

TAX GUIDE - 2011

F.Y. 2011-2012
(A.Y. 2012-2013)

Further information can be obtained from:

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I. INDIAN INCOME TAX
FINANCE ACT 2011
TAX RATES (Asst. Year 2012-2013)

(A) INCOME OTHER THAN INCOME SPECIFIED HEREUNDER

For Individuals & HUF

Tax rates (%)

	Resident Senior Citizen above 80 Years	Resident Senior Citizen more than 60 years but less than 80 years	Resident women below 60 Years	Others
Up to ₹1,80,000	Nil	Nil	Nil	Nil
₹1,80,001 to ₹1,90,000	Nil	Nil	Nil	10
₹1,90,001 to ₹2,50,000	Nil	Nil	10	10
₹2,50,001 to ₹5,00,000	Nil	10	10	10
₹5,00,001 to ₹8,00,000	20	20	20	20
Above ₹8,00,000	30	30	30	30

For Firms (including LLPs) & Companies -

(B) INCOME FROM LONG TERM CAPITAL GAIN	30%
(C) INCOME FROM SHORT TERM CAPITAL GAIN	20%
On transfer of equity shares through a recognised stock exchange or units in equity oriented Mutual Fund.	15%
(D) Minimum Alternate Tax (MAT) Applicable to Companies and LLPs	18.5 %
(E) Surcharge for Companies only	5 % Surcharge (if net income or book profit exceeds Rs.1 Crore)
(F) 2% Education cess payable on above tax and surcharge.	
(G) 1% Secondary and Higher Education cess payable on above tax and surcharge.	

A. GIST OF TAX FREE INCOMES

- # Dividend from Indian Companies and income distributed by Mutual Funds.
- # Interest on Notified Relief Bonds and Public Provident Fund.
- # Income of minor child to the extent of ₹1,500 per child.
- # Any amount received under Life Insurance Policy on maturity, provided payment of premium at any time does not exceed 20% of capital sum assured in respect of policy issued after 31-03-03.
- # Income on transfer of equity shares or units of equity oriented funds held for long term and the sale is chargeable to Securities Transaction Tax.
- # Interest on NRE account in any bank in India. (In case of NRI).
- # Sum received in lump sum or in instalment under reverse mortgage scheme.

B. SALARY INCOME

- # Salary is taxable on due or receipt basis, whichever is earlier.
- # Salary includes wages, pension, fees, commissions, perks, gratuity, bonus etc.
- # Any amount due or received before joining or after cessation of employment.
- # Contribution by employer to account of employee under pension scheme u/s.80CCD.

Valuation of some Perquisites

- # Perquisite considered if interest is below the rates charged by SBI on the first day of the previous year if the loan amount exceeds ₹20, 000/-.
- # ESOP, contribution to Super annuation fund in excess of ₹1 lacs.
- # Use of Motor Car as specified in Income Tax Rules.
- # Medical reimbursement exceeding ₹15,000/-.
- # Perquisites considered if value of free meal exceeds ₹50/- per meal during office hours at office or business premises or through paid vouchers. Tea and light refreshment provided during office hours and free meal during office hours in remote area are to be valued at ₹NIL.
- # Perquisite value ₹NIL (i) In case of a gift voucher or token below ₹5,000/- during the year.
(ii) for telephone installed at residence and mobile phone.
(iii) for use of computer and Laptop

Deduction From Salaries

1. Professional Tax (actually deducted)
2. Allowances for children education - ₹100/- p.m. per child for a maximum of two children.
Allowances for hostel expenditure - ₹300/- p.m. per child for a maximum of two children.
Transport allowance - ₹800/- per month.

- # **Set-off of business loss is not available against salary income.**
- # **Exemption u/s 10(10C) for VRS will not be applicable if relief u/s 89 is claimed.**

C. INCOME FROM HOUSE PROPERTY

Annual value is chargeable to tax on accrual basis.
The annual value of one self occupied property is considered as Nil.

Deductions from income

- # Taxes paid to local authority.
- # Repairs & collection expenses @ 30% of annual value irrespective of actual expenditure.
- # Interest on borrowed capital subject to certificate from lender:
Rental Property : Actual
Self Occupied : ₹1,50,000, if capital borrowed after 01-04-99.

D. BUSINESS / PROFESSION INCOME

Business income includes any profits or gains from business or profession carried on during previous year.

Deductions from income

- # Rent, repairs (Not of a capital nature), taxes & insurance for business premises, plant & machinery or furniture and other expenditure incurred wholly & exclusively for business. (Not of a capital nature).
- # The deduction of depreciation is mandatory. Unabsorbed Depreciation can be carried forward for indefinite period and can be set-off against any other income.
- # The continuity of same business is not necessary for set-off of unabsorbed depreciation and loss.

Depreciation is allowed at rates prescribed. Rates for major assets are as below.

Building (Other than residence)	10%	Plant & Machinery	15%
Building used for residence	5%	Computers (Including Software)	60%
Furniture & fittings (including	10%	Intangible Assets	25%
Electric Fittings)		Motor cars	15%

=> Plant shall not include building, furniture and fittings.

=> Additional depreciation @ 20% on certain new plant & machinery installed by a manufacturer.

=> If asset is used for less than 180 days in the year of purchase, only 50% of depreciation is allowable.

=> New businesses such as facility of cold chain, warehousing, hotel of two or above star, hospital of 100 and above beds, affordable housing projects, and fertilizer production units are eligible for 100% deduction of certain capital expenditure subject to conditions.

175% of Contribution to approved Scientific Research Institute. (Sec.35 (1)(ii))

200% of Expenditure (excluding Land & Building) for in house R & D by company engaged in manufacturing of any article or things not specified in eleventh schedule.

Deductions not allowable from income

Interest paid for acquiring new assets till use of assets for expansion of existing business.

Income Tax, Wealth Tax, Tax paid on non-monetary perquisite and interest paid for late payment of taxes.

Interest, commission, fees for professional / technical services, contract payments, rent & royalty where tax is not deducted or after deduction not deposited into Govt. account till due date of filing return.

Payments of expenditure to a person in a day in cash in excess of ₹20,000/-. (₹35,000 for transporters)

Deduction of Remuneration to working partners of a Firm including LLP.

up to Book profit ₹3,00,000: Higher of ₹1,50,000 or 90% of Book Profit

on Balance of Book profit: 60% of balance Book Profit

Computation of profit of business on presumptive basis from A.Y. 2011-12

Resident individual, H.U.F and Partnership Firm (Excluding LLP) having business (other than truck operator) turnover not exceeding ₹60 lacs, can compute income at 8% of turnover / gross receipts. Further claim of exempted income and deductions in respect of such income is not available. In case of Partnership, from computed income, interest and remuneration to partners can be claimed. No advance tax or books of account required to be paid/ kept.

E. CAPITAL GAINS

Capital Gain means any profit from transfer of a capital asset effected in previous year. Capital asset means property of any kind (other than stock-in-trade and personal effects excluding archaeological collections, drawings, paintings, sculptures, work of art) held by assessee.

The Capital gain is computed after deducting cost of transfer, cost of acquisition & improvement (if any), indexed cost of acquisition (only for LTCG), exemption u/s.54 to 54G, from full value of sales consideration (Land or/and Building value for stamp duty, if it is higher).

Cost Inflation Index for F.Y. 2010-2011 is **711**.

- # The capital gain upto ₹50 Lacs) per financial year can be invested in specified asset u/s.54EC with lock in period of 3 years. (Bonds issued by NHAI and RECL).
- # Even if the assessee owns residential house(s) on the date of transfer of original asset, the exemption is available u/s.54F subject to conditions.
- # Fair Market Value as on 01-04-81 may be substituted in case of assets acquired before that date.
- # W.e.f. 01/10/2009 Cost of property considered as a gift in section 56 is deductible from sale consideration.
- # No indexation is permitted in case of transfer of bonds or debentures.
- # Long term capital loss is available for set-off only against long term gain either in current or subsequent eight years. Short term capital loss is available for set off against capital gain either in current or subsequent eight years.
- # Transfer of Capital or intangible assets by company and shares by shareholders on conversion of Pvt. Ltd Company to LLP is exempted from tax subject to conditions.

F. INCOME FROM OTHER SOURCES

- # Dividend received without payment of Dividend Distribution Tax.
- # Dividend from **specified foreign company** liable to Tax @15%.
- # Income of every kind not included in any of the above four heads is included here.
- # W.e.f. 01/10/2009 Gifts received by individual or H.U.F. in cash or in kind (without adequate consideration other than for immovable property) from non-relatives exceeding ₹50, 000.
- # 50% of interest received on delayed compensation/enhanced compensation.
- # W.e.f. 01/06/2010 receipt of any shares of Pvt. Co., by Firm/Closely Held Company from any person without consideration or inadequate consideration in excess of ₹50,000.

G. DEDUCTIONS FROM GROSS TOTAL INCOME ONLY FROM NORMAL INCOME (UNDER CHAPTER VIA)

- # [S 80 C] (Only for Individual & HUF) Any amount paid or deposited at any time during the year in following specified savings upto ₹1 lakh (including deduction u/s.80CCC and 80CCD(1)).
- 1. LIP premium to the extent of 20% of the actual capital sum assured.
- 2. Contribution to recognised P.F. & P.F.'s under P.F. Act and PPF scheme 1968.
- 3. National savings certificate (VIII Issue).
- 4. Contribution to U.L.I.P. of LIC Mutual Fund
- 5. Repayments of loan (towards capital) for purchase or construction of a residential house property taken from specified persons.
- 6. Tuition fees (not paid for development fees or donation) to university, college, school in India for full time education of any two children of individual.
- 7. Payment to notified deferred annuity plan of LIC or other insurer.
- 8. Contribution to ELSS-2005 of any Mutual Fund. (Tax Saver Scheme)
- 9. Contribution to pension fund of Mutual Fund, UTI and Retirement Benefit Pension Fund.
- 10. Bank deposits for five or more years with scheduled banks as per Bank Term Deposit Scheme 2006.
- 11. NABARD Rural Bond.
- 12. 5 years time deposit in Post Office and in account under Senior Citizens Savings Scheme Rules, 2004.

- # [S 80 CCC] Any amount paid by an individual to LIC or any other insurer under approved pension plan (Jeevan Suraksha) upto ₹1 lacs (including deduction u/s.80C & 80CCD(1)).
- # [S 80 CCD] Contribution to notified pension scheme by individual not exceeding 10% of salary by employee and for others 10% of Gross total income.(including u/s. 80C & 80CCC) **plus employer contribution not exceeding 10% of salary.**
- # [S 80 CCF] Long term notified infrastructure bonds by Individual or HUF upto ₹20,000/-
- # [S.80D] Any amount paid not in cash by an individual or HUF for the health of his family, medical insurance premium upto of ₹15,000/-. (For senior citizen limit is upto ₹20,000/-) Additional deduction upto ₹15,000/- for health insurance paid for parents (for senior citizen parent ₹20,000/-)
- # [S.80DD] Amount of deduction for maintenance and medical expenditure for handicapped dependent with severe disability upto ₹1,00,000/-.
- # [S 80E] Any amount of interest on loan taken for any higher education of the assessee, spouse & children after Senior Secondary Examination.
- # [S 80G] Any amount donated to the approved charitable trusts or notified institutes.
- # [S 80GGB] Contribution by Indian company to any political party or electoral trust.
- # [S 80U] ₹1 lakh deduction to resident individual having severe disability.

H. WHO HAS TO FILE RETURN OF INCOME

Every person whose total income without giving effect to deductions under Chapter VI-A exceeds the maximum amount which is not chargeable to tax (i.e. ₹1,80,000), all companies and firms are statutorily obliged to file return of income. The association or institutes specified in section 139(4C) are required to file return of income, subject to conditions. **Small taxpayers to be notified are not required to file return of income subject to conditions.**

I. WHO IS REQUIRED TO OBTAIN PERMANENT ACCOUNT NUMBER (PAN)

Every person whose total income, exceeds ₹1,80,000/- or carrying on business/profession whose turnover is likely to exceed ₹5 lakhs or charitable trust or specified classes of persons in notification issued by Govt. and persons from whose income tax is deductible at source.

DOCUMENTS PERTAINING TO TRANSACTIONS WHERE PAN SHOULD BE QUOTED

1. Sale or purchase of any immovable property valued at ₹5 lakhs or more.
2. At the time of registration of sale or purchase of motor vehicle.
3. Payments to hotels/restaurants of ₹25, 000/- or more at any one time.
4. Making an application for installation of telephone / cell phone.
5. A contract of ₹1 lakh or more for purchase or sale of securities.
6. A time deposit exceeding ₹50, 000/- with Banks or Post Office Saving Bank.
7. Opening an account with Bank.
8. TDS Certificates issued by Tax deductor.
9. In all tax documents or correspondence.
10. Making an application for credit card.
11. Purchase of units/shares/debentures of mutual fund or company / RBI bonds exceeding ₹50,000/-.
12. Deposit of ₹50,000 or more in cash with Bank or purchase of Bank draft/pay order/Banker's cheque from bank in single Day.

Contravention of these provisions attract penalty of Rs.10,000 for each default.

J. WHO IS REQUIRED TO KEEP AND MAINTAIN BOOKS OF ACCOUNTS

The persons carrying on profession in the field of legal, medical, engineering, architecture, accountancy, technical consultancy, interior decoration, or film artist or engaged in any business are required to keep and maintain books of account subject to specified limits.

Contravention attract penalty of ₹25,000/-.

K. MINIMUM ALTERNATE TAX (MAT) - FOR COMPANIES & LLPs

- # Payable on book profit including income exempt u/s.10A/10B and 10(38)

- # Wealth Tax is deductible.
- # Provision for diminution in value of assets, deferred tax, Dividend distribution tax, interest on tax, surcharge, education cess and secondary & higher education cess are not deductible.
- # MAT Credit available in next 10 years (from A.Y. 10-11) against normal income tax payable, if any.

L. DEDUCTION/COLLECTION OF TAX AT SOURCE

(RATES OF TDS/TCS)

	Individual/ H.U.F	Others
1. Payment to contractor or subcontractor exceeding ₹30, 000 or total Payments exceeding ₹75, 000 per year. *	1%	2%
2. Transporter furnishes PAN	Nil	Nil
3. Professional fees exceeding ₹30,000 per year.	10%	10%
4. Payment of interest exceeding ₹5,000 per year other than Bank & Post Office	10%	10%
5. Payment of interest exceeding ₹10,000 per year by Bank & Post Office	10%	10%
6. Payment of Rent for Land, Building or Furniture exceeding ₹1,80,000 per year.	10%	10%
7. Payment of Rent for Plant & Machinery exceeding ₹1,80,000 per year.	2%2%	
8. Commission exceeding ₹5,000 per year.	10%	10%
9. Sale of Scrap (TCS)	1%	1%

* W.e.f. 01/10/2009 No TDS on value of material if shown separately in invoice.

➤ **Transactions with parties situated in notified territories are international transaction subject to TDS**

Declaration in Form No.15G by quoting PAN w.e.f 01/04/2010 for no deduction of tax can be furnished by persons whose incomes do not exceed the maximum amount chargeable to tax. Senior citizen can furnish such declaration in Form No.15H by quoting PAN w.e.f 01/04/2010 if there is no tax payable on total income.

Requirement to Furnish PAN :

From 01/04/2010, every person from whose income, tax is deductible, is required to furnish his PAN to deductor. Otherwise, TDS will be deducted @ 20% or Higher rate mentioned in section. PAN number is to be indicated in all correspondence, bills, vouchers and documents sent.

Every deductor has to submit quarterly TDS/TCS returns electronically to prescribed authority as under:

Nature of deduction / collection of tax	Form No.	Quarter ending on	Due Date
Salary TDS	24Q	30th June	15th July
Non-salary TDS (Resident)	26Q	30th September	15th October
Non-salary TDS (Non-resident)	27Q	31st December	15th January
Sale of scrap	27EQ	31st March	15th May

Non-filing / late filing of TDS returns will attract penalty of Rs.100/- per day maximum up to amount of TDS paid / payable.

M. INCOME LIABLE TO TAX ON THE BASIS OF RESIDENTIAL STATUS

- # A person who is resident and ordinarily resident is chargeable to tax on all Indian and foreign income.
- # A person who is resident but not ordinarily resident is chargeable to tax on all Indian and foreign income which is derived from business controlled or profession set-up in India.
- # A person who is non resident is chargeable to tax on all Indian income.

N. DUE DATES FOR ADVANCE TAX PAYMENTS FOR ASSESSEE

LIABLE TO PAY TAX ABOVE RS.10,000/- (after reducing TDS)

Inst.	Dates	For Co.	Others	Inst.	Dates	For Co.	Others
1st	15/6	15%	—	3rd	15/12	75%	60%
2nd	15/9	45%	30%	4th	15/3	100%	100%

O. DUE DATES FOR FILING RETURN OF INCOME

	DUE DATE		DUE DATE
Individual having Salary or House property or other Income [Form ITR-1 Sahaj]	31/07	Partners of the firm [Form ITR-3]	31/07 & 30/09*
Individual & HUF other than Business Income [Form ITR-2]	31/07	Ind. & HUF having Proprietary Business [Form ITR-4]	31/07 & 30/09*
Companies [Form ITR-6]	30/09@	Ind. & HUF having Presumptive Business income [Form ITR-4S Sugam]	31/07
Charitable Trust [Form ITR-7]	30/09		
Firms /AOP/BOI [Form ITR-5]	31/07 & 30/09 *		

* Whose accounts subject to audit.

@ Due date for companies required to file Transfer Pricing Audit report is 30th November.

For claiming carry forward of capital / business / speculation losses and deductions u/s.80IA, 80IAB, 80IB, 80IC, 80ID, 80IE, 10A, 10B return of income must be filed before due dates.

E-filing is mandatory for all companies and firms subject to Tax Audit.

II. WEALTH TAX

The Wealth Tax is charged @ 1% on the net wealth exceeding ₹30 lakhs.

The Chargeable assets are:

- # Motor Cars other than those used in assessee's business of hiring or used as stock-in-trade.
- # Jewellery, bullion or furniture, utensils or any other article made of gold, silver, etc.
- # Cash in hand in excess of ₹50,000/- in case of individuals & HUF's
- # Urban land situated within 8 kms from local limits of Municipality or Cantonment Board.
- # Any guest house, residential house, commercial property and farm house subject to specified exclusions.

III. DIVIDEND DISTRIBUTION TAX

	Dividend Tax	Surcharge	Education	SHEC
By Companies (Including SEZ units)	15.0	0.750	0.315	0.158
By Equity Oriented Fund	Nil	Nil	Nil	Nil
By money market mutual funds or liquid fund-				
- Dividend to Individual, HUF	25.0	1.25	0.525	0.2625
- Dividend to others	30.0	1.50	0.63	0.315
By other mutual fund - Dividend to Individual, HUF	12.5	0.625	0.263	0.132
- Dividend to others	30.0	1.50	0.63	0.315

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