7. Employer's Contribution to NPS/PF/SAF in excess of ₹ 7.5 Lacs to be taxed in the hands of employees

- One of the advantages of salaried persons was retirement benefits through schemes like Employees' Provident Fund (EPF), Superannuation Fund (SAF), National Pension System (NPS) etc.
- Contributions to such schemes not only help in building a retirement corpus, but were also tax-free till FY 2020-21.
- In the Union Budget 2020, a cap of ₹ 7.5 lakhs in a financial year was put on the combined contributions made to the three schemes (EPF, NPS and Superannuation Fund) by employer(s).
- So, now highly paid employees having EPF and/or NPS as retirement benefit scheme(s) would suffer, as any contributions made by employer(s) over ₹ 7.5 lakh in a financial year would now become taxable.
- Moreover, any annual accretion by way of interest, dividend or any other amount of similar nature during the financial year will also be part of the ₹ 7.5 lakh limit.

8. Fair Market Value as on 01/04/2001 of immovable properties for Capital Gains

- In the case of Land and Buildings acquired before 01/04/2001, the assessee was given option to substitute Fair Market Value (FMV) prevailing as on 01/04/2001 instead of actual cost.
- From AY 2021-22 (FY 2020-21) onwards, if the capital asset transferred is land or building or both and if assessee choose to opt for FMV as on 01-Apr-2001 such value shouldn't exceed stamp duty value, if available, on that.

9. Tolerable Limit increased for difference in Stamp Value and Actual Value of the Property:

- If the consideration received from transfer of an asset (not a capital asset) being land or building or both is less than stamp duty value then, stamp duty value shall be considered as consideration received/accrued for the purpose of computation of profits and gains from business

- However, if the stamp duty value does not exceed 105% of consideration received/accrued then, actual consideration received/accrued shall be considered as consideration received/accrued for the purpose of computation of profits and gains from business.
- However from AY 2021-22 (FY 2020-21), stamp duty value/differential amount to be considered for tax purpose if the difference between actual consideration and the stamp duty value has been increased to 10%.

10. Under the Head TDS :

- **Section 194** TDS @ 10% will be deducted by Indian companies on dividend paid to a shareholder who is resident in India if the amount exceeds ₹ 5000.
- Section '194O:- If the annual amount paid or credit by the e-commerce operator to its participants during the financial year exceeds ₹ 5 Lakh then the operator will have to deduct TDS @ 1%.
- Section 194K:- TDS @ 10% on dividend paid by Mutual Fund if the amount of Dividend exceeds ₹ 5000.
- Section 194J:- TDS has been reduced to 2% from 10% on fees for technical services.
- Section 206AA:- If PAN Number is not available in case of section 1940 then TDS @ 5% will be charged instead of 20%.

11. No tax levied on notional income:

Till last year, an individual who had a second house property and was vacant still had to pay the taxes for the notional rent from the property. But in this fiscal year, the government has removed this rule and no tax will be levied on such notional income.

12. New TDS threshold:

The Tax Deducted at Source (TDS) will only be applied if interest from Fixed Deposits (FDs) and Recurring Deposits (RDs) is more than ₹ 40,000 a year. What was the earlier TDS threshold? Until the former year, the bank debited '10 percent of TDS if the interest from FDs and RDs was more than ₹ 10,000 a year.

13. Deduction of TDS by Individuals/HUF:

- Till 31/03/2020, only those assessees were required to deduct TDS whose accounts were subject to Tax Audit u/s 44AB.
- With effect from 01/04/2020 (FY 2020-21), the linkage of TDS with the audit has been discontinued and following assessees are required to deduct TDS:
- In case of business If the sales/turnover exceed ₹ 1 Crore in the preceding FY (i.e. 2019-20)
- In case of Profession if the gross receipts exceed ₹ 50 Lacs in the preceding FY (i.e. 2019- 20)

14. Amendment in the Scope of Section 194N (TDS on Cash withdrawal)

- As per the amended law, if an individual withdraws cash exceeding ₹ 20 lakh in an FY from his/her bank account (current or savings) and has not filed ITR during the last 3 FY's then TDS will be leviable at the rate of 2% on the amount of cash withdrawn as per Section 194N.
- Further, if the amount of cash withdrawn exceeds ₹ 1 crore in the financial year, then TDS at the rate of 5% will be applicable on the amount of cash withdrawn in case of the individual who has not filed ITR during the last 3 FY's.
- Additionally, TDS of 2% on cash withdrawal is applicable if the amount withdrawn from a bank account exceeds ₹ 1 crore in a financial year even if individual has filed ITR.

15. Amendment to Section 194J (TDS on Professional Services)

- Section 194J provides that any person, not being an individual or a HUF, who is responsible for paying to a resident any sum by way of fees for professional services, or fees for technical services, or any remuneration or fees or commission or royalty or any sum referred to in section 28(va), shall, at the time of payment or credit of such sum to the account of the payee, deduct an amount equal to 10% as income-tax.

- Prior to the FY 2020-21 there was only one rate of TDS of '10%. Finance Bill, 2020 introduced one more rate of 2% for fees for technical services.
- One more payment has been brought under two per cent of TDS under section 194J and it is on royalty where such royalty is in the nature of consideration for sale, distribution or exhibition of cinematographic films.

16. New categories for Tax Collection at Source (TCS):

Following 3 new categories of transactions have been introduced with effect from 01/10/2020 for TCS:

Remittance out of India under Liberalized Remittance Scheme (LRS) of RBI.

- Tax is to be collected by bank/ foreign exchange dealer if he receives sum in excess of ₹ 7 00,000 or more in aggregates from buyers being a person remitting such amount out of India, at the rate of 5%
- In non-PAN/Aadhaar cases the rate shall be 10%

TCS on selling of overseas tour package

- A seller of an overseas tour program package who receives any amount from any buyer, being a person who purchases such package, shall be liable to collect TCS at the rate of 5%.
- In non-PAN/ Aadhaar cases the rate shall be 10%.
- There is no monetary limit for this transaction, irrespective of any amount TCS must be collected by seller of that package

Sale of goods

Seller of the Goods whose turnover during the preceding FY exceeded ₹ 10 Crore and receives ₹ 50 Lakhs or more from a Domestic buyer of the goods has to collect TCS @ 0.1% (in case of non-PAN/Aadhaar @ 1%) of the amount received (including GST)

17. Widening the scope of form 26AS:

- Form 26AS is an important piece of document for a taxpayer to file his income-tax return (ITR) and to get essential tax information.

Star Rating

On the basis of Maximum marks from a chapter	Nil
On the basis of Questions included every year from a chapter	Nil
On the basis of Compulsory questions from a chapter	Nil

CHAPTER

1

Basic Concepts

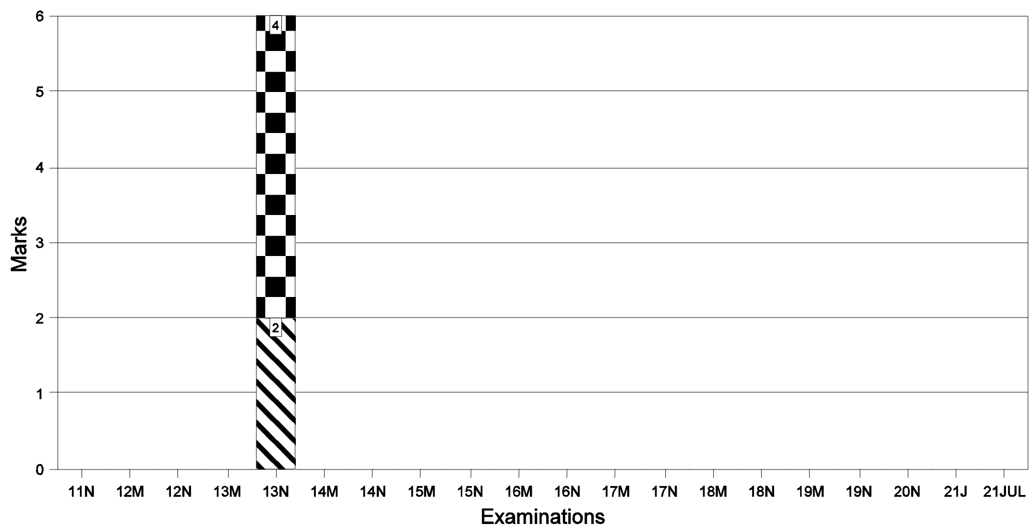
THIS CHAPTER COMPRISES OF

☞ Important Definitions ☞ Previous year and Assessment year ☞ Charge of Income-tax ☞ Rates of Tax ☞ Surcharge.

Marks of Short Notes, Distinguish Between, Descriptive & Practical Questions

Legend

Objective Short Notes Distinguish Descriptive Practical



For detailed analysis Login at *www.scanneradda.com*
for registration and password see first page of this book.

DESCRIPTIVE QUESTIONS

2013 - Nov [3] (a) Examine the following statements in the context of provisions contained in the Act relevant for the previous year ended on 31.03.2021:

(i) The additions to income made by invoking provisions of Section 68 are subject to normal rates of tax as applicable to the assessee.

(2 marks)

Answer:

The said statement is false since u/s 115BBE, where the total income of the assessee includes income by way of additions u/s 68, he shall be liable to tax @ 60% (plus 25% surcharge plus + 4% health and education cess) on the income u/s 68.

—— Space to write important points for revision ——

PRACTICAL QUESTIONS

2013 - Nov [4] Examine critically any four out of the following problems/issues/cases in the context of provisions contained in the Act relevant for assessment year 2021-22. Support the answer with the case laws.

(i) A company received liquidated damages of ₹ 25 lacs from the suppliers of plant & machinery for failure to supply the plant and machinery within the stipulated time. The Assessing Officer treated the same as income chargeable to tax as against the claim of the company of treating as capital receipt. (4 marks)

Answer:

Liquidated damages received in connection with a capital asset are capital receipts. It should be reduced from the purchase price of the P&M for calculating actual cost. Hence the treatment of the AO of such receipt as taxable is not tenable. Similar view was echoed by the Supreme Court in *CIT vs Saurashtra Cement Ltd. (2010).*

MULTIPLE CHOICE QUESTION

1. The term 'person' in Income Tax Act,1961 include which of the following-
   (a) Individual
   (b) Artificial Juridical Person
   (c) AOP/BOI
   (d) Local authority
   (e) All of the above
2. Which of the following is a deemed income-
   (a) Unexplained cash credit
   (b Unexplained investments
   (c) Unexplained money
   (d) Unexplained expenditure
   (e) All of the above
3. Where a ship is belonging to a non-resident and it is about to leave the port in India,___of the freight payable whether in India or outside India for goods, passengers, mail shipped from any port in India is deemed to be his income which is charged to tax in the same year in which it is earned.
   (a) 2%
   (b) 5%
   (c) 7.5%
   (d) 10%
4. Mr. X is leaving India for USA on 10/06/21 and it appears to Assessing Officer that he has intention to return to India. Before leaving India, Mr. X will be required to pay income tax income earned during.
   (a) Previous Year 2020-21
   (b) 01/04/19 to 10/06/21
   (c) Previous Year 2020-21 as well as 10/06/21
   (d) Not required to pay tax

5. State whether true or false."A resident individual whose 60th birthday falls on 01/04/21 would be treated as having attained the age of 60 years in Previous Year 2020-21."
   (a) True
   (b) False
6. A company which is not a domestic company will pay income tax at the rate of -
   (a) 25%
   (b) 30%
   (c) 40%
   (d) 20%
7. Marginal Relief is to be deducted-
   (a) After adding surcharge and cess to normal tax
   (b) After adding surcharge to normal tax
   (c) Before adding surcharge and cess i..e. on normal tax
   (d) Not to be deducted only
8. Rebate u/s 87A is not available in respect of tax payable @______
   (a) 15% on Long Term capital Gain u/s 111A
   (b) 20% on Long Term Capital Gain u/s 112
   (c) 10% on Long Term Capital Gain u/s 112A
   (d) All of the above
9. Rates of income tax are mentioned in-
   (a) Income Tax Act, 1961
   (b) Both Income Tax Act,1961 and Income Tax Rules, 1962
   (c) First schedule to Annual Finance Act
   (d) Both Income Tax Act, 1961and First schedule to Annual Finance Act
10. Surcharge applicable to a foreign company for Assessment Year 2021-22 is
   (a) 5% if total income exceeds ₹ 1,00,00,000
   (b) 10% if total income exceeds ₹ 1,00,00,000
   (c) 2% if total income exceeds ₹ 1,00,00,000 but does not exceed ₹ 10,00,00,000 and 5% if total income exceeds ₹ 10,00,00,000
   (d) 2% if total income exceeds ₹ 10,00,00,000

11. Where total income of an artificial juridical person is ₹ 3,10,000,the income tax payable is?______and surcharge payable is?___
    (a) ₹ 3,000, surcharge-Nil
    (b) ₹ 6,000, surcharge-Nil
    (c) ₹ 500, surcharge- Nil
    (d) ₹ 93,000, surcharge-4,650

Answer

1.	(e)	2.	(e)	3.	(c)	4.	(c)	5.	(a)
6.	(c)	7.	(b)	8.	(c)	9.	(d)	10.	(c)
11.	(a)								