Computational Procedures in Direct Taxation

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Steps in determination of Tax Liability

- The following steps are followed by any person in determination of total income and tax liability:
- **Step 1** - Determination of residential status.
- **Step 2 -** Classification of income under different heads.
- **Step 3-** Computation of income under each head.
- **Step 4 -** Clubbing of income of spouse, minor child etc.
- **Step 5 -** Set-off or carry forward and set-off of losses.
- **Step 6 -** Computation of Gross Total Income.

Steps in determination of Tax Liability

- **Step 7 -** Deductions from Gross Total Income.
- **Step 8 -** Total income.
- **Step 9 -** Application of the rates of tax on the total income.
- **Step 10 -** Surcharge / Rebate under section 87A.
- **Step 11 -** Health, Education cess on income-tax.
- **Step 12 -** Advance tax and tax deducted at source.
- **Step 13:** Tax Payable/Tax Refundable.

Corporate Taxation Rates

General	Sec 115BA	Sec 115BAA	Sec 115BAB
30%	25%	22%	15%
No Conditions	Turnover during PY 2021-22 < 400cr	Newly started Non Manufacturing Companies on or after 01.10.2019	Newly started Manufacturing Companies on or after 01.10.2019

<u>Conditions to be fulfilled by Companies covered u/s 115BAA & 115BAB:</u>

1. It must be a domestic company
2. The business of manufacture or production shall not include the business of development of computer software, mining, conversion of marble blocks in to slabs, bottling of gas into cylinder, printing of books or production of cinematographic film or any other business as notified by Central Government.
3. The unit must be a new undertaking i.e it shall not be formed by splitting up or reconstruction of an existing unit.
4. The company must not use any old plant and machinery.
5. The company cannot claim deductions u/s 32(1)(iia), Sec 32AD, Sec 33AB, Sec 33ABA, Sec 35, Sec 35AD,Sec 35CCC, Sec 35CCD.
6. No deduction under Chapter VIA (Sec 80C to 80U except Sec 80JJAA & Sec 80M) shall be allowed to the company

Corporate Taxation Rates - Surcharge

If TI > 1cr but < 10cr	If TI > 10cr
7%	12%
In case Company opts for Sec 115BAA, the rate of surcharge shall be 10% without any threshold limit	

Income Tax Returns – Sec 139

S. 139(1)
- Mandatory Filing of Return of Income

S. 139(3)
- Loss Return

S. 139(4)
- Belated Return

Income Tax Returns – Sec 139

S. 139(5)	• Revised Return
S. 139(8A)	• Updated Return
S. 139(9)	• Defective Return

Income Tax Return Forms

ITR 1	• Resident Individuals having income from salary, one house property, other sources not being casual income and income $\leq$ 50L
ITR 2	• Individuals & HUFs not having business or professional income
ITR 3	• Individuals & HUFs carrying on proprietary business or profession
ITR 4	• Individuals & HUFs having presumptive income u/s 44AD,44ADA,44AE
ITR 5	• For firms or AOP's
ITR 6	• For companies other than companies claiming exemption u/s 11
ITR 7	• For persons including companies required to furnish return u/s 139(4A)/(4B)/(4C)/(4D)

Tax Deduction at Source
&
Tax Collection at Source

Summary of Sections - TDS

Sno	Section	Particulars	Limit	Rate
1	192	TDS on Salaries	BEL	Slab Rate
2	192A	TDS on Premature withdrawal of RPF	50,000	10%
3	193	TDS on Interest on Securities	10,000	10%
4	194	TDS on Dividends	5,000	10%
5	194A	TDS on Interest other than Interest on Securities	5,000	10%
6	194B	TDS on Lotteries, Crossword Puzzles	10,000	30%
7	194BA	TDS on Online Games	No Limit	30%
8	194BB	TDS on Horse Races	10,000	30%
9	194C	TDS on Contractual Payments	30,000/ 1,00,000	1%/2%

Summary of Sections - TDS

Sno	Section	Particulars	Limit	Rate
10	194D	TDS on Insurance Commission	15,000	5%
11	194DA	TDS on Maturity of LIC Policy	1,00,000	5%
12	194E	TDS on payment to NR Sports Person	No Limit	20% + 4% HEC
13	194EE	TDS on National Savings Scheme	2,500	10%
14	194F	TDS on repurchase of MF units	No Limit	20%
15	194G	TDS on Commission on sale of lottery tickets	15,000	5%
16	194H	TDS on Commission other than 194D, 194G	15,000	5%
17	194I	TDS on Rent of L&B, P&M, Furniture	2,40,000	10%/2%
18	194IA	TDS on sale of Immoveable Property	50,00,000	1%

Summary of Sections - TDS

Sno	Section	Particulars	Limit	Rate
19	194IB	TDS on rent of residential dwelling	50,000 p.m.	5%
20	194IC	TDS on Specified Agreements	No Limit	10%
21	194J	TDS on Professional/Royalty/Fee for technical services	30,000	10%/2%
22	194K	TDS on income on units of MF	5,000	10%
23	194LA	TDS on compulsory acquisition of L&B	2,50,000	10%
24	194M	TDS on Contract,Professional Fee, Commission, Brokerage	50,00,000	5%
25	194N	TDS on cash withdrawal	1,00,00,000	2%
26	194O	TDS on payment by ECO	No Limit	1%
27	194P	TDS on payments by specified bank	No Limit	App rates

Summary of Sections - TDS

Sno	Section	Particulars	Limit	Rate
28	194Q	TDS on purchase of goods	50,00,000	0.1%
29	194R	TDS on perquisites in respect of B/P	20,000	10%
30	194S	TDS on transfer of Virtual Digital Asset	10,000	1%

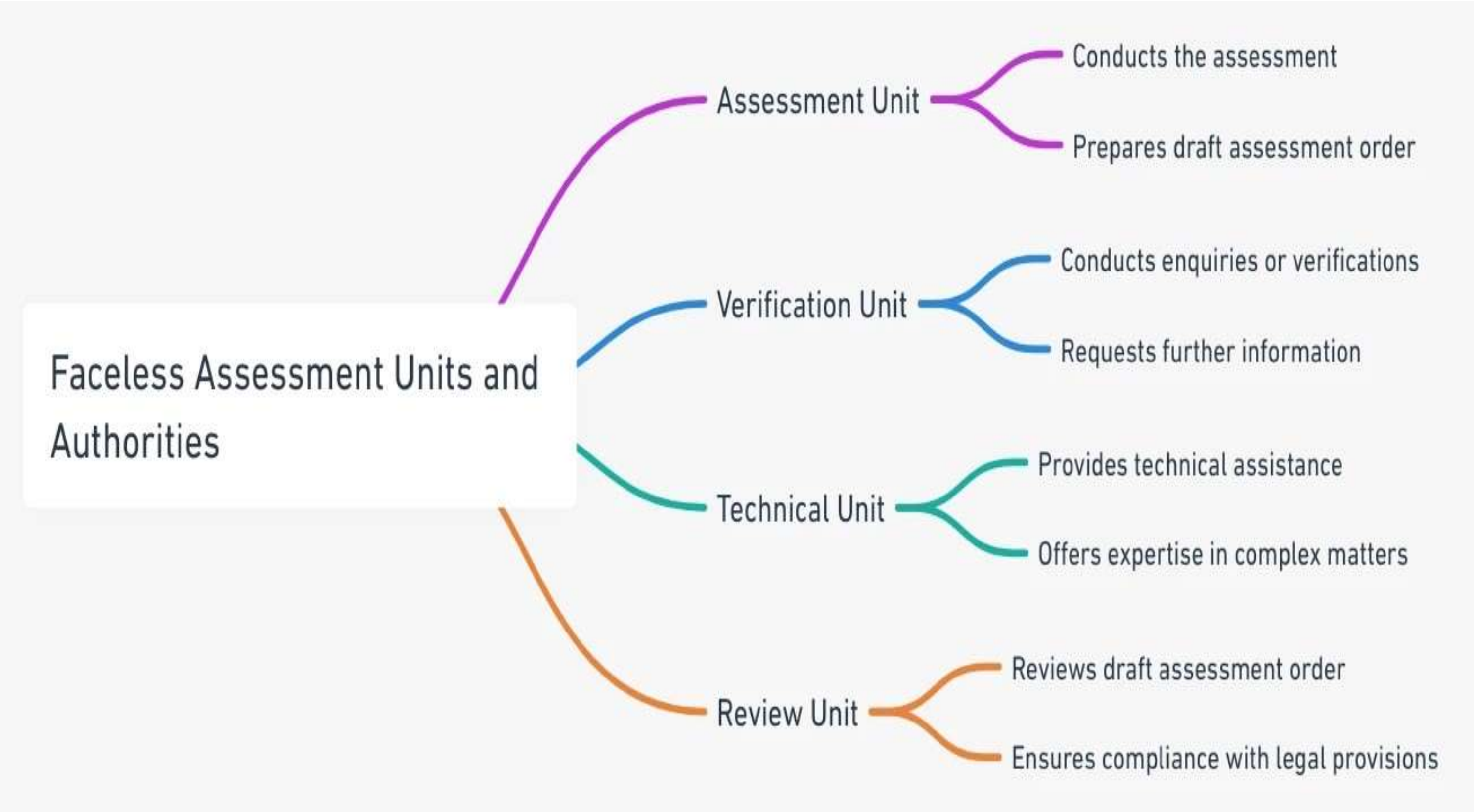
Summary of Sections - TCS

Section	Particulars of Goods	Rates of TCS
Sec 206C(1)	Alcoholic Liquor for Human Consumption	1%
	Scrap	1%
	Minerals like Iron Ore, Ignite	1%
	Timber, Forest Produce	2.5%
	Tendu Leaves	5%
Sec 206C(1C)	Lease or Licence of Parking Lot, Toll Plaza or Mine or Quarry	2%
Sec 206C(1F)	Sale of Motor Vehicle or any luxury goods whose Ex Showroom cost > 10L	1%
Sec 206C(1G)	Overseas Remittance or Overseas Tour Package > 7Lakhs	5% till of 7L & 20% > 7L
Sec 206C(1G)	Overseas Remittance as a loan repayment > 7Lakhs	0.5% of amt in excess of 7L
Sec 206C(1H)	TCS on Sale of Goods > 50L	0.1% of amt > 50L

Assessment Procedures

- Sec 140A – Self Assessment
- Sec 142(1) – Issue of Notice to assesse
- Sec 142(2) – Making an inquiry
- Sec 142(2A) to (2D) – Directions to get the books of accounts audited
- Sec 142(3) – Opportunity of being heard
- Sec 142A – Estimation by valuation officer
- Sec 143(1) – Intimation
- Sec 143(3) – Scrutiny Assessment
- Sec 144 – Best Judgement Assessment
- Sec 144B – Faceless Assessment
- Sec 147 – Income escaping assessment

Faceless Assessment Procedure



Advance Rulings
&
Settlement Commission

Intro to Advance Rulings – Sec 245 O to Sec 245V

- Introduction to Advance Rulings
- Authority to advance rulings – Sec 245O
- Application for advance rulings - Sec 245Q
- Procedure on receipt of application – Sec 245R
- Applicability of Advance Rulings – Sec 245S
- Powers of Authority –Sec 245U
- Procedure of Authority – Sec 245V

Definition of Advance Rulings – Sec 245N(a)

- Sec 245N(a): Advance rulings means:
  - A determination by the Authority in relation to a transaction which has been undertaken or is proposed to be undertaken by a non-resident applicant or
  - A determination by the Authority in relation to the tax liability of a non-resident arising out of a transaction which has been undertaken or is proposed to be undertaken by a resident applicant with such non-resident or
  - A determination by the Authority in relation to the tax liability of a resident applicant, arising out of a transaction which has been undertaken or is proposed to be undertaken by such applicant
  - The determination as told above must include question of law or fact

Definition of Advance Rulings – Sec 245N(a)

- A determination or decision by the Authority in respect of an issue relating to computation of total income which is pending before any income-tax authority or the Appellate Tribunal and such determination or decision shall include the determination or decision of any question of law or of fact relating to such computation of total income specified in the application
- A determination or decision by the Authority whether an arrangement, which is proposed to be undertaken by any person being a resident or a non-resident, is an impermissible avoidance arrangement as referred to in Chapter X-A or not

Settlement Commission – Sec 245

- Based on the recommendations of the Wanchoo Committee, the Settlement Commission was set up for settling across the board, tax liabilities in complicated cases with doubtful benefit to revenue and thereby ensure a mechanism to avoid protracted and endless litigation and save avoidable strain on investigational resources of the Income-tax Department
- Chapter XIXA provides for settlement of cases pending before income-tax authority. For this purpose, the Central Government constituted the 'Settlement Commission'. The Commission shall consist of a Chairman and as many Vice-Chairman and other members as the Central Government thinks fit. It shall function within the Department of the Central Government dealing with direct taxes

Settlement Commission – Sec 245

- Application for settlement – Sec 245C & Rule 44C:
  - Any assesse can apply for settlement commission at any stage of the proceeding only if the additional amount of income tax payable on the income disclosed in the application exceeds Rs 50L if there was a search or requisition or Rs 10L in any other case.
  - Such tax and the interest thereon, which would have been paid under the provisions of this Act had the income disclosed in the application been declared in the return of income before the AO on the date of application, has been paid on or before the date of making the application and the proof of such payment is attached with the application
  - Application to the settlement commission shall be made in Form no 34B in quintuplicate by the assesse or his agent to the Secretary, SC office in New Delhi. Application sent by post shall be deemed to be made in person.

Settlement Commission – Sec 245

- Application for settlement – Sec 245C & Rule 44C:
  - The application shall contain the information like full and true disclosure of income which is not disclosed to AO
  - The manner in which the income was derived
  - The additional amount of income-tax payable on such income
  - Such other particulars as may be prescribed
  - The application should be accompanied by fee of Rs 500
  - The application and supporting documents must be verified the person
  - Assessee shall also intimate the AO of he making the application to SC
  - Application made to SC cannot be withdrawn by assessee

THANK YOU!!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