TAX GUIDE - 2012

F.Y. 2012-2013
(A.Y. 2013-2014)

Further information can be obtained from:

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I. INDIAN INCOME TAX
FINANCE ACT 2012
TAX RATES (Asst. Year 2013-2014)

(A) INCOME OTHER THAN INCOME SPECIFIED HEREUNDER

<table>
<thead>
<tr>
<th>For Individuals &amp; HUF</th>
<th>Resident above 80 Years</th>
<th>Resident between 60 to 80 years</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>Up to ₹2,00,000</td>
<td>Nil</td>
<td>Nil</td>
<td>Nil</td>
</tr>
<tr>
<td>₹2,00,001 to ₹2,50,000</td>
<td>Nil</td>
<td>Nil</td>
<td>10</td>
</tr>
<tr>
<td>₹2,50,001 to ₹5,00,000</td>
<td>Nil</td>
<td>10</td>
<td>10</td>
</tr>
<tr>
<td>₹5,00,001 to ₹10,00,000</td>
<td>20</td>
<td>20</td>
<td>20</td>
</tr>
<tr>
<td>Above ₹10,00,000</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
</tbody>
</table>

For Firms (including LLPs) & Companies - 30%

(B) INCOME FROM LONG TERM CAPITAL GAIN 20%

(C) INCOME FROM SHORT TERM CAPITAL GAIN 15%

- On transfer of equity shares through a recognised stock exchange or units in equity oriented Mutual Fund.

(D) Minimum Alternate Tax (MAT) - For companies 18.5%

(E) Alternate Minimum Tax (AMT) - LLP & Others claiming income based deduction & SEZ unit (Income > 20 Lacs) 18.5%

(F) Surcharge for Companies: 5% on above tax (if net income or book profit exceeds ₹1 Crore)

(G) 2% Education cess payable on above tax and surcharge.

(H) 1% Secondary and Higher Education cess payable on above tax and surcharge.

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

# A person who is 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.

B. 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.
# Sum received under LIP on maturity, provided premium < 20% of sum assured at any time for policy issued after 31-03-03 (<10% for policy issued after 31-03-12).
# 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.
# In case of NRI interest on NRE account in any bank in India.
# Sum received in lump sum or in instalment under reverse mortgage scheme.

C. 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/-. 
Considered as perquisites if value of free meal exceeds ₹50/- per meal during office hours at office or business premises or through paid vouchers. Tea and light refreshments 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.

D. 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.

E. 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 except salary.
# Depreciation is allowed at rates prescribed. Rates for major assets are as below.

<table>
<thead>
<tr>
<th>Asset Type</th>
<th>Rate</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building (Other than residence)</td>
<td>10%</td>
</tr>
<tr>
<td>Building used for residence</td>
<td>5%</td>
</tr>
<tr>
<td>Furniture &amp; fittings (including)</td>
<td>10%</td>
</tr>
<tr>
<td>Electric Fittings</td>
<td>10%</td>
</tr>
<tr>
<td>Plant &amp; Machinery</td>
<td>15%</td>
</tr>
<tr>
<td>Computers (Including Software)</td>
<td>60%</td>
</tr>
<tr>
<td>Intangible Assets</td>
<td>25%</td>
</tr>
<tr>
<td>Motor cars</td>
<td>15%</td>
</tr>
</tbody>
</table>

=> Plant shall not include building, furniture and fittings.
=> Additional depreciation @ 20% on certain new plant & machinery installed by a manufacturer & power units.
=> 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 for agriculture produce and sugar, hotel of two star or above, hospital of 100 and above beds, affordable housing projects, fertilizer production, inland container depot or container freight station and Bee keeping and production of honey and bee wax are eligible for 150% deduction of certain capital expenditure subject to conditions. (Sec.35AD)
# 175% of Contribution to approved Scientific Research Institute. (Sec.35 (1)(ii))
# 200% of Expenses (excluding Land & Building) upto 31-03-17 for in-house R & D by company engaged in manufacturing of article or things not specified in eleventh schedule. – Sec. 35 (2AB)
# 150% of expenses for agricultural extension project- Sec.35CCC
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 paid into Govt. account till due date of filing return except in cases person is not in default u/s 201(1) for such defaults.
# Payments of expenditure to a person in a day in cash in excess of 20,000/-. (35,000 for transporters)

F. 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 person.

# 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 54GB, from full value of sales consideration (Land or/and Building value for stamp duty, if it is higher) or fair market value where consideration is not ascertained.
# Fair Market Value as on 01-04-81 may be substituted in case of assets acquired before that date.
# Cost of property considered as a gift in sec. 56 is deductible from sale consideration.
# Cost Inflation Index for F.Y. 2011-12 is 785.
# No indexation is permitted in case of transfer of bonds or debentures
# 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).
# Capital gain of residential property exempt, subject to certain conditions (sec. 54GB)
# 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.
# 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.
# 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 gains either in current or subsequent eight years.

G. INCOME FROM OTHER SOURCES
# Dividend received without payment of Dividend Distribution Tax.
# Dividend from specified foreign company liable to Tax @15% upto FY 2012-13.
# 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. Member of HUF is relative of HUF.
# 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.
# Share premium in excess of its fair market value received by Pvt. Ltd. Co. from resident person.
# Unexplained money, credit, investment, expenditure, etc taxable @ 30%.

H. 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 10% of the actual capital sum assured*.
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)
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.

* in case of Individual Investment in name of self, spouse & child & In case of HUF any member
** Investment in name of self, spouse & child.

# [S 80 CCC] Amount paid by 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 < 10% of salary by employee & for others 10% of Gross income to notified pension scheme upto `1 lacs.(including u/s. 80C & 80CCC) plus employer contribution < 10% of salary.
# [SEC. 80CCG] up to Rs 25000, 50% of investment by individual under notified equity saving scheme subject to conditions.
# [S.80D] Amount paid not in cash by individual or HUF for the health of his family, medical insurance premium upto of `15,000/-. (For senior citizen upto `20,000/-) Additional deduction upto `15,000/- for health insurance paid for parents (for senior citizen parent `20,000/-) & expenditure on preventive health check-up not exceeding `5000.
# [S.80DD] Amount of deduction for maintenance and medical expenditure for handicapped dependent with severe disability upto `1,00,000/-.
# [S 80E] Amount of interest on loan taken for any higher education of the assessee, spouse & children after Senior Secondary Examination.
# [S 80G] Amount donated to the approved charitable trusts or notified institutes (Paid in cash > `10,000/- not eligible).
# [S 80GGB] Contribution by Indian company to any political party or electoral trust.
# [S 80U] `1 lakh deduction to resident individual having severe disability.
# [S. 80TTA] Interest on bank/post savings a/c up to `10,000 (Individual & HUF)

I. 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. `2,00,000), Resident having assets located outside India irrespective of Income, 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 are not required to file return of income subject to conditions.

J. WHO IS REQUIRED TO OBTAIN PERMANENT ACCOUNT NUMBER (PAN)
Every person whose total income, exceeds `2,00,000/- 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 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/debit 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.
13. Payment of premium exceeding ₹50,000 on LIP during the year.
14. Purchase of bullion or jewellery exceeding ₹5 lakhs at one time.
   Contravention of these provisions attract penalty of ₹10,000 for each default.

K. 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 attracts penalty of ₹25,000/-. 

L. COMPULSORY AUDIT OF BOOKS OF ACCOUNTS

Persons having business turnover/professional receipt exceeding ₹100/25 lacs require to get books of accounts audited before due date of filing return of income.
Contravention attracts maximum penalty of ₹1,50,000.

M. MINIMUM ALTERNATE TAX (MAT) (FOR COMPANIES) -
   # 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.

N. ALTERNATE MINIMUM TAX (AMT) (OTHER THAN COMPANIES) w.e.f Ass. Year 2013-14.
   # Payable on adjusted income
   # Adjusted income=Book profit + deduction u/s.80H to 80RRB(except 80P)+exemption u/s. 10AA.
   # AMT Credit available in next 10 years against normal income tax payable, if any.

O. DEDUCTION/COLLECTION OF TAX AT SOURCE (RATES OF TDS/TCS)
1. [S. 194A] Payment of interest > ₹10,000 per year by Bank & Post Office 10%
2. [S. 194A] Payment of interest > ₹5,000 per year other than by Bank & Post Office 10%
3. [S.194C] Payment to contractor or subcontractor > ₹30,000 or total Payments > ₹75,000 per year(in case of individual/HUF-1%) 2%
4. [S.194C] Transporter furnishes PAN. Nil
5. [S.194H] Commission > ₹5,000 per year.
6. [S. 194 I] Payment of Rent for Land, Building or Furniture > ₹1,80,000 per year. 10%
7. [S. 194 I] Payment of Rent for Plant & Machinery > ₹1,80,000 per year. 2%
8. [S. 194 J] Professional fees, (Paid to Director not being salary)> ₹30,000 per year. 10%
9. [S. 194 J] Purchase / use of software > ₹30,000 10%
10. [S. 206 C] Sale of Scrap, Coal, Lignite, Iron ore (TCS) 1%
11. [S. 206 C] Cash sale of bullion(exclude coin/article upto 10 gram) > ₹2 lacs(TCS) 1%
12. [S. 206 C] Cash sale of jewellery > ₹5 lac (TCS) 1%
Transactions with parties situated in notified territories are international transaction subject to TDS

# Declaration in Form No.15G 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 if there is no tax payable on total income.

# w.e.f. of 01-07-2012 no TDS from certain payments to institutions notified by Central Govt.

# Requirement to Furnish PAN:
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 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:

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

# Non-filing / late filing of TDS/TCS returns attract mandatory fee of ₹200/- per day maximum up to amount of TDS/TCS paid / payable w.e.f. 01/07/2012.

# Penalty ₹10,000 to ₹1,00,000/- for furnishing incorrect information in TDS/TCS returns and late filing of TDS/TCS returns beyond one year w.e.f. 01/07/2012.

P. DUE DATES FOR ADVANCE TAX PAYMENTS FOR ASSESSEE

<table>
<thead>
<tr>
<th>Inst. Dates</th>
<th>Due Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>15/6</td>
<td>15%</td>
</tr>
<tr>
<td>15/9</td>
<td>45%</td>
</tr>
<tr>
<td>15/12</td>
<td>75%</td>
</tr>
<tr>
<td>15/3</td>
<td>100%</td>
</tr>
<tr>
<td>15/5</td>
<td>100%</td>
</tr>
</tbody>
</table>

Senior citizens not having business income are not liable to pay advance tax.

Q. DUE DATES FOR FILING RETURN OF INCOME

<table>
<thead>
<tr>
<th>Individual having Salary or House property or other Income [Form ITR-1 Sahaj]</th>
<th>DUE DATE</th>
<th>DUE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/07</td>
<td>Partners of the firm [Form ITR-3]</td>
<td>31/07 &amp; 30/09*</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Individual &amp; HUF other than Business Income [Form ITR-2]</th>
<th>DUE DATE</th>
<th>DUE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/07</td>
<td>Ind. &amp; HUF having Proprietary</td>
<td>31/07 &amp; 30/09@</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Companies [Form ITR-6]</th>
<th>DUE DATE</th>
<th>DUE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>30/09@</td>
<td>Business [Form ITR-4]</td>
<td>31/07 &amp; 30/09@</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Ind. &amp; HUF having Presumptive Business income [Form ITR-4S Sugam]</th>
<th>DUE DATE</th>
<th>DUE DATE</th>
</tr>
</thead>
<tbody>
<tr>
<td>31/07</td>
<td>Charitable Trust [Form ITR-7]</td>
<td>30/09</td>
</tr>
</tbody>
</table>

Firms/AOP/BOI[Form ITR-5] 31/07 & 30/09 *@

* Whose accounts are subject to audit.

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

# Transfer pricing provision is applicable to specified domestic transaction> ₹ 5 crore

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

# E-filling is mandatory to companies, person required to Tax Audit & individual/HUF if income >₹10 lacs.

II. WEALTH TAX

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, 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

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

* Set-off of dividend received by domestic company from its subsidiary company is available if dividend distribution tax paid by subsidiary.

Tax Guide is provided for information only. Because of details in summary nature, information presented should be relied upon for business and tax planning decisions only after obtaining appropriate accounting, tax and/or legal advice. We welcome your feedback.