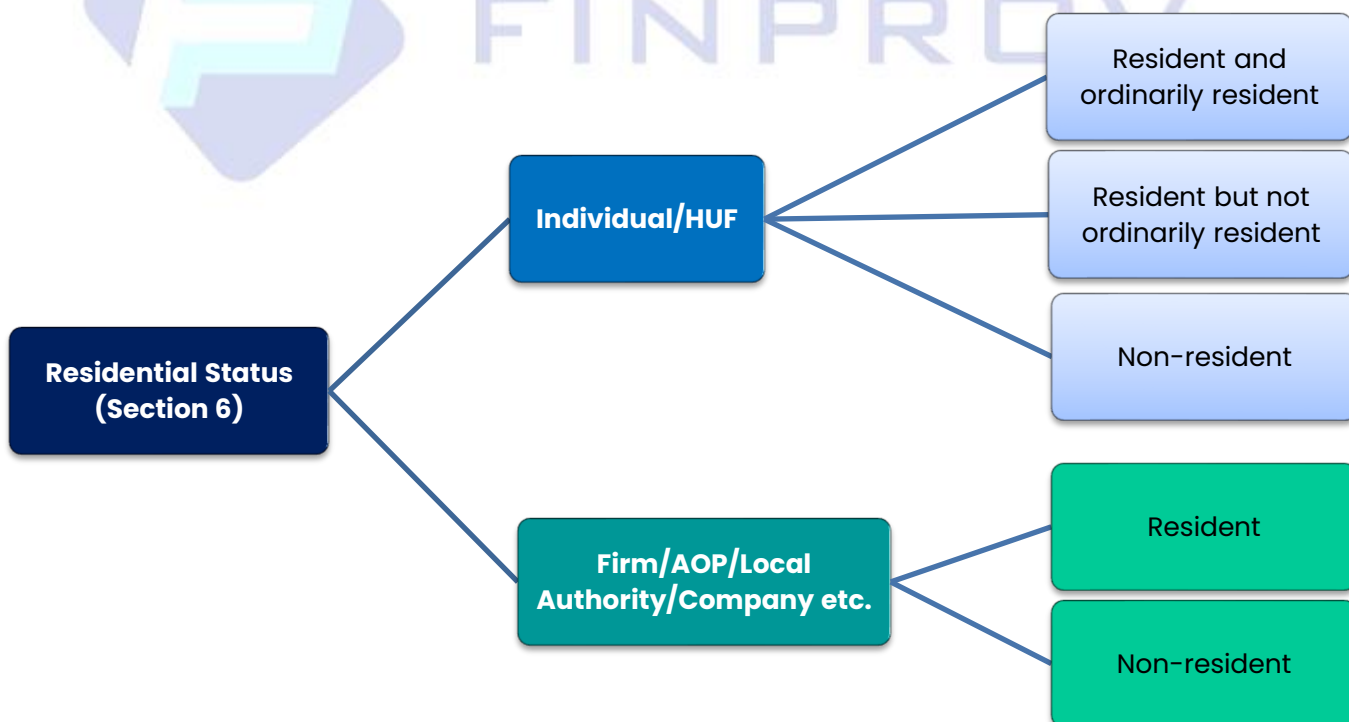
Topics Covered

- Residential status of Individuals
- Residential status of HUF
- Residential status of Companies.

Residential status

The incidence of tax on any assessee depends upon his residential status under the Act. For all purposes of income-tax, taxpayers are classified into three broad categories on the basis of their residential status viz.

- Resident and ordinarily resident
- Resident but not ordinarily resident
- Non-resident



The residential status of an assessee must be ascertained with reference to each previous year. A person who is resident and ordinarily resident in one year may become non-resident or resident but not ordinarily resident in another year or vice versa.

Residential Status of an Individual

Resident in India

An individual is said to be a resident in India, if he satisfies any one of the following basic conditions –

- i. He is in India in the previous year for a period of 182 days or more; or
- ii. He is in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year.

Non-Resident in India

An assessee who is not satisfying both the basic conditions shall be treated as a non-resident in India for the relevant previous year.

Exception:

In the following cases, an individual is said to be a resident in India, if he is in India in the previous year for a period of 182 days or more:

1. Individual leaving India for employment abroad
2. Individual leaving India as a crew member of an Indian ship
3. Person of Indian origin coming for a visit to India

Resident but not ordinarily resident

If a resident individual satisfies one of the basic conditions and any one of the following two additional conditions, he will be treated as a resident but not ordinarily resident in India –

- a. He has been non-resident in India for 9 out of 10 previous years immediately preceding the relevant previous year; or
- b. His stay in India has not been more than 729 days during 7 previous years immediately preceding the relevant previous year.

Resident and ordinarily resident

If a resident individual satisfies at least one of the basic conditions and also satisfies both the additional conditions, he will be treated as a resident and ordinarily resident.

Non-residents deemed to be Residents if the following conditions are satisfied:

1. He is an individual and has stayed in India for at least 120 days during the previous year.
2. He is a resident in a country where tax on income is not applicable.
3. He has income exceeding Rs. 15 lakhs generated from business connections within India.



Test your knowledge Quiz

1. Who can claim the status of NOR apart from an individual?
 - (a) Firm
 - (b) Company
 - (c) HUF
 - (d) AOP

2. An American citizen cannot be a resident of India
 - a) True
 - b) False

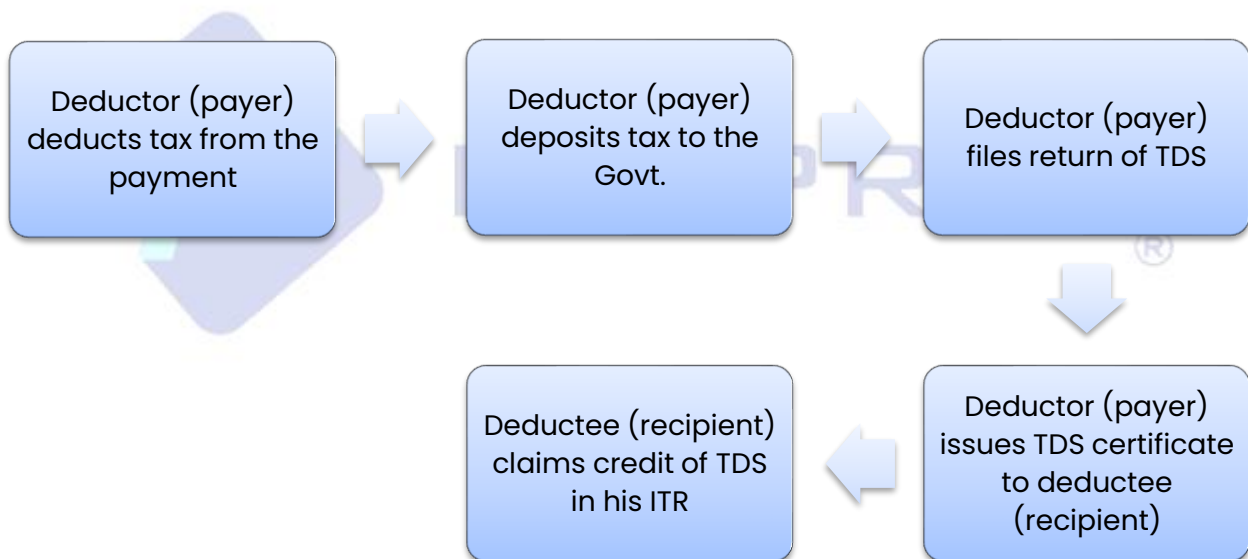
3. Mr. Surender left India for the first time on May 20, 2017. During the financial year 2019-20, he came to India once on May 27th for a period of 53 days. Determine his residential status for the assessment year 2020-21
 - a) Non-Resident
 - b) Resident
 - c) Not Ordinary Resident
 - d) Resident & Ordinary Resident

Module 6

Tax Deducted at Source (TDS)

Introduction

The concept of TDS was introduced to collect tax from the very source of income. As per this concept, a person (Deductor) who is liable to make payment of specified nature to any other person (Deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whose income tax has been deducted at source would be entitled to get the credit of the amount so deducted based on Form 26AS or TDS certificate issued by the deductor. A TAN number is needed to be obtained by all those persons who are responsible for deducting and collecting taxes. Tax Deduction and Collection Account Number (TAN) is a 10-digit alphanumeric number.



Test your knowledge Quiz

1. Full form of TDS
 - a) Tax Deducted on Supply
 - b) Tax Deducted on Services
 - c) Tax Demanded at Source
 - d) Tax Deducted at Source

2. Full form of TAN
 - a) Tax Deduction Number
 - b) Tax Collection Account Number
 - c) Tax Deduction and Collection Account Number
 - d) Tax Deduction and Collection Number

3. The _____ number is needed to be obtained by all those persons who are responsible for deducting and collecting taxes
 - a) PAN
 - b) TAN
 - c) GST
 - d) HSN

Module 7

Due dates – TDS payment and TDS Return

Due dates for TDS payment

The TDS deducted during a month has to be deposited on or before the 7th day of the following month except for the month of March. TDS deducted in March has to be deposited on or before 30th April.

Due dates for TDS return

TDS return is a quarterly statement submitted by the deductor to the Income Tax Department. It shall contain details of all the deductions and the payments made during the quarter. The following are the due dates for filing TDS returns quarterly:

Quarter	Period	Last Date of Filing
1st Quarter	1st April to 30th June	31st July
2nd Quarter	1st July to 30th September	31st October
3rd Quarter	1st October to 31st December	31st January
4th Quarter	1st January to 31st March	31st May

Applicability of fines on default

Failure to file TDS returns

Where a person fails to file the TDS return on or before the due date prescribed, then he shall be liable to pay, by way of fee, a sum of Rs. 200 for every day during which the failure continues. The amount of late fees shall not exceed the amount of TDS.

Failure to deduct TDS

Interest shall be payable at 1% for every month or part thereof for default on the amount of tax-deductible but not deducted.

Failure to pay TDS after deduction

Interest shall be payable at 1.5 % for every month or part thereof for default on the amount of tax deducted but not paid.

Disallowance of expenditure in case of non-deduction of TDS

Any amount payable to a resident, which is subject to TDS, would attract 30% disallowance if it is paid without deduction of tax at source or if tax is deducted but is not deposited with the Central Government till the due date of filing of their Income tax return.



Test your knowledge Quiz

1. Tax deducted during a month should be paid to the Government on or before the end of _____ of the subsequent month.
 - a) 5 Days
 - b) 7 Days
 - c) 15 Days
 - d) 30 Days

2. The last date for filing TDS return for quarter 4 in a FY is:
 - a) 31st March
 - b) 30th April
 - c) 31st May
 - d) None of the above

3. What is the penalty for late filing of TDS return?
 - a) 1% per month
 - b) 1.5% per month
 - c) Rs. 100 per day
 - d) Rs. 200 per day

4. What is the disallowance of expenditure in case of non-deduction of TDS?
 - a) 10 %
 - b) 30%
 - c) 50%
 - d) 100%

Module 8

TDS Certificate

TDS Certificate

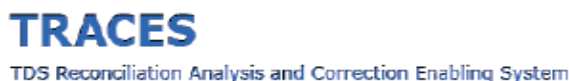
The Form issued by the person who deducts the TDS is known as TDS Certificate. The TDS Certificate shows the details of the amount deducted such as particulars of TDS payment, the date on which the tax was deducted and the date of when it was credited to the Government. This serves as an evidence for the TDS deduction based on which refund can be claimed by the deductee. This Certificate can be downloaded from the TRACES portal (TDS Reconciliation Analysis and Correction Enabling System of the Income Tax Department). It is mandatory to issue these certificates to the deductee.

There are mainly two types of TDS Certificates:

- Form 16 (for salary income which is issued annually)
- Form 16A (for non-salary income which is issued quarterly)

Form 26AS

Form 26AS is an annual statement that contains details about the Tax Deducted at Source (TDS), Tax collected at Source (TCS), Advance tax/ Self-assessment tax paid and so on. This form can be accessed by the deductee in his Income tax portal. It contains the tax credit information of each taxpayer against his PAN.



Form 26AS

Annual Tax Statement under Section 203AA of the Income Tax Act, 1961

* See Section 203AA and second provision to Section 206C (5) of the Income Tax Act, 1961 and Rule 31AB of Income Tax Rules, 1962

Permanent Account Number (PAN)	Current Status of PAN	Active	Financial Year	2018-19	Assessment Year	2019-20
Name of Assessee						
Address of Assessee						

* Above data / Status of PAN is as per PAN details. For any changes in data as mentioned above, you may submit request for corrections. Refer www.fin-nsdl.com / www.tin-nsdl.com for more details. In case of discrepancy in status of PAN please contact your Assessing Officer

* Communication details for TRACES can be updated in Profile section. However, these changes will not be updated in PAN database as mentioned above

PART A - Details of Tax Deducted at Source

(All amount values are in INR)

Sr. No.	Name of Deductor				TAN of Deductor	Total Amount Paid/ Credited	Total Tax Deducted *	Total TDS Deposited
1						519516.00	51951.00	51951.00
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted **	TDS Deposited
1	194F	20-Feb-2019	F	03-Jun-2019	-	54400.00	5440.00	5440.00
2	194F	20-Jan-2019	F	03-Jun-2019	-	285650.00	28565.00	28565.00
3	194F	30-Jun-2018	F	16-Aug-2018	-	31200.00	3120.00	3120.00
4	194F	30-Jun-2018	F	16-Aug-2018	-	92710.00	9271.00	9271.00
5	194F	30-Jun-2018	F	16-Aug-2018	-	55556.00	5555.00	5555.00
Sr. No.	Name of Deductor				TAN of Deductor	Total Amount Paid/ Credited	Total Tax Deducted *	Total TDS Deposited
2						4543.70	454.37	454.37
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted **	TDS Deposited
1	194A	31-Mar-2019	F	27-May-2019	-	4274.67	427.47	427.47
2	194A	31-Mar-2019	F	27-May-2019	-	269.03	26.90	26.90
Sr. No.	Name of Deductor				TAN of Deductor	Total Amount Paid/ Credited	Total Tax Deducted *	Total TDS Deposited
3						96421.00	529.00	529.00
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted **	TDS Deposited
1	192	29-Mar-2019	F	01-Jun-2019	-	33637.00	0.00	0.00
2	192	30-Apr-2018	F	16-Jul-2018	-	62784.00	529.00	529.00
Sr. No.	Name of Deductor				TAN of Deductor	Total Amount Paid/ Credited	Total Tax Deducted *	Total TDS Deposited
4						1375005.00	114475.00	114475.00
Sr. No.	Section 1	Transaction Date	Status of Booking*	Date of Booking	Remarks**	Amount Paid / Credited	Tax Deducted **	TDS Deposited
1	194F	31-Mar-2019	F	24-Jul-2019	-	81250.00	8125.00	8125.00
2	192	31-Mar-2019	F	17-Jun-2019	-	125000.00	17785.00	17785.00
3	192	28-Feb-2019	F	17-Jun-2019	-	125000.00	10015.00	10015.00
4	192	31-Jan-2019	F	17-Jun-2019	-	125000.00	10015.00	10015.00
5	192	31-Dec-2018	F	21-Feb-2019	-	125000.00	10015.00	10015.00
6	192	30-Nov-2018	F	21-Feb-2019	-	125000.00	10015.00	10015.00
7	192	31-Oct-2018	F	21-Feb-2019	-	125000.00	10015.00	10015.00
8	192	30-Sep-2018	F	14-Jun-2019	-	125000.00	10015.00	10015.00
9	192	31-Aug-2018	F	07-Nov-2018	-	125000.00	10015.00	10015.00
10	192	31-Jul-2018	F	07-Nov-2018	-	125000.00	10015.00	10015.00
11	192	30-Jun-2018	F	11-Aug-2018	-	125000.00	4221.00	4221.00
12	192	31-May-2018	F	11-Aug-2018	-	44355.00	4221.00	4221.00

PART A1 - Details of Tax Deducted at Source for 15G / 15H

Sr. No.	Name of Deductor				TAN of Deductor	Total Amount Paid / Credited	Total Tax Deducted *	Total TDS Deposited
Sr. No.	Section 1	Transaction Date	Date of Booking	Remarks**	Amount Paid/Credited	Tax Deducted **	TDS Deposited	

Test your knowledge Quiz

- i. TDS certificates are issued by the:
 - a) deductee to deductor
 - b) Government to deductee
 - c) deductor to deductee
 - d) seller to buyer

- ii. TDS certificate issued in case of salary is:
 - a) Form 16
 - b) Form 16A
 - c) Form 16B
 - d) Form 16D

- iii. The Annual statement that can be accessed by the deductee which contains details about the TDS, TCS and Advance tax paid is:
 - a) Form 16
 - b) Form 16A
 - c) Form 26
 - d) 26 AS



Module 9

Applicability of TDS on payments

TDS on Salary (Sec.192)

- Any person responsible for paying any income chargeable under the head 'Salaries' is liable to deduct tax at the source.
- Status of the employer is not relevant, i.e. deductor can be an individual, HUF, company, etc.
- Tax shall not be deducted where the tax on salary income of the employee is nil after considering all the allowances and deductions.
- Time of deduction – At the time of actual payment of salary.
- Tax to be deducted has to be computed at slab rates of income tax for the financial year

Calculation of TDS

Particulars	Amount
Estimated Salary Income	XXXX
Less; Standard Deduction	XX
Estimated Gross Total Income	XXXX
Less; Chapter VI A Deductions	XX
Estimated Total Income	XXXX
Estimated Tax Liability	XXX
Add; Surcharge and Health & Education cess	XX
Estimated Total Tax Liability	XXX
TDS per month	XX

TDS on Winnings from lottery or crossword puzzle (Sec. 194B)

Any person responsible for paying any sum by way of winnings from lottery/crossword puzzle or other game of any sort to a resident or a non-resident is liable to deduct tax at 30% if the amount exceeds Rs. 10,000.

In a case where the winnings are wholly in kind or partly in cash and partly in kind but the cash part is not sufficient to meet the liability of deduction of tax in respect of the whole of the winnings, the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid by the winner in respect of the winnings.

General rules applicable in the case of the sections discussed below:

- Time of deduction is the earliest of;
 - Time of credit of such income to the account of the payee or
 - Time of payment
- If the payer is an individual or an HUF, this section applies only if the total turnover of such payer is subject to tax audit in the previous year.
- TDS to be deducted at 20%, if the payee fails to furnish PAN.
- If the deductee has not filed Income tax return for the last two assessment years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income has expired; and the aggregate of tax deducted at source and tax collected at source in his case is Rs.50,000 or more in each of these two previous years, then TDS has to be deducted at higher of the following rates:
 - At twice the rate specified in the relevant provision of the Act; or
 - At twice the rate or rates in force; or
 - At the rate of 5%.

TDS on Interest other than Interest on Securities (Sec. 194A)

- Any person (other than individual or HUF) responsible for paying interest other than interest on securities to a resident is liable to deduct tax at 10%.
- No tax shall be deducted if the aggregate amount of interest paid during the FY does not exceed:

Limit	Where the payer of such interest is
Rs. 40,000 p.a <i>(Rs.50,000 in case of senior citizen)</i>	Banking company
Rs. 40,000 p.a <i>(Rs. 50,000 in case of senior citizen)</i>	Co-operative society engaged in banking business
Rs. 40,000 p.a <i>(Rs. 50,000 in case of senior citizen)</i>	Post office under any scheme framed by the Central Government
Rs.5,000 p.a	Any other case

TDS on payment to Contractors (Sec.194C)

- Any person (other than an individual or HUF) responsible for paying any sum to a resident contractor is liable to deduct;
 - TDS at 1% - if payment is made to an individual or HUF
 - TDS at 2% - if payment is made to a person other than an individual and HUF
- TDS shall not apply;
 - If the amount paid does not exceed Rs. 30,000 and the aggregate amount paid in the FY does not exceed Rs.1,00,000
 - If the amount is paid by the individual or HUF for their personal purpose

- If the amount is paid to a contractor engaged in the business of hiring, plying, or leasing goods carriage, where the contractor doesn't own more than 10 goods carriage at any time during the previous year and the contractor furnishes a declaration to that effect along with his PAN to the deductor.

TDS on Commission and Brokerage (Sec.194H)

- Any person (other than individual or HUF) responsible for paying any sum by way of commission or brokerage to a resident is liable to deduct TDS at 5%.
- TDS shall not be applicable if the aggregate of such sum is paid or likely to be paid during the FY does not exceed Rs. 15,000.

TDS on Rent (Sec.194I)

- Any person (other than individual/HUF) responsible for paying any rent to a resident is liable to deduct TDS;
 - At 2% - if the rent is for the use of any machinery or plant or equipment
 - At 10% - if the rent is for the use of any land or building or furniture
- TDS shall be deducted only if the aggregate amount paid or likely to be paid during the FY exceeds Rs.2,40,000.

TDS on Purchase of Immovable Property (Sec.194IA)

- Any person being a transferee responsible for paying any sum exceeding Rs. 50 lakhs as consideration for the transfer of immovable property (other than agricultural land) to a resident transferor is liable to deduct tax @ 1%.

Payment of rent by certain individuals or HUF (Sec.194-IB)

- Any individual or HUF, not subject to tax audit, responsible for paying rent to residents exceeding Rs. 50,000 per month or part of the month is liable to deduct tax at 5%.
- However, deduction shall not exceed the rent payable for the last month of PY or the tenancy

Fees for professional or technical services (Sec.194J)

- Any person (other than an individual or a HUF) who is paying any sum by way of;
 - Fees for professional services
 - Fees for technical services
 - Remuneration to directors excluding salary
 - Royalty
 - Payments in the nature of non-compete fees

shall be liable to deduct TDS if the aggregate amount paid or likely to be paid during the FY exceeds Rs. 30,000.

- TDS shall be deducted at 2% in case of technical services and in case of all other services at 10%.

Payment of certain sums by certain individuals or HUF (Sec 194M)

- Any individual or HUF not subject to tax audit, responsible for paying any sum to a resident for contract work or by way of fees for professional services or commission or brokerage shall deduct tax at 5%, if the aggregate sum paid or credited during the FY exceeds Rs. 50 lakhs.

Payment of certain amounts in cash (Sec 194N)

- A banking company or a co-operative society or a post office paying any sum or aggregate of sums exceeding Rs.1crore in cash during the financial year from any account maintained by the recipient shall deduct tax at 2% of such sum exceeding Rs.1crore during the time of payment.
- The following are the threshold limits in this regard:

Income tax return filed in the past 3 years	TDS rate	Threshold Limit (In aggregate)
Filed	2%	On amount exceeding Rs. 1 Cr
Not filed	2%	On amount exceeding Rs. 20 lakhs up to Rs. 1Cr
	5%	On amount exceeding Rs. 1 Cr

Payment of certain sums by an e-commerce operator to an e-commerce participant (Sec 194O)

- Any e-commerce operator is liable to deduct TDS at 1%, on the amount of sale or services or both made by a resident e-commerce participant through the platform provided by the operator at the earliest of the time of credit of such amount or time of payment, whichever is earlier.
- TDS need not be deducted in the case of an e-commerce participant, being an individual or HUF, where the gross amount of such sale or services or both during the PY does not exceed Rs. 5 lakh rupees and such e-commerce participant has furnished his PAN or Aadhaar number to the e-commerce operator.

TDS in Case of Specified Senior Citizen [Section 194P]

- Specified senior citizens means resident individuals having age of 75 years or more during the previous year and the only sources of income are:
 - Pension income, and
 - Interest income receivable from the specified bank from which he is receiving the pension income.
- The senior citizen should have furnished a declaration in the prescribed format with the specified bank.
- The bank will compute the tax payable and based on the tax computed, TDS will be deducted by the bank.
- Once tax is deducted by the specified bank under section 194P, the senior citizen need not file his return of income.

TDS on Purchase of Goods [Section 194Q]

The responsibility of a buyer to deduct TDS @ 0.1% on the purchase of goods shall arise if the following conditions are satisfied:

- The buyer has more than Rs.10 crores turnover in the previous FY.
- The purchase of goods is from a resident seller.
- The buyer is responsible for making payment of a sum to the resident seller.
 - Such payment is to be done for the purchase of goods of the value/ aggregate value exceeding Rs. 50 Lakhs.

If all the above conditions are satisfied, the buyer shall deduct TDS on the purchase value exceeding Rs. 50 lakhs.

Payment to Non-residents (Sec 195)

- Any person responsible for paying to a non-resident, not being a company or a foreign company, any interest or any other sum chargeable under the provisions of the Act shall deduct TDS at the rates in force at the time of credit or the time of payment, whichever is earlier.

Certificate for TDS deduction at lower rate (sec. 197)

- Section 197 of the Income Tax Act, 1961 allows the facility of NIL or Lower tax rate deduction of TDS. The application can be made where income of any person attracts TDS but the income of the recipient justifies non-deduction or lower deduction of TDS based on his estimated final tax liability.
- An application for nil/lower deduction of TDS using Form 13 is required to be filed with the Assessing Officer (AO) for seeking permission. If the applicant satisfies the AO, he would process the issue of the certificate. The copy of this certificate can be attached to the invoice given to the deductor, and he can use this to justify the lower tax deduction.



Test your knowledge Quiz

1. TDS will be deducted from payments by way of fees for professional or technical services if the amount exceeds..... in a financial year.
 - a. Rs. 10,000
 - b. Rs. 30,000
 - c. Rs. 15,000
 - d. None
2. Which section deals with TDS on Rent.
 - a. Section 194H
 - b. Section 194I
 - c. Section 194J
 - d. Section 194N
3. What is the form of TDS certificate in respect of TDS deducted on salary?
 - a. Form 15
 - b. Form 19
 - c. Form 17
 - d. Form 16
4. Tax deduction at source under section 194IA would apply where the consideration for the acquisition of specified immovable property exceeds:
 - a. Rs. 30 lakhs
 - b. Rs. 50 lakhs
 - c. Rs. 20 lakhs
 - d. Rs. 25 lakhs



Module 10

Advance Tax

Introduction

Advance Tax is payable if the total estimated tax liability after tax deduction or collection at source is expected to exceed Rs. 10,000 for a financial year. Advance tax refers to paying a part of your taxes payable for a financial year before the end of the financial year.

A resident senior citizen (age of sixty years or more at any time during the financial year) not deriving any income from business or profession, shall be exempt from paying advance tax.

Advance Tax Due Dates

Instalments	Due date	Tax Payable
1 st Instalment	On or Before 15 th June of the financial year	15% of expected total tax liability
2 nd Instalment	On or Before 15 th September of the financial year	45% of expected total tax liability less earlier instalment
3 rd Instalment	On or Before 15 th December of the financial year	75% of expected total tax liability less earlier instalment
4 th Instalment	On or Before 15 th March of the financial year	100% of expected total tax liability less earlier Instalment

Interest on late payment of Advance tax

Interest on advance tax is applicable in the following cases:

- If the assessee was liable to pay advance tax, but has failed to make the payment.
- If the assessee has paid Advance tax, but the amount paid was less than 90% of the tax to be paid.

Section	Default	Penalty
234 A	for defaults in furnishing return of income	1% every month or part of the month on the amount of tax payable
234 B	for defaults in payment of advance tax	Simple Interest @ 1% per month or part of the month
234 C	Payment of Advance tax not in time or Interest for deferment of advance tax	Simple Interest @ 1% per month or part of the month

Sec 234 C

The tax payer who have opted for presumptive taxation scheme under sec 44 AD or 44ADA, have to pay the whole amount of their advance tax in one month before 15th March.

Test your knowledge Quiz

1. Advance tax is payable by a person when the expected amount of income tax payable for a financial year exceeds _____.
 - a. Rs. 20,000
 - b. Rs. 40,000
 - c. Rs. 10,000
 - d. Rs. 50,000

2. Late fee of Advance tax deals with section _____.
 - a. 234G
 - b. 234B
 - c. 234F
 - d. 432F

3. When is the 3rd instalment of advance tax payment due for FY 2022-23?
 - a. On or Before 15th December 2022
 - b. On or Before 15th September 2022
 - c. On or Before 15th June 2022
 - d. On or Before 15th March 2023



Module 11

Tax Collected at Source (TCS)

Introduction

Tax collected at source (TCS) refers to the tax collected by the seller from the buyer on sale so that it can be deposited with the tax authorities. TCS is the tax payable by a seller which he collects from the buyer at the time of sale. Section 206C of the Income-tax act governs the goods on which the seller has to collect tax from the purchasers.

There are some specific people or organisations who have been classified as sellers for the purpose of TCS, as follows:

1. Central Government
2. State Government
3. Local Authority
4. Statutory Corporation or Authority
5. Company registered under the Companies Act
6. Partnership firms
7. Co-operative Society
8. Any person or HUF who is subjected to an audit of accounts under the Income-tax Act for a particular financial year.

TCS on sale of motor vehicles- Section 206C(1F)

- The seller shall collect TCS @ 1% from the purchaser on sale of any motor vehicle of the value exceeding Rs.10,00,000.
- This section covers all transactions of retail sales. So it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.
- It is applicable to each sale and not to aggregate value of sale made during the year.

TCS on foreign remittance through Liberalized Remittance Scheme (LRS) – Section 206C(1G)(a)

- The authorized dealer (normally the bank) shall collect a TCS of 5% on foreign remittances under the LRS scheme for more than Rs. 7 lakhs.
- LRS is governed by RBI Regulations. Under the RBI Regulations, Indian Residents can remit 250,000 USD per financial year outside India. These remittances can be towards certain specified purposes only.
- In case of education-related foreign remittances made out of loans, a TCS of 0.5% will apply for an amount exceeding Rs. 7 lakhs.
- If PAN is not provided to an authorised dealer of the foreign exchange, the TCS will be at 10%.

TCS on the selling of overseas tour packages – Section 206C(1G)(b)

- Every seller of an overseas tour programme package is required to collect TCS @ 5% from the buyer.
- Overseas Tour Programme Package means, any tour package which offers visit to a place outside India. It includes expenses incurred on travel, stay, boarding or lodging and any expenditure of similar nature.
- If PAN is not provided, then TCS will be collected at 10%.

TCS on sale of goods – Section 206C(1H)

- TCS shall be collected by the seller from the buyer, on an amount received exceeding Rs. 50 Lakhs at the rate of 0.1%, if the following conditions are satisfied:
- The total turnover from the business carried on by him exceeds Rs.10 crores during the financial year immediately preceding the current financial year.
- There is a sale of goods.
- The seller receives any amount as consideration for sale of any goods of the value or aggregate of such value exceeding Rs. 50 lakhs in any financial year from such buyer.

Test your knowledge Quiz

- 1) What is TCS?
 - a. Tax Collected at Source
 - b. Tax Collection at Source
 - c. Tax Collected at System
 - d. Tax Collection at System
- 2) TCS is the tax payable by a seller which he collects from the buyer at the time of _____
 - a. purchase
 - b. deduction
 - c. sale
 - d. expense
- 3) At what rate is TCS to be collected from the purchaser on sale of any motor vehicle of the value exceeding Rs.10,00,000.
 - a. 10%
 - b. 0.1%
 - c. 5%
 - d. 1%
- 4) TCS shall be collected by the seller from the buyer at 0.1% on an amount received exceeding _____
 - a. Rs. 5 Lakhs
 - b. Rs. 50 Lakhs
 - c. Rs. 20 Lakhs
 - d. Rs. 25 Lakhs
- 5) TCS on sale of motor vehicles will not apply on sale of motor vehicles by manufacturers to dealers/distributors.
 - a. True
 - b. False





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