

**TAXATION I**  
**SEMESTER- 4TH**

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<b>TAXATION I</b> <b>TEACHER: PROF. SUNITA SAHA</b>
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## Residential status and incidence of tax

For this purpose, taxable entities are classified as (i) an individual, (ii) a Hindu undivided family, (iii) a company or an association of persons or a body of individuals, (iv) a company and (v) every other person.

**Different residential status :** On the basis of residential status, an assessee may be classified as follows :

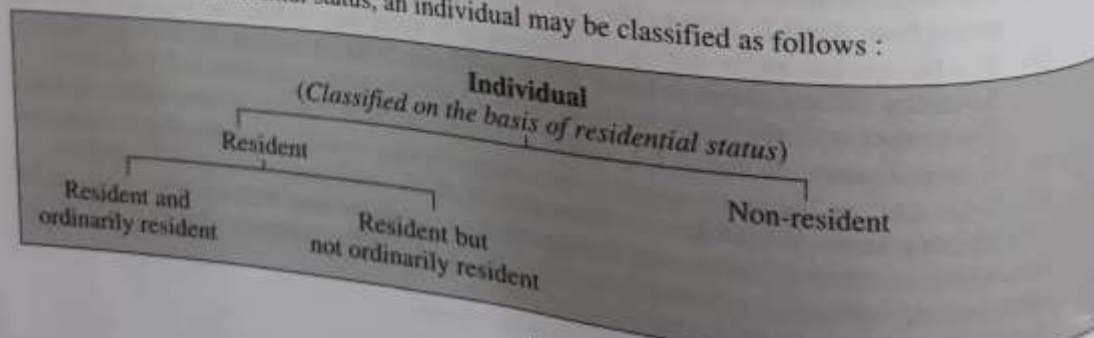
- (a) Resident (also termed as resident and ordinarily resident) ;
- (b) Resident but not ordinarily resident (applicable only for an assessee being an individual or a Hindu undivided family) ; **RBNOR**
- (c) Non-resident. **NR**

### 3.2. Residential status — how to determine [Sec. 6] :

Section 6 provides the following rules for the determination of residential status of different categories of assessee :

#### 3.2.1 Residential status of an individual :

On the basis of residential status, an individual may be classified as follows :



It appears from the above that individual assesseees are broadly classified into two categories— (1) Resident and (2) Non-resident. Resident individual may again be classified as (a) Resident and ordinarily resident and (b) Resident but not ordinarily resident.

The relevant rules for determination of residential status of an individual are described below :

(A) **Resident and ordinarily resident** : An individual is said to be resident and ordinarily resident in India in any previous year if he satisfies at least one of the basic conditions as specified in section 6(1) and both the additional conditions as specified in section 6(6)(a). These conditions are mentioned below :

#### Basic conditions [Sec. 6(1)]

**Basic conditions** : An individual is said to be resident in India in any previous year, if he satisfies at least one of the following conditions :

(a) he is in India in that previous year for a period or periods amounting in all to 182 days or more [Sec. 6(1)(a)] : or. *7, 182 or*

(b) he is in India for a period or periods amounting in all to 60 days or more during the previous year and 365 days or more during the four years preceding the previous year [Sec. 6(1)(c)]. *60 + 365/4*

**Exceptions** : The above rules are subject to the following propositions as provided in Explanations 1 and 2 to section 6(1) :

**Exception-1** : In case of an individual, being a citizen of India, who leaves India in any previous year as a member of the crew of the Indian ship or for the purposes of employment<sup>1</sup> outside India, the period of 60 days referred to in section 6(1)(c) above is extended to 182 days [Explanation 1(a) to section 6(1)]. [Explanation 2 is also relevant (refer to the discussion below) for this purpose].

**Exception-2** : In case of an individual being a citizen of India or a person of Indian origin within the meaning of section 115C(e), who is outside India, comes on a visit to India<sup>2</sup> in any previous year, the period of 60 days referred to in section 6(1)(c) above is extended to 182 days [Explanation 1(b) to section 6(1)].

Thus, in the above two cases, an individual cannot be treated as resident in India in any previous year unless he has been in India for a period of 182 days or more during the said previous year.

• **A person of Indian origin—meaning of [Sec. 115C(e)]** : A person shall be deemed to be of Indian origin if he, or either of his parents or any of his grandparents (maternal or paternal), was born in undivided India.

• **Explanation 2 to section 6(1)** : This Explanation has been inserted by the Finance Act, 2015 (applicable w.e.f. the assessment year 2015-16) to provide rules for computation of period of stay in India in respect of the following situation :

In the case of an individual, being a citizen of India and a member of the crew of a foreign bound ship leaving India, the period or periods of stay in India, in respect of such voyage, shall not include the period specified in rule 126. As per this rule, the period beginning on the date entered into the Continuous Discharge Certificate in respect of joining the ship by the said individual for the eligible voyage and ending on the date entered into the Continuous Discharge Certificate in respect of signing off by that individual from the ship in respect of such voyage shall not be included in the period of stay in India.

'Continuous Discharge Certificate' shall have the meaning assigned to it in the Merchant Shipping (Continuous Discharge Certificate cum Seafarer's Identity Document) Rules, 2001 made under the Merchant Shipping Act, 1958.

'Eligible voyage' shall mean a voyage undertaken by a ship engaged in the carriage of passengers or freight in international traffic where—

- (i) for the voyage having originated from any port in India, has as its destination any port outside India; and
- (ii) for the voyage having originated from any port outside India, has as its destination any port in India.

1. 'Employment' includes self employment like business or profession taken up by the assessee abroad [(2012) 198 Taxman 1 (Ker.)]
2. Assessee coming back after leaving his job abroad is not a mere 'visit' to India to avail bigger window of 182 days [AAR (Income Tax) vs. Mrs. Smita Panda (2014) 223 Taxman 322/42 taxman.com 336 (AAR—New Delhi)].

**Additional conditions [Sec. 6(6)(a)]**

**Additional conditions :** A resident individual is said to be ordinarily resident in India in any previous year if he satisfies both the following additional conditions :

- (i) he has been **resident in India** [satisfying the basic conditions of section 6(1)] in at least 2 out of 10 previous years preceding the relevant previous year. **2/10**
- (ii) he has been in India for a period or periods amounting in all to more than **729 days** during 7 previous years preceding the relevant previous year. **729/7**

The Act has not directly laid down the conditions to be satisfied by an individual to be 'ordinarily resident in India'. Section 6(6)(a) states that an individual is said to be 'not ordinarily resident' in India in any previous year if—

- (a) he has been non-resident in India in 9<sup>1</sup> out of 10 previous years preceding that year, or
- (b) he has during the 7 previous years preceding that year been in India for a period of, or periods amounting in all to 729 days or less.

It appears from the above that if an individual does not satisfy the abovementioned two conditions he shall be treated as 'ordinarily resident in India'. In other words, an individual will be resident in India in any previous year if he satisfies both the following conditions :

- (i) he has been a resident in India in more than one previous year (i.e., in at least 2 previous years) out of 10 previous years preceding that year; and
- (ii) he has been during the 7 previous years preceding that year in India for a period, or periods amounting in all to more than 729 days (and not 730 days or more as there is a time gap of hours, minutes and seconds between 729 days and 730 days which are relevant for determination of residential status).

**(B) Resident but not ordinarily resident :** An individual is said to be resident but not ordinarily resident in India in any previous year if—

- (i) he satisfies at least one of the two basic conditions as specified in section 6(1); and
- (ii) he satisfies **none (or one)** of the two additional conditions as specified in section 6(6)(a).

**(C) Non-resident :** An individual is said to be non-resident in India in any previous year if he satisfies none of the basic conditions of section 6(1). In this case, test of fulfilment of additional conditions of section 6(6)(a) is not necessary.

□ **Some important points in relation to stay in India :**

1. The stay in India may not be a continuous one. The period of presence in India by the individual is to be counted in aggregate.
2. The place of stay may differ from one visit to another visit or from one night to another night [Levene vs. IRC 13 TC 486 (HL)]. Thus, the period of stay at different places in India during the previous year is to be counted.
3. When a person is in India for a part of a day and outside India for the remaining part, the period of stay is to be calculated by reckoning hours. A total stay of 24 hours spread over two or more days will be reckoned as one full day [Wilkie vs. IRC (1951) 32 CT 495].
4. If time of departure from and arrival in India is not known, both day of departure and day of arrival should be counted as stay in India [Advance ruling P. No. 7 of 1995 : (1997) 223 ITR 462].
5. The intention and the purpose of stay is not material [Mackenzie, Re (1941) Ch 69].
6. A stay by an individual on a yacht moored in the territorial waters of India would be treated as his presence in India [Baryard Brown vs. Burt 5 TC 667].
7. Involuntary stay of a person in India caused by unauthorised impounding of passport shall be excluded [CIT vs. Suresh Nanda (2015) 233 Taxman 4 (Delhi)].

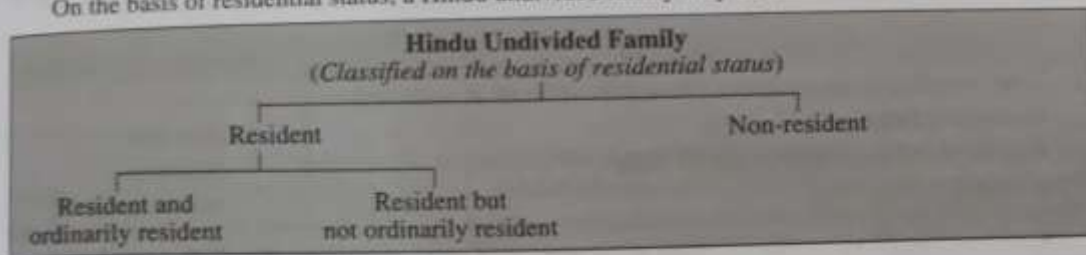
Resident and ordinarily resident	Resident but not ordinarily resident	Non-resident
Must satisfy at least one of the basic conditions and both the additional conditions.	Must satisfy at least one of the basic conditions and one or none of the additional conditions.	Satisfies none of the basic conditions.

1. The words 'at least' should appear before 9 though not mentioned in the Act.



### 3.2.2. Residential status of a Hindu undivided family [Secs. 6(2) & 6(6)(b)]:

On the basis of residential status, a Hindu undivided family may be classified as follows :



The relevant rules are discussed below :

**(A) Resident and ordinarily resident :** A Hindu undivided family is said to be resident in India if control and management of its affairs is, wholly or partly, situated in India [Sec. 6(2)].

A resident Hindu undivided family is said to be ordinarily resident in India if the manager (or Karta) of the family satisfies both the following conditions as specified in section 6(6)(b) :

(i) he has been resident in India in at least 2 out of 10 previous years preceding the relevant previous year ;

(ii) he has been in India for a period or periods amounting in all to more than 729 days during 7 previous years preceding the relevant previous year.

Thus, a Hindu undivided family is resident and ordinarily resident in India in any previous year if —

(a) the control and management of its affairs is, wholly or partly, situated in India and

(b) the manager (or Karta) of the family satisfies both the conditions of section 6(6)(b).

**(B) Resident but not ordinarily resident :** A Hindu undivided family is said to be resident but not ordinarily resident in India in any previous year if —

(i) the control and management of its affairs is, wholly or partly, situated in India, and

(ii) the manager (or Karta) of the family satisfies none (or one) of the conditions of section 6(6)(b).

❑ **Important points in relation to residential status of HUF :**

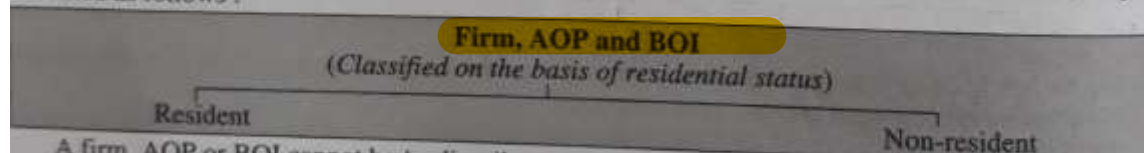
• **Residential status of the manager (or Karta) not relevant :** Residential status of the manager (or Karta) of the HUF is not relevant to determine whether the family is resident or non-resident in India. It depends on the place wherefrom the control and management of the affairs of the family is exercised as follows :

Place of control and management	Resident or Non-resident
If the control and management of the affairs of the HUF is situated—	
• wholly in India	Resident
• partly in India and partly outside India	Resident
• wholly outside India	Non-resident

• **Determination of residential status of manager (or Karta) necessary :** Residential status of manager (or Karta) of the HUF is relevant in order to determine whether a resident HUF is ordinarily resident or not ordinarily resident in India [refer to point 3.2.2(B)].

**3.2.3. Residential status of a firm and other association of persons :**

On the basis of residential status, a firm or other association of persons (i.e., AOP or BOI) may be classified as follows :



A firm, AOP or BOI cannot be 'ordinarily resident' or 'not ordinarily resident'.

The rules for determination of residential status of such assessee are discussed below :

(A) **Resident [Sec. 6(2)] :** A firm or other association of persons is said to be resident in India in any previous year if the control and management of its affairs is, wholly or partly, situated in India during the said previous year.

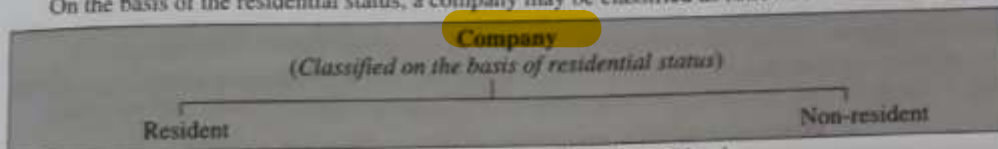
(B) **Non-resident [Sec. 6(2)] :** A firm or other association of persons is non-resident in India in any previous year if during this year the control and management of its affairs is situated wholly outside India.

**Residential status of a firm and  
other association of persons — Picture at a glance**

Place of control and management	Residential status
If the control and management of the affairs of the firm, AOP or BOI is situated—	
• wholly in India	Resident
• partly in India and partly outside India	Resident
• wholly outside India	Non-resident

**3.2.4. Residential status of a company :**

On the basis of the residential status, a company may be classified as follows :



A company cannot be 'ordinarily resident' or 'not ordinarily resident'.

The rules for determination of residential status of a company are discussed below :

(A) **Resident [Sec. 6(3)]** : A company is said to be resident in India in any previous year if —

- it is an Indian company ; or
- its place of effective management, in that year, is in India.

(B) **Non-resident [Sec. 6(3)]** : A company is said to be non-resident in India if—

- it is a foreign company and
- its place of effective management during the relevant previous year is outside India.

**Some important points :**

- An Indian company (refer to Chapter 18 for its definition) is always resident in India.
- A foreign company (refer to Chapter 18) is resident in India if its place of effective management during the relevant previous year is in India.
- The mere fact that a company is resident in a foreign country would not necessarily displace its residence in India.
- The mere fact that a parent company exercises shareholder's influence on its subsidiaries does not generally imply that subsidiaries are to be deemed residents of the State in which the parent company resides [Vodafone International Holdings B.V. vs. Union of India (2012) 204 Taxman 408 (SC)].

• **Place of effective management (POEM) — meaning of :** The place of effective management means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are in substance made [Explanation to section 6(3)].

• **POEM— Guiding principles :** Guiding principles for determining POEM of a company (other than an Indian company) were issued by Circular No. 6 of 2017 on 24-1-2017. It has been clarified by CBDT that the concept of POEM for determining the residential status of a company won't apply to companies having a turnover or gross receipts of less than ₹ 50 crore per annum [Circular No. 8 of 2017 dated 23-02-2017].

**Residential status of a company — Picture at a glance**

Nature of company and place of effective management	Residential status
1. An Indian company (place of effective management is not relevant—resident in all cases)	Resident
2. A company other than an Indian company : If its place of effective management is—	
• in India	Resident
• partly in India and partly outside India	Non-resident
• wholly outside India	Non-resident

### 3.3 Residential status and incidence of tax [Sec. 5] :

According to section 5, total income of an assessee is to be determined with reference to the residential status of such assessee. Chargeability of income to tax on the basis of residential status is discussed below :

(A) **Incidence of tax in case of resident (and ordinarily resident) assessee [Sec. 5(1)]**: The total income of any previous year of a resident assessee includes all income from whatever source derived which —

- (i) is received or is deemed to be received in India in such year by or on behalf of such person ; or
- (ii) accrues or arises or is deemed to accrue or arise to him in India during such year ; or
- (iii) accrues or arises to him outside India during such year.

(B) **Incidence of tax in case of not ordinarily resident assessee [Sec. 5(1)]**: A resident but not ordinarily resident assessee is liable to tax in any previous year in respect of all income which —

- (i) is received or is deemed to be received in India in such year by or on behalf of such person ; or
- (ii) accrues or arises or is deemed to accrue or arise to him in India during such year ; or
- (iii) accrues or arises to him outside India from a business controlled in or a profession set up in India.

(C) **Incidence of tax in case of non-resident assessee [ Sec. 5(2)]** : A non-resident assessee is assessable to tax in any previous year in respect of all income which —

- (i) is received or is deemed to be received in India in such year by or on behalf of such person ; or
- (ii) accrues or arises or is deemed to accrue or arise to him in India during such year.

● **Clarification regarding taxability of salary of a non-resident seafarer** : The Board has clarified that salary accrued to a non-resident seafarer for services rendered outside India on a foreign going ship (with Indian flag or foreign flag) shall not be included in the total income merely because the said salary has been credited in NRE Account maintained with an Indian Bank by the seafarer [Circular No. 13/2017 (F.No. 500/07/2017-FT & TR-V) dated 11-4-2017].



## Residential status and incidence of tax in India — Picture at a glance

Cases	Resident and ordinarily resident	Not ordinarily resident (applicable only if the assessee is an individual or a HUF)	Non-resident
1. Income received or deemed to be received in India (whether accrued in or outside India)	Taxable	Taxable	Taxable
2. Income accrues or arises or is deemed to accrue or arise in India (whether received in or outside India)	Taxable	Taxable	Taxable
3. Income accrues or arises or is deemed to accrue or arise outside India (also received outside India) and			
□ If such income accrues or arises from a business which is partly or wholly controlled from India	Taxable	Taxable	Not Taxable
□ If such income accrues or arises from a business which is wholly controlled from outside India	Taxable	Not Taxable	Not Taxable
□ If such income accrues or arises from profession which is set up in India	Taxable	Taxable	Not Taxable
□ If such income accrues or arises from profession which is set up outside India	Taxable	Not Taxable	Not Taxable
□ If such income accrues or arises from sources other than business or profession (e.g., salary, interest, etc.).	Taxable	Not Taxable	Not Taxable

Solution :

## Computation of regular tax liability of Mr. X for the assessment year 2020-21

	₹	₹
Income from salaries		8,50,000
Income from business (before giving exemption under section 10AA)		78,23,000
Long term capital gains		2,00,000
Income from royalty		9,78,000
Gross total income		98,51,000
Less: Deduction under section 80C	1,00,000	
Deduction under section 80G	52,500	
Deduction under section 80QQB	3,00,000	4,52,500
Total income (before giving exemption under section 10AA)		93,98,500
less: Exemption under section 10AA		52,00,000
Total income		41,98,500
• Tax liability		40,000
Tax on long-term capital gains (20% of ₹ 2,00,000)		10,12,050
Tax on balance of total income of ₹ 39,98,500 at normal rates of tax		10,52,050
Tax on total income		42,082
Add: Health and Education Cess @ 4%		10,94,130
Tax liability (rounded off)		

## Tax liability under AMT provisions

	₹
Total income	41,98,500
Add: Deduction claimed under section 10AA	52,00,000
Add: Deduction claimed under section 80QQB	3,00,000
Adjusted total income	96,98,500
Alternate minimum tax (21.164% of ₹ 96,98,500)	20,52,590

Tax liability of Mr. X for the assessment year 2020-21 is ₹ 20,52,590 [Higher of regular tax liability (₹ 10,94,130) and alternate minimum tax (₹ 20,52,590)].

Mr. X is entitled to AMT credit of ₹ 9,58,460 (excess of AMT over regular tax liability) to be carried forward for set off in the next year.

## Example-2 : Set off of AMT credit

X & Co., a limited liability partnership, furnishes the following particulars for the previous years 2018-19 and 2019-20. Calculate its tax liability for these years.

Previous year	Total income as per the normal provisions of the I. T. Act	'Adjusted total income' as per section 115JC(2)
2018-19	₹ 12,35,200	₹ 28,45,000
2019-20	₹ 21,27,500	₹ 30,38,000

Solution :

## Tax liability for the assessment year 2019-20

Tax liability of X & Co. for the assessment year 2019-20 is the higher of the following two sums:

- (a) Regular income tax (including cess) i.e., tax on ₹ 12,35,200 (@31.2%) i.e., ₹ 3,85,380.

- (b) Alternate Minimum Tax (including cess) i.e., 19.24% of ₹ 28,45,000 i.e., ₹ 5,47,660

As AMT is higher than regular income tax, tax liability of X & Co. for the assessment year 2019-20 is ₹ 5,47,660 (i.e. AMT).

However, X & Co. is entitled to AMT credit of ₹ 1,62,280 (excess of AMT over regular income tax) to be carried forward to the next year for set off.

## Tax liability for the assessment year 2020-21

- (a) Regular income tax (including cess) i.e., 31.2% of ₹ 21,27,500 i.e., ₹ 6,63,790.

(b) Alternate Minimum Tax i.e., 19.24% of ₹ 30,38,000 i.e., ₹ 5,84,510.

As regular income tax is more than AMT by ₹ 79,280, AMT credit brought forward from the assessment year 2019-20 can be set off to the extent of ₹ 79,280. The balance of AMT credit of ₹ 81,150 (₹ 1,60,430 – ₹ 79,280) shall be carried forward to the next year for set off.

Therefore, tax liability of X & Co. for the assessment year 2020-21 is ₹ 5,84,510 [Regular income tax (being higher than AMT) ₹ 6,63,790 (–) AMT credit brought forward from the last year to the extent of ₹ 79,280].

Finance Act of the relevant year. 42.744% (Income-tax @ 30% + Surcharge @ 37% + Health and Education cess @ 4% of the tax and surcharge).

• **Minimum Alternate Tax (MAT)** : MAT is applicable only in case of computing tax liability of a company. Tax credit in respect of tax paid under MAT under section 115JAA is also to be considered for this purpose.

• **Alternate Minimum Tax (AMT)** : AMT is applicable in case of computing tax liability of a non-corporate assessee in certain cases (refer to point 2.10.4)

#### 2.10.4 Alternate Minimum Tax (AMT) [Secs. 115JC to 115JF] :

The provisions of AMT are discussed below :

• **Persons covered under AMT [Sec. 115JEE]** : The following persons are covered under AMT :

Persons covered	Conditions when AMT provisions would be applicable
1. Limited liability partnership	If the assessee has claimed any deduction under— (a) sections 80-1A to 80RRB (except section 80P); or (b) section 10AA ; or (c) section 35AD
2. Any other firm	Same conditions as discussed above
3. Individual, HUF, AOP, BOI and artificial juridical persons	(a) If the assessee has claimed any deduction under sections 80-1A to 80RRB (except under section 80P) or section 10AA or section 35AD ; and (b) 'Adjusted total income' of such person exceeds Rs. 20 lakh (for meaning of 'adjusted total income' refer to discussion below)
4. Any other person (other than a company)	Same conditions as discussed in case of a 'limited liability partnership'

• **Meaning of 'adjusted total income' [Sec. 115JC(2)]** : 'Adjusted total income' shall be the total income as increased by—

(a) deductions claimed, if any, under sections 80-1A to 80RRB (except under section 80P) and



(b) deduction claimed, if any, under section 10AA, and

(c) deduction claimed, if any, under section 35AD as reduced by the amount of depreciation allowable in accordance with the provisions of section 32 as if no deduction under section 35AD was allowed in respect of the assets on which the deduction under that section is claimed.

• **Alternate Minimum Tax (AMT) [Sec. 115JF(b)]** : Alternate Minimum Tax shall be computed on 'adjusted total income' @ 18.5%\* (plus SC, if applicable + Health and Education cess).

• **Tax liability under AMT provisions** : Tax liability of the abovementioned assessee for any previous year shall be the higher of the following sums :

(a) Tax (including cess) under the normal provisions of the Income-tax Act (i.e., regular income tax);

(b) Alternate Minimum Tax (i.e., 18.5% (or 9% as the case may be) + SC, if applicable + H & EC @ 4% of 'tax including surcharge').

• **Tax credit for AMT [Sec. 115JD]** : The provisions of tax credit are discussed below :

(a) If in any assessment year alternate minimum tax paid by the assessee is more than regular income tax payable of that year, the assessee shall be allowed for tax credit in respect of the excess tax paid. The maximum amount of tax credit is the excess of alternate minimum tax paid over the regular income-tax payable.

However, where the amount of tax credit in respect of any income-tax paid in any country or specified territory outside India under section 90/90A/91, allowed against the alternate minimum tax payable exceeds the amount of tax credit admissible against the regular income-tax payable by the assessee, such excess amount shall be ignored for the purpose of computing the amount of tax credit. (applicable w.e.f. the A.Y. 2018-19).

(b) Such tax credit shall be carried forward for set off for a maximum period of 15 assessment years (10 assessment years up to the assessment year 2017-18) immediately succeeding the assessment year for which tax credit becomes available.

(c) In any assessment year in which the regular income tax exceeds the alternate minimum tax, tax credit shall be allowed to be set off to the extent of the regular income-tax over the alternate minimum tax and the balance of the tax credit if any, shall be carried forward for next year for set off. However, if the regular income-tax or alternate minimum tax is reduced or increased as a result of any order passed under this Act, the amount of tax credit allowed shall also be varied accordingly.

(d) No interest shall be allowed on tax credit.

(e) If provisions of AMT are applicable, the assessee will have to obtain a report in Form No. 29C from a Chartered Accountant.

#### Example-1 : Application of AMT provisions

Mr. X (a resident individual aged 56 years) furnishes the following particulars for the previous year 2019-20 :

(a) Income from salaries (computed)	₹
(b) Income from business (computed) without giving effect of exemption under section 10AA (amount of exemption ₹ 52,00,000)	8,50,000
(c) Income from royalty on books	78,23,000
(d) Long-term capital gains on sale of jewellery	9,78,000
(e) Deduction under section 80C	2,00,000
(f) Deduction under section 80G	1,00,000
(g) Deduction under section 80QQB	52,500
Compute tax liability of Mr. X for the assessment year 2020-21.	3,00,000

\* Income-tax rate is 9% (instead of 18.5%), where the person (covered under this section) is a unit located in an International Financial Services Centre and derives its income solely in convertible foreign exchange.



28/4

### Incomes Exempt from tax

- Q.1 X, an Indian Citizen, left India for the first time on 20/5/2019 and came back for a period of 15 days on Feb-2, 2020. Determine his residential status for the AY 2020-21. Does it make any difference —
- if X is not an Indian Citizen.
  - If X stays at a different place where he normally resides during his stay in February, 2020 in India?

Sol

Ay = 2020-21  
Py = 2019-20.

20/5/2019 - left India for first time.

Jan - 31  
Feb - 28  
Mar - 31  
Apr - 30  
May - 31

April = 30  
May = 20  
Feb = 15

65 days.

### Basic Condition

1. Satisfies the 2nd condition of the Basic Condition i.e. stays 60 days in the immediately preceding PY and 365 days in the four preceding previous years, and

He satisfied BOTH additional conditions, as he leaves India for the first time on 20/5/2019.

Therefore, X is resident and ordinarily resident for the A.Y. 2020-21.

- (ii) The stay of X at different places in India, ~~not~~ during the previous year is to be counted and as such his residential status will remain the same even if he stays at a place different from the place where he normally resides.

Q2

State what will be the residential status under the Income-tax Act, 1961 of the following person for the A.Y. 2020-21, giving reasons for your answer:-  
 Mr. H. came to India from England on June 30, 2013. He stayed in India without break for 3 years and left for Germany on July 1, 2016. He returned to India on 1/4/2017 and remained in India till 31/7/2018. On August 1, 2018, he went to U.S.A. where he was employed in a mercantile firm at a salary of Rs 40,000 p.m. He was transferred to and joined the Indian branch of the same firm on January 1, 2020 on the same salary and remained in India till March 31, 2020.

Soln.

A.Y. = 20-21  
 P.Y. = 19-20

Jan - 31  
 Feb - 29  
 March - 31

91 days (in previous year)

So, first condition of the Basic condition not satisfied

2nd condition 60 days in 18-19 + 365 days in the immediately preceding four pre. year

18-19 = April + May + June + July = (30 + 31 + 30 + 31) = 122 days  
 17-18 = 1/4/2017 - 31/3/2018 = 365 days

16-17 = April + May + June = (30 + 31 + 30) = 91 days

15-16 = 366 days

14-15 = X

Mr. H. satisfies both additional conditions of Section 6(b)(a).

(a) Resident in two out of four immediately P.Y. and

(b) Stays for 729 days in the preceding 7 P.Y.

Q3.

Mr. S, a resident of U.S.A. came to India for the first time on May 1, 2013. He stayed here without any break for 3 years and left for South Africa on May 1, 2016. He returned to India on April 2017 and went back to U.S.A on December 1, 2017. He was called back to India on January 20, 2020 and is still here. Determine his residential status for the A.Y. 2020-21.

Calculation

Apr = 20-21	Jan = 20
Apr = 19-20	Feb = 29
	March = 31
	<u>60 days</u>

He stays in India for 60 days in P.Y. 19-20.

In the preceding A.P.Y.

18-19 =	nil
17-18 =	April + May + June + July + Aug + Sept + Oct + Nov + Dec = 295
16-17 =	April <del>2016</del> <del>2017</del> = 30 days
15-16 =	366 days

i.e. he stays 60 days in the immediately P.Y. and more than 365 days in the immediately 1 P.Y.

and he satisfies both the additional condition:-

(a) He is a resident for 2/10 immediately P.Y. and

(b) He is in India for more than 729 days in the preceding seven previous years.

**Problem - 23 :**

Compute gross total income of Smt. Saha from the following particulars of income as furnished by her for the previous year 2019-20 if she is a (a) resident but not ordinarily resident and (b) non-resident for the given previous year

- Dividend from Australian company received therein ₹ 50,000.
- Agricultural income from Nepal but received in India ₹ 1,20,000.
- Pension from a former employer in India received in Bangladesh ₹ 2,00,000.
- Profit from a business in Thailand ₹ 2,50,000 and 40% received in India. The business is controlled from India.

[C.U. B.Com. (Hons.), 2016—Adapted]

**Solution :**

*Computation of gross total income of Smt. Saha  
for the assessment year 2020-21*

Particulars of income	Resident but not ordinarily resident (₹)	Non-resident (₹)
(i) Dividend from Australian company received therein— income accrued and received outside India → ?	Nil	Nil
(ii) Agricultural income from Nepal but received in India— income accrued outside India but received in India ✓	1,20,000 ✓	1,20,000 ✓
(iii) Pension from a former employer in India received in Bangladesh— income accrued in India	2,00,000 ✓	2,00,000
(iv) Income from a business in Thailand, the business is controlled from India (40% received in India)	2,50,000	1,00,000
	5,70,000	4,20,000

section 56(2)(X)  
Gross total income

**Problem - 25 :**

From the following information, compute the taxable income of Shri Amiyo Roy Choudhury for the assessment year 2020-21, assuming that Shri Roy Choudhury is a (i) resident but not ordinarily resident and (ii) non-resident.

- Remuneration for consultancy services rendered in Italy ₹ 30,000 but received in India.
- Income from business in Ireland and received in Ireland ₹ 65,000. The business is, however, controlled from India.
- Pension for services rendered in India but received in Israel ₹ 25,000.
- Interest on deposit in a local bank in Indonesia and received in Indonesia ₹ 20,000.

[C.U., B.Com. (Hons.), 1998—Adapted]



Solution :

Computation of taxable income of Shri Amiyo Roy Choudhury  
for the assessment year 2020-21

Particulars of income	Not ordinarily resident (₹)	Non-resident (₹)
(a) Remuneration for consultancy services rendered in Italy but received in India—Income accrued outside India but received in India	30,000	30,000
(b) Income from business in Ireland and received in Ireland—Income accrued outside India from a business controlled from India and received outside India	65,000	Nil
(c) Pension for services rendered in India but received in Israel—Income accrued in India—taxable subject to standard deduction under section 16(ia)	Nil	Nil
(d) Interest on deposit in a local bank in Indonesia and received in Indonesia—Income accrued and received outside India	Nil	Nil
Taxable income	95,000	30,000

## Problem - 26 :

Examine the tax liability, if any, in the following cases :

**Incomes which are exempted from tax****Semester-4****Taxation-1****Agriculture Income [Section 10(1)]**

As per section 10(1), agricultural income earned by the taxpayer in India is exempt from tax. Agricultural income is defined under section 2(1A) of the Income-tax Act. As per section 2(1A), agricultural income generally means:

- Any rent or revenue derived from land which is situated in India and is used for agricultural purposes.
- Any income derived from such land by agriculture operations including processing of agricultural produce so as to render it fit for the market or sale of such produce.
- Any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A). Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

**2. Any sum received by a Co-parcener from Hindu Undivided Family (H.U.F.) [Section 10(2)]**

As per section 10(2), amount received out of family income, or in case of impartible estate, amount received out of income of family estate by any member of such HUF is exempt from tax.

*Example-1.* HUF earned ₹. 5,00,000 during the previous year and paid tax on its income. Mr. A, a co-parcener is an employee and earns a salary of ₹.20,000 p.m. During the previous

year Mr. A also received ₹.1,00,000 from HUF. Mr. A will pay tax on his salary income but **any sum of money received from his HUF is not chargeable to tax in Mr. A's hands.**

*Example-2.* HUF earned ₹.90,000 during the previous year 2016-17 and it is not chargeable to tax. Mr. A, a co-parcener is earning individual income of ₹. 20,000 p.m. Besides his individual income, Mr. A receives ₹.30,000 from his HUF.

Mr. A will pay tax on his individual income but **any sum of money received by him from his HUF is not chargeable to tax in** the hands of co-parcener whether the HUF has paid tax or not on that income.

### 3. Share of Income from the Firm [Section 10(2A)]

As per section 10(2A), share of profit **received by a partner from a firm is exempt from tax** in the hands of the partner. Further, share of profit received by a partner of LLP from the LLP will be exempt from tax in the hands of such partner. This exemption is limited only to share of profit and does not apply to interest on capital and remuneration received by the partner from the firm/LLP.

### 4. Interest paid to Non-Resident [Section 10(4)(i)]

As per section 10(4)(i), in the case of a non-resident any income by way of interest on certain **notified securities or bonds** (including income by way of premium on the redemption of such bonds) is **exempt from tax.**

As per section 10(4)(ii), in the case of an individual, any income by way of interest on money standing to his credit in a Non-Resident (External) Account in any bank in India in accordance with the Foreign Exchange Management Act, 1999, and the rules made thereunder is exempt from tax.

Exemption under section 10(4)(ii) is available only if such individual is a person resident outside India as defined in clause (q) of section 2 of the said Act or is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid Account.

### 5. Interest to Non-Resident on Non-Resident (External) Account [Section 10(4)(ii)]

Any income by way of interest on moneys standing to his credit in a **Non-Resident (External) Account in any bank in India shall be exempt from tax in case of an individual who is a person resident outside India or** is a person who has been permitted by the RBI to maintain the aforesaid account. The person residing outside India shall have the same meaning as defined under Foreign Exchange Regulation Act, 1973, FEMA, 1999. This exemption shall not be available on any income by way of interest paid or credited on or after 1-4-2005.

## 6. Interest paid to a person of Indian Origin and who is Non-Resident [Section 10(4 B)]

In case of an individual, being a citizen of **India or a person of Indian origin, who is nonresident**, any income from interest on such savings certificates issued by the Central Government, as Government may specify in this behalf by notification in the Official Gazette, shall be fully exempt. The exemption under this section shall not be allowed on bonds or securities issued on or after 1-6-2002.

**This exemption shall be allowed only if the individual has subscribed to such certificates in Foreign Currency** or other foreign exchange remitted from a country outside India in accordance with the provisions of the Foreign Exchange Act, 1973, FEMA, 1999 and any rules made there under.

For this purpose, a person shall be deemed to be of Indian origin if he or either of parents or any of his grandparents, was born in India or in undivided India.

## 7. Leave Travel Concession or Assistance (LTC/LTA) to an Indian Citizen Employee [Section 10(5)]

The employee is entitled to exemption under section 10(5) in respect of the value of travel concession or assistance received by or due to him from his employer or former employer for himself and his family, in connection with his proceeding—

- a. on leave to any place in India.
- b. to any place in India after retirement from service or after the termination of his service.

*The exemption shall be allowed subject to the following:*

- i. where journey is performed by air — Maximum exemption shall be an amount not exceeding the air economy fare of the National Carrier by the shortest route to the place of destination;
- ii. where places of origin of journey and destination are connected by rail and the journey is performed by any mode of transport other than by air — Maximum exemption shall be an amount not exceeding the air-conditioned first class rail fare by the shortest route to the place of destination; and
- iii. where the places of origin of journey and destination or part thereof are not connected by rail and the journey is performed between such places — The amount eligible for exemption shall be:
  - A. where a recognised public transport system exists, **an amount not exceeding the 1st class or deluxe class fare**, as the case may be, on such transport by the shortest route to the place of destination; and
  - B. where no recognised public transport system exists, an amount equivalent to **the airconditioned first class rail fare**, for the distance of the journey by the shortest route, as if the journey had been performed by rail.

*Exemption will, however, in no case exceed, actual expenditure incurred on the performance of journey.*

#### HOW MANY TIMES CAN EXEMPTION BE CLAIMED?

- The assessee can claim exemption in respect of any two journeys in a block of 4 years. For this purpose, the first block of 4 years was calendar years 1986-89, second block was 1990-93, third block was 1994-97, fourth block was 1998-2001, fifth block was 2002-05 sixth block was 2006-09, seventh block is 2010 to 2013, eighth block is 2014-2017 and ninth block will be 2018-2021.
- If the assessee has not availed of the exemption of LTC in a particular block, whether for both the journeys or for one journey, he can claim the exemption of first journey in the calendar year immediately succeeding the end of the block of four calendar years. In other words, maximum one journey can be carried forward and that too only for the first journey in the following calendar year unless the period is otherwise extended. Such journey undertaken during the extended period will not be taken into account for determining the tax exemption of two journeys for the succeeding block.

#### Exemption available only in respect of two children

The exemption relating to LTC shall not be available to more than **two surviving children** of an individual after 1.10.1998.

Exception: The above rule will not apply in respect of children born before 1.10.1998 and also in case of multiple birth after one child.

#### IMPORTANT NOTES :

1. *In case the LTC is encashed without performing the journey, the **entire amount received by the employee would be taxable.***
2. *Family for this purpose includes:*
  - a. *the spouse and children of the employee;*
  - b. *parents, brothers & sisters of the employee, who are wholly or mainly dependent upon him.*
3. ***The exemption can be availed for the journey undertaken while on leave during the tenure of service or even after retirement/termination** from service.*
4. *The exemption is allowed only in respect of fare. Expenses incurred on portage, conveyance from residence to the railway station/airport/bus stand and back, boarding and lodging or expenses during the journey will not qualify for exemption.*
5. *Exemption is available in respect of shortest route. Where the journey is performed from the place of origin to different places in a circular form or in any other manner, the exemption for that journey will be limited to what is*



*admissible for the journey from the place of origin to the farthest point reached, by the shortest route.*

## 8. Remuneration or Salary received by an individual who is not a citizen of India [Section 10(6)]

The following incomes are exempt when received by an individual who is not a citizen of India:

### (i) Remuneration [U/s 10(6)(ii)].

- a. The remuneration received by an ambassador or other officials of the Embassy, High Commission or Legation of a foreign State in India.
- b. The remuneration by a consular officer of a foreign State in India.
- c. The remuneration received by a trade commissioner or other official representative in India of a foreign State, provided corresponding officials of the Government of India in that country are given a similar concession.
- d. The remuneration received by a member of the staff of any of the officials referred to in (a), (b) and (c) above.

If the person mentioned above in (a) to (d) is a subject of the country represented, is not engaged in any business, profession or employment in India (otherwise than as a member of such staff), and the country represented gives similar concession to the members of the staff of corresponding officials of the Government of India.

### (ii) Remuneration received by him as an employee of foreign enterprise [U/s 10(6)(vi)]

(e.g., technician deputed by a foreign firm to work in India), for service rendered by him during his stay in India provided the following conditions are fulfilled—

1. the foreign enterprise is not engaged in any trade or business in India ;
2. his stay in India does not exceed in the aggregate a period of 90 days in such previous year ; and
3. such remuneration is not liable to be deducted from the income of the employer chargeable under the Act.

### (iii) Employment on a foreign ship [U/s 10(6)(viii)].

Any income chargeable under the head “Salaries” received by or due to any such individual being a non-resident, as remuneration for service rendered in connection with his employment on a foreign ship where his total stay in India does not exceed in the aggregate of a period of 90 days in the previous year.

(iv) Remuneration received by an employee of foreign govt. during his stay in India for his training in India [U/s 10(6)(xi)].

Such remuneration shall be fully exempted if he is taking training in any of the following concern :

- a. Institution owned by govt
- b. A company wholly owned by Central or State govt. or partly owned by Central and partly by State govt
- c. A subsidiary Co. of company referred at point (b) above
- d. Any corporation established by or under Central, State or Provincial Act
- e. Any society registered under Societies Registration Act; 186Q and which is wholly financed by Central or State govt.

## 9. Tax paid by Government or Indian concern on Income of a Foreign Company [Section 10(6A), (6B), (6BB) and (6C)]

(6A) :

1. Where a foreign company renders technical services to Government of India or to a State Government or to an Indian enterprise and for such services a foreign company is paid income by way of royalty or fees.
2. Such fees or royalty is paid by an India concern in pursuance of an agreement entered into before 1-6-2002 and such agreement is approved by Government of India and it is in accordance with the Industrial Policy of the Government of India.
3. Since royalty or fees paid to a foreign company accrues in India, so such income is liable to be taxed in India and as per agreement the payer of income in India pays tax liability of the foreign company.
4. Tax so paid by Government of India or a State Government or an Indian enterprise will be exempted i.e., it will not be grossed up with the income of the foreign company.

**Example.** A foreign company renders technical services to an Indian company and as per agreement, foreign company is to be paid a fees of Rs. 1,00,000. Tax of Rs. 30,000 on such fees is also paid by the Indian company. Tax paid by Indian company will be exempt and so it will not be grossed up with the income of the foreign company and such foreign company's income will be only Rs. 1,00,000.

(6B) :

The tax liability of a non-resident (Not being a company) or a foreign company if paid by an Indian concern or Government of India or a State Government the same will be exempted and so will not be grossed up with the income of the foreign entity.

(6BB) :

Tax paid on income received by foreign government or a foreign enterprise on leasing aircraft.

In case any income is received by a foreign government or a foreign enterprise from an Indian company which is engaged in the operation of aircraft and such income is by way of consideration of acquiring an aircraft or an engine of aircraft (other than payment for providing spares or services in connection with the operation of leased aircraft) on lease under an agreement entered into after 31-3-1996 but before 1-4-2007 and approved by the Central Government in this behalf, and the tax on such income is payable by such Indian company under the terms of agreement, the tax so paid shall be fully exempted.

This benefit shall be available only to that foreign enterprise which is non-resident.

(6C) :

Any income derived by a foreign company (so notified by Central govt.) by way of royalty or fees for technical services under an agreement for providing services in or outside India in projects connected with security of India shall be fully exempted.

## 10. Perquisites and Allowances paid by Government to its Employees **serving outside India** [Section 10(7)]

Any allowances or perquisites paid or allowed, as such, outside India by the Government to a citizen of India, for rendering services outside India, are exempt.

The following conditions have to be satisfied before such income is treated as deemed to accrue or arise in India:

- i. Income should be chargeable under the head 'Salaries';
- ii. The payer should be Government of India;
- iii. The recipient should be an Indian citizen — whether Resident or Non-Resident;
- iv. The services should be rendered outside India.

While salary of Indian citizen in the above case shall be deemed to accrue or arise in India but all allowances or perquisites paid outside India by the Government to the above Indian citizens for their rendering services outside India are exempt under section 10(7).

## 11. Employees of Foreign Countries working in India under Cooperative Technical Assistance Programme [Section 10(8)]

The persons who are working in India under co-operative technical assistance programmes in accordance with an agreement entered into by the Central Government and the Government of a foreign State, the following incomes of such individuals shall be exempt provided the terms of agreements provide for such exemption

1. the remuneration received by him directly or indirectly from the Government of the foreign State for such duties rendered in India ; and

2. any other income of such individual which accrues or arises outside India and is not deemed to accrue or arise in India, in respect of which individual is required to pay any income or social security tax to the Government of that foreign State.

## 12. Income of a Consultant [Section 10(8A)]

Any remuneration or fee received by a consultant from an international organisation who derives its fund under technical assistance grant agreement between such organisation and the Foreign Government, and any other income accruing or arising to him outside India (which is not deemed to accrue or arise in India) and which is subject to income-tax or social security tax in foreign country, shall be fully exempted. The agreement of the service of consultant must be approved by the competent authority. The consultant means :

1. an individual who is (a) not a citizen of India; or (b) if citizen but is not ordinarily resident in India ; or
2. any person who is non-resident ; and is rendering technical services in India in connection with any technical assistance programme or project.

### *Conditions laid down for Tax Exemption U/s 10(8A)*

- A. The fees or remuneration is paid for technical services rendered in India under the technical assistance programme or project.
- B. The sum is paid directly or indirectly out of funds made available to international organization as per agreement between such organization & government of foreign state.
- C. The technical assistance provided is in accordance with such agreement.
- D. Any agreement for appointment of consultant shall have to be approved by the authorities prescribed.
- E. Any other income which accrues or arises outside India is subjected to any income or social security tax in other state.

## 13. Income of Employees of Consultant [Section 10(8B)]

In case of an individual who is assigned duties in India under technical assistance programme—

1. the remuneration received by him directly or indirectly from any consultant as referred u/s 10 (8A) above and
2. any other income accruing or arising to him outside India (which is not deemed to accrue or arise in India) and which is subject to income-tax or social security tax in foreign country. shall be fully exempted provided
3. such individual is not a citizen of India ; or
4. if citizen but is not ordinarily resident and



5. the contract of service is approved by the competent authority.

***Conditions laid down for Tax Exemption U/s 10(8B)***

- A. The individual should be an employee of consultant referred to in clause 8A above.
- B. His contract of service is approved by the prescribed authority.
- C. The remuneration is received in connection with technical assistance programme referred to in clause 8A.
- D. Any other income which accrues or arises outside India is subjected to any income or social security tax in other state.

*The prescribed authority for clauses 8A & 8B are :  
The Additional Secretary, Department of Economic Affairs in Ministry of Finance,  
Government of India, in concurrence with members CBDT*

## 14. Income of any member of the family of individuals working in India under co-operative technical assistance programmes [Section 10(9)]

As per section 10(9), the income of any member of the family of any such individual as is referred to in section 10(8)/(8A)/(8B) accompanying him to India, which accrues or arises outside India and is not deemed to accrue or arise in India, in respect of which such member is required to pay any income or social security tax to the Government of that foreign State or country of origin of such member, as the case may be, is exempt from tax.

## 15. **Gratuity [Section 10(10)]**

Gratuity is a payment made by the employer to an employee in appreciation of the past services rendered by the employee. Gratuity can either be received by:

- (a) the employee himself at the time of his retirement; or
- (b) the legal heir on the event of the death of the employee.

Gratuity received by an employee on his **retirement is taxable under the head "Salary"** whereas gratuity received by the legal heir of the deceased employee shall be taxable under **the head "Income from other sources"**. However, in both the above cases, according to section 10(10) gratuity **is exempt upto a certain limit**. Therefore, in case gratuity is received by employee, salary would include only that part of the gratuity which is not exempt under section 10(10).

### A. Death-cum-retirement gratuity received by Government servants [Section 10(10)(i)]

Section 10(10)(i) grants exemption to gratuity received by Government employee (i.e., Central Government or State Government or local authority).

## B. Gratuity Received by a Non-Government Employee covered by Payment of Gratuity Act, 1972 [Section 10(10)(ii)]

Minimum of the following 3 limits:  
 (1) Actual gratuity received, or  
 (2) 15 days salary for every completed year, or part thereof exceeding six months 7 days salary for each season in case of employee in seasonal establishment; or  
 (3) ₹. 10,00,000

Meaning of Salary:  
 (i) Basic salary plus dearness allowance.  
 (ii) Last drawn salary. Average salary for preceding 3 months in case of piece rates employees  
 (iii) No. of days in a month to be taken as 26

## C. Any other Employee

Minimum of the following 3 limits:  
 (1) Actual gratuity received  
 (2) Half months average salary of each completed year of service.  
 (3) ₹. 10,00,000

Meaning of Salary:  
 (i) Basic Salary plus D.A. to the extent the terms of employment so provide Commission, if fixed percentage of turnover.  
 (ii) Average salary of last 10 months preceding the month in which event occurs.  
 (iii) Only completed year of service is to be taken.

1. Where an employee had received gratuity in any earlier year(s) and had claimed exemptions under section 10(10) in respect of the gratuity received earlier also, he will still be entitled to this exemption but the limit which at present is ₹. 10,00,000 shall be reduced by the amount of exemption(s) availed in the earlier year(s). There will be no change in the other two limits.
2. The words "completed service" occurring in section 10(10) should be interpreted to mean an employee's total service under different employers including the employer other than the one from whose service he retired, for the purpose of calculation of period of years of his completed service, provided he was not paid gratuity by the former employer. CIT v P.M. Mehra (1993) 201 ITR 930 (Bom).
3. Any gratuity paid to an employee, while he continues to remain in service with the same employer is taxable under the head "Salaries" because gratuity is exempt only on retirement or on his becoming incapacitated or on termination of his employment or death of the employee. In this case, however the assessee can claim relief under section 89.
4. The CBDT vide its instruction in F. No. 194/0/73-IT, dated 19.6.1973 has clarified that the expression "termination of employment" would cover an employee who has resigned from the service.

## 16. Commuted value of Pension Received [Section 10(10A)]

<i>Govt. employees, employees of local authorities and employees of statutory corporations</i>	<i>Any other employee</i>
<b>Fully Exempt</b>	<p>(a) If gratuity is not received Commuted value of <b>half of pension</b> which he is normally entitled to receive.</p> <p>(b) If gratuity is also received Commuted value of <b>1/3rd of pension</b> which he is normally entitled to receive.</p>
<p>Pension received by the employee is taxable under the head "Salaries". However, the family pension received by the legal heirs after the death of the employee is taxable in the hands of the legal heir under the head "Income from other sources" because in this case there is no relationship of employer and employee. Treatment of family pension is discussed in detail under the head 'Income from other sources'.</p>	

## 17. Amount received as Leave Encashment on Retirement [Section 10(10AA)]

<i>Govt. employee i.e. Central and State Govt. employees</i>	<i>Any other employee</i>
<b>Fully Exempt</b>	<p><b>Minimum</b> of the following four limits:</p> <ol style="list-style-type: none"> <li>1. Leave encashment actually received; or</li> <li>2. 10 months average salary; or</li> <li>3. Cash equivalent of un-availed leave calculated on the basis of maximum 30 days leave for every year of actual service rendered; or</li> <li>4. ₹.3,00,000</li> </ol>
<p><i>Meaning of salary :</i></p> <ol style="list-style-type: none"> <li>1. <b>Basic salary plus D.A.</b> to the extent the terms of employment so provide plus Commission, if fixed percentage of turnover.</li> <li>2. Average salary of last 10 months immediately proceeding the date of retirement.</li> </ol>	

## 18. Retrenchment Compensation received by Workmen [Section 10(10B)]

Any compensation received by a workman at the time of his retrenchment, under the Industrial Disputes Act, 1947 or under:

1. any other Act or rules or any order or notification issued there under; or
2. any standing order; or
3. any award, contract of service or otherwise,

shall be exempt to the extent of minimum of the following limits:

1. Actual amount received;
2. 15 days' average pay for every completed year of service or part thereof in excess of 6 months;
3. Amount specified by the Central Government, i.e. ₹. 5,00,000.

Compensation received in excess of the aforesaid limit is taxable and would, therefore, form part of Gross Salary. However, the assessee shall be eligible for relief under section 89 read with rule 21A.

1. Where retirement compensation is received by a workman in accordance with any scheme which the Central Government having regard to the need for **extending special protection to the workman** in the undertaking to which such scheme applies, has approved in this behalf, the entire amount of compensation so received shall be exempt under section 10(10B).
2. Where retrenchment compensation received by a workman exceeds the amount which qualifies for exemption under the new clause, he will be entitled to relief under section 89 read with rule 21A of the Income-tax Rules, in respect of such excess.

## 19. Payment received under **Bhopal Gas Leak Disaster** (Processing of Claims) Act 1985 [Section 10 (10BB)]

Any amount received under the provision of such Act or any scheme framed there under shall be fully exempted but in case payment is received against a loss or damage, for which deduction has been claimed earlier, it shall be taxable.

## 19. Compensation received in case of any disaster [Section 10(10BC) ]

Any amount received from the Central Government or State Government or a Local Authority by an individual or his legal heirs as compensation on account of any disaster is exempt from tax. However, no deduction is available in respect of the amount received or receivable to the extent such individual or his legal heirs has been allowed a deduction under the Act on account of loss or damage caused due to such disaster. Disaster here means any disaster due to any natural or man-made causes or by accident/negligence which results in substantial loss of human life or damage to property or environment and the magnitude of such disaster is beyond coping capacity of community of the affected area



## 20. 'Retirement Compensation' from a Public Sector Company or any other Company [Section 10(10C)]

The compensation received or receivable by the employee of the following, on voluntary retirement, under the golden hand shake scheme, is exempt under section 10(10C):

1. a public sector company; or
2. any other company; or
3. an authority established under a Central, State or Provincial Act; or
4. a local authority; or
5. a co-operative society; or
6. a University established or incorporated by or under a Central, State or Provincial Act and an institution declared to be a University under section 3 of the University Grants Commission Act, 1956; or
7. an Indian Institute of Technology within the meaning of clause (g) of section 3 of the Institutes of Technology Act, 1961; or
8. such institute of management as the Central Government may, by notification in the Official Gazette, specify in this behalf;
9. State Government;
10. Central Government;
11. Institutions having importance throughout India or in any State or States as may be notified.

*Exemption shall be available, subject to the following conditions:*

1. The compensation is received only at the time of voluntary retirement or termination of his services in accordance with any scheme or schemes of voluntary retirement or in the case of public sector company, a scheme of voluntary separation. Even if the compensation is received in instalments, the exemption shall be allowed.
2. Further, the scheme of the said companies or authorities or societies or universities or the institutes referred to in clauses (vii) and (viii) above, as the case may be, governing the payment of such amount, are framed in accordance with such guidelines (including inter alia criteria of economic viability) as may be prescribed. In the case of public sector companies, if there is a scheme of voluntary separation, it shall also be according to the said prescribed guidelines.

*Quantum of Exemption:*

1. The amount of exemption is the actual amount of compensation received
2. or ₹. 5,00,000,

whichever is less.

- |  |
|--|
| <ol style="list-style-type: none"><li>1. The exemption is available to an employee only once and if it has been availed for an assessment year it shall not be allowed to him for any other assessment year.</li></ol> |
|--|

1. *The assessee shall not be eligible for relief under section 89 in case he has claimed exemption under section 10(10C). On the other hand, if he claims relief under section 89, he cannot claim exemption under section 10(10C).*

## 21. Tax on Non-monetary Perquisites paid by Employer [Section 10(10CC)]

The income-tax actually paid by the employer himself on a non-monetary perquisite provided to the employee shall be exempt in the hands of the employee..

## 22. Any sum received under a Life Insurance Policy [Section 10(10D)]

Any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy, is wholly exempt from tax. However, the following sum received are not exempt under this section:

1. any sum received from a policy under section 80DD(3) or section 80DDA(3); or
2. any sum received under a Keyman Insurance Policy; or
3. any sum received, under an insurance policy issued on or after 1.4.2003 but on or before 31.3.2012 in respect of which the premium payable for any of the years **during the terms of the policy exceeds 20% of the actual capital sum assured.** However, such sum received on the death of a person shall be exempt; or
4. any sum received under an insurance policy issued on or after 1.4.2012 in respect of which the premium payable for any of the years during the terms of the policy **exceeds 10% of actual capital sum assumed; or**
5. any sum received under an insurance policy issued on or after 1.4.2013 for insurance on the life of any person, who is
  - o a person with disability or a person with severe disability as referred to in section 80U; or
  - o suffering from disease or ailment as specified in the rules made under section 80DDB in respect of which the premium payable for any of the years during the terms of policy exceeds 15% of the actual capital sum assumed.

Keyman insurance policy means a life insurance policy taken by a person on the life of another person who is or was the employee of the first mentioned person or is or was connected in any manner whatsoever with the business of the first mentioned person and includes such policy which has been assigned to a person, at any time during the term of the policy, with or without any consideration.

## 23. Payment from Statutory Provident Fund [Section 10(11)]

### ***Statutory Provident Fund***

Employer's Contribution	Employer's contribution to such fund is not treated as income of the employee
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Interest	Interest credited to such fund is exempt in the hands of the employee.
Amount received at the time of termination	Lump sum amount received from such fund, at the time of termination of service is exempt in the hands of employees.

## 24. Payment from Recognised Provident Fund [Section 10(12)]

The accumulated balance due and becoming payable to an employee participating in a recognised provident fund, is exempt to the extent provided in rule 8 of part A of the Fourth Schedule.

<b><i>Recognised Provident Fund</i></b>	
Employer's Contribution	Employer's contribution to such fund, up to 12% of salary is not treated as income of the employee ( <i>see</i> Note 1).
Interest	Interest credited to such fund up to 9.5% per annum is exempt in the hands of the employee, interest in excess of 9.5% is charged to tax in the hands of the employee.
Amount received at the time of termination	If certain conditions are satisfied, then lump sum amount received from such fund, at the time of termination of service, is exempt in the hands of employees. ( <i>see</i> Note 2)

<b><i>Un-Recognised Provident Fund</i></b>	
Employer's Contribution	Employer's contribution to such fund is not treated as income of the employee.
Interest	Interest credited to such fund is exempt in the hands of the employees.
Amount received at the time of termination	( <i>See</i> note 3)

<b><i>Public Provident Fund</i></b>	
Employer's Contribution	Employers do not contribute to such fund
Interest	Interest credited to such fund is exempt.
Amount received at the time of termination	Lump sum amount received from such fund at the time of termination of service is exempt from tax

### Notes:

1. Salary for this purpose will include basic salary, dearness allowance, if the terms of service so provide and commission based on fixed percentage of turnover achieved by the employee.

*2. Accumulated balance paid from a recognised provident fund will be exempt from tax in following cases:*

*(a) If the employee has rendered a continuous service of 5 years or more. If the accumulated balance includes amount transferred from other recognised provident fund maintained by previous employer, then the period for which the employee rendered service to such previous employer shall also be included in computing the aforesaid period of 5 years.*

*(b) If the service of employee is terminated before the period of 5 years, due to his ill health or discontinuation of business of the employer or other reason beyond his control.*

*(c) If on retirement, the employee takes employment with any other employer and the balance due and payable to him is transferred to his individual account in any recognised fund maintained by such other employer, then the amount so transferred will not be charged to tax.*

*Except above situations, payment from a recognised provident fund will be charged to tax considering such fund as un-recognised from the beginning (See note 3 given below for tax treatment of un-recognised provident fund).*

*3. Treatment of payment (at the time of termination) from un-recognised provident fund:*

*Payment on termination will include 4 things, viz., employee's contribution and interest thereto and employer's contribution and interest thereto, the tax treatment of such payment is as follows:*

- Employee's contribution is not chargeable to tax; interest on employee contribution is taxed under the head "Income from other sources".*

- Employer's contribution and interest thereon are taxed as salary income, however, an employee can claim relief under section 89 in respect of such payment.*

## **25. Payment from Superannuation Fund [Section 10(13)]**

Like Provident Fund, Superannuation fund is also a scheme of retirement benefits for the employee. These are funds, usually established under trusts by an undertaking, for the purpose of providing annuities, etc., to the employees of the undertaking on their retirement at or after a specified age, or on their becoming incapacitated prior to such retirement, or for the widows, children or dependents of the employees in case of the any employee's earlier death. The trust invests the money contributed to the fund in the form and mode prescribed. Income earned on these investments shall be exempt, if any such fund is an Approved Superannuation Fund.

**Tax treatment:** The tax treatment as regards the contribution to and payment from the fund is as under:

*Employee's contribution:* Deduction is available under section 80C from gross total income.



*Employer's contribution:* Contribution by the employer to the approved superannuation fund is exempt upto ₹1,50,000 per year per employee. If the contribution exceeds ₹1,50,000 the balance shall be taxable in the hands of the employee.

*Interest on accumulated balance:* It is exempt from tax.

*Payment from the fund:* Any payment from an approved superannuation fund shall be exempt if it is made:

1. on the death of a beneficiary; or
2. to any employee in lieu of or in commutation of an annuity on his retirement at or after a specified age or on his becoming incapacitated prior to such retirement; or
3. by way of refund of contributions on the death of a beneficiary; or
4. by way of refund of contributions to an employee on his leaving the service in connection with which the fund is established otherwise than by retirement at or after a specified age or on his becoming incapacitated prior to such retirement, to the extent to which such payment does not exceed the contributions made prior to the commencement of this Act and any interest thereon; or
5. by way of transfer to the account of the employee under a pension scheme referred to in section 80CCD and notified by the Central Government.

## 26. House Rent Allowance-HRA [Section 10(13A) Read with Rule 2A]

Quantum of Exemption: **Minimum** of following **Three** limits:

	<b><i>Mumbai/Kolkata/Delhi/Chennai</i></b>	<b><i>Other Cities</i></b>
(i)	Allowance actually received	Allowance actually received
(ii)	Rent paid in excess of 10% of Salary	Rent paid in excess of 10% of Salary
(iii)	50% of Salary	40% of Salary

The exemption in respect of HRA is based upon the following factors:

1. Salary
2. Place of residence
3. Rent paid
4. HRA received.

Since there is a possibility of change in any of the above factors during the previous year, exemption for HRA should not always be calculated on annual basis. As long as there is no change in any of the above factors it can be calculated together for that period. Whenever there is a change in any of the above factors, it should be separately calculated till the next change.

## 27. Any Allowance given for meeting Business Expenditure [Section 10(14)]

As per section 10(14), read with rule 2BB following allowances granted to an employee are exempt from tax subject to certain limit:

Allowances	Exemption Limit
Children Education Allowance	Up to Rs. 100 per month per child up to a maximum of 2 children is exempt
Hostel Expenditure Allowance	Up to Rs. 300 per month per child up to a maximum of 2 children is exempt
Transport Allowance granted to an employee to meet expenditure on commuting between place of residence and place of duty	Up to Rs. 1,600 per month (Rs. 3,200 per month for blind and handicapped employees) is exempt
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
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
Travelling Allowance to meet the cost of travel on tour or on transfer	Exempt to the extent of expenditure incurred for official purposes
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
Helper/Assistant Allowance	Exempt to the extent of expenditure incurred for official purposes
Research Allowance granted for encouraging the academic research and other professional pursuits	Exempt to the extent of expenditure incurred for official purposes
Uniform Allowance	Exempt to the extent of expenditure incurred for official purposes
Special compensatory Allowance (Hilly Areas) (Subject to certain conditions and locations)	Amount exempt from tax varies from Rs. 300 to Rs. 7,000 per month.
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.
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

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
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
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
Underground Allowance to employees working in uncongenial, unnatural climate in underground mines	Up to Rs. 800 per month
High Altitude Allowance granted to armed forces operating in high altitude areas (Subject to certain conditions and locations)	a) Up to Rs. 1,060 per month (for altitude of 9,000 to 15,000 feet) b) Up to Rs. 1,600 per month (for altitude above 15,000 feet)
Highly active field area allowance granted to members of armed forces (Subject to certain conditions and locations)	Up to Rs. 4,200 per month
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

## 28. Interest Incomes [Section 10(15)]

Interest incomes which are exempt under section 10(15) could be explained with the help of the following table-

Section	Income	Exemption to
10(15)(i)	Interest, premium on redemption, or other payment on notified securities, bonds, certificates, and deposits, etc. (subject to notified conditions and limits)	All assesses
10(15)(iib)	Interest on notified Capital Investment Bonds notified prior to 1-6-2002	Individual/HUF
10(15)(iic)	Interest on notified Relief Bonds	Individual/HUF
10(15)(iid)	Interest on notified bonds (notified prior to 1-6-2002) purchased in foreign exchange (subject to certain conditions)	Individual - NRI/ nominee or survivor of NRI / individual

		to whom bonds have been gifted by NRI
10(15)(iii)	Interest on securities	Issue Department of Central Bank of Ceylon
10(15)(iiia)	Interest on deposits made with scheduled bank with approval of RBI	Bank incorporated Abroad
10(15)(iiib)	Interest payable to Nordic Investment Bank	Nordic Investment Bank
10(15)(iiic)	10(15)(iiic) Interest payable to the European Investment Bank on loan granted by it in pursuance of framework agreement dated 25-11-1993 for financial corporation between Central Government and that bank	European Investment bank
10(15)(iv)(a)	Interest received from Government or from local authority on moneys lent to it before 1-6-2001 or debts owed by it before 1-6-2001, from sources outside India	All assesseees who have lent money, etc., from sources outside India
10(15)(iv)(b)	Interest received from industrial undertaking in India on moneys lent to it under a loan agreement entered into before 1-6-2001	Approved foreign financial institution
10(15)(iv)(c)	Interest at approved rate received from Indian industrial undertaking on moneys lent or debt incurred before 1-6-2001 in a foreign country in respect of purchase outside India of raw materials, components, or capital plant and machinery, subject to certain limits and conditions	All assesseees who have lent such money, or in favour of whom such debt has been incurred
10(15)(iv)(d)	Interest received at approved rate from specified financial institutions in India on moneys lent from sources outside India before 1-6-2001	All assesseees who have lent such moneys
10(15)(iv)(e)	Interest received at approved rate from other Indian financial institutions or banks on moneys lent for specified purposes from sources outside India before 1-6-2001 under approved loan agreement	All assesseees who have lent such moneys
10(15)(iv)(f)	Interest received at approved rate from Indian industrial undertaking on moneys lent in foreign currency from sources outside India under loan agreement approved before 1-6-2001	All assesseees who have lent such moneys
10(15)(iv)(fa)	Interest payable by scheduled bank, on deposits in foreign currency when acceptance of such deposits by bank is approved by RBI	Non-resident or individual/HUF who is not ordinarily resident in India



10(15)( iv)(g)	Interest received at approved rate, from Indian public companies eligible for deduction under section 36(1)(viii) and formed with main object of providing long-term housing finance, on moneys lent in foreign currency from sources outside India under loan agreement approved before 1-6-2003	All assesseees who have lent such moneys
10(15)( iv)(h)	Interest received from any public sector company in respect of notified bonds or debentures and subject to certain conditions	All assesses
10(15)( iv)(i)	Interest received from Government on deposits in notified scheme out of moneys due on account of retirement	Individual –Employee of Central Government/ State Government/Public sector company
10(15)(v)	Interest on securities held in Reserve Bank's SGL A/c No. SL/DH-048 and Deposits made after 31-3-1994 for benefit of victims of Bhopal Gas Leak Disaster held in such account with RBI or with notified public sector bank	Welfare Commissioner, Bhopal Gas Victims, Bhopal
10(15)(vi)	Interest on Gold Deposit Bonds issued under the Gold Deposit Scheme, 1999 or deposit certificates issued under the Gold Monetisation Scheme, 2015	All assesses
10(15)(vii)	10(15)(vii) Interest on notified bonds issued by a local authority/State Pooled Finance Entity	All assesses
10(15)(viii)	Interest on deposit made on or after 1-4-2005 in an Offshore Banking Unit referred to in section 2(u) of the Special Economic Zones Act, 2005	Non-resident or person who is not ordinarily resident

## 29. Scholarship [Section 10(16)]

The full amount of scholarship granted to meet **the cost of education is exempted.**

‘Cost of education’ includes not only the tuition fees but all other expenses which are incidental to acquiring education. Scholarship may have been given by Govt., University, Board, Trust, etc. The exemption is irrespective of actual expenditure incurred by the recipient to meet the cost of education.

### 30. Allowance of M.P./M.L.A. or M.L.C. [Section 10(17)]

Following allowances are exempt from tax in the hands of a Member of Parliament and a Member of State Legislature—

- Daily allowance received by a Member of Parliament or by a Member of State Legislature or by member of any committee thereof.
- Any Constituency allowance received by a Member of State Legislature

### 31. Awards Instituted by Government [Section 10(17A)]

Any payment received in pursuance of following (whether paid in cash or in kind) is exempt from tax:

- Any award instituted in the public interest by the Central Government or State Government or by any other body approved by the Central Government in this behalf.
- Any reward by the Central Government or any State Government for such purpose as may be approved by the Central Government in this behalf in the public interest.

### 32. Pension received by certain winners of gallantry awards [Section 10(18)]

1. Any amount received by an individual as pension shall be exempt if:  
>> such individual has been in the service of the Central or State Government, and  
>> he/she has been awarded 'Param Vir Chakra' or 'Mahavir Chakra' or 'Vir Chakra' or such other notified gallantry awards.
2. Also, any amount received as family pension by any member of the family of an individual referred above shall be fully exempted.

### 33. Family pension received by family members of armed forces including para military forces [Section 10(19)]

With effect from the 1st day of April, 2005 family pension received by the widow or children or nominated heirs, as the case may be, of a member of the armed forces (including paramilitary forces) of the Union, where the death of such member has occurred in the course of operational duties, in such circumstances and subject to such conditions, as may be prescribed shall be fully exempted

## 34. Income of a Local Authority [Section 10(20)]

The following income of a local authority is exempt from tax:

1. Income which is chargeable under the head “Income from house property”, “Capital gains” or “Income from other sources” or
2. Income from a trade or business carried on by it which accrues or arises from the supply of a commodity or service (not being water or electricity) within its own jurisdictional area or
3. Income from business of supply of water or electricity within or outside its own jurisdictional area

## 35. Income of Scientific Research Association [Section 10(21)]

Any income of a research association, approved under section 35(1)(ii)/(iii) is exempt from tax, if following conditions as specified in section 10(21) are satisfied:

1. Income should be applied or accumulated wholly and exclusively for the objects for it established.
2. Funds should not be invested or deposited for any period during the previous year otherwise than in any one or more of the forms/modes specified in section 11(5). However, this condition is not applicable in respect of the following:-
  - any assets held by the research association where such assets form part of the corpus of the fund of the association as on the 1st day of June, 1973;
  - Debentures of a company acquired by the research association before the 1st day of March, 1983;
  - any accretion to the shares, forming part of the corpus of the fund mentioned in sub-clause (i) by way of bonus shares allotted to the research association;
  - voluntary contributions received and maintained in the form of jewellery, furniture or any other article as the Board may, by notification in the Official Gazette, specify,

*Note:*

1. Exemption shall not be denied in relation to voluntary contribution [other than voluntary contribution in cash or voluntary contribution of the nature referred to in (i), (ii), (iii) or (iv) supra] subject to the condition that such voluntary contribution is not held by the research association otherwise than in any one or more of the forms or modes specified in subsection (5) of section 11, after the expiry of one year from the end of the previous year in which such asset is acquired.
2. Exemption is not available in relation to any income of the research association, being profits and gains of business, unless the business is incidental to the attainment of its objectives and separate books of account are maintained by it in respect of such business

## 36. Income of a News Agency [Section 10(22B)]

In case there is any income of a news agency set up solely in India for collection and distribution of news and which is so notified in this behalf shall be fully exempted provided such income or accumulated income is used solely for collection and distribution of news and not to be distributed in any manner amongst its members.

The approval given under this section shall be withdrawn if the news agency has not applied, accumulated or distributed its income in accordance with the prescribed conditions, the notification issued under this section shall be cancelled

### 37. Income of some Professional Institutions [Section 10(23A)]

Any income (other than income from house property and income from rendering any specific service or income by way of interest or dividend on investment) of an professional institution/association is exempt from tax, if the following conditions are satisfied:

1. Professional institution is established in India for the purpose of control, supervision, regulation or encouragement of the profession of law, medicine, accountancy, engineering or architecture or such other notified profession.
2. The institution applies its income, or accumulates it for application, solely to the objects for which it is established.
3. The institution is approved by the Central Government by general or special order.

### 38. Exemption of Income Received by Regimental Fund [Section 23AA]

Any income received by any person on behalf of any Regimental Fund or Non Public Fund established by the armed forces of India for the welfare of the past and present members of such forces or their dependents shall be exempted from tax

### 39. Income of a Fund set-up for the welfare of employees or their dependents [Section 10(23AAA)]

Any income of such fund which is approved by Conmiissioner of Income-tax shall be fully exempted provided its income is applied wholly and exclusively for the objects for which it is established. The CBDT has notified following purposes for which the fund is expected to help its members or their dependents—

1. Cash amount given to a member of the fund—
2. on superannuation, or
3. in the event of member's own illness or illness of his/her spouse or dependent children; or
4. to meet the cost of education of dependent children of members.
5. Cash amount given to the dependents of members in the event of death of such a member



#### 40. Income of a pension fund set up by LIC or other insurer [Section 10(23AAB)]

Income of an institution constituted as a public charitable trust or society which is established for the development of khadi and village industries (not for profit purpose) is exempt from tax, if following conditions are satisfied:

1. Income is attributable to the business of production, sale, or marketing, of khadi or products of village industries.
2. Institution applies its income, or accumulates it for application, solely for the development of khadi or village industries or both
3. Institution is approved by the Khadi and Village Industries Commission

#### 41. Income of State Level Khadi and Village Industries Board [Section 10(23BB)]

Any income from an authority (whether known as the Khadi and Village Industries Board, or by any other name) established in a State by or under a State or Provincial Act for the development of Khadi or Village Industries in the State, shall be exempted from tax

#### 42. Income of certain Authorities set up to manage Religious and Charitable Institutions [Section 10(23BBA)]

Any income of any body or authority established, or appointed by or under any Central, State or Provincial Act which provides administration of any of the following institutions

1. Public, Religious or Charitable Trusts
2. Endowments (including Maths, Gurudwaras, Temples, Wakfs etc.) ; or
3. a society for religious or charitable purposes registered under Societies Act 1860, shall be exempted from tax.

#### 43. Income of European Economic Community [Section 10(23BBB)]

Any income of European Economic community derived in India by way of interest, dividend or capital gain from investments made out of its funds under such scheme as the Central Govt. may notify is fully exempted.

#### 44. Income of a SAARC Fund for regional projects [Section 10(23BBC)]

Any income of a fund set up as SAARC Fund for Regional Projects set up by Colombo Declaration issued on 21<sup>st</sup>. Dec. 1991 by Heads of State or Government of the Member Countries of South Asian Association for Regional Co-operation shall be fully exempted.

#### 45. Any income of Insurance Regulatory and Development Authority [Section 10(23BBE)]

Any income of Insurance Regulatory and Development Authority established under Insurance Regulatory and Development Authority Act 1999 shall be fully exempted

#### 46. Income of Prasar Bharti [Section 10(23BBH)] [Inserted by the Finance Act 2012, w.e.f. 2013-14]

Any income of the Prasar Bharti (Broadcasting Corporation of India) established under section 3(1) of the Prasar Bharti (Broadcasting Corporation of India) Act, 1990, shall be exempt.

#### 47. Any income received by a person on behalf of following Funds [Section 10(23C)]

Any income received by any person on behalf of the Prime Minister's National Relief Fund, the Prime Minister's Fund (Promotion of Folk Art) or the Prime Minister's Aid to Students Fund is exempt from tax under clause (i), (ii) and (iii) of section 10(23C) respectively.

1. Any income received by any person on behalf of :
2. the Prime Minister's National Relief Fund ; or
3. the Prime Minister's Fund (Promotion of Folk Art) ; or
4. the Prime Minister's Aid to Student's Fund ; or
5. The National Foundation for Communal Harmony
6. Any educational institution which is
7. a non profit earning body and is wholly or substantially financed by the Government;
8. a non profit earning body whose aggregate annual receipts do not exceed the prescribed limits (to be notified) ; or
9. a non profit earning body other than those mentioned at (a) and (b) above but are approved by the prescribed authority.
10. any hospital or other institution for the reception and treatment of persons suffering from illness or mental defectiveness or reception and treatment of persons during convalescence or of persons requiring medical attention and existing solely for philanthropic purposes and which:
11. is wholly or substantially financed by the Government ; or
12. whose aggregate annual receipts do not exceed the prescribed limits (to be notified);  
or
13. other than those mentioned a) and (b) above but is approved by the prescribed authority.
14. any other fund established for charitable purposes which may be notified by Central Government ; or

15. any trust or institution set up wholly for religious purposes or purpose which may be notified by the Central Government.

The above exemption shall not be available for the profits and gains of any business which is carried on, on behalf of or by any fund or institution referred in points (iv) and (v) above or to the profits or gains of any business undertaking held under trust for the purposes of any fund or institution referred in points (iv) and (v) above. This amendment has come into effect from assessment year 1984-85. In case annual receipts of such an institution exceeds ` 1 crore in a previous year, it has to file an application upto 30th September in the succeeding financial year. Under Section 10(23C) income of institutions specified above shall be exempt from income tax. In certain cases, approvals are required to be taken from prescribed authority in the prescribed manner to become eligible for claiming exemption.

#### 48. Income of **Mutual Fund** [Section 10(23D)]

Any income of following mutual funds (subject to provisions of sections 115R to 115T) is exempt from tax:

- A mutual fund registered under the Securities and Exchange Board of India Act or regulation made thereunder.
- A mutual fund set-up by a public sector bank, or a public financial institution or authorised by RBI (subject to conditions notified by the Central Government).

#### 49. Exemption of income of a securitisation trust [Section 10(23DA)] [w.e.f. A.Y. 2014-15]

Any income of a securitisation trust from the activity of securitisation shall be exempt.

#### 50. Income of **Investor Protection Fund** [Section 10(23EA)]

Any income by way of contributions received from recognised stock exchanges and the members thereof, of a notified Investor Protection Fund set up by recognised stock exchanges in India is exempt from tax.

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part, with a recognised stock exchange, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall accordingly be chargeable to income-tax

#### 51. Exemption of income of investor protection fund of depository [Section 10(23ED)] [w.e.f. A.Y. 2014-15]

Any income, by way of contributions received from a depository, of notified Investor Protection Fund set up by a depository in accordance with the regulations made under the SEBI Act and Depository Act is exempt from tax

Provided that where any amount standing to the credit of the Fund and not charged to income-tax during any previous year is shared, either wholly or in part with a depository, the whole of the amount so shared shall be deemed to be the income of the previous year in which such amount is so shared and shall, accordingly, be chargeable to income-tax.

## 52. Exemption for Certain Incomes of a Venture Capital Company or Venture Capital Fund from Certain Specified Business or Industries [Section 10 (23FB)]

As per this amendment, the exemption will now be available only in respect of income of a Venture Capital Company or Venture Capital Fund from investment in a venture capital undertaking engaged in certain specified businesses or industries.

**New definition of “Venture Capital Company”, “Venture Capital Fund” and “Venture Capital undertaking”** [Explanation 1 of section 10 (23FB)] [w.e.f A.Y. 20 13-14]

1. **Meaning of Venture Capital Company.** A company which has been registered before 21-5-2012 under the SEBI Regulations, 1996 (Venture Capital Fund Regulation) or which has been registered as venture capital fund being a sub category of category 1 Alternative Investment Fund under the SEBI Regulation 2012 (Alternative Investment Fund Regulations). The Company has to satisfy the conditions mentioned in clause (a).
2. **Meaning of Venture Capital fund.** A trust which has been registered before 21-5-2012 under the Venture Capital Fund Regulations or which has been registered as venture capital fund being a sub-category of category 1 Alternative Investment Fund under the Alternative Investment Funds Regulations. The trust has to satisfy the conditions mentioned in clause (b).
3. **Meaning of venture Capital undertaking.** As defined under the Venture Capital Fund Regulation or under the Alternative Investment Funds Regulation.

## 53. Income of Registered Trade Unions [Section 10(24)]

The following incomes of registered trade unions are exempt from tax :

1. Income from house property.
2. Income from other sources.

The trade union must be a registered one and formed primarily for the purpose of regulating the relations between workmen and employer or between workmen and workmen. This benefit shall also be available to an association of registered trade unions.

## 54. **Income of Provident and Superannuation Funds** **[Section 10(25)]**

1. Interest on securities which are held by or are the property of any provident fund to which Provident Funds Act, 1925 applies and any capital gains of the fund arising from the sale, exchange or transfer of such securities.
2. Any income received by the trustees on behalf of a recognised provident fund.
3. Any income received by the trustees on behalf of an approved superannuation fund

## 55. **Income of Employee's State Insurance Fund** **[Section 10 (25A)]**

Income of such fund is fully exempted.

## 56. **Income of Schedule Tribe Members [Section 10(26) and 10(26A)]**

Certain types of incomes of the members of Scheduled Tribes living in tribal areas are exempt from tax. The Scheduled Tribes to which this exemption applies are defined in Clause (25) of Article 366 of the Constitution, residing in any areas specified in Part A or Part B of the table appended to paragraph 20 of the Sixth Schedule of the Constitution or in the State of Arunachal Pradesh, Manipur, Tripura, Mizoram and Nagaland or in the Ladakh region of the State of Jammu & Kashmir. The exempted incomes are incomes which accrue or arise to him :

1. from any source in the area, State, or Union Territories aforesaid, or
2. by way of dividend.

This means that if a member of a Schedule Tribe sets up a business at any place other than mentioned above, profit from such business will be taxable.

## 57. **Income of Sikkimese individual [Section 10(26AAN)] (With retrospective effect from 1-4-1990)**

The following incomes which accrues or arises to a Sikkimese individual shall be exempt from income tax—

1. income from any source in the State of Sikkim; or
2. income by way of dividend or interest on securities.

This exemption will not be available to a Sikkimese women who, on or after 1-4-2008 marries a non-Sikkimese individual.



## 58. Regulating the marketing of agricultural produce [Section 10[26AAB]

Any income of an agricultural produce market committee or board constituted under any law for the time being in force for the purpose of regulating the marketing of agricultural produce shall be exempted.

## 59. Income of a corporation set-up for promoting the interests of Scheduled Castes, Scheduled Tribes or Backward Classes [Section 10(26B)]

Income of such corporation or body, institutions or associations which are wholly financed by govt. and which have been set-up to promote the interest of above mentioned communities shall be fully exempted.

## 60. Income of a corporation set-up to protect the interests of Minorities [Section 10(26BB)]

Any income of a corporation established by the Central Government or State Government for promoting the interests of the members of such minority community as notified by the Central Government from time-to-time, is exempt from tax under Section-10(26BB).

## 61. Any income of a Corporation established for Ex-Servicemen [Section 10(26BBB)]

From assessment year 2004-05, any income of a statutory corporation established by Central, State or Provincial Act for the welfare and economic upliftment of ex-servicemen (being citizen of India) is exempt from tax under section 10(26BBB).

“Ex-Serviceman” means a person who has served in any rank, whether as combatant or non-combatant, in the armed forces of the Union or armed forces of the Indian States before the commencement of the Constitution (but excluding the Assam Rifles, Defence Security Corps, General Reserve Engineering Force, Lok Sahayak Sena, Jammu and Kashmir Militia and Territorial Army) for a continuous period of not less than six months after attestation and has been released, otherwise than by way of dismissal or discharge on account of misconduct or inefficiency, and in the case of a deceased or incapacitated ex-serviceman includes his wife, children, father, mother, minor brother, widowed daughter and widowed sister, wholly dependant upon such ex-serviceman immediately before his death or incapacitation.

## 62. Income of cooperative society looking after the interests of Scheduled Castes or Scheduled Tribes or Both [Section 10(27)]

Such income shall be fully exempted provided the membership of such society consists of only other cooperative societies formed for similar purposes and the finances of the society are provided by Government and such other societies.

## 63. Any income accruing or arising to Commodity Boards etc. [Section 10(29A)]

Any income accruing to

1. **The Coffee Board** constituted under section 4 of the Coffee Act, 1942 (7 of 1942), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later
2. **The Rubber Board** constituted under sub-section (1) of section 4 of the Rubber Board Act, 1947 (24 of 1947), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later
3. **The Tea Board** established under section 4 of the Tea Act 1953 (29 of 1953), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later
4. **The Tobacco Board** constituted under the Tobacco Board Act, 1975 (4 of 1975), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1975 or the previous year in which such Board was constituted, whichever is later
5. **The Marine Products Export Development Authority** established under section 4 of the Marine Products Export Development Authority Act, 1972 (13 of 1972), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1972 or the previous year in which such Authority was constituted, whichever is later
6. **The Agricultural and Processed Food Products Export Development Authority** established under section 4 of the Agricultural and Processed Food Products Export Development Act, 1985 (2 of 1986), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1985 or the previous year in which such Authority was constituted, whichever is later
7. **The Spices Board** constituted under sub-section (1) of section 3 of the Spices Board Act, 1986 (10 of 1986), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1986 or the previous year in which such Board was constituted, whichever is later.
8. **The Coir Board** established under section 4 of the Coir Industry Act, 1953.

## 64. Amount received as subsidy from or through the Tea Board [Section 10(30)]

In the case of a taxpayer, who carries on business of growing and manufacturing tea in India, the amount of any subsidy received from or through the Tea Board under the notified scheme for replantation or replacement of tea bushes or for rejuvenation or consolidation of the area used for cultivation of tea, is exempt from tax (for notified schemes see Notification No. S.O. 3616, dated September 27, 1976).

To claim exemption, a certificate from the Tea Board as to the amount of subsidy paid to the taxpayer during the year is to be obtained.

A similar exemption is available under section 10(31) in respect of subsidy received by an taxpayer engaged in the business of growing and manufacturing rubber, coffee, cardamom or such other commodities as the Central Government may by notification specify [Section 10(31)]

## 65. Amount received as subsidy from or through the concerned Board [Section 10(31)]

Any amount received as subsidy from or through the concerned Board for replantation or replacement of Rubber, Coffee, cardamom plants or plants for growing of such other commodities or for any other scheme so notified shall be fully exempted.

## 66. Income of Child Clubbed U/s 64 (IA) [Section 10(32)]

In case income of a minor child is clubbed with the income of his parent, the parent can claim exemption upto actual income of child clubbed or 1,500 whichever is less in respect of each minor child whose income is included.

## 67. Income by way of dividend from Indian company [Section 10(34)]

Dividend received from a domestic company is exempt in the hands of the shareholders provided such dividend has already suffered Dividend Distribution Tax (DDT) under section 115-O

## 68. Exemption of income to a shareholder on buyback of shares of unlisted company [Section 10 (34A) [w.e.f. A.Y. 2014-15]

Any income arising to an assessee being a shareholder, on account of buyback of shares, (not being listed on a recognised stock exchange) by the company as referred to in section 115QA shall be exempt.

## 69. Exemption of income from Units [Section 10(35)]

Like in case of dividend, section 10(35) provides that any income received in respect of—

1. units from the Administrator of the specified undertaking, or
2. the specified company, or
3. a Mutual Fund specified under clause (23D)

shall be Exempt.

## 70. Exemption of income from Securitisation Trust [Section 10(35A)] [w.e.f A.Y. 2014-15]

Any income received by any person being an investor of the Securitisation Trust from such a trust, by way of distributed income referred to in section 115TA shall be exempt.

## 71. Capital Gain on compulsory acquisition of urban Agricultural Land [Section 10(37)]

With a view to mitigate the hardship faced by the farmers whose agricultural land situated in specified urban limits has been *compulsorily acquired*, the Finance (No. 2) Act, 2004 has inserted a new clause (37) in section 10 so as to exempt the capital gains (whether short-term or long-term) arising to an *individual or a Hindu undivided family* from transfer of agricultural land by way of *compulsory acquisition* where the compensation or the enhanced compensation or consideration, as the case may be, is received *on or after 1.4.2004*. The exemption is available only when such land has been used for agricultural purposes during the preceding two years *by such individual or a parent of his* or by such Hindu undivided family.

Where the compulsory acquisition has taken place before 1.4.2004 but the compensation is received after 31.3.2004, it shall be exempt. But if part of the original compensation in the above case has already been received before 1.4.2004, then exemption shall not be available even though balance original compensation is received after 31.3.2004.

**However, enhanced compensation received on or after 1.4.2004 against agricultural land compulsorily acquired before 1.4.2004 shall be Exempt.**

If such urban agricultural land is held as stock-in-trade, section 10(37) shall not be applicable as it is not a capital asset. Profit from the compulsory acquisition of such urban land shall be taxable under business head.

## 72. Income from international Sporting event [Section 10(39)]

Any specified income (which is from such international event and which is notified by the Central Govt.) of specified persons from any international event held in India shall be fully exempted if

1. such event is approved by the international body regulating the international sport relating to such event
2. it has participation by more than two countries ; and
3. is notified by the Central Govt. in this regard.

## 73. Exemption of 'specified income' of certain bodies or authorities [Section 10(46)]

Any '**Specified Income**' arising to a body or authority or Board or Trust or Commission (by whatever name called) which—

1. has been established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public;
2. is not engaged in any commercial activity; and
3. is notified by the Central Government in the Official Gazette for the purposes of this clause. shall be exempt.

*Any **Specified Income** arising to a body or authority or Board or Trust or Commission (by whatever name called) which—*

*(a) has been established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public;*

*(b) is not engaged in any commercial activity; and*

*(c) is notified by the Central Government in the Official Gazette for the purposes of this clause. shall be exempt.*

## 74. Exemption of Income of a foreign company from sale of Crude Oil in India [Section 10 (48)]

Any income of a foreign Co. received in India in Indian currency on account of sale of crude oil to any person in India shall be exempt if the following conditions are satisfied



1. Such Income is in pursuant to an agreement or an arrangement entered into by the Central Govt. or approved by the Central Govt.;
1. having regard to the national interest, the foreign company and the aagreement or arrangement are notified by the Central Govt. in this behalf; and
2. the foreign company is not engaged in any activity, other than reciept of such income, in India.

Source:<http://incometaxmanagement.com/Pages/Tax-Ready-Reckoner/Exempted-Incomes/Exempted-Incomes-Under-Section-10.html#1>

## Tax Rates

### 1. **In case of an Individual** (resident or non-resident) or HUF or Association of Person or Body of Individual or any other artificial juridical person

#### *Assessment Year 2019-20*

<b>Taxable Income</b>	<b>Tax Rate</b>
Up to Rs. 2,50,000	Nil
Rs. 2,50,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

*Less: Rebate under Section 87A [see Note]*

*Add: Health and Education Cess [see Note]*

#### **Assessment Year 2020-21**

<b>Taxable Income</b>	<b>Tax Rate</b>
Up to Rs. 2,50,000	Nil
Rs. 2,50,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

*Less: Rebate under Section 87A [see Note]*

*Add: Surcharge and Health & Education Cess [see Note]*

2. **In case of a resident senior citizen** (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)

*Assessment Year 2019-20*

<b>Taxable Income</b>	<b>Tax Rate</b>
<b>Up to Rs. 3,00,000</b>	Nil
Rs. 3,00,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

*Less: Rebate under Section 87A [see Note]*

*Add: Health and Education Cess [see Note]*

*Assessment Year 2020-21*

<b>Taxable Income</b>	<b>Tax Rate</b>
<b>Up to Rs. 3,00,000</b>	Nil
Rs. 3,00,000 to Rs 5,00,000	5%
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

*Less: Rebate under Section 87A [see Note]*

*Add: Surcharge and Health & Education Cess [see Note]*

3. **In case of a resident super senior citizen** (who is 80 years or more at any time during the previous year)

*Assessment Year 2019-20*

<b>Taxable Income</b>	<b>Tax Rate</b>
<b>Up to Rs. 5,00,000</b>	Nil
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

*Add: Surcharge and Education Cess [see Note]*

*Assessment Year 2020-21*

<b>Taxable Income</b>	<b>Tax Rate</b>
Up to Rs. 5,00,000	Nil
Rs. 5,00,000 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

*Add: Surcharge and Health & Education Cess [see Note]*

*Assessment Year 2019-20*

a) **Surcharge:**

Surcharge is levied on the amount of income-tax at the following rates if total income of an assessee exceeds specified limits:

<i>Nature of Income</i>	<i>Range of income</i>		
	<i>Up to Rs. 50 lakh</i>	<i>More than Rs. 50 lakh but up to Rs. 1 crore</i>	<i>More than Rs. 1 crore</i>

Any Income	Nil	10%	15%
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The surcharge shall be subject to marginal relief:

- i) Where income exceeds Rs. 50 lakhs, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 50 lakhs by more than the amount of income that exceeds Rs. 50 lakhs.
- ii) Where income exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

b) Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

c) Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs. 3, 50,000. The amount of rebate shall be 100% of income-tax or Rs. 2,500, whichever is less.



### Assessment Year 2020-21

#### a) Surcharge:

Surcharge is levied on the amount of income-tax at following rates if the total income of an assessee exceeds specified limits:

Nature of Income	Range of Total Income					
	Up to Rs. 50 lakh	More than Rs. 50 lakh but up to Rs. 1 crore	More than Rs. 1 crore but up to Rs. 2 crore	More than Rs. 2 crore but up to Rs. 5 crore	More than Rs. 5 crore but up to Rs. 10 crore	More than Rs. 10 crore
<i>Individual, HUF or Artificial Judicial Person</i>						
Short-term capital gain covered under Section 111A	Nil	10%	15%	15%	15%	15%
Long-term capital gain covered under Section 112A	Nil	10%	15%	15%	15%	15%
Any other income*	Nil	10%	15%	25%	37%	37%
* The Finance (No. 2) Act, 2019 has been amended to withdraw the enhanced surcharge, i.e., 25% or 37%, as the case may be, from income chargeable to tax under section 111A and 112A. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%. However, where other income of a person does not exceed Rs. 2 crores but after including the incomes as referred to in section 111A and 112A, the total income exceeds Rs. 2 crores then irrespective of the amount of other income, surcharge shall be levied at the rate of						

15% on the amount of tax payable on both normal income as well as income referred to in section 111A and 112A.

<i>AOP or BOI</i>						
Short-term capital gain covered under Section 111A	<i>Nil</i>	10%	15%	15%	15%	15%
Long-term capital gain covered under Section 112A	<i>Nil</i>	10%	15%	15%	15%	15%
Short term or Long term capital gains on transfer of certain securities under section 115AD(1)(b)	<i>Nil</i>	10%	15%	15%	15%	15%
Any other Income*	<i>Nil</i>	10%	15%	25%	37%	37%
* The Finance (No. 2) Act, 2019 has been amended to withdraw the enhanced surcharge, i.e., 25% or 37%, as the case may be, from income chargeable to tax under section 111A, 112A and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%. However, where other income of a person does not exceed Rs. 2 crores but after including the incomes as referred to in section 111A, 112A and 115AD, the total income exceeds Rs. 2 crores then irrespective of the amount of other income, surcharge shall be levied at the rate of 15% on the amount of tax payable on both normal income as well as income referred to in section 111A, 112A and 115AD.						

**The surcharge shall be subject to marginal relief:**

- Where income exceeds Rs. 50 lakhs, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 50 lakhs by more than the amount of income that exceeds Rs. 50 lakhs.
- where income exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore
- where income exceeds Rs. 2 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore
- where income exceeds Rs. 5 crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 5 crore rupees by more than the amount of income that exceeds Rs. 5 crore rupees

b) Health and Education Cess: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of 4% of such income-tax and surcharge.

c) Rebate under Section 87A: The rebate is available to a resident individual if his total income does not exceed Rs. 5,00,000. The amount of rebate shall be 100% of income-tax or Rs. 12,500, whichever is less.

#### 4. Partnership Firm



For the Assessment Year 2019-20 & 2020-21, a partnership firm (including LLP) is taxable at 30%.

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge

## 5. Local Authority

For the Assessment Year 2019-20 & 2020-21, a local authority is taxable at 30%.

Add:

a) *Surcharge*: The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

b) *Health and Education Cess*: The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

## 6. Domestic Company

Income-tax rates applicable in case of companies for Assessment Year 2019-20 and 2020-21 are as follows:

<i>Domestic Company</i>		
	<i>Assessment Year 2019-20</i>	<i>Assessment Year 2020-21</i>
- Where its total turnover or gross receipt during the previous year 2016-17 does not exceed Rs. 250 crore	25%	NA

- Where its total turnover or gross receipt during the previous year 2017-18 does not exceed Rs. 400 crore	NA	25%
- Where it opted for Section 115BA	25%	25%
- Where it opted for Section 115BAA	NA	22%
- Where it opted for Section 115BAB	NA	15%
- Any other domestic company	30%	30%

Add:

a) **Surcharge:** The amount of income-tax shall be increased by a surcharge at the rate of 7% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 12% of such tax, where total income exceeds ten crore rupees. However, the rate of surcharge in case of a company opting for taxability under Section 115BAA or Section 115BAB shall be 10% irrespective of amount of total income.

The surcharge shall be subject to marginal relief, which shall be as under:

- i) Where income exceeds Rs. 1 crore but not exceeding Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.
- ii) Where income exceeds Rs. 10 crore, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of Rs. 10 crore by more than the amount of income that exceeds Rs. 10 crore

b) **Health and Education Cess:** The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

## 7. Foreign Company

### Nature of Income

### Tax Rate

Royalty received from Government or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961, but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after

50%

February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government

40%

Any other income

*Assessment Year 2019-20 and Assessment Year 2020-21*

*Add:*

*a) Surcharge:* The amount of income-tax shall be increased by a surcharge at the rate of 2% of such tax, where total income exceeds one crore rupees but not exceeding ten crore rupees and at the rate of 5% of such tax, where total income exceeds ten crore rupees. However, the surcharge shall be subject to marginal relief, which shall be as under:

(i) Where income exceeds one crore rupees but not exceeding ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees.

(ii) Where income exceeds ten crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of ten crore rupees by more than the amount of income that exceeds ten crore rupees.

*b) Health and Education Cess:* The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.

## **8. Co-operative Society**

<b>Taxable income</b>	<b>Tax Rate</b>
Up to Rs. 10,000	10%

Rs. 10,000 to Rs. 20,000	20%
Above Rs. 20,000	30%

*Assessment Year 2019-20 and Assessment Year 2020-21*

*Add:*

*a) Surcharge:* The amount of income-tax shall be increased by a surcharge at the rate of 12% of such tax, where total income exceeds one crore rupees. However, the surcharge shall be subject to marginal relief (where income exceeds one crore rupees, the total amount payable as income-tax and surcharge shall not exceed total amount payable as income-tax on total income of one crore rupees by more than the amount of income that exceeds one crore rupees).

*b) Health and Education Cess:* The amount of income-tax and the applicable surcharge, shall be further increased by health and education cess calculated at the rate of four percent of such income-tax and surcharge.