



# Income Tax Department

Government of India

## Treatment of Income from Different Sources

### I. Income under the head Salaries

#### 1.1 Salary is defined to include:

- a) Wages
- b) Annuity
- c) Pension
- d) Gratuity
- e) Fees, Commission, Perquisites, Profits in lieu of or in addition to Salary or Wages
- f) Advance of Salary
- g) Leave Encashment
- h) Annual accretion to the balance of Recognized Provident Fund
- i) Transferred balance in Recognized Provident Fund
- j) Contribution by Central Government or any other employer to Employees Pension Account as referred in [Sec. 80CCD](#)

#### 1.2 Points to consider:

- a) Salary income is chargeable to tax on “due basis” or “receipt basis” whichever is earlier.
- b) Existence of relationship of employer and employee is must between the payer and payee to tax the income under this head.
- c) Income from salary taxable during the year shall consists of following:
  - i. Salary due from employer (including former employer) to taxpayer during the previous year, whether paid or not;
  - ii. Salary paid by employer (including former employer) to taxpayer during the previous year before it became due;
  - iii. Arrear of salary paid by the employer (including former employer) to taxpayer during the previous year, if not charged to tax in any earlier year;

*Exceptions* - Remuneration, bonus or commission received by a partner from the firm is not taxable under the head Salaries rather it would be taxable under the head business or profession.

#### 1.3 Place of accrual of salary:

- a) Salary accrues where the services are rendered even if it is paid outside India;
- b) Salary paid by the Foreign Government to his employee serving in India is taxable under the head Salaries;
- c) Leave salary paid abroad in respect of leave earned in India shall be deemed to accrue or arise in India.

*Exceptions* - If a Citizen of India render services outside India, and receives salary from Government of India, it would be taxable as salary deemed to have accrued in India.

**1.4 Taxability of various components of salary:**

S.No.	Section	Particulars	Taxability/Exemption
1.	<a href="#">17</a>	Basic salary	Fully taxable
2.	<a href="#">17</a>	Dearness Allowance (referred to as 'DA')	Fully taxable
3.	<a href="#">17</a>	Bonus, fees or commission	Fully taxable
<b>A.</b>	<b>Allowances</b>		
4.	<a href="#">10(13A)</a> read with <a href="#">Rule 2A</a>	House rent allowance	Least of the following is exempt: a) Actual HRA Received b) 40% of Salary (50%, if house situated in Mumbai, Calcutta, Delhi or Chennai) c) Rent paid <i>minus</i> 10% of salary * Salary = Basic + DA (if part of retirement benefit) + Turnover based Commission <i>Note:</i> i. Fully taxable, if HRA is received by an employee who is living in his own house or if he does not pay any rent ii. It is mandatory for employee to report PAN of the landlord to the employer if rent paid is more than Rs. 1,00,000 [Circular No. 08 /2013 dated 10-10-2013].
5.	<a href="#">10(14)</a>	Children education allowance	Up to Rs. 100 per month per child up to a maximum of 2 children is exempt
6.	<a href="#">10(14)</a>	Hostel expenditure allowance	Up to Rs. 300 per month per child up to a maximum of 2 children is exempt
7.	<a href="#">10(14)</a>	Transport Allowance granted to an employee to meet expenditure for the purpose of commuting between place of residence and place of duty	Rs. 3,200 per month granted to an employee, who is blind or deaf and dumb or orthopedically handicapped with disability of lower extremities
8.	<a href="#">Sec. 10(14)</a>	Allowance granted to an employee working in any transport business to meet his personal expenditure during his duty performed in the course of running of such transport from one place to another place provided employee is not in receipt of daily allowance.	Amount of exemption shall be lower of following: a) 70% of such allowance; or b) Rs. 10,000 per month.

9.	<a href="#">10(14)</a>	Conveyance allowance granted to meet the expenditure on conveyance in performance of duties of an office	Exempt to the extent of expenditure incurred for official purposes
10.	<a href="#">10(14)</a>	Travelling allowance to meet the cost of travel on tour or on transfer	Exempt to the extent of expenditure incurred for official purposes
11.	<a href="#">10(14)</a>	Daily allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty	Exempt to the extent of expenditure incurred for official purposes
12.	<a href="#">10(14)</a>	Helper/Assistant allowance	Exempt to the extent of expenditure incurred for official purposes
13.	<a href="#">10(14)</a>	Research allowance granted for encouraging the academic research and other professional pursuits	Exempt to the extent of expenditure incurred for official purposes
14.	<a href="#">10(14)</a>	Uniform allowance	Exempt to the extent of expenditure incurred for official purposes
15.	<a href="#">10(7)</a>	Any allowance or perquisite paid or allowed by Government to its employees (an Indian citizen) posted outside India	Fully Exempt
16.	-	Allowances to Judges of High Court/Supreme Court (Subject to certain conditions)	Fully Exempt.
17.	<a href="#">10(45)</a>	Following allowances and perquisites given to serving Chairman/Member of UPSC is exempt from tax: a) Value of rent free official residence b) Value of conveyance facilities including transport allowance c) Sumptuary allowance d) Leave travel concession	Fully Exempt
18.	-	Allowances paid by the UNO to its employees	Fully Exempt
19.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Special compensatory Allowance (Hilly Areas)	Amount exempt from tax varies from Rs. 300 to Rs. 7,000 per month.

		(Subject to certain conditions and locations)	
20.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Border area, Remote Locality or Disturbed Area or Difficult Area Allowance (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 200 to Rs. 1,300 per month.
21.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Tribal area allowance in (a) Madhya Pradesh (b) Tamil Nadu (c) Uttar Pradesh (d) Karnataka (e) Tripura (f) Assam (g) West Bengal (h) Bihar (i) Orissa	Up to Rs. 200 per month is exempt
22.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Compensatory Field Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 2,600 per month is exempt
23.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Compensatory Modified Area Allowance. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 1,000 per month is exempt
24.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Counter Insurgency Allowance granted to members of Armed Forces operating in areas away from their permanent locations. If this exemption is taken, employee cannot claim any exemption in respect of border area allowance (Subject to certain conditions and locations)	Up to Rs. 3,900 per month is exempt
25.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Underground Allowance to employees working in uncongenial, unnatural climate in underground mines	Up to Rs. 800 per month is exempt
26.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	High Altitude Allowance granted to armed forces operating in high altitude	a) Up to Rs. 1,060 per month (for altitude of 9,000 to 15,000 feet) is exempt

		areas (Subject to certain conditions and locations)	b) Up to Rs. 1,600 per month (for altitude above 15,000 feet) is exempt
27.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Highly active field area allowance granted to members of armed forces (Subject to certain conditions and locations)	Up to Rs. 4,200 per month is exempt
28.	<a href="#">Sec. 10(14)</a> read with <a href="#">Rule 2BB</a>	Island Duty Allowance granted to members of armed forces in Andaman and Nicobar and Lakshadweep group of Island (Subject to certain conditions and locations)	Up to Rs. 3,250 per month is exempt
29.	<a href="#">10(14)</a>	City Compensatory Allowance	Fully Taxable
30.	<a href="#">10(14)</a>	Fixed Medical Allowance	Fully Taxable
31.	<a href="#">10(14)</a>	Tiffin, Lunch, Dinner or Refreshment Allowance	Fully Taxable
32.	<a href="#">10(14)</a>	Servant Allowance	Fully Taxable
33.	<a href="#">10(14)</a>	Project Allowance	Fully Taxable
34.	<a href="#">10(14)</a>	Overtime Allowance	Fully Taxable
35.	<a href="#">10(14)</a>	Telephone Allowance	Fully Taxable
36.	<a href="#">10(14)</a>	Holiday Allowance	Fully Taxable
37.	<a href="#">10(14)</a>	Any Other Cash Allowance	Fully Taxable
38.	<a href="#">10(5)</a>	<p>Leave Travel Concession or Assistance (LTC/LTA), extended by an employer to an employee for going anywhere in India along with his family*</p> <p>*Family includes spouse, children and dependent brother/sister/parents. However, family doesn't include more than 2 children of an Individual born on or after 01-10-1998.</p> <p>(Subject to certain conditions)</p>	<p>The exemption shall be limited to fare for going anywhere in India along with family twice in a block of four years:</p> <ul style="list-style-type: none"> <li>• Where journey is performed by Air - Exemption up to Air fare of economy class in the National Carrier by the shortest route</li> <li>• Where journey is performed by Rail - Exemption up to air-conditioned first class rail fare by the shortest route</li> <li>• If places of origin of journey and destination are connected by rail but the journey is performed by any other mode of transport - Exemption up to air-conditioned first class rail fare by the shortest route.</li> <li>• Where the places of origin of journey and destination are not connected by rail: <ul style="list-style-type: none"> <li>* Where a recognized public transport system exists - Exemption up to first Class or deluxe class fare by the shortest route</li> </ul> </li> </ul>

			<p>* Where no recognized public transport system exists - Exemption up to air conditioned first class rail fare by shortest route.</p> <p><b>Notes:</b></p> <p>i. Two journeys in a block of 4 calendar years is exempt</p> <p>ii. Taxable only in case of Specified Employees [See note 4]</p>
<b>B.</b>	<b>Perquisites</b>		
39.	<a href="#">17(2)(i)/(ii)</a> read with <a href="#">Rule 3(1)</a>	Rent free unfurnished accommodation provided to Central and State Government employees	License fees determined in accordance with rules framed by Government for allotment of houses shall be deemed to be the taxable value of perquisites.
40.	<a href="#">17(2)(i)/(ii)</a> read with <a href="#">Rule 3(1)</a>	Unfurnished rent free accommodation provided to other employees	<p><b>Taxable value of perquisites</b></p> <p>i. If house property is owned by the employer, the taxable value of perquisite shall be:</p> <p style="padding-left: 40px;">A. 15% of salary, if population of city where accommodation is provided exceeds 25 lakhs</p> <p style="padding-left: 40px;">B. 10% of salary, if population of city where accommodation is provided exceeds 10 lakhs but does not exceed 25 lakhs</p> <p style="padding-left: 40px;">C. 7.5% of salary, if accommodation is provided in any other city</p> <p>ii. If house property is taken on lease or rent by the employer, the taxable value of perquisite shall be:</p> <p style="padding-left: 40px;">i. Lease rent paid or payable by the employer or 15% of the salary, whichever is lower</p> <p>*Salary includes:</p> <p style="padding-left: 20px;">a) Basic Pay</p> <p style="padding-left: 20px;">b) Dearness Allowance (only to the extent it forms part of retirement benefit salary)</p> <p style="padding-left: 20px;">c) Bonus</p> <p style="padding-left: 20px;">d) Commission</p> <p style="padding-left: 20px;">e) All other allowances (only taxable portion)</p> <p style="padding-left: 20px;">f) Any monetary payment which is chargeable to tax</p> <p>But does not include</p> <p style="padding-left: 40px;">i. Value of any perquisite</p> <p style="padding-left: 40px;">ii. Employer's contribution to PF</p> <p style="padding-left: 40px;">iii. Benefits received at the time of retirement like gratuity, pension</p>

			<p>etc.</p> <p><i>Note:</i></p> <ol style="list-style-type: none"> <li>1) Rent free accommodation is not chargeable to tax if provided in remote area.</li> <li>2) Rent free accommodation provided to High Court or Supreme Court Judges, Union Ministers, Leader of Opposition in Parliament, an official in Parliament and Serving Chairman and members of UPSC is tax free perquisite.</li> <li>3) The value so determined shall be reduced by the amount of rent, if any, recovered from the employee.</li> <li>4) If employee is transferred and retain property at both the places, the taxable value of perquisites for initial period of 90 days shall be determined with reference to only one accommodation (at the option of the assessee). The other one will be tax free. However after 90 days, taxable value of perquisites shall be charged with reference to both the accommodations.</li> </ol>
41.	<a href="#">17(2)(i)/(ii)</a> read with <a href="#">Rule 3(1)</a>	Rent free furnished accommodation	<p>Taxable value of perquisites shall be computed in following manner:</p> <ol style="list-style-type: none"> <li>a) Taxable value of perquisite assuming accommodation to be provided to the employee is unfurnished</li> <li>b) <i>Add:</i> 10% of original cost of furniture and fixtures (if these are owned by the employer) or actual higher charges paid or payable (if these are taken on rent by the employer).</li> <li>c) <i>Less:</i> The value so determined shall be reduced by the amount of rent, if any, recovered from the employee</li> </ol>
42.	<a href="#">17(2)(i)/(ii)</a> read with <a href="#">Rule 3(1)</a>	<p>Accommodation provided in a hotel</p> <p>Hotel accommodation will not be chargeable to tax if :</p> <ol style="list-style-type: none"> <li>a) It is provided for a total period not exceeding in aggregate 15 days in the financial year; and</li> <li>b) Such accommodation in hotel is provided on employee's transfer from one</li> </ol>	<p>Taxable value of perquisite shall be lower of following:</p> <ol style="list-style-type: none"> <li>a) Actual charges paid or payable by the employer to such hotel; or</li> <li>b) 24% of salary</li> </ol>

		place to another place.	
43.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(2)</a> .	Motor Car / Other Conveyance	<b>Taxable value of perquisites</b> (See Note 1 below)
43A.	<a href="#">17(2)(iv)</a> .	Any sum paid by employer in respect of any obligation of an employee	Fully Taxable
44.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(3)</a> .	Services of a domestic servant including sweeper, gardener, watchmen or personal attendant (taxable only in case of specified employee [See Note 4])	Taxable value of perquisite shall be salary paid or payable by the employer for such services <i>less</i> any amount recovered from the employee.
45.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(4)</a> .	Supply of gas, electricity or water for household purposes	Taxable value of perquisites: > Manufacturing cost per unit incurred by the employer., if provided from resources owned by the employer; > Amount paid by the employer, if purchased by the employer from outside agency <i>Note:</i> 1. Any amount recovered from the employee shall be deducted from the taxable value of perquisite. 2. Taxable in case of specified employees only [See note 4]
46.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(5)</a> .	Education Facilities	<b>Taxable value of perquisites</b> (See Note 2 below)
47.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(6)</a> .	Transport facilities provided by the employer engaged in carriage of passenger or goods (except Airlines or Railways)	Value at which services are offered by the employer to the public <i>less</i> amount recovered from the employee shall be a taxable perquisite
48.	<a href="#">17(2)(v)</a> .	Amount payable by the employer to effect an insurance on life of employee or to effect a contract for an annuity	Fully Taxable
49.	<a href="#">17(2)(vi)</a> read with <a href="#">3(8)/3(9)</a> .	ESOP/ Sweat Equity Shares	Fair Market value of shares or securities on the date of exercise of option by the assessee <i>less</i> amount recovered from the employee in respect of such shares shall be the taxable value of perquisites. Fair Market Value shall be determined as follows:



			<p>a) In case of listed Shares: Average of opening and closing price as on date of exercise of option (Subject to certain conditions and circumstances)</p> <p>b) In case of unlisted shares/ security other than equity shares: Value determined by a Merchant Banker as on date of exercise of option or an earlier date, not being a date which is more than 180 days earlier than the date of exercise of the option.</p> <p><b>Note:</b> The Finance Act, 2020 has deferred the taxation of perquisite in case of start-ups from date of allotment to the earliest of the following three dates:</p> <ol style="list-style-type: none"> <li>1. Expiry of 48 months from the end of the relevant assessment year;</li> <li>2. Sale of such shares by the employees;</li> <li>3. Date on which employee ceases to be employee of the start-up.</li> </ol> <p>The eligible start-up shall accordingly, be required to deposit tax with the government within 14 days of the happening of any of the above events (whichever is earlier). However, <a href="#">Section 17(2)(vi)</a> has not been amended, thus the income shall be computed in the year in which shares are allotted but tax shall be paid in subsequent year.</p>
50.	<a href="#">17(2)(vii)</a> .	Employer's contribution towards superannuation fund	Taxable in the hands of employee to the extent such contribution exceeds Rs.1,50,000
51.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(7)(i)</a> .	Interest free loan or Loan at concessional rate of interest	<p>Interest free loan or loan at concessional rate of interest given by an employer to the employee (or any member of his household) is a perquisite chargeable to tax in the hands of all employees on following basis:</p> <ol style="list-style-type: none"> <li>1) Find out the "maximum outstanding monthly balance" (i.e. the aggregate outstanding balance for each loan as on the last day of each month);</li> <li>2) Find out rate of interest charged by the SBI as on the first day of relevant previous year in respect of loan for the same purpose advanced by it;</li> <li>3) Calculate interest for each month of the previous year on the outstanding amount (mentioned in Step 1) at the rate of interest given in Step 2</li> <li>4) From the total interest calculated for the entire previous year (step 3), deduct</li> </ol>

			<p>interest actually recovered, if any, from employee</p> <p>5) The balance amount (Step 3-Step 4) is taxable value of perquisite</p> <p>Nothing is taxable if:</p> <p>a) Loan in aggregate does not exceed Rs. 20,000; or</p> <p>b) Loan is provided for treatment of specified diseases (<u>Rule 3A</u>) like neurological diseases, Cancer, AIDS, Chronic renal failure, Hemophilia (specified diseases). However, exemption is not applicable to so much of the loan as has been reimbursed to the employee under any medical insurance scheme.</p>
52.	<u>17(2)(viii)</u> read with <u>Rule 3(7)(ii)</u> .	Facility of travelling, touring and accommodation availed of by the employee or any member of his household for any holiday	<p>a) Taxable value of perquisite shall be expenditure incurred by the employer <i>less</i> amount recovered from employee.</p> <p>b) Where such facility is maintained by the employer, and is not available uniformly to all employees, the value of benefit shall be taken to be the value at which such facilities are offered by other agencies to the public.</p>
53.	<u>17(2)(viii)</u> read with <u>Rule 3(7)(iii)</u> .	Free food and beverages provided to the employee	<p>1) Fully Taxable: Free meals in excess of Rs. 50 per meal <i>less</i> amount paid by the employee shall be a taxable perquisite</p> <p>2) Exempt from tax: Following free meals shall be exempt from tax:</p> <p>a) Food and non-alcoholic beverages provided during working hours in remote area or in an offshore installation;</p> <p>b) Tea, Coffee or Non-Alcoholic beverages and Snacks during working hours are tax free perquisites;</p> <p>c) Food in office premises or through non-transferable paid vouchers usable only at eating joints provided by an employer is not taxable, if cost to the employer is Rs. 50(or less) per meal.</p>
54.	<u>17(2)(viii)</u> read with <u>Rule 3(7)(iv)</u> .	Gift or Voucher or Coupon on ceremonial occasions or otherwise provided to the employee	<p>a) Gifts in cash or convertible into money (like gift cheque) are fully taxable</p> <p>b) Gift in kind up to Rs.5,000 in aggregate per annum would be exempt, beyond which it would be taxable.</p>

55.	<a href="#">17(2)(viii)</a> , read with <a href="#">Rule 3(7)(v)</a> .	Credit Card	<p>a) Expenditure incurred by the employer in respect of credit card used by the employee or any member of his household <i>less</i> amount recovered from the employee is a taxable perquisite</p> <p>b) Expenses incurred for official purposes shall not be a taxable perquisite provided complete details in respect of such expenditure are maintained by the employer</p>
56.	<a href="#">17(2)(viii)</a> , read with <a href="#">Rule 3(7)(vi)</a> .	Free Recreation/ Club Facilities	<p>a) Expenditure incurred by the employer towards annual or periodical fee etc. (excluding initial fee to acquire corporate membership) <i>less</i> amount recovered from the employee is a taxable perquisite</p> <p>b) Expenses incurred on club facilities for the official purposes are exempt from tax.</p> <p>c) Use of health club, sports and similar facilities provided uniformly to all employees shall be exempt from tax.</p>
57.	<a href="#">17(2)(viii)</a> , read with <a href="#">Rule 3(7)(vii)</a> .	Use of movable assets of the employer by the employee is a taxable perquisite	<p><b>Taxable value of perquisites</b></p> <p>a) Use of Laptops and Computers: <i>Nil</i></p> <p>b) Movable asset other than Laptops, computers and Motor Car*: 10% of original cost of the asset (if asset is owned by the employer) or actual higher charges incurred by the employer (if asset is taken on rent) <i>less</i> amount recovered from employee.</p> <p>*See <i>Note 1</i> for computation of perquisite value in case of use of the Motor Car</p>
58.	<a href="#">17(2)(viii)</a> , read with <a href="#">Rule 3(7)(viii)</a> .	Transfer of movable assets by an employer to its employee	<p><b>Taxable value of perquisites</b></p> <p>a) Computers, Laptop and Electronics items: Actual cost of asset <i>less</i> depreciation at 50% (using reducing balance method) for each completed year of usage by employer <i>less</i> amount recovered from the employee</p> <p>b) Motor Car: Actual cost of asset <i>less</i> depreciation at 20% (using reducing balance method) for each completed year of usage by employer <i>less</i> amount recovered from the employee</p> <p>c) Other movable assets: Actual cost of asset <i>less</i> depreciation at 10% (on SLM basis) for each completed year of usage by employer <i>less</i> amount recovered from the employee.</p>

59.	<a href="#">17(2)(viii)</a> read with <a href="#">Rule 3(7)</a> <a href="#">(ix)</a> .	Any other benefit or amenity extended by employer to employee	Taxable value of perquisite shall be computed on the basis of cost to the employer (under an arm's length transaction) less amount recovered from the employee. However, expenses on telephones including a mobile phone incurred by the employer on behalf of employee shall not be treated as taxable perquisite.
60.	<a href="#">10(10CC)</a> .	Tax paid by the employer on perquisites (not provided for by way of monetary payments) given to employee	Fully exempt
61.	<a href="#">Proviso to section 17(2)</a> .	Medical facilities in India	<p>a) Expense incurred or reimbursed by the employer for the medical treatment of the employee or his family (spouse and children, dependent - parents, brothers and sisters) in any of the following hospital is not chargeable to tax in the hands of the employee:</p> <ol style="list-style-type: none"> <li>i. Hospital maintained by the employer.</li> <li>ii. Hospital maintained by the Government or Local Authority or any other hospital approved by Central Government</li> <li>iii. Hospital approved by the Chief Commissioner having regard to the prescribed guidelines for treatment of the prescribed diseases.</li> </ol> <p>b) Medical insurance premium paid or reimbursed by the employer is not chargeable to tax.</p> <p>However, the medical facility is taxable only in case of Specified Employees [See note 4]</p>
62.	<a href="#">Proviso to section 17(2)</a> .	Medical facilities outside India	<p>Any expenditure incurred or reimbursed by the employer for medical treatment of the employee or his family member outside India is exempt to the extent of following (subject to certain condition):</p> <ol style="list-style-type: none"> <li>a. Expenses on medical treatment - exempt to the extent permitted by RBI.</li> <li>b. Expenses on stay abroad for patient and one attendant - exempt to the extent permitted by RBI.</li> <li>c. Expenditure incurred on travelling of patient and one attendant- exempt, if Gross</li> </ol>

			Total Income (before including the travel expenditure) of the employee, does not exceed Rs. 2,00,000.
63.	<a href="#">Proviso to section 17(2).</a>	Medical facility or reimbursement for COVID-19 treatment	Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family in respect of any illness relating to Covid-19, shall not be taxable as perquisite in the hands of the employee. However, this benefit shall be allowed subject to certain conditions as may be notified by the Government in this behalf. [applicable w.e.f. Assessment Year 2020-21]
<b>C.</b>	<b>Deduction from salary</b>		
1.	<a href="#">16(ia).</a>	Standard Deduction	Rs. 50,000 or the amount of salary, whichever is lower (Any salaried person & pensioners)
2.	<a href="#">16(ii).</a>	Entertainment Allowance received by the Government employees (Fully taxable in case of other employees)	Least of the following is exempt from tax: a) Rs 5,000 b) 1/5th of salary (excluding any allowance, benefits or other perquisite) c) Actual entertainment allowance received
3.	<a href="#">16(iii).</a>	Employment Tax/Professional Tax.	Amount actually paid during the year. However, if professional tax is paid by the employer on behalf of its employee than it is first included in the salary of the employee as a perquisite and then same amount is allowed as deduction.
<b>D.</b>	<b>Retirement Benefits</b>		
	<b>Leave Encashment</b>		
1.	<a href="#">10(10AA)</a>	Encashment of unutilized earned leave at the time of retirement of Government employees	Fully Exempt
2.	<a href="#">10(10AA)</a>	Encashment of unutilized earned leave at the time of retirement of other employees (not being a Government employee)	Least of the following shall be exempt from tax: a) Amount actually received b) Unutilized earned leave* X Average monthly salary c) 10 months Average Salary** d) Rs. 3,00,000  * While computing unutilized earned leave, earned leave entitlements cannot exceed 30 days for each completed year of service rendered to the current employer

			<p>** Average salary = Average Salary*** of last 10 months immediately preceding the retirement</p> <p>***Salary = Basic Pay + DA (to the extent it forms part of retirement benefits)+ turnover based commission</p>
<b>Retrenchment Compensation</b>			
3.	<a href="#">10(10B)</a>	Retrenchment Compensation received by a workman under the Industrial Dispute Act, 1947 (Subject to certain conditions).	<p>Least of the following shall be exempt from tax:</p> <p>a) Amount calculated as per section 25F(b) of the Industrial Disputes Act, 1947;</p> <p>b) Rs. 5,00,000; or</p> <p>c) Amount actually received</p> <p><i>Note:</i></p> <p>i. Relief under <a href="#">Section 89(1)</a> is available</p> <p>ii. 15 days average pay for each completed year of continuous service or any part thereof in excess of 6 months is to be adopted under section 25F(b) of the Industrial Disputes Act, 1947</p>
<b>Gratuity</b>			
4.	<a href="#">10(10)(i)</a>	Gratuity received by Government Employees (Other than employees of statutory corporations)	Fully Exempt
5.	<a href="#">10(10)(ii)</a>	Death -cum-Retirement Gratuity received by other employees who are covered under Gratuity Act, 1972 (other than Government employee) (Subject to certain conditions).	<p>Least of following amount is exempt from tax:</p> <p>1. (*15/26) X Last drawn salary** X completed year of service or part thereof in excess of 6 months.</p> <p>2. Rs. 20,00,000</p> <p>3. Gratuity actually received.</p> <p>*7 days in case of employee of seasonal establishment.</p> <p>** Salary = Last drawn salary including DA but excluding any bonus, commission, HRA, overtime and any other allowance, benefits or perquisite</p>
6.	<a href="#">10(10)(iii)</a>	Death -cum-Retirement Gratuity received by other employees who are not covered under Gratuity Act, 1972 (other than Government employee) (Subject to certain conditions).	<p>Least of following amount is exempt from tax:</p> <p>1. Half month's Average Salary* X Completed years of service</p> <p>2. Rs. 20,00,000</p> <p>3. Gratuity actually received.</p> <p>*Average salary = Average Salary of last 10 months immediately preceding the month of</p>

			retirement ** Salary = Basic Pay + DA (to the extent it forms part of retirement benefits)+ turnover based commission
<b>Pension</b>			
7.	-	Pension received from United Nation Organization by the employee of his family members	Fully Exempt
8.	<a href="#">10(10A)(i)</a>	Commuted Pension received by an employee of Central Government, State Government, Local Authority Employees and Statutory Corporation	Fully Exempt
9.	<a href="#">10(10A)(ii)</a>	Commuted Pension received by other employees who also receive gratuity	1/3 of full value of commuted pension will be exempt from tax
10.	<a href="#">10(10A)(iii)</a>	Commuted Pension received by other employees who do not receive any gratuity	1/2 of full value of commuted pension will be exempt from tax
11.	<a href="#">10(19)</a>	Family Pension received by the family members of Armed Forces	Fully Exempt
12.	<a href="#">57(ia)</a>	Family pension received by family members in any other case	33.33% of Family Pension subject to maximum of Rs. 15,000 shall be exempt from tax
<b>Voluntary Retirement</b>			
13.	<a href="#">10(10C)</a>	Amount received on Voluntary Retirement or Voluntary Separation (Subject to certain conditions)	Least of the following is exempt from tax: 1) Actual amount received as per the guidelines i.e. least of the following a) 3 months salary for each completed year of services b) Salary at the time of retirement X No. of months of services left for retirement; or 2) Rs. 5,00,000
<b>Provident Fund</b>			
14.	-	Employee's Provident Fund	For taxability of contribution made to various employee's provident fund and interest arising thereon <i>see Note 3.</i>
<b>National Pension System (NPS)</b>			

15.	<a href="#">10(12A)/10(12B)</a>	National Pension System	Any payment from the National Pension System Trust to an assessee on closure of his account or on his opting out of the pension scheme referred to in <a href="#">section 80CCD</a> , to the extent it does not exceed 60% of the total amount payable to him at the time of such closure or his opting out of the scheme. <b>Note:</b> Partial withdrawal from NPS shall be exempt to the extent of 25% of amount of contributions made by the employee.
<b>E.</b>	<b>Arrear of Salary and relief under <a href="#">section 89(1)</a></b>		
1.	<a href="#">15</a>	Arrear of salary and advance salary	Taxable in the year of receipt. However relief under <a href="#">section 89</a> is available
2.	<a href="#">89</a>	Relief under <a href="#">Section 89</a>	If an individual receives any portion of his salary in arrears or in advance or receives profits in lieu of salary, he can claim relief as per provisions of <a href="#">section 89</a> read with <a href="#">rule 21A</a>
3.	<a href="#">89A</a>	Relief under <a href="#">89A</a>	Relief from taxation in income from retirement benefit account maintained in a notified country in accordance with <a href="#">Rule 21AAA</a> .
<b>F.</b>	<b>Other Benefits</b>		
1.	-	Lump-sum payment made gratuitously or by way of compensation or otherwise to widow or other legal heirs of an employee who dies while still in active service [Circular No. 573, dated 21-08-1990]	Fully exempt in the hands of widow or other legal heirs of employee
2.	-	Ex-gratia payment to a person (or legal heirs) by Central or State Government, Local Authority or Public Sector Undertaking consequent upon injury to the person or death of family member while on duty [Circular No. 776, dated 08-06-1999]	Fully exempt in the hands of individual or legal heirs
3.	-	Salary received from United Nation Organization [Circular No. 293, dated 10-02-1981]	Fully exempt
4.	<a href="#">10(6)(ii)</a>	Salary received by foreign national as an officials of	Fully exempt if corresponding official in that foreign country enjoys a similar exemption



		an embassy, high commission, legation, consulate or trade representation of a foreign state	
5.	<a href="#">10(6)(vi)</a>	Remuneration received by non-resident foreign citizen as an employee of a foreign enterprise for services rendered in India, if: <ul style="list-style-type: none"> <li>a) Foreign enterprise is not engaged in any trade or business in India</li> <li>b) His stay in India does not exceed in aggregate a period of 90 days in such previous year</li> <li>c) Such remuneration is not liable to deducted from the income of employer chargeable under this Act</li> </ul>	Fully exempt
6.	<a href="#">10(6)(viii)</a>	Salary received by a non-resident foreign national for services rendered in connection with his employment on a foreign ship if his total stay in India does not exceed 90 days in the previous year.	Fully exempt
7.	-	Salary and allowances received by a teacher /professor from SAARC member state (Subject to certain conditions).	Fully exempt

**Notes:**

1. Motor Car (taxable only in case of specified employees [See note 4] except when car owned by the employee is used by him or members of his household wholly for personal purposes and for which reimbursement is made by the employer)

S. No.	Circumstances	Engine Capacity up to 1600 cc	Engine Capacity above 1600 cc
<b>1</b>	<b>Motor Car is owned or hired by the employer</b>		
1.1	Where maintenances and running expenses including remuneration of the chauffeur are met or reimbursed by the employer.		
1.1-	Used wholly and exclusively in	Fully exempt subject to	Fully exempt subject to

A	the performance of official duties.	maintenance of specified documents	maintenance of specified documents
1.1-B	Used exclusively for the personal purposes of the employee or any member of his household.	Actual amount of expenditure incurred by the employer on the running and maintenance of motor car including remuneration paid by the employer to the chauffeur and increased by the amount representing normal wear and tear of the motor car at 10% per annum of the cost of vehicle <i>less</i> any amount charged from the employee for such use is taxable value of perquisite.	
1.1-C	The motor car is used partly in the performance of duties and partly for personal purposes of the employee or any member of his household.	Rs. 1,800 per month ( <i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite	Rs. 2,400 per month ( <i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite
		Nothing is deductible in respect of any amount recovered from the employee.	
1.2	Where maintenances and running expenses are met by the employee.		
1.2-A	Used wholly and exclusively in the performance of official duties.	Not a perquisite, hence, not taxable	Not a perquisite, hence, not taxable
1.2-B	Used exclusively for the personal purposes of the employee or any member of his household	Expenditure incurred by the employer (i.e. hire charges, if car is on rent or normal wear and tear at 10% of actual cost of the car, if car is owned by the employer) <i>plus</i> salary of chauffeur if paid or payable by the employer <i>minus</i> amount recovered from the employee.	
1.2-C	The motor car is used partly in the performance of duties and partly for personal purposes of the employee or any member of his household	Rs. 600 per month ( <i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite	Rs. 900 per month ( <i>plus</i> Rs. 900 per month, if chauffeur is also provided to run the motor car) shall be taxable value of perquisite
		Nothing is deductible in respect of any amount recovered from the employee.	
<b>2</b>	<b>Motor Car is owned by the employee</b>		
2.1	Where maintenances and running expenses including remuneration of the chauffeur are met or reimbursed by the employer.		
2.1-A	The reimbursement is for the use of the vehicle wholly and exclusively for official purposes	Fully exempt subject to maintenance of specified documents	Fully exempt subject to maintenance of specified documents
2.1-B	The reimbursement is for the use of the vehicle exclusively for the personal purposes of the employee or any member of his household (taxable in case of specified employee as well as non-specified employee)	Actual expenditure incurred by the employer <i>minus</i> amount recovered from the employee	
2.1-	The reimbursement is for the	Actual expenditure incurred	Actual expenditure incurred

C	use of the vehicle partly for official purposes and partly for personal purposes of the employee or any member of his household.	by the employer <i>minus</i> Rs. 1800 per month and Rs. 900 per month if chauffeur is also provided <i>minus</i> amount recovered from employee shall be taxable value of perquisite.	by the employer <i>minus</i> Rs. 2400 per month and Rs. 900 per month if chauffeur is also provided <i>minus</i> amount recovered from employee shall be taxable value of perquisite.
<b>3</b>	<b>Where the employee owns any other automotive conveyance and actual running and maintenance charges are met or reimbursed by the employer</b>		
3.1	Reimbursement for the use of the vehicle wholly and exclusively for official purposes;	Fully exempt subject to maintenance of specified documents	Fully exempt subject to maintenance of specified documents
3.2	Reimbursement for the use of vehicle partly for official purposes and partly for personal purposes of the employee.	Actual expenditure incurred by the employer as reduced by Rs. 900 per month	Not Applicable

## 2. Educational Facilities

Taxable only in the hands of specified employees [See note 4]

Facility extended to	Value of perquisite	
	Provided in the school owned by the employer	Provided in any other school
Children	Cost of such education in similar school <i>less</i> Rs. 1,000 per month per child (irrespective of numbers of children) <i>less</i> amount recovered from employee	Amount incurred <i>less</i> amount recovered from employee (an exemption of Rs. 1,000 per month per child is allowed)
Other family member	Cost of such education in similar school <i>less</i> amount recovered from employee	Cost of such education incurred

### 2.1 Other Educational Facilities

Particulars	Taxable Value of Perquisites
Reimbursement of school fees of children or family member of employees	Fully taxable
Free educational facilities/ training of employees	Fully exempt

## 3. Employees Provident Fund

Tax treatment in respect of contributions made to and payment from various provident funds are summarized in the table given below:

Particulars	Statutory provident fund	Recognized provident fund	Unrecognized provident fund	Public provident fund
Employers contribution to provident fund	Fully Exempt	Exempt only to the extent of 12% of salary*	Fully Exempt	-

Deduction under <a href="#">section 80C</a> on employees contribution	Available	Available	Not Available	Available
Interest credited to provident fund See Note	Fully Exempt	Exempt only to the extent rate of interest does not exceed 9.5%	Fully Exempt	Fully Exempt
Payment received at the time of retirement or termination of service	Fully Exempt	Fully Exempt (Subject to certain conditions and circumstances)	Fully Taxable (except employee's contribution)	Fully Exempt

\* Salary = Basic Pay + Dearness Allowance (to the extent it forms part of retirement benefits) + turnover based commission

Payment from recognized provident fund shall be exempt in the hands of employees in following circumstances:

- If employee has rendered continue service with his employer (including previous employer, when PF account is transferred to current employer) for a period of 5 years or more
- If employee has been terminated because of certain reasons which are beyond his control (ill health, discontinuation of business of employer, etc.)

**Note:**

No exemption shall be available for the interest income accrued during the previous year in the recognised and statutory provident fund to the extent it relates to the contribution made by the employees over Rs. 2,50,000 in the previous year.

However, if an employee is contributing to the fund but there is no contribution to such fund by the employer, then the interest income accrued during the previous year shall be taxable to the extent it relates to the contribution made by the employee to that fund in excess of Rs. 5,00,000 in a financial year.

**4. Specified Employee**

The following employees are deemed as specified employees:

- A director-employee
- An employee who has substantial interest (i.e. beneficial owner of equity shares carrying 20% or more voting power) in the employer-company
- An employee whose monetary income\* under the salary exceeds Rs.50,000

\*Monetary Income means Income chargeable under the salary but excluding perquisite value of all non-monetary perquisites

**II. Income under the House Properties**

**2.1 Basis of Charge [[Section 22](#)]:**

Income from house property shall be taxable under this head if following conditions are satisfied:

- The house property should consist of any building or land appurtenant thereto;
- The taxpayer should be the owner of the property;
- The house property should not be used for the purpose of business or profession carried on by the taxpayer.

**2.2 Computation of income from house property:**

Income from a house property shall be determined in the following manner:

Particulars	Amount
Gross Annual Value	-
Less: Municipal Taxes	-
<b>Net Annual Value</b>	<b>****</b>

Less: Standard deduction at 30% [ <a href="#">Section 24(a)</a> ]	-
Less: Interest on borrowed capital [ <a href="#">Section 24(b)</a> ]	-
<b>Income from house property</b>	<b>****</b>

### 2.3 Gross Annual value [[Sec. 23\(1\)](#)]

The Gross Annual Value of the house property shall be higher of following:

- Expected rent, i.e., the sum for which the property might reasonably be expected to be let out from year to year. Expected rent shall be higher of municipal valuation or fair rent of the property, subject to maximum of standard rent;
- Rent actually received or receivable after excluding unrealized rent but before deducting loss due to vacancy

Out of sum computed above, any loss incurred due to vacancy in the house property shall be deducted and the remaining sum so computed shall be deemed to the gross annual value.

### 2.4 Deductions:

Description	Nature of Deductions
Municipal Taxes	Municipal taxes including service-taxes levied by any local authority in respect of house property is allowed as deduction, if: <ol style="list-style-type: none"> <li>Taxes are borne by the owner; and</li> <li>Taxes are actually paid by him during the year.</li> </ol>
Standard Deduction [ <a href="#">Section 24(a)</a> ]	30% of net annual value of the house property is allowed as deduction if property is let-out during the previous year.
Interest on Borrowed Capital * [ <a href="#">Section 24(b)</a> ]	<ol style="list-style-type: none"> <li>In respect of let-out property, actual interest incurred on capital borrowed for the purpose of acquisition, construction, repairing, re-construction shall be allowed as deduction</li> <li>In respect of self-occupied residential house property, interest incurred on capital borrowed for the purpose of acquisition or construction of house property shall be allowed as deduction up to Rs. 2 lakhs. The deduction shall be allowed if capital is borrowed on or after 01-04-1999 and acquisition or construction of house property is completed within 5 years.</li> <li>In respect of self-occupied residential house property, interest incurred on capital borrowed for the purpose of reconstruction, repairs or renewals of a house property shall be allowed as deduction up to Rs. 30,000.</li> </ol>

\* Any interest pertaining to the period prior to the year of acquisition/ construction of the house property shall be allowed as deduction in five equal installments, beginning with the year in which the property was acquired/ constructed.

\* Deduction for interest on borrowed capital shall be limited to Rs. 30,000 in following circumstances:

- If capital is borrowed before 01-04-1999 for the purpose of purchase or construction of a house property;
- If capital is borrowed on or after 01-04-1999 for the purpose of re-construction, repairs or renewals of a house property;
- If capital is borrowed on or after 01-04-1999 but construction of house property is not completed within five years from end of the previous year in which capital was borrowed.

#### Note:

With effect from Assessment Year 2020-21, deduction for interest paid or payable on borrowed capital shall be allowed in respect of two self-occupied house properties. However, the aggregate amount of

deduction under this provision shall remain same i.e., Rs. 30,000 or Rs. 2,00,000, as the case may be.

#### 2.4.1 Deduction for interest on housing loan [[Section 80EE](#)]

Deduction of up to Rs 50,000 shall be allowed to an Individual for interest payable on loan taken for the purpose of acquisition of a house property subject to following conditions:

- Loan has been sanctioned by Financial institution during the financial year 2016-17;
- The amount of loan sanctioned does not exceed Rs 35,00,000;
- The value of residential property does not exceed Rs 50,00,000;
- The assessee does not own any residential house property on the date of sanction of loan;
- Where deduction has been allowed under this section, no deduction shall be allowed in respect of such interest under any other provision.

#### 2.4.2 Deduction for interest paid on housing loan taken for affordable housing [[Section 80EEA](#)]

With an objective to provide an impetus to the 'Housing for all' initiative of the Government and to enable the home buyer to have low-cost funds at his disposal, the Finance (No. 2) Act, 2019 has inserted a new [Section 80EEA](#) under the Income-tax Act for those individuals who are not eligible to claim deduction under [Section 80EE](#). An individual can claim deduction of up to Rs. 150,000 under [Section 80EEA](#) subject to following conditions:

- Loan should be sanctioned by the financial institution during the period beginning on 01-04-2019 and ending on the 31-03-2022;
- Stamp duty value of residential house property should not exceed Rs. 45 lakhs;
- The assessee should not own any residential house property on the date of sanction of loan; and
- The assessee should not be eligible to claim deduction under [Section 80EE](#).

Hence, an individual who does not meet the criteria of [Section 80EE](#) shall now be eligible to claim deduction under [Section 80EEA](#) of up to Rs. 150,000 in addition to deduction under [section 24\(b\)](#). This deduction is available from Assessment Year 2020-21.

#### 2.5 Computation of Income from House Property

S. No.	Property Type	Gross Annual Value of the property	Deduction for municipal taxes	Net Annual Value of the property	Standard Deduction	Interest on borrowed capital
1.	Self-occupied house property/properties	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	Aggregate Deduction for interest on borrowed capital is allowed up to Rs. 30,000 or Rs. 2,00,000, as the case may be.
2.	House property could not be occupied by the owner due to employment or business carried on at any other place	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	<i>Nil</i>	Deduction for interest on borrowed capital is allowed up to Rs. 30,000 or Rs. 2,00,000, as the case may be.
3.	Let out property	To be computed as per provisions of <a href="#">Section 23(1)</a> .	Allowed on actual payment basis	Gross annual value less Municipal taxes	30% of Net Annual Value	Entire amount of interest paid or payable on borrowed capital shall be allowed as deduction. Pre-construction interest shall be allowed as

						deduction in 5 annual equal installments (Subject to certain conditions).
4.	More than two-self occupied properties	Only two properties selected by the taxpayer will be considered as self-occupied house properties and all other properties shall be deemed to be let-out for the purpose of computation of income under the head house property.				
5.	Self-occupied property/properties let-out for the part of the year	The house will be taken as let-out property and no concession shall be available for the duration during which the property was self-occupied.				
6.	One part of the property is let-out and other part is used for self-occupied purposes	Each part of the property shall be considered as separate property and income will be computed accordingly				

## 2.6 Composite Rent:

If letting out of building along with movable assets i.e., machinery, plan, furniture or fixtures, etc. forms part of a single transaction and are inseparable, the composite rent shall be taxable under the head "Profits and gains from business or profession" or "Income from other sources", as the case may be. On the other hand, if the letting out of building is separable from letting of other assets, then income from letting out of building shall be taxable under the head "Income from house property" and income from letting out of other assets shall be taxable under the head "Profits and gains from business or profession" or "Income from other sources", as the case may be.

## 2.7 Treatment of unrealized rent and arrears of rent [[Explanation to section 23\(1\)](#)]

### 2.7.1 Deduction for unrealized rent:

Unrealized rent is that portion of rental income which the owner could not realize from the tenant. Unrealized rent is allowed to be deducted from actual rent received or receivable only if the following conditions are satisfied:

- a) The tenancy is bona fide;
- b) The defaulting tenant has vacated, or steps have been taken to compel him to vacate the property;
- c) The defaulting tenant is not in occupation of any other property of the assessee;
- d) The taxpayer has taken all reasonable steps to institute legal proceedings for the recovery of the unpaid rent or satisfies the Assessing Officer that legal proceedings would be useless.

### 2.7.2 Arrears of rent or recovery of unrealized rent [[Section 25A](#)]

Amount received in respect of arrears of rent or any subsequent recovery of unrealized rent shall be deemed to be the income of taxpayer under the head "Income from house property" in the year in which such rent is realized or received (whether or not the assessee is the owner of that property in that year).

Further, 30% of such rent shall be allowed as deduction.

## 2.8 Co-owner and Deemed Owner

### 2.8.1 Property owned by co-owners [[Section 26](#)]:

If house property is owned by co-owners and their share in house property is definite and ascertainable than the income of such house property will be assessed in the hands of each co-owner separately. For the purpose of computing income from house property, the annual value of the property will be taken in proportion to their share in the property. In such a case, each co-owner shall be entitled to claim benefit of self-occupied house property in respect of their share in the property (subject to prescribed

conditions). However, where the shares of co-owners are not definite, the income of the property shall be assessed as that of an Association of persons.

### 2.8.2 Deemed owner [Section 27]:

Income from house property is taxable in the hands of its owner. However, in the following cases, legal owner is not considered as the real owner of the property and someone else is considered as the deemed owner of the property to pay tax on income earned from such house property:

1. An individual, who transfers otherwise than for adequate consideration any house property to his or her spouse, not being a transfer in connection with an agreement to live apart, or to a minor child not being a married daughter, shall be deemed to be the owner of the house property so transferred;
2. The holder of an impartible estate shall be deemed to be the individual owner of all the properties comprised in the estate;
3. A member of a co-operative society, company or other association of persons to whom a building or part thereof is allotted or leased under a house building scheme shall be deemed to be the owner of that building or part thereof;
4. A person who is allowed to take or retain possession of any building or part thereof in part performance of a contract of the nature referred to in Section 53A of the Transfer of Property Act, 1882 shall be deemed to be the owner of that building or part thereof;
5. A person who acquires any rights (excluding any rights by way of a lease from month to month or for a period not exceeding one year) in or with respect to any building or part thereof, by virtue of any such transaction as is referred to in [section 269UA\(f\)](#), shall be deemed to be the owner of that building or part thereof.

## III. Profits and Gains from Business and Profession

### 3.1 Chargeability:

The following incomes are chargeable to tax under the head Profit and Gains from Business or Profession:

S. No.	Section	Particulars
1.	<a href="#">28(i)</a>	Profit and gains from any business or profession carried on by the assessee at any time during the previous year
2.	<a href="#">28(ii)</a>	Any compensation or other payment due to or received by any specified person
3.	<a href="#">28(iii)</a>	Income derived by a trade, professional or similar association from specific services performed for its members
4.	<a href="#">28(iii a)</a>	Profit on sale of a license granted under the Imports (Control) Order 1955, made under the Import Export Control Act, 1947
5.	<a href="#">28(iii b)</a>	Cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of Government of India
6.	<a href="#">28(iii c)</a>	Any duty of Customs or Excise repaid or repayable as drawback to any person against exports under the Customs and Central Excise Duties Drawback Rules, 1971.
7.	<a href="#">28(iii d)</a>	Profit on transfer of Duty Entitlement Pass Book Scheme, under Section 5 of Foreign Trade (Development and Regulation) Act, 1992
8.	<a href="#">28(iii e)</a>	Profit on transfer of Duty Free Replenishment Certificate, under Section 5 of Foreign Trade (Development and Regulation) Act 1992
9.	<a href="#">28(iv)</a>	Value of any benefits or perquisites arising from a business or the exercise of a profession.



10.	<a href="#">28(v)</a>	Interest, salary, bonus, commission or remuneration due to or received by a partner from partnership firm
11.	<a href="#">28(va)</a>	<p>a) Any sum received or receivable for not carrying out any activity in relation to any business or profession; or</p> <p>b) Any sum received or receivable for not sharing any know-how, patent, copyright, trademark, licence, franchise, or any other business or commercial right or information or technique likely to assist in the manufacture of goods or provision of services.</p>
12.	<a href="#">28(vi)</a>	Any sum received under a Key man Insurance policy including the sum of bonus on such policy
12A.	<a href="#">28(via)</a>	Any profit or gains arising from conversion of inventory into capital asset.
13.	<a href="#">28(vii)</a>	Any sum received ( or receivable) in cash or in kind, on account of any capital assets (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital assets has been allowed as a deduction under section 35AD
14.	<a href="#">Explanation to section 28</a>	Income from speculative transactions. However, it shall be deemed to be distinct and separate from any other business.
15.	<a href="#">41(1)</a>	<ul style="list-style-type: none"> <li>• Remission or cessation of liability in respect of any loss, expenditure or trading liability incurred by the taxpayers</li> <li>• Recovery of trading liability by successor which was allowed to the predecessor shall be chargeable to tax in the hands of successor. Succession could be due to amalgamation or demerger or succession of a firm succeeded by another firm or company, etc.</li> <li>• Any liability which is unilaterally written off by the taxpayer from the books of accounts shall be deemed as remission or cessation of such liability and shall be chargeable to tax.</li> </ul>
16.	<a href="#">41(2)</a>	Depreciable asset in case of power generating units, is sold, discarded, demolished or destroyed, the amount by which sale consideration and/ or insurance compensation together with scrap value exceeds its WDV shall be chargeable to tax.
17.	<a href="#">41(3)</a>	Where any capital asset used in scientific research is sold without having been used for other purposes and the sale proceeds together with the amount of deduction allowed under section 35 exceed the amount of the capital expenditure, such surplus or the amount of deduction allowed, whichever is less, is chargeable to tax as business income in the year in which the sale took place.
18.	<a href="#">41(4)</a>	Where bad debts have been allowed as deduction under <a href="#">Section 36(1)(vii)</a> in earlier years, any recovery of same shall be chargeable to tax.
19.	<a href="#">41(4A)</a>	Amount withdrawn from special reserves created and maintained under <a href="#">Section 36(1)(viii)</a> shall be chargeable as income in the previous year in which the amount is withdrawn.
20.	<a href="#">41(5)</a>	Loss of a discontinued business or profession could be adjusted from the deemed business income as referred to in section <a href="#">41(1)</a> , <a href="#">41(3)</a> , (4) or (4A) without any time limit.
20A.	<a href="#">43AA</a>	Any foreign exchange gain or loss arising in respect of specified foreign currency transactions shall be treated as income or loss. Such gain or loss shall be

		computed in accordance with notified ICDS [subject to <a href="#">Section 43A</a> ]
21.	<a href="#">43CA</a>	<p>Where consideration for transfer of land or building or both as stock-in-trade is less than the stamp duty value, the value so adopted shall be deemed to be the full value of consideration for the purpose of computing income under this head.</p> <p>However, no such adjustment is required to be made if value adopted for stamp duty purposes does not exceed 110% of the sale consideration.</p> <p>Note: To boost the demand in the real-estate sector and to enable the real-estate developers to sell their unsold inventory at a lower rate, the safe harbour limit is increased from existing 10% to 20% in case of transfer of residential property during the period from 12-11-2020 to 30-06-2021 by way of the first-time allotment to any person. Further, the consideration received or accruing as a result of such transfer should not exceed Rs. 2 crores.</p>
21A.	<a href="#">43CB</a>	<p>The profits and gains arising from construction contract or a contract for providing service is to be determined on the basis of percentage completion method, in accordance with the notified ICDS.</p> <p>In case of contract for providing services with duration of not more than 90 days, the profits and gains shall be determined on basis of project completion method.</p> <p>While as in case of contract for providing services with indeterminate number of acts over a specified period of time shall be determined on basis of straight line method.</p>
22.	<a href="#">43D</a>	<p>As per RBI Guidelines, Interest on bad and doubtful debts of Public Financial Institution or Scheduled Bank or [a co-operative bank other than a primary agricultural credit society or a primary co-operative agricultural and rural development bank] or State Financial Corporation or State Industrial Investment Corporation, shall be chargeable to tax in the year in which it is credited to Profit and Loss A/c or year in which it is actually received, whichever happens earlier.</p> <p>With effect from Assessment Year 2020-21, the Finance (No. 2) Act, 2019 has covered 'Deposit Taking NBFCs' and 'Systemically Important Non-deposit Taking NBFCs' in the ambit of <a href="#">43D</a>. Hence, such NBFCs shall be able to recognize interest on bad and doubtful debts in the year in which it is credited to Profit and Loss A/c or year in which it is actually received, whichever happens earlier.</p> <p>Deposit Taking NBFC' means a NBFC which is accepting or holding public deposits and is registered with the RBI.</p> <p>'Systemically Important Non-deposit Taking NBFC' means a NBFC which is not accepting or holding public deposits and having total assets of not less than Rs. 500 crore as per the last audited balance sheet and is registered with the RBI.</p>
23.	<a href="#">43D</a>	Similarly as per NHB Guidelines, Interest on bad and doubtful debts of housing finance company, shall be chargeable to tax, in the year it is credited to P & L A/c or year in which it is actually received by them, whichever is earlier.
24	—	<p>Assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the Central Govt. or State Govt. or any authority or body or agency to the assessee would be included in definition of income as referred to in <a href="#">Section 2(24)</a>. However, in the following cases subsidy or grant shall not be treated as income:</p> <p>i) The subsidy or grant or reimbursement which is taken into account for determination of the actual cost of the asset in accordance with the provisions of Explanation 10 to clause (1) of <a href="#">Section 43</a>;</p>

ii) The subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or a State Government, as the case may be.

### 3.2 Deductions under Sections [30](#) to [37](#)

Amount deductible, while computing, Profits and Gains of Business or Profession are:-

Section	Nature of expenditure	Quantum of deduction	Assessee
<a href="#">30</a>	Rent, rates, taxes, repairs (excluding capital expenditure) and insurance for premises	Actual expenditure incurred excluding capital expenditure	All assessee
<a href="#">31</a>	Repairs (excluding capital expenditure) and insurance of machinery, plant and furniture	Actual expenditure incurred excluding capital expenditure	All assessee
<a href="#">32(1)(i)</a>	Depreciation on i) buildings, machinery, plant or furniture, being tangible assets; ii) know-how, patents, copyrights, trademarks, licenses, franchises, or any other business or commercial rights of similar nature not being goodwill of business or profession, being intangible assets	Allowed at prescribed percentage on Straight Line Method for each asset <b>Provided</b> that where an asset is acquired by the assessee during the previous year and is put to use for a period of less than one hundred and eighty days in that previous year, the deduction in respect of such asset shall be restricted to fifty per cent of the amount calculated at the percentage prescribed for an asset.	Assessee engaged in business of generation or distribution of power Note: Taxpayers engaged in the business of generation or distribution of power shall have the option to claim depreciation either on basis of straight line basis method or written down value method on each block of asset.
<a href="#">32(1)(ii)</a>	Depreciation on i) buildings, machinery, plant or furniture, being tangible assets; ii) know-how, patents, copyrights, trademarks, licenses, franchises, or any other business or commercial rights of similar nature not being goodwill of business or profession, being intangible assets	Allowed at prescribed percentage on WDV method for each block of asset <b>Provided</b> that where an asset is acquired by the assessee during the previous year and is put to use for a period of less than one hundred and eighty days in that previous year, the deduction in respect of such asset shall be restricted to fifty per cent of the amount calculated	All assessee

		at the percentage prescribed for an asset.	
<a href="#">32(1)(ia)</a>	Additional depreciation on new plant and machinery (other than ships, aircraft, office appliances, second hand plant or machinery, etc.). (subject to certain conditions)	Additional depreciation shall be available @20 % of the actual cost of new plant and machinery. <b>Provided</b> that where an asset is acquired by the assessee during the previous year and is put to use for a period of less than one hundred and eighty days in that previous year, then deduction of additional depreciation would be restricted to 50% in the year of acquisition and balance 50% would be allowed in the next year	All assessee engaged in - manufacture or production of any article or thing; or - generation, transmission or distribution of power (if taxpayer is not claiming depreciation on basis of straight line method)
Proviso to <a href="#">Section 32(1)(ia)</a>	Additional depreciation on new plant and machinery (other than ships, aircraft, office appliances, second hand plant or machinery, etc.)) (Subject to certain conditions)	Additional depreciation shall be available @35 % of the actual cost of new plant and machinery. <b>Provided</b> that where an asset is acquired by the assessee during the previous year and is put to use for a period of less than one hundred and eighty days in that previous year, then deduction of additional depreciation would be restricted to 50% of actual cost in the year of acquisition and balance 50% would be allowed in the next year <b>Note:</b> 1. Manufacturing unit should be set-up on or after 1st day of April, 2015. 2. New plant and machinery acquired and installed during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020	All assessees- where an assessee sets up an undertaking or enterprise for production or manufacture of any article or thing in any notified backward area in state of the state of Andhra Pradesh, Bihar, Telangana or West Bengal.

<a href="#">32AC</a>	Deduction under <a href="#">section 32AC</a> is available if actual cost of new plant and machinery acquired and installed by a manufacturing company during the previous year exceeds Rs. 25/100 Crores, as the case may be.(Subject to certain conditions)	15% of actual cost of new asset	Company engaged in business or manufacturing or production of any article or thing
<a href="#">32AD</a>	Investment allowance for investment in new plant and machinery if manufacturing unit is set-up in the notified backward area in the state of Andhra Pradesh, Bihar, Telangana or West Bengal(Subject to certain conditions)	Investment allowance shall be available @15 % of the actual cost of new plant and machinery in the year of installation of new asset. Note:- 1) New asset should be acquired and installed during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020. 2) Manufacturing unit should be set-up on or after 1st day of April, 2015. 3) Deduction shall be allowed under <a href="#">Section 32AD</a> in addition to deduction available under <a href="#">Section 32AC</a> if assessee fulfils the specified conditions	All assessee who acquired new plant and machinery for the purpose of setting-up manufacturing unit in the notified backward area in the state of Andhra Pradesh, Bihar, Telangana or West Bengal
<a href="#">33AB</a>	Amount deposited in Tea/Coffee/Rubber Development Account by assessee engaged in business of growing and manufacturing tea/Coffee/Rubber in India	Deduction shall be lower of following: a) Amount deposited in account with National Bank for Agricultural and Rural Development (NABARD) or in Deposit Account of Tea Board, Coffee Board or Rubber Board in accordance with approved scheme; or b) 40% of profits from such business	All assessee engaged in business of growing and manufacturing tea/Coffee/Rubber

		before making any deduction under <a href="#">section 33AB</a> and before adjusting any brought forward loss. (Subject to certain conditions)	
<a href="#">33ABA</a>	Amount deposited in Special Account with SBI/Site Restoration Account by assessee carrying on business of prospecting for, or extraction or production of, petroleum or natural gas or both in India	Deduction shall be lower of following: a) Amount deposited in Special Account with SBI/Site Restoration Account; or b) 20% of profits from such business before making any deduction under <a href="#">section 33ABA</a> and before adjusting any brought forward loss. (Subject to certain conditions)	All assessee engaged in business of prospecting for, or extraction or production of, petroleum or natural gas or both in India
<a href="#">35(1)(i)</a>	Revenue expenditure on scientific research pertaining to business of assessee is allowed as deduction (Subject to certain conditions).	Entire amount incurred on scientific research is allowed as deduction. Expenditure on scientific research within 3 years before commencement of business (in the nature of purchase of materials and salary of employees other than perquisite) is allowed as deduction in the year of commencement of business to the extent certified by prescribed authority.	All assessee
<a href="#">35(1)(ii)</a>	Contribution to approved research association, university, college or other institution to be used for scientific research shall be allowed as deduction (Subject to certain conditions)	100% of sum paid to such association, university, college, or other institution is allowed as deduction.	All assessee
<a href="#">35(1)(ia)</a>	Contribution to an approved company registered in India to be used for the purpose of scientific research is allowed as deduction (Subject to certain conditions)	100% of sum paid to the company is allowed as deduction	All assessee

<a href="#">35(1)(iii)</a>	Contribution to approved research association, university, college or other institution with objects of undertaking statistical research or research in social sciences shall be allowed as deduction (Subject to certain conditions)	100% of sum paid to such association, university, college, or other institution is allowed as deduction	All assessee
<a href="#">35(1)(iv)</a> read with <a href="#">35(2)</a>	Capital expenditure incurred during the year on scientific research relating to the business carried on by the assessee is allowed as deduction (Subject to certain conditions)	Entire capital expenditure incurred on scientific research is allowed as deduction. Capital expenditure incurred within 3 years before commencement of business is allowed as deduction in the year of commencement of business. <i>Note:</i> i. Capital expenditure excludes land and any interest in land; ii. No depreciation shall be allowed on such assets.	All assessee
<a href="#">35(2AA)</a>	Payment to a National Laboratory or University or an Indian Institute of Technology or a specified person is allowed as deduction. The payment should be made with the specified direction that the sum shall be used in a scientific research undertaken under an approved programme.	100% of payment is allowed as deduction (Subject to certain conditions).	All assessee
<a href="#">35(2AB)</a>	Any expenditure incurred by a company on scientific research (including capital expenditure other than on land and building) on in-house scientific research and development facilities as approved by the prescribed authorities shall be allowed as deduction (Subject to certain conditions). Expenditure on scientific research in relation to Drug and Pharmaceuticals shall include expenses incurred on clinical trials, obtaining approvals from authorities and for filing an application for patent.	100% of expenditure so incurred shall be allowed as deduction. <i>Note:</i> i. Company should enter into an agreement with the prescribed authority for co-operation in such research and development and fulfils conditions with regard to maintenance of accounts and audit thereof and furnishing of reports in such	Company engaged in business of biotechnology or in any business of manufacturing or production of eligible articles or things

		manner as may be prescribed.	
<a href="#">35ABA</a>	Capital expenditure incurred and actually paid for acquiring any right to use spectrum for telecommunication services shall be allowed as deduction over the useful life of the spectrum.	Deduction will be available in equal installments starting from the year in which actual payment is made and ending in the year in which spectrum comes to an end. Note: If spectrum fee is actually paid before the commencement of business, the deduction will be available from the year in which business is commenced.	All assessee engaged in telecommunication services
<a href="#">35ABB</a>	Capital expenditure incurred for acquiring any license or right to operate telecommunication services shall be allowed as deduction over the term of the license.	Deduction would be allowed in equal installments starting from the year in which such payment has been made and ending in the year in which license comes to an end.	All assessee engaged in telecommunication services
<a href="#">35AC</a>	Expenditure by way of payment of any sum to a public sector company/local authority/approved association or institution for carrying out any eligible scheme or project (Subject to certain conditions).	Actual payment made to prescribed entities. However, a company can also claim deduction for expenditure incurred by it directly on eligible projects. Note:- No deduction in any A.Y. commencing on or after the 1st day of April, 2018	All assessee. However, deduction for direct expenditure is allowed only to a company
<a href="#">35AD</a>	Deduction in respect of `expenditure on specified businesses, as under: a) Setting up and operating a cold chain facility b) Setting up and operating a warehousing facility for storage of agricultural produce c) Building and operating, anywhere in India, a hospital with at least 100 beds for patients d) Developing and building a housing project under a notified scheme for affordable housing	150% of capital expenditure incurred for the purpose of business is allowed as deduction provided the specified business has commenced its operation on or after 01-04-2012. 100% of capital expenditure will be allowed to be deducted from the assessment year 2018-19 onwards	All assessee



	e) Production of fertilizer in India (Subject to certain conditions)	<b>Note:</b> If such specified businesses commence operations on or before 31-03-2012 but after prescribed dates, deduction shall be limited to 100% of capital expenditure. <b>Note:</b> No deduction of any capital expenditure above Rs 10,000 shall be allowed if it is incurred in cash.	
<a href="#">35AD</a>	Deduction in respect of expenditure on specified businesses, as under: a) Laying and operating a cross-country natural gas or crude or petroleum oil pipeline network for distribution, including storage facilities being an integral part of such network; b) Building and operating, anywhere in India, a hotel of two-star or above category; c) Developing and building a housing project under a scheme for slum redevelopment or rehabilitation d) Setting up and operating an inland container depot or a container freight station e) Bee-keeping and production of honey and beeswax f) Setting up and operating a warehousing facility for storage of sugar g) Laying and operating a slurry pipeline for the transportation of iron ore h) Setting up and operating a semi-conductor wafer fabrication manufacturing unit i) Developing or maintaining and operating, or developing, maintaining and operating a new infrastructure facility (Subject to certain conditions)	100% of capital expenditure incurred for the purpose of business is allowed as deduction provided specified businesses commence operations on or after the prescribed dates. <b>Note:</b> No deduction of any capital expenditure above Rs 10,000 shall be allowed if the payment for such expenditure is made otherwise than by an account payee cheque/draft or ECS or through prescribed electronic mode of payment.	All assessee <b>Note:</b> Such deduction is available to Indian company in case of following business, namely;- i) Business of laying and operating a cross-country natural gas or crude or petroleum oil pipeline network ii) Developing or maintaining and operating or developing, maintaining and operating a new infrastructure facility.
<a href="#">35CCA</a>	Payment to following Funds are allowed as deduction: a) National Fund for Rural Development; and b) Notified National Urban Poverty Eradication Fund	Actual payment to specified funds	All assessee

<a href="#">35CCC</a>	Expenditure (not being cost of land/building) incurred on notified agricultural extension project for the purpose of training, educating and guiding the farmers shall be allowed as deduction, provided the expenditure to be incurred is expected to be more than Rs. 25 lakhs (Subject to certain conditions).	100% of the expenditure (Subject to certain conditions)	All assessee
<a href="#">35CCD</a>	Expenditure incurred by a company (not being expenditure in the nature of cost of any land or building) on any notified skill development project is allowed as deduction (Subject to certain conditions).	100% of the expenditure (Subject to certain conditions) <i>Note:</i> (i) No deduction shall be allowed to a company engaged in manufacturing alcoholic spirits or tobacco products.	Company engaged in manufacturing of any article or providing specified services
<a href="#">35D</a>	An Indian company can amortize certain preliminary expenses (up to maximum of 5% of cost of the project or capital employed, whichever is more) (Subject to certain conditions and nature of expenditures)	Qualifying preliminary expenditure is allowable in each of 5 successive years beginning with the previous year in which the extension of undertaking is completed or the new unit commences production or operation.	Indian Company
<a href="#">35D</a>	Non-corporate taxpayers can amortize certain preliminary expenses (up to maximum of 5% of cost of the project) (Subject to certain conditions and nature of expenditures)	Qualifying preliminary expenditure is allowable in each of 5 successive years beginning with the previous year in which the extension of undertaking is completed or the new unit commences production or operation.	Resident Non-corporate assessee
<a href="#">35DD</a>	Expenditure incurred after 31-3-1999 in respect of amalgamation or demerger can be amortized by an Indian Company	Expenditure is allowed as deduction in five equal installments in 5 previous years starting with the year in which amalgamation or demerger took place.	Indian Company
<a href="#">35DDA</a>	Expenditure incurred under Voluntary Retirement Scheme is allowed as deduction.	Each payment under VRS is allowed as deduction in five equal installments in 5 previous years.	All assessee
<a href="#">35E</a>	Qualifying expenditure incurred by	Eligible expenditure is	Resident persons

	resident persons on prospecting for the minerals or on the development of mine or other natural deposit of such minerals shall be allowed as deduction (Subject to certain conditions).	allowed as deduction in ten equal installments in 10 previous years.	
<a href="#">36(1)(i)</a>	Insurance premium covering risk of damage or destruction of stocks/stores	Actual expenditure incurred	All assessee
<a href="#">36(1)(ia)</a>	Insurance premium covering life of cattle owned by a member of co-operative society engaged in supplying milk to federal milk co-operative society	Actual expenditure incurred	All assessee
<a href="#">36(1)(ib)</a>	Medical insurance premium paid by any mode other than cash, to insure employee's health under (a) scheme framed by GIC of India and approved by Central Government; or (b) scheme framed by any other insurer and approved by IRDA	Actual expenditure incurred	All assessee
<a href="#">36(1)(ii)</a>	Bonus or commission paid to employees which would not have been payable as profit or dividend if it had not been paid as bonus or commission	Actual expenditure incurred	All assessee
<a href="#">36(1)(iii)</a>	Interest on borrowed capital (Subject to certain conditions)	Interest paid in respect of capital borrowed for the purposes of the business or profession shall be allowed as deduction. However, if capital is borrowed for acquiring an asset, then interest for any period beginning from the date on which capital was borrowed till the date on which asset was first put to use, shall not be allowed as deduction.	All assessee
<a href="#">36(1)(iiia)</a>	Discount on Zero Coupon Bonds (Subject to certain conditions)	Pro-rata amount of discount on zero coupon bonds shall be allowed as deduction over the life of such bond	Specified Assessee
<a href="#">36(1)(iv)</a>	Employer's contributions to recognized provident fund and approved superannuation fund [subject to certain limits and conditions]	Actual expenditure incurred	All assessee
<a href="#">36(1)(iva)</a>	Any sum paid by assessee-employer by way of contribution towards a pension	Actual expenditure not exceeding 10% of the salary* of the employee	All assessee - Employer

	scheme, as referred to in <a href="#">section 80CCD</a> , on account of an employee.	*Salary = Basic Pay + Dearness Allowance (to the extent it forms part of retirement benefits)+ turnover based commission	
<a href="#">36(1)(v)</a>	Employer's contribution towards approved gratuity fund created exclusively for the benefit of employees under an irrevocable trust shall be allowed as deduction (Subject to certain conditions).	Actual expenditure not exceeding 8.33% of salary of each employee	All assessee - Employer
<a href="#">36(1)(va)</a>	Deposit of employee's contributions in their respective provident fund or superannuation fund or any fund set up under Employees' State Insurance Act, 1948	Actual amount received if credited to the employee's account in relevant fund on or before due date specified under relevant Act	All assessee - Employer
<a href="#">36(1)(vi)</a>	Allowance in respect of animals which have died or become permanently useless (Subject to certain conditions)	Actual cost of acquisition of such animals less realization on sale of carcasses of animals	All assessee
<a href="#">36(1)(vii)</a>	Bad debts which have been written off as irrecoverable (Subject to certain conditions)	Actual bad debts which have been written off from books of accounts Note:- However, if amount of debt or part thereof has been taken into account in computing the income of assessee on basis of income computation and disclosure standards notified under <a href="#">Section 145(2)</a> without recording the same in accounts then, such debt shall be allowed in the previous year in which such debt or part thereof becomes irrecoverable. It shall be deemed that such debt or part thereof has been written off as irrecoverable in the accounts.	All assessee
<a href="#">36(1)(viii)</a>	Deductions for provision for bad and doubtful debts created by certain banks, financial institutions and non-banking financial company (Subject to certain conditions). <b>Note</b>	Deductions for provision for bad and doubtful debts shall be limited to following: (a) <i>In case of scheduled and non-scheduled</i>	Banks, Public Financial Institutions, Non-banking financial company, State Financial

	<p>Deduction in respect of bad debts actually written off under <a href="#">section 36(1)(vii)</a> shall be limited to that amount of bad debts which exceed the provision for bad and doubtful debts created under <a href="#">section 36(1)(viiia)</a>.</p>	<p><i>banks:</i> Sum not exceeding aggregate of 8.5% of total income (before any deductions under this provision and Chapter VI-A) and 10% of aggregate average advances made by rural branches of such bank;</p> <p>(b) <i>In case of Financial Institutions:</i> Up to 5% of total income before any deductions under this provision and Chapter VI-A; and</p> <p>(c) <i>In case of foreign banks:</i> Up to 5% of total income before any deductions under this provision and Chapter VI-A</p> <p>(d) <i>In case of non-banking financial company:</i> Up to 5% of total income before any deduction under this provision and chapter VI-A</p>	<p>Corporation, State Industrial Investment Corporations</p>
<p><a href="#">36(1)(viii)</a></p>	<p>Deduction under this provisions is allowed to following entities in respect of amount transferred to special reserve account:</p> <ul style="list-style-type: none"> <li>a) Financial Corporation which is engaged in providing long-term finance for industrial or agricultural development or development of infrastructure facility in India; or</li> <li>b) Public company registered in India with the main object of carrying on the business of providing long-term finance for construction or purchase of residential houses in India.</li> </ul> <p>[Subject to certain conditions]</p>	<p>Deduction shall be allowed to the extent of lower of following:</p> <ul style="list-style-type: none"> <li>a) Amounts transferred to special reserve account</li> <li>b) 20% of profits derived from eligible business</li> <li>c) 200% of paid-up capital and general reserve (on last day of previous year) <i>minus</i> balance in special reserve account (on first day of previous year)</li> </ul>	<p>Specified financial corporations or public company</p>

<a href="#">36(1)(ix)</a>	Expenditure incurred by a company on promotion of family planning amongst employees is allowed as deduction	1) Entire revenue expenditure is allowed as deduction 2) Capital expenditure shall be allowed as deduction in five equal installment in five years	Company
<a href="#">36(1)(xii)</a>	Any expenditure incurred by a notified corporation or body corporate constituted or established by a Central, State or Provincial Act, for the objects and purposes authorized by the respective Act is allowed as deduction	Actual expenditure incurred (not being in the nature of capital expenditure)	Notified corporations
<a href="#">36(1)(xiv)</a>	Contribution to Credit Guarantee Trust Fund for micro and small industries is allowed as deduction	Actual expenditure incurred	Public Financial Institutions
<a href="#">36(1)(xv)</a>	Securities Transaction Tax paid	Actual expenditure incurred if corresponding income is included as income under the head profits and gains of business or profession	All assessee
<a href="#">36(1)(xvi)</a>	Amount equal to commodities transaction tax paid by an assessee in respect of taxable commodities transactions entered into in the course of his business during the previous year is allowed as deduction	Actual expenditure incurred if corresponding income is included as income under the head profits and gains of business or profession	All assessee
<a href="#">36(1)(xvii)</a>	Amount of expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane.	Deduction would be allowed the extent of lower of following: a) Actual purchase price of sugarcane, or b) Price of sugarcane fixed or approved by the Government	Co-operative society engaged in the business of manufacture of sugar
<a href="#">36(1)(xviii)</a>	Marked to market loss or other unexpected loss as computed in accordance with notified ICDS	Actual losses incurred	All assessee
<a href="#">37(1)</a>	Any other expenditure [not being personal or capital expenditure and expenditure mentioned in sections 30 to 36] laid out wholly and exclusively for purposes of business or profession  Note: With effect from assessment year 2022-23, a new Explanation 3 has been inserted in <a href="#">section 37(1)</a> to clarify that expenditure incurred to provide perquisite,	Actual expenditure incurred	All assessee

	in whatever form to any person, irrespective of whether the recipient is engaged in any business or profession, where the acceptance of such benefit or perquisite is a violation of any rule, law or regulation, which governs the recipient, shall be deemed to have not been incurred for business or profession and accordingly, the deduction for the same shall not be available. Furthermore, the expenditure, whether constituting an offence as per the prevailing laws in India or outside India, or prohibited by any law in force – whether in India or outside India, shall not be eligible for deduction under <a href="#">section 37(1)</a> .		
<a href="#">37(2B)</a>	Expenditure on advertisement in any souvenir, brochure etc. published by a political party shall not be allowed as deduction	Not Allowed	All assessee

### 3.3 Amount expressly disallowed under the Act

Section	Description
<a href="#">40(a)(i)</a>	<p>Any sum (other than salary) payable outside India or to a non-resident, which is chargeable to tax in India in the hands of the recipient, shall not be allowed to be deducted if it was paid without deduction of tax at source or if tax was deducted but not deposited with the Central Government till the due date of filing of return.</p> <p>Where deductor has failed to deduct the tax and he is not deemed to be an assessee in default under first proviso to <a href="#">section 201(1)</a>, then it shall be deemed that the deductor has deducted and paid the tax on the date on which the payee has furnished his return of Income.</p> <p>However, if tax is deducted or deposited in subsequent year, as the case may be, the expenditure shall be allowed as deduction in that year.</p>
<a href="#">40(a)(ia)</a>	<p>Any sum payable to a resident, which is subject to deduction of tax at source, would attract 30% disallowance if it was paid without deduction of tax at source or if tax was deducted but not deposited with the Central Government till the due date of filing of return.</p> <p>However, where in respect of any such sum, tax is deducted or deposited in subsequent year, as the case may be, the expenditure so disallowed shall be allowed as deduction in that year.</p> <p>Where deductor has failed to deduct the tax and he is not deemed to be an assessee in default under first proviso to <a href="#">section 201(1)</a>, then it shall be deemed that the deductor has deducted and paid the tax on the date on which the payee has furnished his return of Income.</p>
<a href="#">40(a)(ib)</a>	<p>Any sum paid or payable to a non-resident which is subject to a deduction of Equalisation levy would attract disallowance if such sum was paid without deduction of such levy or if it was deducted but not deposited with the Central Government till the due date of filing of return.</p> <p>However, where in respect of any such sum, Equalisation levy is deducted or deposited in subsequent year, as the case may be, the expenditure so disallowed shall be allowed as deduction in that year.</p>

	Note: This provision has been inserted by the Finance Act, 2016, w.e.f. 1-6-2016
<a href="#">40(a)(ii)</a>	Any sum paid on account of any rate or tax levied on the profits and gains of business or profession is not deductible Note: Tax shall include 'surcharge or cess'.
<a href="#">40(a)(ia)</a>	Wealth-tax or any other tax of similar nature shall not be deductible
<a href="#">40(a)(ib)</a>	Amount paid by way of royalty, license fee, service fee, privilege fee, service charge or any other fee or charge, by whatever name called, which is levied exclusively on (or any amount appropriated) a State Government undertaking by the State Government shall not be deductible.
<a href="#">40(a)(iii)</a>	Salaries payable outside India, or in India to a non-resident, on which tax has not been paid/deducted at source is not deductible.
<a href="#">40(a)(iv)</a>	Payments to provident fund or other funds for employees' benefit shall not be deductible if no effective arrangements have been made to ensure deduction of at source from payments made from such funds to employees which shall be chargeable to tax as 'salaries'.
<a href="#">40(a)(v)</a>	Tax paid by the employer on non-monetary perquisites provided to employees is not deductible if the tax so paid is not taxable in the hands of employees by virtue of <a href="#">Section 10(10CC)</a> .
<a href="#">40(b)</a>	Following sum paid by a partnership firm to its partners shall not be allowed to be deducted: 1) Salary, bonus, commission or remuneration paid to non-working partners; 2) Remuneration or interest paid to the partners is not in accordance with the terms of the partnership deed; 3) Remuneration or interest to partners is in accordance with the terms of the partnership deed but relates to any period prior to the date of the deed; 4) Interest to partners is in accordance with the terms of the partnership deed but exceeds 12% per annum; 5) Remuneration to partners is in accordance with the terms of the partnership deed but exceeds the following permissible limit: a) On first Rs. 3 Lakhs of book profit or in case of loss - Rs. 1,50,000 or 90% of book profit, whichever is more; b) On the balance of the book profit - 60% of book profit
<a href="#">40(ba)</a>	Interest, salary, bonus, commission or remuneration paid by Association of Persons or Body of Individuals to its members shall not be allowed as deduction (Subject to certain conditions).
<a href="#">40A(2)</a>	Any payment to related parties (relatives, directors, partner, member of HUF/AOP, person who has substantial interest in business of the taxpayer, etc.) in respect of any expenditure shall be disallowed to the extent such expenditure is considered excessive or unreasonable by the Assessing Officer having regard to its fair market value.
<a href="#">40A(3)/(3A)</a>	An expenditure, which is otherwise deductible under any provision of the Act, shall be disallowed if payment thereof has been made otherwise than by account payee cheque/bank draft or use of electronic clearing system through a bank account or through other prescribed electronic mode of payment and it exceeds Rs. 10,000 (Rs. 35,000 in case of payment made for plying, hiring or leasing goods carriages) in a day (Subject to certain conditions and exceptions).



<a href="#">40A(7)</a>	Provision for payment of gratuity to employees, other than a provision for contribution to approved gratuity fund, shall not be allowed as deduction (Subject to specified conditions). Gratuity actually paid (or payable) during the year and contribution to approved gratuity fund is allowed as deduction.
<a href="#">40A(9)</a>	Any sum paid as an employer for setting up or as contribution to any fund, trust, company, AOP, BOI, Society or other institution (other than recognized provident fund, approved superannuation fund, approved gratuity fund or pension scheme referred to in <a href="#">section 80CCD</a> ) shall not be allowed as deduction if such contribution or payment is not required by any law.
<a href="#">40(A)(13)</a>	No deduction shall be allowed in respect of marked to market loss or other unexpected loss except as allowable under <a href="#">section 36(1)(xviii)</a> .

### 3.4 Expenses deductible on actual payment basis

The following expenses shall be allowed as deduction if such expenditure are actually paid on or before the due date of filing of return of income:-

Section	Particulars
<a href="#">43B(a)</a>	Any Tax, Duty, Cess or Fees under any Law
<a href="#">43B(b)</a>	Any contribution to Provident Fund/Superannuation Fund/Gratuity Fund/Welfare Fund
<a href="#">43B(c)</a>	Bonus or Commission paid to employees which would not have been payable as profit or dividend
<a href="#">43B(d)</a>	Interest on Loan or Borrowings from Public Financial Institutions/State Financial Institutions etc.
<a href="#">43B(da)</a>	Interest on loan from a deposit taking NBFC or systemically important non-deposit taking NBFC
<a href="#">43B(e)</a>	Interest on loan or advance from bank
<a href="#">43B(f)</a>	Payment of Leave Encashment
<a href="#">43B(g)</a>	Sum payable to the Indian Railways for the use of railway assets.

Note : No deduction shall be allowed under section 43B if any interest has been converted debenture or any other instrument by which liability to pay interest is deferred to a future date.

### 3.5 Other provisions

Section	Particulars	Provision
<a href="#">42</a>	Special allowance in case of business of prospecting etc. for mineral oil (including petroleum and natural gas) in relation to which the Central Government has entered into an agreement with the taxpayer for the association or participation (Subject to certain conditions).	Following deductions shall be allowed as deductions: a) Any infructuous exploration expenditure b) Expenditure on drilling or exploration activities or services, etc. c) Allowance in relation to depletion of mineral oil, etc.
<a href="#">43A</a>	Special provisions consequential to changes in rate of exchange of Currency (Subject to certain conditions).	Any increase or decrease in the liability incurred in foreign currency (to acquire a capital asset) pursuant to fluctuation in the foreign exchange rates shall be adjusted with the actual cost of such asset only on actual payment of the liability.

<a href="#">43C</a>	Acquisition of any asset (except stock-in-trade) by the taxpayer in the scheme of amalgamation or by way of gift, will etc.	Cost of acquisition of any asset (except stock-in-trade) acquired by the taxpayer in the scheme of amalgamation or by way of gift, will etc. from the transferor (who sold it as stock-in-trade) shall be the cost of acquisition in the hands of transferor as increased by cost of any improvement made
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### 3.6 Provisions applicable to Non-Resident/Foreign Company

Section	Particulars	Limit of exemption or Computation of income/deduction	Available to
<a href="#">44B</a> read with <a href="#">172</a>	Income from shipping business shall be computed on presumptive basis (Subject to certain conditions).	7.5% of specified sum shall be deemed to be the presumptive income	Non-resident engaged in shipping business
<a href="#">44BB</a>	Income of a non-resident engaged in the business of providing services or facilities in connection with, or supplying plant and machinery on hire used, or to be used, in the prospecting for, or extraction or production of, mineral oils shall be computed on presumptive basis (Subject to certain conditions).	10% of specified sum shall be deemed to be the presumptive income	Non-resident engaged in activities connected with exploration of mineral oils
<a href="#">44BBA</a>	Income of a non-resident engaged in the business of operation of aircraft shall be computed on presumptive basis (Subject to certain conditions).	5% of specified sum shall be deemed to be the presumptive income	Non-resident engaged in the business of operating of aircraft
<a href="#">44BBB</a>	Income of a foreign company engaged in the business of civil construction or the business of erection of plant or machinery or testing or commissioning thereof, in connection with turnkey power projects shall be computed on presumptive basis (Subject to certain conditions).	10% of specified sum shall be deemed to be the presumptive income	Foreign Company
<a href="#">44C</a>	Deduction for Head office Expenditure (Subject to certain conditions and limits)	Deduction for head-office expenditure shall be limited to lower of following: a) 5% of adjusted total income* b) Head office exp. as attributable to business or profession of taxpayer in India * In case adjusted total income of the assessee is	Non-resident

		a loss, adjusted total income shall be substituted by average adjusted total income ** Adjusted total income or average adjusted total income shall be computed after prescribed adjustments i.e. unabsorbed depreciations, carry forward losses, etc.	
<a href="#">44DA</a>	Deduction of expenditure from royalty and FTS received under an agreement made after 31-03-2003 which is effectively connected to the PE of non-resident in India (Subject to certain conditions)	Expenditure incurred wholly and exclusively for the business of PE or fixed place of profession in India shall be allowed as deduction.	Non-resident

### 3.7 Accounts and Audit

Section	Particulars	Threshold
<a href="#">44AA</a>	Compulsory maintenance of prescribed books of account - Specified Profession (Subject to certain conditions and circumstances)	Persons carrying on specified profession and their gross receipts exceed Rs. 1,50,000 in all the three years immediately preceding the previous year
<a href="#">44AA</a>	Compulsory maintenance of books of account - Other business or profession (Subject to certain conditions and circumstances)	1) If total sales, turnover or gross receipts exceeds Rs. 25,00,000 in any one of the three years immediately preceding the previous year; or 2) If income from business or profession exceeds Rs. 2,50,000 in any one of the three years immediately preceding the previous year
<a href="#">44AB</a>	Compulsory Audit of books of accounts (Subject to certain conditions and circumstances)	1) If total sales, turnover or gross receipts exceeds Rs. 2 Crore in any previous year, in case of business; or <b>Note:</b> a) Provided that this section is not applicable to the person, who opts for presumptive taxation Scheme under <a href="#">Section 44AD</a> and his total sales or turnover does not exceed Rs 2 crores. b) Threshold limit of Rs. 1 crore shall be increased to Rs. 10 crore in case where the cash receipt and payment made during the year does not exceed 5% of total receipt or payment the business 2) If gross receipts exceeds Rs. 50 Lakhs in any previous year, in case of profession.

### 3.8 Presumptive Taxation

Section	Nature of business	Presumptive income
<a href="#">44AD</a>	Income from eligible business can be computed on presumptive basis if	Presumptive income of eligible business shall be 8% of gross receipt or total turnover.

	turnover of such business does not exceed two crore rupees. <b>Note:</b> If an assessee opts out of the presumptive taxation scheme, after a specified period, he cannot choose to revert back to the presumptive taxation scheme for a period of five assessment years thereafter. [ <a href="#">section 44AD(4)</a> ] (Subject to conditions)	<b>Note:</b> Presumptive income shall be calculated at rate of 6% in respect of total turnover or gross receipts which is received by an account payee cheque or draft or use of electronic clearing system or through any other electronic mode as may be prescribed.
<a href="#">44ADA</a>	Income from eligible profession <a href="#">u/s 44AA(1)</a> can be computed on presumptive basis if the total gross receipts from such profession do not exceed fifty lakh rupees in a previous year. (Subject to conditions)	Presumptive income of such profession shall be 50% of total gross receipt.
<a href="#">44AE</a>	Presumptive income from business of plying, hiring or leasing of goods carriage if assessee does not own more than 10 goods carriage.	<b>For Heavy Goods Vehicle:</b> Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by assessee. <b>For Other Goods Vehicle:</b> Rs. 7,500 for every month or part of a month during which the goods carriage is owned by assessee. <i>Note:</i> 'Heavy goods vehicle' means goods carriage vehicle the gross vehicle weight of which exceeds 12,000 kilograms.

#### IV. Income under the Capital Gains

##### 4.1 Chargeability:

Capital gains shall be chargeable to tax if following conditions are satisfied:

- There should be a capital asset. In other words, the asset transferred should be a capital asset on the date of transfer;
- It should be transferred by the taxpayer during the previous year;
- There should be profits or gain as a result of transfer.

##### 4.2 Meaning of Capital Asset [[Sec 2\(14\)](#)]

Capital Asset is defined to include:

- Any kind of property held by an assessee, whether or not connected with business or profession of the assessee.
- Any securities held by a FII which has invested in such securities in accordance with the regulations made under the SEBI Act, 1992.

However, the term 'capital asset' shall exclude the following:

- Stock-in-trade, consumable stores, raw materials held for the purpose of business or profession;
- Movable property held for personal use of taxpayer or for any member of his family dependent upon him. However, jewellery, costly stones, and ornaments made of silver, gold, platinum or any other precious metal, archaeological collections, drawings, paintings, sculptures or any work of art shall be considered as capital asset even if used for personal purposes;
- Specified Gold Bonds and Special Bearer Bonds;

- d) Agricultural Land in India, not being a land situated:
- a. Within jurisdiction of municipality, notified area committee, town area committee, cantonment board and which has a population not less than 10,000;
  - b. Within range of following distance measured aerially from the local limits of any municipality or cantonment board:
    - i. not being more than 2 KMs, if population of such area is more than 10,000 but not exceeding 1 lakh;
    - ii. not being more than 6 KMs, if population of such area is more than 1 lakh but not exceeding 10 lakhs; or
    - iii. not being more than 8 KMs, if population of such area is more than 10 lakhs.
- e) Deposit certificates issued under the Gold Monetisation Scheme, 2015

### 4.3 Type of Capital Assets

#### A. Short Term Capital Asset

Capital asset held for not more than 36 months immediately prior to the date of transfer shall be deemed as short-term capital asset. However, following assets held for not more than 12 months shall be treated as short-term capital assets:

- a) Equity or preference shares in a company which are listed in any recognized stock exchange in India;
- b) Other listed securities;
- c) Units of UTI;
- d) Units of equity oriented funds; or
- e) Zero Coupon Bonds.

Note: Unlisted shares and immovable property (being land or building or both) held for not more than 24 months immediately prior to the date of transfer shall be treated as short-term capital asset.

#### B. Long Term Capital Asset

Capital Asset that held for more than 36 months or 24 months or 12 months, as the case may be, immediately preceding the date of transfer is treated as long-term capital asset.

### 4.4 Period of Holding

The period of holding shall be determined as follows:

Different situations	How to calculate the period of holding
Shares held in a company in liquidation	The period subsequent to the date on which the company goes into liquidation shall be excluded.
Capital asset which becomes the property of the assessee in the circumstances mentioned in <a href="#">section 49(1)</a> read with <a href="#">section 47</a> [i.e., when an asset is acquired by gift, will, succession, inheritance or the asset is required at the time of partition of family or under a revocable or irrevocable trust or under amalgamation, etc.]	The period for which the asset was held by the previous owner should be included (cost of acquisition in this case shall be computed in the manner provided in <i>Para 4.10</i> )
Allotment of shares in amalgamated Indian company in lieu shares held in amalgamating company	The period of holding shall be computed from the date of acquisition of shares in the amalgamating company.
Right shares	The period of holding shall be computed from the date of allotment of right shares.
Right entitlement	The period of holding will be considered from the date of offer to subscribe to shares to the date

	when such right entitlement is renounced by the person.
Bonus shares	The period of holding shall be computed from the date of allotment of bonus shares.
Issue of shares by the resulting company in a scheme of demerger to the shareholders of the demerged company	The period of holding shall be computed from the date of acquisition of shares in the demerged company.
Membership right held by a member of recognised stock exchange	In case of shares as well as trading/clearing rights, the period for which the person was a member of the stock exchange immediately prior to such demutualization/corporatization shall be included.
Flat in a co-operative society	The period of holding shall be computed from the date of allotment of shares in the society.
Sweat equity shares allotted by employer	The period of holding shall be reckoned from the date of allotment or transfer of such equity shares (applicable from the assessment year 2008-09)
Unit of a business trust [allotted pursuant to transfer of shares as referred to in <a href="#">section 47(xvii)</a> ]	The period of holding shall include the period for which shares were held by the assessee.
Conversion of preference shares into equity shares	The period of holding of equity shares shall include the period for which preference shares were held by the assessee
Units allotted to an assessee pursuant to consolidation of two or more scheme of a mutual fund as referred to in <a href="#">Section 47(xviii)</a>	The period of holding of such units shall include the period for which the unit or units in the consolidating scheme of the mutual fund were held by the assessee.
Shares in a company acquired by the non-resident assessee on redemption of Global Depository Receipts referred to in <a href="#">Section 115AC(1)(b)</a>	The period of holding of such shares shall be reckoned from the date on which a request for such redemption was made.
Transactions in shares and securities not given above: <ol style="list-style-type: none"> <li>1) Date of purchase (through stock exchanges) of shares and Securities</li> <li>2) Date of transfer (through stock exchanges) of shares and securities</li> <li>3) Date of purchase/transfer of shares and securities (transaction taken place directly between parties and not through stock exchanges)</li> <li>4) Date of purchase/sale of shares and securities purchased in several lots at different points of time but delivery taken subsequently and sold in parts</li> <li>5) Transfer of a security by a depository (i.e., demat account)</li> </ol>	<ol style="list-style-type: none"> <li>a) Date of purchase by broker on behalf of investor.</li> <li>b) Date of broker's note provided such transactions are followed up by delivery of shares and also the transfer deeds.</li> <li>c) Date of contract of sale as declared by parties provided it is followed up by actual delivery of shares and the transfer deeds.</li> <li>d) The FIFO method shall be adopted to reckon the period of the holding of the security, in cases where the dates of purchase and sale cannot be correlated through specific number of scrips.</li> <li>e) The period of holding shall be determined on the basis of the first-in-first-out method.</li> </ol>
Conversion of stock-in-trade into capital asset	The period of holding of such converted asset

	shall be reckoned from the date of conversion.
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#### 4.5 Meaning of Transfer [[Section 2\(47\)](#)]

"Transfer", in relation to a capital asset, includes:

- (i) Sale, exchange or relinquishment of the asset;
- (ii) Extinguishment of any rights in relation to a capital asset;
- (iii) Compulsory acquisition of an asset;
- (iv) Conversion of capital asset into stock-in-trade;
- (v) Maturity or redemption of a zero coupon bond;
- (vi) Allowing possession of immovable properties to the buyer in part performance of the contract;
- (vii) Any transaction which has the effect of transferring an (or enabling the enjoyment of) immovable property; or
- (viii) Disposing of or parting with an asset or any interest therein or creating any interest in any asset in any manner whatsoever.

#### 4.6 Transactions which are not regarded as transfer [[Section 47](#)]

Following transactions shall not be regarded as transfer (subject to certain condition). Hence, following transaction shall not be charged to capital gains:

Section	Particulars
<a href="#">46(1)</a>	Distribution of asset in kind by a company to its shareholders at the time of liquidation
<a href="#">47(i)</a>	Distribution of capital asset on total or partial partition of HUF
<a href="#">47(iii)</a>	Transfer of capital asset under a gift or will or an irrevocable trust
<a href="#">47(iv)</a>	Transfer of capital asset by a company to its wholly owned subsidiary company
<a href="#">47(v)</a>	Transfer of a capital asset by a wholly owned subsidiary company to its holding company
<a href="#">47(vi)</a>	Transfer of capital assets in a scheme of amalgamation
<a href="#">47(via)</a>	Transfer of shares in an Indian company held by a foreign company to another foreign company under a scheme of amalgamation of the two foreign companies
<a href="#">47(viab)</a>	Transfer of share of a foreign company (which derives, directly or indirectly, its value substantially from the share or shares of an Indian company) held by a foreign company to another foreign company under a scheme of amalgamation (subject to conditions)
<a href="#">47(viaa)</a>	Transfer of capital assets in a scheme of amalgamation of a banking company with a banking institution
<a href="#">47(vib)</a>	Transfer of capital assets by the demerged company to the resulting company in a demerger
<a href="#">47(vic)</a>	Transfer of shares held in an Indian company by a demerged foreign company to the resulting foreign company
<a href="#">47(vica)</a>	Any transfer of a capital asset by the predecessor co-operative bank to the successor co-operative bank in a business reorganization.
<a href="#">47(vicb)</a>	Any transfer of capital asset (being shares) held by a shareholder in the predecessor co-operative bank if the transfer is made in consideration of the allotment to him of any shares in the successor co-operative bank in a scheme of business reorganization
<a href="#">47(vicc)</a>	Transfer of share of a foreign company (which derives, directly or indirectly, its value

	substantially from the share or shares of an Indian company) held by a demerged foreign company to resulting foreign company in case of demerger (subject to conditions)
<a href="#">47(vid)</a>	Transfer or issue of shares by the resulting company to the shareholders of the demerged company in a scheme of demerger
<a href="#">47(vii)</a>	Allotment of shares in amalgamated company in lieu of shares held in amalgamating company
<a href="#">47(viia)</a>	Transfer of capital assets (being foreign currency convertible bonds or GDR) by a non-resident to another non-resident
<a href="#">47(viiaa)</a>	Any transfer made outside India, of a capital asset (being rupee denominated bond of an Indian company issued outside India) by a non-resident to another non-resident
<a href="#">47(viiab)</a>	Any transfer of following capital assets by a non-resident on a recognised stock exchange located in any International Financial Services Centre: <ul style="list-style-type: none"> <li>a) Bond or GDR</li> <li>b) Rupee Denominated Bond of an Indian Co.</li> <li>c) Derivative</li> <li>d) Such other Securities as may be prescribed.</li> </ul>
<a href="#">47(viiac)</a>	Any transfer of a capital asset by original fund to the resulting fund in a relocation.
<a href="#">47(viiad)</a>	Transfer of capital asset (being share, unit, interest), by a shareholder or unit holder or interest holder, held by him, in original fund in consideration for share or unit or interest in the resultant fund in a relocation.
<a href="#">47(viiae)</a>	Transfer of capital asset by India Infrastructure Finance Company to an institution established for financing the infrastructure and development.
<a href="#">47(viiaf)</a>	Transfer of capital asset, under a plan approved by the Central Government, by a public sector company to another public sector company
<a href="#">47(viib)</a>	Transfer of capital assets (being a Government security carrying periodic payment of interest) outside India through an intermediary dealing in settlement of securities by a non-resident to another non-resident
<a href="#">47(viic)</a>	Redemption of capital asset being sovereign gold bond issued by RBI under the Sovereign Gold Bond Scheme, 2015
<a href="#">47(ix)</a>	Transfer of a capital asset (being work of art, manuscript, painting, etc.) to Government, University, National museum, etc.
<a href="#">47(x)</a>	Transfer by way of conversion of bonds or debentures into shares
<a href="#">47(xa)</a>	Transfer by way of conversion of bonds [as referred to in <a href="#">section 115AC(1)(a)</a> ] into shares or debentures of any company
<a href="#">47(xb)</a>	Any transfer by way of conversion of preference shares into equity shares
<a href="#">47(xi)</a>	Transfer by way of exchange of a capital asset being membership of a recognized stock exchange for shares of a company
<a href="#">47(xii)</a>	Transfer of land by a sick industrial company which is managed by its workers' co-operative
<a href="#">47(xiii)</a>	Transfer of a capital asset by a firm to a company in the case of conversion of firm into company
<a href="#">47(xiiiia)</a>	Transfer of a capital asset being a membership right held by a member of a recognized



	stock exchange in India
<a href="#">47(xiiib)</a>	Transfer of a capital asset by a private company or unlisted public company to an LLP, or any transfer of shares held in the company by a shareholder, in the case of conversion of company into LLP
<a href="#">47(xiv)</a>	Transfer of a capital asset to a company in the case of conversion of proprietary concern into a company
<a href="#">47(xv)</a>	Transfer involved in a scheme of lending of securities
<a href="#">47(xvi)</a>	Transfer of a capital asset in a transaction of reverse mortgage made under a scheme notified by the Government
<a href="#">47(xvii)</a>	Transfer of a capital asset (being share of a special purpose vehicle) to a business trust in exchange of units allotted by that trust to the transferor
<a href="#">47(xviii)</a>	Transfer of units of a mutual fund pursuant to consolidation of two or more schemes of equity oriented mutual fund or of two or more schemes of a mutual fund other than equity oriented mutual fund
<a href="#">47(xix)</a>	Transfer of units of a mutual fund from one plan to another pursuant to consolidation of plans within scheme of mutual funds.

#### 4.7 Computation of capital Gain:

Computation of capital gain depends upon the nature of the capital asset transferred during the previous year, *vis-à-vis*, short-term capital asset, long-term capital asset or depreciable asset. Capital gain arising on transfer of short-term capital asset or depreciable asset is considered as short-term capital gain, whereas transfer of long-term capital asset gives rise to long-term capital gain.

The capital gains on transfer of capital asset shall be computed in the following manner:

Short-term capital assets <a href="#">[Section 48]</a>	Long-term capital assets <a href="#">[Section 48]</a>	Depreciable asset <a href="#">[Section 50]*</a>
Full value of consideration <i>Less:</i> Cost of acquisition of asset <i>Less:</i> Cost of improvement <i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer	Full value of consideration <i>Less:</i> Indexed Cost of acquisition ( <i>See Note 1</i> ) <i>Less:</i> Indexed Cost of Improvement ( <i>See Note 1</i> ) <i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer	WDV of block of asset at the beginning of previous year <i>Add:</i> Actual cost of assets falling within that block acquired during the year <i>Less:</i> Full value of consideration of assets transferred during the year <i>Less:</i> Expenditure incurred wholly and exclusively in connection with such transfer

\* Short-term capital gain or loss from sale of depreciable asset will arise only in the following two situations:

- When on last day of the previous year, WDV of the block of asset is *nil*; or
- When on last day of the previous year, block ceases to exist.

#### **Note 1: Indexed Cost of Acquisition and Improvement [Second Proviso to [Section 48](#)]**

- In case of transfer of long-term capital assets, indexed cost of acquisition and indexed cost of improvement shall be deducted from the full value of consideration;
- Indexed cost of acquisition and Indexed cost of improvement shall be computed with reference to Cost Inflation Index ('CII') in the following manner:

$$\text{Indexed Cost of Acquisition} = \frac{[(\text{Cost of Acquisition}) \times (\text{CII for the year of transfer})]}{\text{CII for the year of acquisition}}$$

**(CII for the year of acquisition or for the Financial Year 2001-02, whichever is later)**

$$\text{Indexed Cost of Improvement} = \frac{[(\text{Cost of Improvement}) \times (\text{CII for the year of transfer})]}{\text{CII for the year of Improvement}}$$

**Note :** The base year for computation of capital gains has been shifted from 1981 to 2001 with effect from assessment year 2018-19. Thus, if any capital asset (acquired before April 1, 2001) is transferred then assessee has an option to take its cost of acquisition either as fair market value as on April 1, 2001 or its actual cost.

However, there are some cases where benefit of indexation is not available, which are as under:

<b>Section</b>	<b>Capital Asset</b>	<b>Transferor</b>
Third Proviso to <a href="#">Section 48</a>	Long-term capital gains arising from transfer of an equity share, or a unit of an equity oriented fund or a unit of a business trust as referred to in <a href="#">Section 112A</a> .	Any Person
Fourth proviso to section <a href="#">48</a>	Bonds or debentures. <i>Note: However, indexation benefit is available on two type of bonds, namely,-</i> <ul style="list-style-type: none"> <li>• Capital indexed bonds (issued by the Government)</li> <li>• Sovereign Gold Bond (issued by the RBI under the Sovereign Gold Bond Scheme, 2015)</li> </ul>	Any person
<a href="#">112</a>	Capital gains arising from transfer of unlisted shares (which is taxable at concessional rate of 10%) as calculated without giving effect to first proviso to <a href="#">Section 48</a>	Non-resident
<a href="#">44AE</a>	Presumptive income from business of plying, hiring or leasing of goods carriage if assessee does not own more than 10 goods carriage.	<b>For Heavy Goods Vehicle:</b> Rs. 1,000 per ton of gross vehicle weight for every month or part of a month during which the heavy goods vehicle is owned by assessee. <b>For Other Goods Vehicle:</b> Rs. 7,500 for every month or part of a month during which the goods carriage is owned by assessee.
<a href="#">50A</a>	Depreciable asset (other than an asset used by a power generating unit eligible for depreciation on straight line basis)	Any person
<a href="#">50B</a>	Undertaking/division transferred by way of slump sale as covered by <a href="#">section 50B</a>	Any person
<a href="#">115AB</a>	Units purchased in foreign currency as given in <a href="#">section 115AB</a>	Offshore fund

<a href="#">115AC</a>	Global depository receipts (GDR) purchased in foreign currency as given in <a href="#">section 115AC</a>	Non-resident
<a href="#">115ACA</a>	Global depository receipts (GDR) purchased in foreign currency as given in <a href="#">section 115ACA</a>	Resident individual - employee
<a href="#">115AD</a>	Securities as given in <a href="#">section 115AD</a>	Foreign Institutional Investors

CII in relation to a previous year means such index, as Central Government notifies on year to year basis.

The Central Government has notified the following Cost Inflation Indexes

Financial year	Cost Inflation Index
2001-02	100
2002-03	105
2003-04	109
2004-05	113
2005-06	117
2006-07	122
2007-08	129
2008-09	137
2009-10	148
2010-11	167
2011-12	184
2012-13	200
2013-14	220
2014-15	240
2015-16	254
2016-17	264
2017-18	272
2018-19	280
2019-20	289
2020-21	301
2021-22	317

#### **4.8 Computation of capital gain in case of sale of shares or debentures of an Indian company purchased by a non-resident in foreign currency [first proviso to [section 48](#)]**

In such a case, capital gain shall be determined as under:-

Full Value of Consideration (X)	Find out sale consideration in Indian currency and convert it into same foreign currency, which was used to acquire the capital asset, at average exchange rate* on the date of transfer.
Cost of acquisition	Find out the cost of acquisition in Indian currency and convert it into foreign currency at average exchange rate on the date of acquisition.

(Y)	
Expenditure on sale (Z)	Find out the expenditure on transfer in Indian currency and convert it into same foreign currency at average exchange rate on the date of transfer (not on the date when expenditure is incurred).
Capital gain (X-Y-Z)	The capital gains as computed in after reducing the cost of acquisition and expenditure from the full value of consideration shall be reconverted into Indian currency at buying rate** on the date of transfer.

\* Average exchange rate means the average of the telegraphic transfer buying rate and telegraphic transfer selling rate of the foreign currency initially utilised in the purchase of capital asset.

\*\* Buying rate is the telegraphic transfer buying rate of such currency.

#### 4.9 Full Value of Consideration

Full value of consideration is the consideration received or receivable by the transferor in lieu of assets, which he has transferred. Such consideration may be received in cash or in kind. If it is received in kind, then fair market value ('FMV') of such assets shall be taken as full value of consideration.

However, in the following cases "full value of the consideration" shall be determined on notional basis as per the relevant provisions of the Income-tax Act, 1961:

S. No.	Nature of transaction	Section	Full Value of Consideration
1.	Money or other asset received under any insurance from an insurer due to damage or destruction of a capital asset	<a href="#">45(1A)</a>	Value of money or the FMV of the asset (on the date of receipt)
2.	Conversion of capital asset into stock-in-trade	<a href="#">45(2)</a>	FMV of the capital asset on the date of conversion
3.	Transfer of capital asset by a partner or member to firm or AOP/BOI, as the case may be, as his capital contribution	<a href="#">45(3)</a>	Amount recorded in the books of accounts of the firm or AOP/BOI as the value of the capital asset received as capital contribution
4.	Distribution of capital asset by Firm or AOP/BOI to its partners or members, as the case may be, on its dissolution	<a href="#">45(4)</a>	FMV of such asset on the date of transfer
5.	Money or other assets received by share-holders at the time of liquidation of the company	<a href="#">46(2)</a>	Total money <i>plus</i> FMV of assets received on the date of distribution <i>less</i> amount assessed as deemed dividend under <a href="#">section 2(22)(c)</a> .
6.	Buy-back of shares and other specified securities by a company	<a href="#">46A</a>	Consideration paid by company on buyback of shares or other securities would be deemed as full value of consideration. The difference between the cost of acquisition and buy-back price (full value of consideration) would be taxed as capital gain in the hands of the shareholder.  However, in case of buy-back of shares by a domestic company (whether listed* or unlisted), the company shall be liable to pay additional tax at the rate of 20%

			<p>under <a href="#">section 115QA</a> on the distributed income (i.e., buy-back price as reduced by the amount received by the company for issue of such shares). Consequently, capital gain arising in hands of shareholder shall be exempt by virtue of <a href="#">section 10(34A)</a> in such cases.</p> <p>*With effect from 05/07/2019, <a href="#">section 115QA</a> has been amended to levy additional tax on buy back of shares by listed companies as well. Consequently, <a href="#">section 10(34A)</a> has also been amended to exempt income arising in hands of shareholder on account of buy back of shares by listed companies. x</p>
7.	Shares, debentures, warrants ('securities') allotted by an employer to an employee under notified Employees Stock Option Scheme and such securities are gifted by the concerned employee to any person	Fourth Proviso to <a href="#">Section 48</a>	Fair Market value of securities at the time of gift
7A.	Conversion of capital asset into stock-in-trade	<a href="#">49</a>	FMV of the inventory as on the date of conversion
7B.	Computation of capital gains in case of slump sale	<a href="#">50B</a>	FMV of the capital assets (being an undertaking or division transferred by way of slump sale) as on the date of transfer shall be deemed to be full value of the consideration received or accruing as a result of transfer of such capital asset. Such FMV shall be calculated in the prescribed manner.
8.	In case of transfer of land or building, if sale consideration declared in the conveyance deed is less than the stamp duty value	<a href="#">50C</a>	The value adopted or assessed or assessable by the Stamp Valuation Authority shall be deemed to be the full value of consideration. However, no such adjustment is required to be made if value adopted for stamp duty purposes does not exceed 110% of the sale consideration. <b>Note:</b> Where the date of agreement (fixing the amount of consideration) and the date of registration for the transfer of property are not the same, the value adopted or assessed or assessable by Stamp Valuation Authority on the date of agreement may be taken as full value of consideration.
8A.	Where consideration for transfer of unquoted shares is less than the Fair Market Value	<a href="#">50CA</a>	The Fair Market Value (so determined in prescribed manner) shall be deemed to be the full value of consideration <b>Note:</b> The Board may prescribe transactions undertaken by certain class of persons to which the provisions of <a href="#">Section 50CA</a> shall not be applicable. (w.e.f. Assessment Year 2020-21)
9.	If consideration received or accruing as a result of transfer of a capital asset is not ascertainable or cannot be determined	<a href="#">50D</a>	FMV of asset on the date of transfer

#### 4.10 Cost of Acquisition

Cost of acquisition of an asset is the amount for which it was originally acquired by the assessee. It includes expenses of capital nature incurred in connection with such purchase or for completing the title of the property.

However, in cases given below, cost of acquisition shall be computed on notional basis:

S. No.	Particulars	Notional Cost of Acquisition
1.	Additional compensation in the case of compulsory acquisition of capital assets	<i>Nil</i>
2.	Assets received by a shareholder on liquidation of the company	FMV of such asset on the date of distribution of assets to the shareholders
3.	Stock or shares becomes property of taxpayer on consolidation, conversion, etc.	Cost of acquisition of such stock or shares from which such asset is derived
4.	Allotment of shares in an amalgamated Indian co. to the shareholders of amalgamating co. in a scheme of amalgamation	Cost of acquisition of shares in the amalgamating co.
5.	Conversion of debentures into shares	That part of the cost of debentures in relation to which such asset is acquired by the assessee
5A.	Conversion of preference shares into equity shares	The part of the cost of preference shares in relation to which such asset is acquired by the assessee.
6.	Allotment of shares/securities by a co. to its employees under ESOP Scheme approved by the Central Government	a) If shares are allotted during 1999-2000 or on or after April 1, 2009, FMV of securities on the date of exercise of option b) If shares are allotted before April 1, 2007 (not being during 1999-2000), the amount actually paid to acquire the securities c) If shares are allotted on or after April 1, 2007 but before April 1, 2009, FMV of securities on the date of vesting of option (purchase price paid to the employer or FBT paid to employer shall not be considered)
6A.	Listed Equity Shares or Units of Equity Oriented Funds or Units of Business Trust as referred to in <a href="#">Section 112A</a> acquired before February 1, 2018.	Higher of : (i) Cost of acquisition of such asset; and (ii) Lower of: (A) The fair market value of such asset; and (B) The full value of consideration received or accruing as a result of transfer of such asset.  Note: For meaning of 'Fair market Value' refer Explanation to <a href="#">Section 55(2)(ac)</a> .

7.	Property covered by <a href="#">section 56(2)(vii)</a> or (viiia) or (x)	The value which has been considered for the purpose of Section <a href="#">56(2)(vii)</a> or (viiia) or (x)
8.	Allotment of shares in Indian resulting company to the existing shareholders of the demerger company in a scheme of demerger	Cost of acquisition of shares in demerged company ? Net book value of assets transferred in demerger ? Net worth of the demerged company immediately before demerger
9.	Cost of acquisition of original shares in demerged company after demerger	Cost of acquisition of such shares <i>minus</i> amount calculated above in point 8.
10.	Cost of acquisition of assets acquired by successor LLP from predecessor private company or unlisted public company at the time of conversion of the company into LLP in compliance with conditions of <a href="#">Section 47(xiiib)</a> .	Cost of acquisition of the assets to the predecessor private company or unlisted public company
11.	Cost of acquisition of rights of a partner in a LLP which became the property of the taxpayer due to conversion of a private company or unlisted public company into the LLP	Cost of acquisition of the shares in the co. immediately before conversion
12.	Depreciable assets covered under <a href="#">Section 50</a>	Opening WDV of block of assets on the first day of the previous year <i>plus</i> actual cost of assets acquired during the year which fall within the same block of assets
13.	Depreciable assets of a power generating unit as covered under <a href="#">Section 50A</a> *	WDV of the asset <i>minus</i> terminal depreciation <i>plus</i> balancing charge
14.	Undertaking/division acquired by way of slump sale as covered under <a href="#">Section 50B</a>	Net worth of such undertaking
15.	New asset acquired for claiming exemptions under sections <a href="#">54</a> , <a href="#">54B</a> , <a href="#">54D</a> , <a href="#">54G</a> or <a href="#">54GA</a> if it is transferred within three years	Actual cost of acquisition <i>minus</i> exemption claimed under these sections
16.	Goodwill of business/profession or trade mark or brand name associated with business or right to manufacture, produce or process any article or thing or right to carry on any business or profession, tenancy right, stage permits or loom hours	<p>a) If such asset were acquired by the assessee by purchase from a previous owner; cost of acquisition means amount of purchase price;</p> <p>b) In the case falling under sub-clauses(i) to (iv) of sub-section (1) of section 49 and such asset was acquired by the previous owner by purchase; cost of acquisition means amount of purchase price for such previous owner; and</p> <p>c) in any other case, cost of acquisition shall be taken to be <i>nil</i>.</p>
17.	Right shares	Amount actually paid by assessee
18.	Right to subscribe to shares (i.e., right entitlement)	<i>Nil</i>
19.	Bonus shares	a) If allotted to the assessee before April 1, 1981: Fair market value on that date

		b) In any other case: <i>Nil</i>
20.	Allotment of equity shares and right to trade in stock exchange, allotted to members of stock exchange under a scheme of demutualization or corporatization of stock exchanges as approved by SEBI	a) Cost of acquisition of shares: Cost of acquisition of original membership of the stock exchange b) Cost of acquisition of trading or clearing rights of the stock exchange: <i>Nil</i>
21.	Capital asset, being a unit of business trust, acquired in consideration of transfer as referred to in <a href="#">section 47(xvii)</a> .	Cost of acquisition of shares as referred to in <a href="#">section 47(xvii)</a> . [applicable from AY 2015-16]
	Units allotted to an assessee pursuant to consolidation of two or more scheme of a mutual fund as referred to in <a href="#">Section 47(xviii)</a> .	Cost of acquisition of such units shall be the cost of acquisition of units in the consolidating scheme of the mutual fund
	Shares in a company acquired by the non-resident assessee on redemption of Global Depository Receipts referred to in <a href="#">Section 115AC(1)(b)</a> .	Cost of acquisition of such shares shall be calculated on the basis of the price prevailing on any recognized stock exchange on the date on which a request for such redemption was made.
24.	Any other capital asset:	a) If it became property of taxpayer before April 1, 2001 by gift, will, etc., in modes specified in <a href="#">section 49(1)</a> : Cost of acquisition to the previous owner or FMV as on April 1, 2001, whichever is higher b) If it became property of taxpayer before April 1, 2001 : Cost of acquisition or FMV as on April 1, 2001, whichever is more c) If it became property of taxpayer after April 1, 2001 by gift, will, etc., in modes specified in <a href="#">section 49(1)</a> : Cost of acquisition to the previous owner d) If it became property of taxpayer after April 1, 2001 : Actual cost of acquisition

\* Terminal Depreciation/Balancing Charge:

- a) Balancing Charge = Sales Consideration - WDV of the depreciable asset
- b) Terminal Depreciation = WDV - Sales Consideration

When a depreciable asset (which was subject to depreciation on straight line basis) of a power generating units is sold, discarded, demolished or destroyed then terminal depreciation shall be deductible from sale consideration while computing capital gains, or balancing charge is taxable in the relevant year, as the case may be.

#### 4.11 Cost to the Previous Owner [\[sec. 49\(1\)\]](#)

Cost to the previous owner shall be deemed to be the cost of acquisition in the hands of the taxpayer in cases where a capital asset becomes the property of the assessee under any of the modes given below:

- a) On any distribution of assets on the total or partial partition of a HUF
- b) Under a Gift or Will;
- c) By Succession, Inheritance or Devolution;



- d) On any distribution of assets on dissolution of a firm, BOI or AOP (where such dissolution had taken place at any time before the 01-04-1987);
- e) On any distribution of assets on liquidation of a company;
- f) Under a transfer to a revocable or an irrevocable trust;
- g) On any transfer by a holding company to its wholly owned Indian subsidiary company;
- h) On any transfer by a wholly owned subsidiary company to its Indian holding company;
- i) On any transfer by the amalgamating company to the Indian amalgamated company;
- j) In a scheme of amalgamation, any transfer of shares held in a Indian company by a amalgamating foreign company to the amalgamated Foreign company;
- k) Consequent to transfer of share(in a scheme of amalgamation as referred to in [Section 47\(viab\)](#) of a foreign company which derives, directly or indirectly, its value substantially from the share or shares of an Indian company held by amalgamating foreign company to the amalgamated foreign company.
- l) Consequent to transfer of capital asset by the demerged company to the resulting Indian company. (in case of demerger)
- m) Consequent to transfer of share (in case of demerger as referred to in [Section 47\(vic\)](#) of a foreign company which derives, directly or indirectly, its value substantially from the share or shares of an Indian company held by a demerged foreign company to resulting foreign company.
- n) Any transfer, in a scheme of amalgamation of a banking company with a banking institution;
- o) On any transfer in a scheme of business reorganization of a cooperative bank;
- p) On any transfer in a scheme of conversion of private company or unlisted company into LLP;
- q) On any transfer in case of conversion of Firm or Sole proprietary concern into Company;
- r) By HUF where one of its members has converted his self-acquired property into joint family property.

*Note:*

Where previous owner has also acquired the property in the aforesaid manner the 'previous owner' of the property shall be construed as the last previous owner who acquired the property by means other than those stated above.

#### 4.12 Cost of Improvement [[Sec. 55\(1\)\(b\)](#)]

Cost of improvement, in relation to the capital assets shall include all capital expenditure incurred in making addition or alteration to the capital assets by the assessee or the previous owner. However, cost of improvement does not include any expenditure incurred prior to 01-04-2001. Cost of improvement shall be computed in the following manner:

S. No.	Particular	Cost of Improvement
1.	In relation to goodwill of a business, right to manufacture, produce any article or thing or right to carry on business <b>or profession</b>	NIL
2.	In relation to capital asset which becomes property of the assessee or previous owner before 01-04-2001	Any expenditure of capital nature incurred on or after 01-04-2001
3.	In relation to capital asset which becomes property of the assessee or previous owner before 01.04.2001 by way of any mode specified under <a href="#">Section 49(1)</a> .	Any expenditure of capital nature incurred on or after 01-04-2001 by the assessee or the previous owner
4.	In relation to capital asset which becomes property of the assessee or previous owner on or after 01.04.2001	Any expenditure of capital nature incurred by the assessee or the previous owner
5.	In relation to capital asset which becomes property of the	Any expenditure of capital nature

assessee or previous owner on or after 01-04-2001 by way of any mode specified under <a href="#">Section 49(1)</a> .	incurred by the assessee or the previous owner
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#### 4.13 Rates of tax on capital gains:

##### 1. Short Term Capital Gains

- Short-term capital gains shall be included in the gross total income of the taxpayer and will be taxed at the normal rates;
- Short-term capital gains arising from transfer of Equity Shares, Units of an Equity Oriented Funds or a unit of a business trust which is chargeable to securities transaction tax shall be taxed at 15% under [Section 111A](#);

Note:-

Now benefit of reduced rate of tax (i.e., 15%) shall be available w.e.f. 1-4-2016 even in respect of income arising from transfer of units of a business trust which were acquired by assessee in lieu of shares of special purpose vehicle as referred to in [section 47\(xvii\)](#).

##### 2. Long Term Capital Gains

- Long-term capital gains are subject to tax at 20%;
- Long-term capital gains arising from transfer of listed securities, units or a zero coupon [other than as referred to in point d) below] bonds shall be taxable at lower of following:
  - 20% after taking benefit of indexation; or
  - 10% without taking benefit of indexation.
- Long-term capital gains arising to a non-residents or foreign company from transfer of unlisted securities shall be taxed at without giving benefit for indexation;
- Long-term capital gains arising from transfer of listed equity share, or a unit of an equity oriented fund or a unit of a business trust as referred to in [Section 112A](#) shall be chargeable to tax at the rate of 10% in excess of Rs. 1 Lakh.

#### 4.14 Reference to valuation officer [[Section 55A](#)]

With a view to ascertaining the fair market value of a capital asset, the concerned Assessing Officer may refer the valuation of the capital asset to a Valuation Officer appointed by the Income-tax Department in the following cases:

- Where the value of the asset as claimed by the assessee is in accordance with the estimate made by a registered valuer (who works in a private capacity under a licence issued by the Board and his valuation is not binding on the Assessing Officer), but the Assessing Officer is of opinion that the value so claimed is at variance with the fair market value of the asset;
- Where the Assessing Officer is of opinion that the fair market value of the asset exceeds the value of the asset by more than Rs. 25,000 or 15 per cent of the value claimed by the assessee, whichever is less; or
- Where the Assessing Officer is of opinion that, having regard to nature of an asset and relevant circumstances, it is necessary to make a reference to the Valuation Officer

#### 4.15 Deduction/ Exemption under Capital Gain

Particulars	<a href="#">Section 54</a>	<a href="#">Section 54B</a>	<a href="#">Section 54D</a>	<a href="#">Section 54EC</a>	<a href="#">Section 54EE</a>	<a href="#">Section 54F</a>	<a href="#">Section 54G</a>	<a href="#">Section 54GA</a>	<a href="#">Section 54GB</a>
Eligible taxpayers	Individual and HUF	Individual and HUF	Any person	Any person	Any Person	Individual and HUF	Any person	Any person	Individual and HUF
Capital gains eligible for exemption	Long-term	Short-term or Long-term	Short-term or Long-term	Long-term	Long-term	Long-term	Short-term or Long-term	Short-term or Long-term	Long-term
Capital gains arising from transfer of	Residential House property	Agriculture land used by taxpayer or by his parents or	Compulsory acquisition of land or building forming part	Any long-term capital asset being Land or	Any long-term capital asset	Any long term asset (other than a residential house property) provided on date of transfer	Land, building, plant or machinery, in order to	Land, building, plant or machinery, in order to	Residential property (house or a plot of land) Note:

		HUF for agriculture purposes in last 2 years before its transfer	of industrial undertaking (which was used for industrial purposes for at least 2 years before its acquisition).	Building or Both		taxpayer does not own more than one residential house property (except the new house)	shift industrial undertaking from urban area to rural area.	shift industrial undertaking from urban area to SEZ.	Provisions of this section shall not apply to any transfer of residential property made after March 31, 2017. However, in case of an investment in eligible start-up, the residential property can be transferred up to March 31, 2019. <b>Note:</b> w.e.f. Assessment Year 2020-21, the sunset date for transfer of original capital asset (residential property) for investment in eligible start-ups is extended from March 31, 2019 to March 31, 2021 and the condition of minimum holding of 50% of share capital or voting rights in the start-up is relaxed to 25%.
<b>Assets to be acquired for exemption</b>	One residential house property Or Two residential house properties <b>Note:</b> With effect from Assessment Year 2020-21, a taxpayer has an option to make investment in two residential house properties in India. This option can be exercised by the taxpayer only once in his lifetime provided the amount of long-term capital gain does not exceed Rs. 2 crores.	Agricultural land (may be in urban area or rural area)	Land or building for shifting or reestablishing said industrial undertaking	Bond of NHAI or REC, etc.	Units of such fund as may be notified by Central Government to finance start-ups	One residential house property	Land, building, plant or machinery, in order to shift industrial undertaking to rural area.	Land, building, plant or machinery, in order to shift industrial undertaking to SEZ.	Subscription in equity shares of an eligible company. <b>Note:</b> 1. W.e.f. April 1, 2017, eligible start-up is also included in definition of eligible company. 2. The eligible company should utilize the amount of subscription for purchase of new assets (i.e., plant and machinery except vehicle, office appliances, computer or computer software etc.). However, In the case of eligible startup, the new asset shall include computers or

									computer software.
<b>Time limit for acquiring the new assets</b>	Purchase: within 1 year before or 2 years after date of transfer Construction: within 3 years after date of transfer	Within 2 years after date of transfer	Within 3 years from date of receipt of compensation	Within 6 months from date of transfer	Within 6 months after the date of transfer of original asset	Purchase: within 1 year before or within 2 years after date of transfer Construction: within 3 years after date of transfer	within 1 year before or 3 years after date of transfer	Within 1 year before or within 3 years after date of transfer	Investment by the assessee - Before due date for furnishing of return under Sec. 139(1). Investment by the company - within 1 year from date of subscription.
<b>Exemption Amount</b>	Investment in new assets or capital gain, whichever is lower	Investment in agricultural land or capital gain, whichever is lower	Investment in new assets or capital gain, whichever is lower	Investment in new assets or capital gains, whichever is lower, however, subject to Rs. 50 lakhs.	Investment in new assets or capital gains, whichever is lower, however, subject to Rs. 50 lakhs.	Investment in new assets X capital gain/net consideration	Investment in new assets or capital gain, whichever is lower	Investment in new assets or capital gain, whichever is lower	Investment in new assets X capital gain/net consideration
<b>Withdrawal of exemption</b>	If new asset is transferred within 3 years of its acquisition	If new asset is transferred within 3 years of its acquisition	If new asset is transferred within 3 years of its acquisition	If new asset is transferred or it is converted into money or a loan is taken on its security within 5 years of its acquisition	If new asset is transferred within a period of 3 years from the date of its acquisition. <b>Note:</b> Where assessee takes loans or advance on security of such specified asset, he shall be deemed to have transferred such asset on the date on which such loan or advance is taken.	a) If new asset is transferred within 3 years of acquisition, b) if another residential house is purchased within 2 years of transfer of original asset; c) if another house is constructed within 3 years of transfer of original asset	If new asset is transferred within 3 years of acquisition	If new asset is transferred within 3 years of acquisition	If equity shares in company or new asset acquired by company is sold or transferred within a period of 5 years from date of acquisition. <b>Note:</b> w.e.f. Assessment Year 2020-21, the restriction on the transfer of new asset is reduced to 3 years in case of computer or computer software.
<b>Deposit in Capital gains deposit scheme before due date under Sec. 139(1)</b>	Yes	Yes	Yes	No	No	Yes	Yes	Yes	Yes

### Capital Gain Account Scheme 1988

- The scheme is open to all taxpayers, who wish to claim exemption under Sections [54](#), [54B](#), [54D](#), [54F](#), [54G](#) or [54GB](#).
- If taxpayer could not invest the capital gains to acquire new asset before due date of furnishing of return, the capital gains can be deposited before due date for furnishing of return of income in deposit account in any branch of a nationalized bank in accordance with Capital Gain Account Scheme 1988.

### V. Income from Other Sources

Any income which is not chargeable to tax under any other heads of income and which is not to be excluded from the total income shall be chargeable to tax as residuary income under the head "Income from Other Sources".

#### 5.1 Basis of Charge [[Sec. 56](#)]:

Income chargeable to tax under the head “Income from other sources” shall include following:

S. No.	Nature of income taxable as residuary income
1.	Dividends
2.	Income by way of winnings from lotteries, crossword puzzles, races including horse races, card games, gambling or betting of any form or nature whatsoever
3.	Any sum received by an employer from his employees as contribution towards PF/ESI/Superannuation Fund etc., if same is not deposited in the relevant fund and it is not taxable under the head ‘Profits and Gains from Business or Profession’.
4.	Interest on securities, if not taxable under the head ‘Profits and Gains of Business or Profession’
5.	Income from machinery, plant or furniture belonging to taxpayer and let on hire, if income is not chargeable to tax under the head ‘Profits and Gains of Business or Profession’
6.	Composite rental income from letting of plant, machinery or furniture with buildings, where such letting is inseparable and such income is not taxable under the head ‘Profits and Gains of Business or Profession’
7.	Any sum received under Keyman Insurance Policy (including bonus), if not taxable under the head ‘Profits and Gains of Business or Profession’ or under the head ‘Salaries’
8.	<p>In the following cases, any sum of money or property received by a person from any person (except from relatives or member of HUF or in given circumstances, <i>see note 1</i>) shall be taxable under the head ‘Income from other sources’:</p> <p>a) If any sum is received without consideration in excess of Rs. 50,000 during the previous year, the whole amount shall be chargeable to tax;</p> <p>Though the provisions relating to gift applies in case of every person, but it has been reported that gifts by a resident person to a non-resident are claimed to be non-taxable in India as the income does not accrue or arise in India. To ensure that such gifts made by residents to a non-resident person are subjected to tax in India, the Finance (No. 2) Act, 2019 has inserted a new clause (viii) under <a href="#">Section 9</a> of the Income-tax Act to provide that any income arising outside India, being money paid without consideration on or after 05-07-2019, by a person resident in India to a non-resident or a foreign company shall be deemed to accrue or arise in India.</p> <p>b) If an immovable property is received without consideration and the stamp duty value exceeds Rs. 50,000, the stamp duty value of such property shall be chargeable to tax;</p> <p>c) If immovable property is received for consideration which is less than the stamp duty value of property by higher of following amount the difference is chargeable to tax:</p> <p>(i) the amount of Rs. 50,000</p> <p>(ii) the amount equal to 10% of consideration.</p> <p>d) If movable properties* is received without consideration and the aggregate fair market value of such properties exceeds Rs. 50,000, the whole of aggregate fair market value of such properties shall be chargeable to tax</p> <p>e) If movable properties is received for consideration which is less than the aggregate fair market value of properties by an amount exceeding Rs. 50,000, the difference between the aggregate fair market value and the consideration is chargeable to tax.</p> <p>Note:</p> <p>1. Any sum of money received by an individual, from any person, in respect of any expenditure actually incurred by him on his medical treatment or treatment of any</p>

	<p>member of his family in respect of any illness related to COVID-19, shall not be considered as income of such person. (subject to certain conditions)</p> <p>2. Any sum of money received by family member of a person who died due to COVID-19, the money so received shall not be considered as income of the family member where such money is received from the employer of deceased person. Where the money is received from any other person or persons, the exemption amount shall be limited to Rs. 10 lakh in aggregate. (subject to certain conditions)</p>
9.	<p>If shares in a closely held company are received by a firm or another closely held company from any person without consideration or for inadequate consideration, the aggregate fair market value of such shares as reduced by the consideration paid, if any, shall be chargeable to tax.</p> <p><i>Note:</i> Nothing would be chargeable to tax if taxable amount doesn't exceed Rs. 50,000.</p>
10.	<p>If a closely held public company receives any consideration for issue of shares which exceed the fair market value of such shares, the aggregate consideration received for such shares as reduced by its fair market value shall be chargeable to tax.</p> <p><i>Note:</i> This provision is not applicable in the following cases:</p> <p>a) Where the consideration for issue of shares is received by a venture capital undertaking from a venture capital company or venture capital fund or a specified fund.</p> <p>“Specified fund” means a fund established or incorporated in India in the form of a trust or a company or a LLP or a body corporate which has been granted a certificate of registration by SEBI as a Category I or Category II Alternative Investment Fund (AIF).</p> <p>b) Where the consideration for issue of shares is received by company from class or classes of person as notified by the Government.</p> <p>In this regard, the Government has provided that <a href="#">section 56(2)(viib)</a> shall not apply where consideration is received by a start-up company in respect of shares issued to a resident person. However, a start-up company shall fulfil the condition mentioned in the Notification No. 127(E), dated 19-02-2019 issued by the Department for Promotion of Industry and Internal Trade (DPIIT).</p> <p>With a view to ensure compliance to the conditions specified in the said notification, the Finance (No. 2) Act, 2019 reiterates that in case of failure to comply with the conditions specified in the notification, the consideration received from issue of shares as exceeding the fair market value of such shares, shall be deemed to be income of the company chargeable to tax for the previous year in which such failure takes place. Further, it shall be deemed that the company has misreported the said income and, consequently, a penalty of an amount equal to 200% of tax payable on the underreported income (i.e., difference between issue price and fair market value of shares) shall be levied as per <a href="#">section 270A</a>.</p>
10A.	Any compensation received by a person in connection with the termination of his employment or modification of terms and conditions relating thereto.
11.	Interest received on compensation or enhanced compensation
12.	<p>Any sum of money received as an advance or otherwise in the course of negotiations for transfer of a capital asset shall be charged to tax under this head, if:</p> <p>a) Such sum is forfeited; and</p> <p>b) The negotiations do not result in transfer of such capital asset.</p>

\* ‘Movable property’ shall include shares, securities, jewellery, archaeological collection, drawings, paintings, sculptures, any work of art or bullion etc.

### 5.1.1 Gifts not chargeable to tax [[Sec. 56\(2\)\(x\)](#)]

Any sum of money or property received by any person in the following circumstances shall not be chargeable to tax:

- a) Gifts received from relatives\*\*;
- b) Gifts received by an individual on occasion of his/her marriage;
- c) Gifts received by way of Inheritance/will;;
- d) Gifts received in contemplation of death of the payer;
- e) Gifts received from any local authority;
- f) Gifts received from any fund, foundation, university, educational institution, hospital, medical institution, any trust or institution referred to in [Section 10\(23C\)](#); [w.e.f. AY 2023-24, this exemption is not available if a sum of money is received by a specified person referred to in [section 13\(3\)](#)].
- g) Gifts received from any trust or institution registered under [sections 12A/12AA/12AB](#) [w.e.f. AY 2023-24, this exemption is not available if a sum of money is received by a specified person referred to in [section 13\(3\)](#)].
- h) Share received as a consequences of demerger or amalgamation of a company under clause (vid) or clause (vii) of [section 47](#), respectively.
- i) Share received as a consequences of business reorganization of a co-operative bank under [section 47\(vicb\)](#).
- j) From any person, in respect of any expenditure actually incurred by individual on his medical treatment or treatment of any member of his family, for any illness related to COVID-19 (subject to such conditions as prescribed by Govt.).
- k) By a member of the family\*\*\* of a deceased person, if cause of death is illness related to COVID-19,;
  - From the employer of the deceased person; or
  - From any other person or persons to the extent that such sum doesn't exceed Rs. 10 lakh.

*Note: The member must receive the payment within 12 months from the date of death of such person and satisfy such other conditions which may the Central Government may notify in this behalf*

l) from such class of persons and subject to such conditions as may be prescribed

\*\* 'Relative' shall mean:

1. Spouse of the individual
2. Brother or sister of the individual
3. Brother or sister of the spouse of the individual
4. Brother or sister of either of the parents of the individual
5. Any lineal ascendant or descendant of the individual
6. Any lineal ascendant or descendant of spouse of the individual
7. Spouse of the person referred in point 2-6 above

\*\*\* 'Family', in relation to an individual, means:

1. The spouse and children of the individual; and
2. The parents, brothers, and sisters of the individual or any of them, wholly or mainly dependent on the individual.

## 5.2 Deductions [[Sec. 57](#)]:

The following expenditures are allowed as deductions from income chargeable to tax under the head 'Income from Other Sources':

S.N.	Section	Nature of Income	Deductions allowed
1.	<a href="#">57(i)</a>	Dividend or Interest on securities	Any reasonable sum paid by way of commission or remuneration to banker or

			any other person for purpose of realizing dividend or interest on securities
2.	<a href="#">57(ia)</a>	Employee's contribution towards Provident Fund, Superannuation Fund, ESI Fund or any other fund setup for the welfare of such employees	If employees' contribution is credited to their account in relevant fund on or before the due date
3.	<a href="#">57(ii)</a>	Rental income letting of plant, machinery, furniture or building	Rent, rates, taxes, repairs, insurance and depreciation etc.
4.	<a href="#">57(ia)</a>	Family Pension	1/3 <sup>rd</sup> of family pension subject to maximum of Rs. 15,000.
5.	<a href="#">57(iii)</a>	Any other income	Any other expenditure (not being capital expenditure) expended wholly and exclusively for earning such income
6.	<a href="#">57(iv)</a>	Interest on compensation or enhanced compensation	50% of such interest (subject to certain conditions)
7.	<a href="#">58(4)</a> Proviso	Income from activity of owning and maintaining race horses.	All expenditure relating to such activity.

### 5.3 Expenses not deductible [[Section 58](#)]:

S.N.	Section	Nature of Income
1.	<a href="#">58(1)(a)</a> (i)	Personal expenses
2.	<a href="#">58(1)(a)</a> (ii)	Interest chargeable to tax which is payable outside India on which tax has not been paid or deducted at source
3.	<a href="#">58(1)(a)</a> (iii)	'Salaries' payable outside India on which no tax is paid or deducted at source
4.	<a href="#">58(1A)</a>	Wealth-tax
5.	<a href="#">58(2)</a>	Expenditure of the nature specified in <a href="#">section 40A</a>
6.	<a href="#">58(4)</a>	Expenditure in connection with winnings from lotteries, crossword puzzles, races, games, gambling or betting

[As amended by Finance Act, 2022]