MAA OMWATI DEGREECOLLEGE

HASSANPUR

NOTES

CLASS:- M.COM 1ST SEM

SUBJECT: CORPORATE TAX (MC)

CORPORATE TAXATION

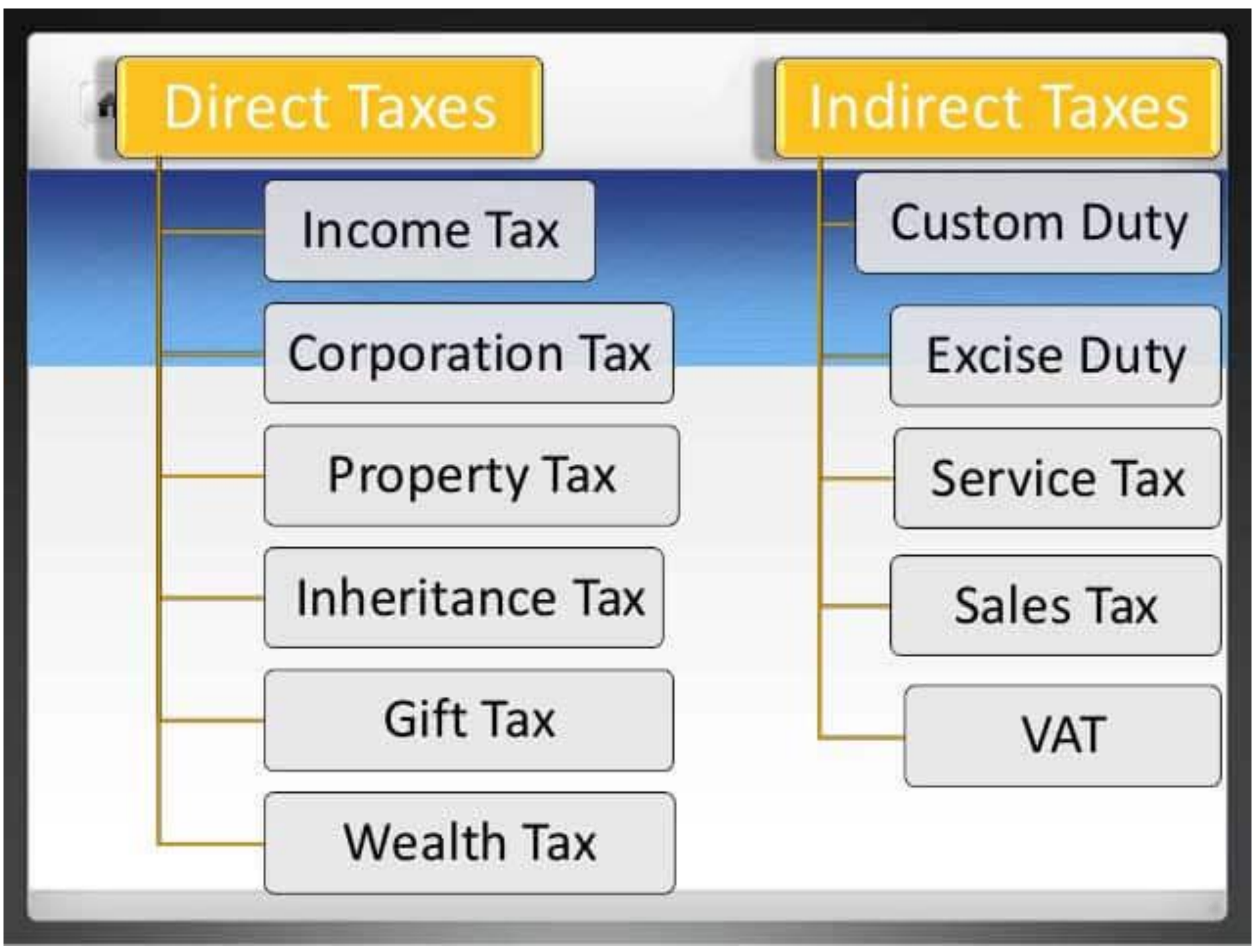
M.COM 1st SEM

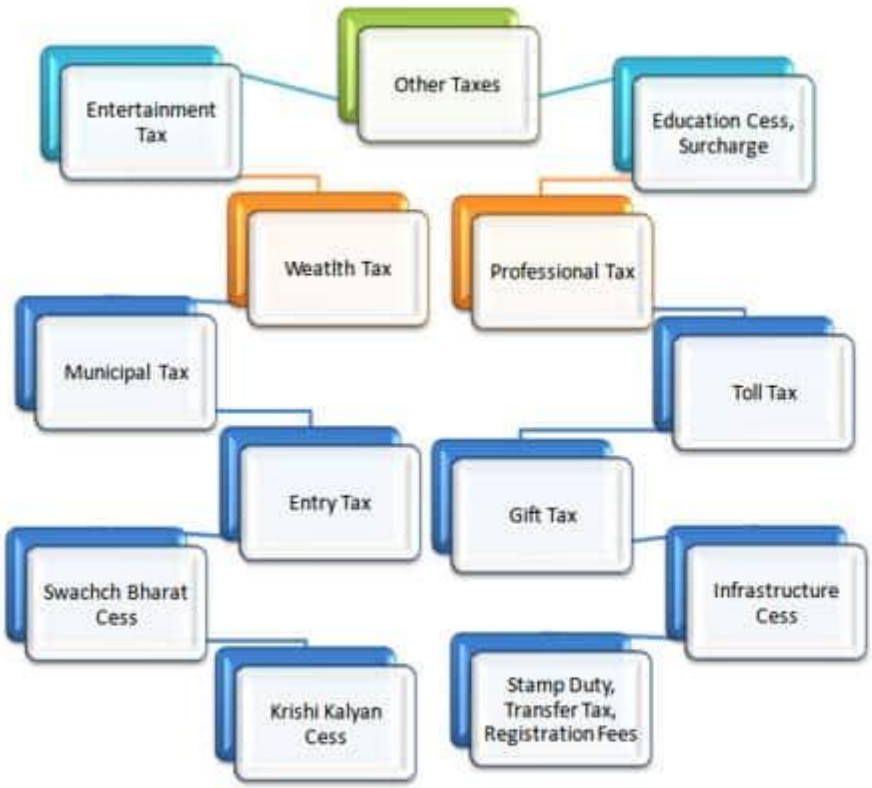
SUBJECT CODE-20COM201DSO2

UNIT-1

WHAT IS TAX

2 MAJOR TYPES OF TAX





Tax is a compulsory payment made by individuals and businesses to the government to fund public goods and services. The government uses tax revenue to

1. Finance public expenditures (infrastructure, education, healthcare etc)
2. Redistribute wealth and income
3. Regulate economic activity

Types of taxes:

1. Income tax (individuals and businesses)
2. Sales tax (consumers)
3. Property tax (real estate owners)
4. Value-added tax (VAT, businesses)
5. Corporate tax (companies)(we are study in this semester)
6. Capital gains tax (investors)
7. Estate tax (inheritances)

Tax characteristics:

1. Compulsory
2. Non-refundable
3. Levied by government

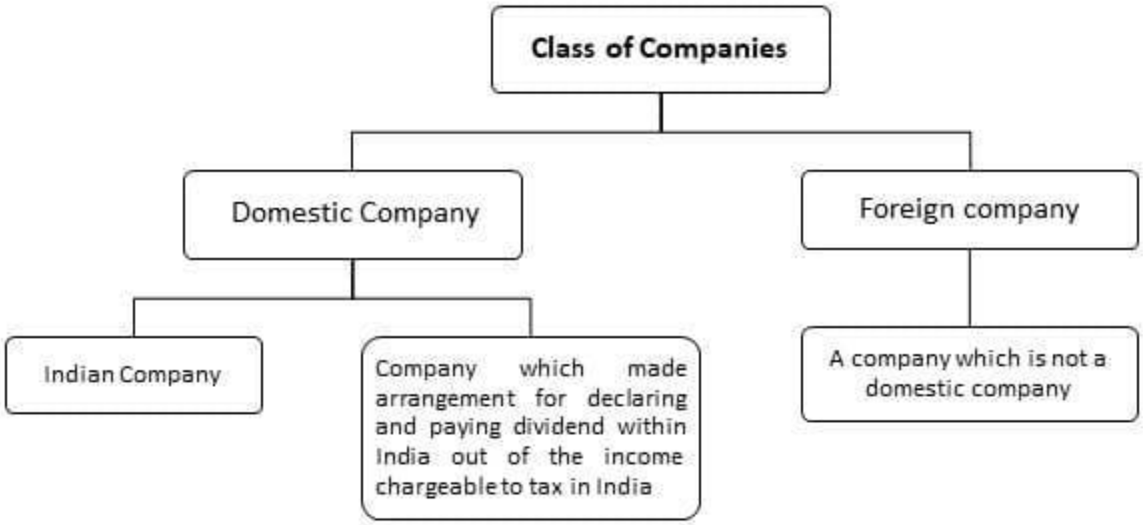
4. Used for public purposes
Tax benefits:
1. Funding public goods and services
2. Reducing income inequality
3. Encouraging economic growth
4. Discouraging undesirable activities (e.g., pollution)
Meaning of corporate tax
Corporate tax is a type of tax levied on the profits of corporations and other business entities. Here are some key aspects of corporate tax:

What is corporate tax?

Corporate tax is a direct tax on the profits earned by companies, including:
1. Domestic corporations
2. Foreign corporations with a local presence
3. Partnerships and limited liability companies (LLCs)
How is corporate tax calculated?
1. Taxable income: Revenue minus allowable deductions and exemptions
2. Tax rate: Applied to taxable income (varies by jurisdiction)
3. Tax liability: Taxable income x tax rate
Types of corporate tax:
1. Federal corporate tax (in the United States)
2. State corporate tax (in the United States)
3. International corporate tax (for multinational corporations)
Corporate tax rates:
1. Vary by jurisdiction (country, state, or province)
2. Range from 0% to over 30%
3. May have different rates for different types of income (e.g., ordinary income, capital gains)
Corporate tax deductions and credits:
1. Business expenses (e.g., salaries, rent, utilities)
2. Depreciation and amortization
3. Research and development credits
4. Foreign tax credits
Corporate tax compliance:
1. Filing tax returns
2. Paying tax liabilities
3. Maintaining accurate financial records
4. Disclosing related-party transactions

Meaning of company(company act 2013)
“A company is an artificial person created by law having seprate entity with a perpetual succession and a common seal”
A company is a legal entity that is separate and distinct from its owners, with its own rights, privileges, and liabilities.
1. Legal personhood: A company has its own legal identity, separate from its owners.
2. Limited liability: Shareholders' personal assets are protected in case of business debts or liabilities.

3. Perpetual succession: A company continues to exist even if its owners change or die.
4. Separate ownership and management: Shareholders own the company, while directors and officers manage it.
Two meger type company



1 indian company

Under companies act 2013 registred, centred and state govt under act companies any institutions, body where is covered 2(17)

2 domestic company

Dividend announced in india,shareholder registred in india,annual genral meeting(sec96) in india dividend due only in india.
Public substantially interested company
Govt ownership company
Main purpose service providing (commerce,science,art,religion,charitable)
Announced by board company
Mutual profit committee
Cooperative society/50% right of share
(substantial interst: 20% profit any institution/20% voting right in company)
Company structure:
1. Shareholders (owners)
2. Board of directors (governing body)
3. Officers (executive CEO, CFO)
4. Employees (staff)
A company is a legal entity that is separate and distinct from its owners, with its own rights, privileges, and liabilities. Here is a more detailed definition:
Characteristics:
1. Legal personhood: A company has its own legal identity, separate from its owners.
2. Limited liability: Shareholders' personal assets are protected in case of business debts or liabilities.
3. Perpetual succession: A company continues to exist even if its owners change or die.
4. Separate ownership and management: Shareholders own the company, while directors and officers manage it

Company structure:

1. Shareholders (owners)
2. Board of directors (governing body)
3. Officers (executives, e.g., CEO, CFO)
4. Employees (staff)

Company purposes:

1. Profit generation
2. Service provision
3. Social or charitable goals
4. Research and development

Company benefits:

1. Limited liability protection
2. Tax benefits
3. Ability to raise capital through shares
4. Enhanced credibility and reputation
5. Flexibility in ownership and management structure

Here are the main types of corporate companies:

1. Public Company: Listed on a stock exchange, shares are publicly traded, and ownership is dispersed.
2. Private Company: Not listed on a stock exchange, shares are privately held, and ownership is concentrated.
3. Limited Liability Company (LLC): Combines elements of partnerships and corporations, offering liability protection and tax benefits.
4. Partnership Company: Owned and operated by two or more individuals, sharing profits, losses, and decision-making responsibilities.
5. Sole Proprietorship: Owned and operated by one individual, with unlimited personal liability.
6. Joint Stock Company: Issues stocks and shares to raise capital, with shareholders having limited liability.
7. Holding Company: Owns and controls other companies, often for strategic or investment purposes.
8. Subsidiary Company: Owned and controlled by a parent company, often operating independently.
9. Multinational Company: Operates in multiple countries, with global operations and management.
10. Non-Profit Company: Established for social, charitable, or educational purposes, with profits reinvested in the organization.
11. Government Company: Owned and controlled by a government, often providing public services or goods.
12. Close Corporation: A small, privately held company with limited shareholders and restricted share transfers.
13. Shell Company: A dormant company with no active business operations, often used for tax or financial purposes.
14. Startup Company: A newly formed company, often with innovative products or services, seeking growth and funding.

RESIDENTIAL STATUS AND INCIDENCE OF TAX ON COMPANIES.

1 INDIAN COMPANIES

2 CONTROL IN INDIA(CONTROL MEANS DECISION PLACE WHERE TAKES DECISION)

A:Resedential status of a company sec 6(3) . B   Incidence of tax sec 5.

Receipt of income and accrual income
6(3)1 Indian company always resident in india(indian names 51%share hold)
6(3)2 A foreign company it will be resident in india if effective management relevant p.y.
6(3)3 A foreign company turnover gross 50 crore or less always non resident in india.
B incidence of tax sec 5
Indian income:if income received and deemed to be india during previous year.
If income received in india and deemed but arise outside india previous year.
If income received outside india during the previous year but it accures and arise or deemed in india previous year
Foreign income:income is not received or not deemed to be received in india
Income doest not accure or arise or does not deemed to accure or arise in india.

	Resident in india	Non resident in india
Indian income	Taxable in india	Taxable in india
Foreign income	Taxable in india	Non taxable in india

Computation of income of company under various heads

Sr no	head name	income under the head	example
1	house property	xxxxxxxxx	2000000
2	business and profession	xxxxxxxxx	1000000
3	capital gain(stcg+ltcg(l)	xxxxxxxxx	4000000
4	other income	xxxxxxxxx	5000000
	Gross total income(1+2+3+4)	xxxxxxxxx	12000000
	Less: deduction 80g to 80 pa	xxxxxxxxx	1800000
	Total income	xxxxxxxx	10200000

Tax liability is on 10200000

Format

Taxable Income from House Property

Particulars	SOP(R)	LOP	DLOP
Gross Annual Value	NIL	X	X
Less- Municipal Taxes Paid	NIL	X	X
Net Annual Value	NIL	X	X
Less- Deduction under section 24			
Standard Deduction(30 % of NAV)	NIL	X	X
Interest on Borrowed Capital	X	X	X
Taxable Income from House Property	**(X)**	**X**	**X**

1 HEAD INCOME FROM HOUSE PROPERTY

	Self occupied	Rental
1 income from house property	nil	xxxx
Expected income	nil	xxxx
Actual received rent(unrealized less)	nil	xxxx

Gross annual value	nil	xxxx
Less municipal tax(on municipal value %/fixed amt)	nil	xxxx
Annual income	nil	xxxx
Less u/s 24	nil	xxxx
a @30 %standard deduction	nil	xxxx
b Interst on loan(5 year	XXXX	xxxx
Income from house property	(xxxx)	xxxx(loss/income)

HEAD 2 PROFITS FROM BUSINESS OR PROFESSION

WE ARE PREPARED STATEMENT OF PROFIT AND LOSS ACCOUNT

STATEMENT OF PROFIT AND LOSS ACC AS WELL
DR SIDECR SIDE

ALL EXP+CHARHES ALLOWED ALL REVENUE YEAR ICOME
TO NET PROFIT BY NET LOSS

INCOME FROM BUSINESS AND PROFESSION
@ Some imp exp allowed in cash only 2000

COMPANY NAME

STATEMENT OF PROFIT AND LOSS FOR THE PERIOD ENDED 31.03.2015

Particulars	Note No	As at 31 March, 2015	As at 31 March, 2014
		Rs.	Rs.
(A) REVENUE			
I. Revenue from operations	18		
II. Other Income	19		
Total Revenue		**0**	**0**
(B) Expenses:			
Cost of materials consumed	20		
Purchase of Stock-in-Trade	-		
Changes in inventories of finished goods, work-in-progress and Stock-in-Trade	21		
Employee benefit expense	22		
Financial costs	23		
Depreciation and amortization expense	24		
Other expenses	25		
Total Expenses		**0**	**0**
(C) Profit before exceptional and extraordinary items and tax		0	0
(D) Exceptional Items			-
(E) Profit before extraordinary items and tax		0	0
(F) Extraordinary Items			-
(G) Profit before tax		**0**	**0**
(F) Tax expense:			
(I) Current tax			
(II) Deferred tax			
(III) MAT credit			
(H) PROFIT AFTER TAX			
(I) Earning per equity share:			
(I) Basic			
(II) Diluted			

Per our annexed report of even date

For

CHARTERED ACCOUNTANTS

For and on behalf of Board of Director

NAME
PROPRITER

MANAGING DIRECTOR
DIN:

DIRECTOR
DIN:

PLACE:
DATE:

WHOLE TIME DIRECTOR
DIN:

COMPANY SECRETARY

3 Head OF capital gain

LTCG computation

	sale value	xxx
less:	indexed cost of acquisition	xxx
less:	indexed cost of improvement	xxx
less:	expenditure incurred in connection with the transfer/sale	xxx
	Long term capital gains	xxx

STCG computation

	sale value	xxx
less:	cost of acquisition	xxx
less:	cost of improvement	xxx
less:	expenditure incurred in connection with the transfer/ sale	xxx
	Short term capital gains	xxx

Short term capital gain		example
Sale proceeds	xxxx	50000
Less brokerage agent fee	xxxx	5000
Net consideration	xxxx	45000
Less cost of acquisition	xxxx	25000
Short term capital gain		

Long term capital gain

Sale proceeds	xxxx	5000000
Less brokerage agent fee	xxxx	500000
Net consideration	xxxx	4500000
Less cost of acquisition value xcii/pii	xxxx	2500000
Long term capital gain	xxxx	2000000

Cii(current year indexation given q or lear 2000 year and pii mean purchase year asstes indexation)

4 HEAD OF OTHER SOURCE

Income from Other sources

Income from other sources is the fifth and last head of income. Any source of income which doesn't fall under any of the other heads of income is chargeable to tax under the head income from other sources.

Examples:

- Fee, commission and remuneration received by an employee form other than his own employer.
- Salary or pension received by an MLA, MP and MLC
- Income from guest lectures
- Remuneration received from universities for examination work by a non-employee of the university.
- Director's fee
- Interest from foreign securities
- Income from undisclosed sources
- Composite rent received for letting building along with plant and machinery and furniture.
- Rent from letting vacant plot
- Dividends from Mutual funds, companies etc.
- Interest on securities
- Interest on bank deposits

1 dividend
2 lottery cross puzzle horse race card game betting etc

3 Interst on securities
4 gift(marriage exemt and upto 50000 in py)
5 Re latent plant house etc
6 director fees
7 family pension 15000(new budget under 25000)
@ tds 30% on casual income and dividend/interst on taxable securities 10%

UNIT-2

FORMAT GROSS TOTAL INCOME

What is Gross Total Income

Particulars	Amt
Income from Salaries	xx
Income from House Property	xx
Profits and Gains of Business and Profession	xx
Income from Capital Gains	xx
Income from Other Sources	xx
Gross Total Income	xx

DEDUCTION FROM GROSS TOTAL INCOME AS APPLICABLE TO COMPANIES

Section 80G Deduction – Income Tax Act . Not all charitable donations are eligible for deduction under Section 80G of Income tax act. Only donations made to the prescribed funds can qualify as a deduction. The Government of India introduced Section 80G deduction to encourage people to donate. By providing income tax relief, the government intends to motivate people to donate more to worthy causes.
What is a Section 80G Tax Exemption?

Donations with 100% deduction (Available without any qualifying limit)
Donations made under this category can obtain a 100% tax deduction and are not subject to the requirement to achieve any qualification criterion. Donations to the National Defence Fund, the Prime Minister's National Relief Fund, The National Foundation for Communal Harmony, the National/State Blood Transfusion Council, etc., qualify for such deductions.
National Defence Fund set up by the Central Government.
Prime Minister's National Relief Fund.
Prime Minister's Armenia Earthquake Relief Fund.
Africa (Public Contributions – India) Fund.
National Children's Fund.
National Foundation for Communal Harmony.

A University or any educational institution of national eminence approved by the prescribed authority in this behalf.
Chief Minister’s Earthquake Relief Fund, Maharashtra.
Fund set up by the State Government of Gujarat exclusively for providing relief to the victims of earthquake in Gujarat.
Zila Saksharta Samiti constituted in any district under the chairmanship of the Collector of that district for the purposes of improvement of primary education in villages and towns in such district and for literacy and post-literacy activities. Town means a town with a population not exceeding one lakh as per last census.
National Blood Transfusion Council or any State Blood Transfusion Council which has its sole object the control, supervision, regulation or encouragement in India of the services related to operation and requirements of blood banks.
Fund set up by a State Government to provide medical relief to the poor.
Army Central Welfare Fund or the Indian Naval Benevolent Fund or the Air Force Central Welfare Fund established by the armed forces of the Union for the welfare of the past and present members of such forces or their dependants.
The Andhra Pradesh Chief Minister’s Cyclone Relief Fund, 1996.
National Illness Assistance Fund.
The Chief Minister’s Relief Fund or the Lieutenant Governor’s Relief Fund in respect of any State or Union territory, as the case may be.
National Sports Fund set up by the Central Government.
National Cultural Fund set up by the Central Government.
Fund for Technology Development and Application set up by the Central Government.
National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities.
Swachh Bharat Kosh, set up by the Central Government.
Clean Ganga Fund, set up by the Central Government.
The National Fund for Control of Drug Abuse constituted under section 7A of the Narcotic Drugs and Psychotropic Substances Act, 1985.
Donations with 50% Deduction (Available without any qualifying limit)
Donations made towards trusts like the Prime Minister’s Drought Relief Fund, National Children’s Fund, Indira Gandhi Memorial Fund, etc., qualify for
a 50% tax deduction on the donated amount.
Jawaharlal Nehru Memorial Fund.
Prime Minister’s Drought Relief Fund.
Indira Gandhi Memorial Trust.
Rajiv Gandhi Foundation.
Donations with 100% deduction (Available up to 10% of adjusted gross total income)
Donations made to local authorities or the government to promote family planning and donations to the Indian Olympic Association qualify for deductions under this category. In such cases, only 10% of the donor’s Adjusted Gross Total Income is eligible for deductions, and donations exceeding this amount are restricted to 10%.
Donations with 50% deduction (Available up to 10% of adjusted gross total income)
Donations made to any local authority or the government that would then use the money for any charitable purpose qualify for deductions under this category. In such cases, only 10% of the donor’s Adjusted Gross Total Income is eligible for deductions, and donations exceeding this amount are capped at 10%.

ncome' refers to the gross total income (which is the summation of income under various heads prior to providing relief under the provisions of Chapter VI-A) as reduced by the following:

Amount deductible under Sections 80CCC to 80U (without including Section 80G of Income tax act)
Exempt income as per Section 10 of the Act
Long-term capital gains
Short-term capital gains are taxable at @15 per cent under section 111A.
Income referred to in Sections 115A, 115AB, 115AC, 115AD, pertaining to non-residents and foreign companies.

2 Section 80GGA offers a 100% tax deduction on donations made towards specific scientific research and rural development initiatives. This deduction is available to all individual taxpayers except those with income solely from business or profession.

3 Under the Section 80GGB the company receives 100% deduction is permitted from the income of the assessee based on the donation amount given to the political parties.

4 Infrastructure power telecommunication and other specified sectors.100% deduction available 10 consecutive year AY out of 20 years.

5 80IB sez special economic zone 100% consecutive years (ay 15 years)

6 80IAC specified business 3 year less than 25 crore turnover ay out of 7 year 100% deduction.

7 80IC EAST state ap, assam,Manipur,Meghalaya,Nagaland 10 year 100% deducton

8 80 JJA bio degradable first 5 year 100% deduction

9 80 JJAA 30% on new employee cost(upto 3 year)

10 LA offshore banking first 5 year 100% next 5 year 50%

11 PA ALLOWS A DEDUCTION TO PRODUCTION COMPANIES FROM THEIR TOTAL GROSS INCOME.the amt of deduction is equal to 100% of the profits derived from eligble business for previous year ay 2019-2025

SOME QUESTIONS

BUSINESS Income	490000
Capital gains stcg +ltcg	48000
Other source	40000
Gross total income	578000
Computation tax liability	
578000	
Ltcg 33000@20%	6600
Balance 545000@25%(upto 400 crore turnover 25% rate more then 400 crore @30%)	
Tax on 545000 25%	136250
Add surcharge	nil
Add health and education charge 4%(on142850)	5714

Total tax liability	148564
Book profit 900000@15%	135000
Add surcharge	nil
Add 4% health and education	5400
Tax liability	140400

Part a and part b compared whichever is more
148564 or 140400 so more is 148564 pay in round off 148560
PROVISION OF MAT COMPANIES TAX

Minimum Alternate Tax (MAT) is a provision in India's Income Tax Act. It ensures that companies with substantial book profits pay a minimum amount of income tax. This holds even if they have reduced their tax liability through various deductions and exemptions.

Calculating MAT

In situations where the taxable amount determined through the provisions of the Income Tax is less than 15% (including the relevant surcharge and cess) of the book profit as per The Companies Act 2013.

The Corporate Tax Rate for India is AY 2022 is 25%

For example, a company with a recorded profit of Rs. 100 crore has to pay a minimum tax of Rs 15 Crore. (based on a 15% MAT rate)

If the normal tax liability after deductions is 10 Crore (which is less than MAT), the company must pay 5 crores as MAT and use the MAT credit of Rs 5 crore towards future payments.

The purpose of Minimum Alternate Tax (MAT) is to prevent companies from reducing their tax liability to zero or a very low level through various deductions and exemptions. This ensures that companies with substantial book profits make a minimum contribution to the government's revenue. MAT is also intended to discourage companies from engaging in aggressive tax planning schemes that may artificially reduce their taxable income.

The amount of MAT owed is determined by calculating either 15% of the book profit (as recorded in the profit and loss statement) or the standard corporate tax rates higher. Book Profit for MAT is calculated as per Schedule III of the Companies Act 2013. The corporate Tax Rate for AY 2022 is 25% for domestic companies.

The tax rate for Minimum Alternative Tax is usually lower than the standard corporate income tax rate. The minimum alternative tax rate for AY 2022-23 is 15%.

The provision of MAT applies to all companies in India, regardless of their domestic or foreign status. The scope of MAT was later expanded to include non-corporate entities. As a result, it serves as a crucial mechanism for preventing tax avoidance.

The regular tax obligation of a company is determined according to the standard provisions of the Income Tax law, by which the taxable amount is calculated using the applicable law in the country.

As per section 115JB, a company is obliged to pay MAT if the tax calculated on its total income, as per the rules of the Income Tax Act for any year, falls below 15% of its book profits, which includes the surcharge and cess. The surcharge for AY 2022-23 for companies is 12% of the amount of income tax where income exceeds 1 crore.

MAT can provide benefits to both business and public sectors.

MAT does not apply to any income earned from life insurance companies as per Section 115JB(SA)

New domestic incorporations on or after October 1, 2019, are exempted from MAT.

Shipping income subject to tonnage taxation is not subject to MAT according to Section 115 V-Q

Foreign assesses are exempt from MAT if they fall under the following categories-

Residents of a nation or designated territory with a treaty agreement with India do not have a permanent address in India as per the treaty agreement's requirements.

Residents of a nation with no agreements with India and not required to register under any law relating to companies.
Profits from firms described in Section 44AB, 44BB, 44BBA, or 44BBBA are considered part of the total income for foreign companies.MAT Credit is also known as Minimum Alternate Tax Credit. It is the difference between the Minimum Alternate Tax (MAT) paid by a company and its regular income tax liability. This credit can be carried forward and used to offset the company's regular income tax liability in future years.

ASSESSMENT OF INSURANCE COMPANIES

LIFE INSURANCE COMPANES	**NON LIFE INSURANCE**
WHOLE LIFE INSURANCE	**FIRE**
JOINT LIFE INSURANCE	**THEFT**
ANNUITY	**MARINE SHIPING**
SINKING FUND	**CROP**
TEAM INSURANCE	**ENGINEERING**
MONEY BACK POLICY	

RATE OF TAX 12.5% ON LIC

TOTAL INCOME	XX
LESS BUSINESS PROFIT LIC	XX
BUSINESS	XX

OTHER BUSINESS
@ SEC 30 -43b dividend and other reserve profit and loss debit account substract
Tax rate
Genral rate

250000	nil
250000-500000	5%
500000-100000	20%
Above 100000	30%
LTCG	20%
111 A STCG	15%
SURCHARGE ABOVE 50 LAKH LESS 1 CRORE	7%
1 CRORE ABOVE	12%
SHEC	4%

UNIT-3

ASSESSMENT OF CHARITABLE ,EDUCATIONAL ,RELIGIOUS TRUST AND POLITICAL PARTIES

WHEN INCOMR Of TRUST OR INSTITUTION EXCEEDS the maximum exemption limit then filing of income tax return is compulsory and these shall be tax liability.

Section no 11/12

Shall be applicable to a trust or institution which are formed by any law for charitable or religious purpose and is registred us 12 a or income tax act 1961

ASSESSEMENT WHO UNDER CHARITABLE

TRUST

TRUST REGUSTRED UNDER INDIAN TRUST ACT 1882

SOCIETY REGISTRED UNDER SOCIETY REG ACT 1860

COMPANY UNDER SEC 8 UBDER COMPANY ACT 2013

U/S 25 COMPANAIES ACT 1956

ANY OTHER SPORTS ,PLANNING SOCIETY ETC.

EDUCATION

RELIEF OF POOR

MEDICAL RELIEF

ENVIRONMENET WATER, FOREST, SNEDS

SEC 11 INCOME FROM PROPERTY HELD FOR CHARITABLE OR RELIGIOUS PURPOSE: THIS SHALL not be include in total income.

1 85% income derived from the property had under trust wholly or religious purpose is applied in india.remaining 15% of accumulated.

2 85% income derived from the property held under trust having created before the commencement of income tax 1961.15% of accumulated profit.

@ income from property held under trust created on or after 1-4-1952 for a charitable purpose outside of india.

Sec 12

Income of trust or institution from contributers shall for the purpose of sec 11 be deemed to be income derived from property held under trust.

Any amount of donation received.

Registration

Charitable institutions must register with the Income Tax Department under Section 12A/12AA of the Income Tax Act, 1961.
Registration is mandatory to claim tax exemption.
The institution must submit Form 10A and required documents to the Commissioner of Income Tax.
Exemption
Registered charitable institutions are exempt from paying corporate tax on their income under Section 11 of the Income Tax Act.
Exemption applies to income derived from:
Voluntary contributions
Income from property held for charitable purposes
Income from business undertaken for charitable purposes

Conditions

Charitable institutions must comply with conditions to maintain tax-exempt status:

1. Application of income: Income must be applied solely for charitable purposes.
2. Accumulation of income: No portion of income can be accumulated for non-charitable purposes.
3. Prohibition on payment: No payment can be made to persons specified under Section 13(3), such as:
   Founder, trustee, or relative
   Person who has contributed to the institution

Tax benefits- Donors to registered charitable institutions can claim tax deductions under Section 80G of the Income Tax Act.
Deduction is allowed for donations made to eligible charitable institutions.
Annual reporting
Charitable institutions must file annual returns (Form ITR-7) with the Income Tax Department.
Returns must be filed electronically within the specified due date.
Institutions must maintain books of accounts and records as required under the Income Tax Act.
Assessment

Charitable institutions are assessed under the Income Tax Act.
The Assessing Officer may verify the institution's compliance with conditions and exempt status.
Tax-exempt status can be withdrawn if conditions are not met or if the institution fails to comply with provisions.

Assessment of educational institutes.

Assessment of educational institutes under corporate tax:

1. Registration: Educational institutes must register with the Income Tax Department under Section 12A/12AA.

2. Exemption: Registered educational institutes are exempt from paying corporate tax on their income under Section 11, subject to conditions.

3. Conditions:
   - Income must be applied solely for educational purposes.
   - No portion of income can be accumulated for non-educational purposes.
   - No payment can be made to persons specified under Section 13(3).

4. Tax benefits: Donors to registered educational institutes can claim tax deductions under Section 80G.

5. Annual reporting: Educational institutes must file annual returns (Form ITR-7) and maintain books of accounts.

6. Assessment: Educational institutes are assessed under the Income Tax Act, and their tax-exempt status can be withdrawn if conditions are not met.

7. Specific provisions:
   - Section 10(23C): Exemption for income of educational institutions.
   - Section 35(1)(ii): Weightage deduction for expenditure on scientific research.
   - Section 80G: Tax deduction for donations to educational institutions.

- University/college recognition: Institutes recognized by the University Grants Commission (UGC) or All India Council for Technical Education (AICTE) may be eligible for tax exemptions.
- Infrastructure development: Institutes may be eligible for tax benefits under Section 35AD for expenditure on infrastructure development.
- Research and development: Institutes may be eligible for weightage deduction under Section 35(1)(ii) for expenditure on scientific research.

1. Registration: Educational institutes must register with the Income Tax Department under Section 12A/12AA.

2. Exemption: Registered educational institutes are exempt from paying corporate tax on their income under Section 11, subject to conditions.

3. Conditions:
   - Income must be applied solely for educational purposes.
   - No portion of income can be accumulated for non-educational purposes.
   - No payment can be made to persons specified under Section 13(3).

4. Tax benefits: Donors to registered educational institutes can claim tax deductions under Section 80G.

5. Annual reporting: Educational institutes must file annual returns (Form ITR-7) and maintain books of accounts.

6. Assessment: Educational institutes are assessed under the Income Tax Act, and their tax-exempt status can be withdrawn if conditions are not met.

7. Specific provisions:
   - Section 10(23C): Exemption for income of educational institutions.
   - Section 35(1)(ii): Weightage deduction for expenditure on scientific research.
   - Section 80G: Tax deduction for donations to educational institutions.

Assessement of non resident and advance ruling for non resident

Advance Ruling under Income Tax
An advance ruling refers to the facility of obtaining a judgment in advance from the Authority for Advance Rulings. The facility is used when the assessee has anticipated contentious issues in the Income Tax assessment. An advance ruling enables the assessee to obtain an authoritative decision of the Authority for Advance Rulings. The decision sought generally pertains to tax consequences of a transaction or proposed transaction. The scheme for advance rulings under the Income Tax Act is meant to enable non-residents planning to invest in India to be certain of their income tax liability. Hence, non-residents can avoid any tax disputes with the Income Tax authorities in the future. Hence, advance rulings can be used by a non-resident to determine the income tax aspects of a proposed or current transaction. Advance ruling can also be used by an Indian resident entering into a transaction with a non-resident to determine the tax liability.
Authority for Advance Rulings
The Authority for Advance Rulings is an independent quasi-judicial body separate from the Income Tax department. It is headed by a retired judge of the Supreme Court of India. Authority for Advance Rulings is based in New Delhi and also includes two retired senior officers of the Government of India.
Filing Application for Advance Ruling
A non-resident whether individual, company, firm, association of persons or another body corporate can request an Advance Ruling. Advance Rulings may be performed with respect to tax liability in relation to a transaction which has already been undertaken or is proposed to be undertaken. A resident of India can also request for an advance ruling if the transaction involves a non-resident.
The request for an advance ruling can be made to the Authority for Advance Rulings in the prescribed form along with a statement of facts and arguments in support of the views on the question(s) posed.
An applicant for advance ruling is entities to represent the case before the Authority for Advance Rulings either personally or through an authorised representative.
NOT Acceptable for Advance Ruling
Authority for Advance Ruling cannot admit any application for a matter which is pending before an Income Tax authority, an Appellate Authority or a Court. Therefore, questions must be posed to the Authority before any dispute arises. Further, the Authority for Advance Rulings can also not deal with any questions that pertain to the determination of the fair market value of any property. The application made to the authority may relate to a transaction or issue which is designed for the avoidance of income tax. In such cases, the application will not be processed.

Validity of Advance Ruling

Before pronouncing an advance ruling, the authority will scrutinise the application to check the residency status of the applicant. Non-residents can apply only through a resident representative. An Advance Ruling pronounced by the Authority for Advance Rulings is binding on the applicant. It is also binding on the Income Tax department. The advance ruling will not be valid if the facts of the trans…
Advance Ruling under Income Tax:
An advance ruling is a facility to obtain a judgment in advance from the Authority for Advance Rulings on contentious issues in Income Tax assessment.
It enables the assessee to obtain an authoritative decision on tax consequences of a transaction or proposed transaction.
The scheme is meant for non-residents planning to invest in India to avoid tax disputes.

Advance rulings can be used by non-residents and Indian residents entering into transactions with non-residents.
Authority for Advance Rulings:
An independent quasi-judicial body headed by a retired Supreme Court judge.
Based in New Delhi, with two retired senior government officers as members.
Filing Application for Advance Ruling:
Non-residents and residents with transactions involving non-residents can apply.
Application made in prescribed form with statement of facts and arguments.
Applicant can represent the case personally or through an authorized representative.
Acceptable Questions for Advance Ruling:
Relate to non-resident's tax liability, international aspects, and Double Taxation Avoidance Agreements.
Must have a direct bearing on and nexus with the interpretation of the Income Tax Act.

Questions NOT Acceptable for Advance Ruling:
Matters pending before Income Tax authorities, Appellate Authorities, or Courts.
Determination of fair market value of property.
Transactions designed for income tax avoidance.
Validity of Advance Ruling:
Binding on the applicant and Income Tax department.
Not valid if facts of the transaction differ materially from those on which the ruling was pronounced.

UNIT-4

ASSESSMENT OFCOOPERATIVE SOCIETIES,ASSESSEMENT OF DISCONTINUED BUSINESS ,DOUBLE TAXATION RELIEF.

ASSESSMENT OF COOPERATIVE SOCIETIES

DEFINITON

2(19) COOPERATIVE SOCIETY REGISTRED UNDER the cooperative act 1912 or under any other law for the time being in force in any state for the registration of cooperative societies.
Computation of total income
1 house property
2 business and profession
3 capital gain
4 other source
Gross total income
Less deducrion
80g
80gga 80ggc
80ia
80ib
80 ic
80ie
80jja
80jjaa
80p(1 carring business of banking providing credit facilities 2 marketing of agriculture 3 cottage industry involved 1, 2, 3 15000 not exceeds deduction 100000 respect of the pgbp from other activities)
Tax rate
1 total income does not exceeds 10000 @10% of total income
Where total income not exceeds 20000
2 20% ofexcess over
Where the total income exceeds 20000 tax rate is30%
Long term capital gain 20%
@ surcharge 12% if total income exceeds 1 crore
Health and education cess 4%
@ 115 bad alternative tax regime
Tax rate 22%
Add 10% surcharge
Add 4% health and cess

Example

1 income from house property 6000

2 income from business 61000

3 capital gain

4 other source 15000

Gross total income 82000

Less deduction 63000

Total income 19000

Computation of tax liability

Tax on 19000

First 10000 @ 10% 1000

Bal 90002@ 20% 1800

Add surcharge

Add health cess and educational 112

Tax liability 2912

round off 2910

Assessment of discounted businesses involves evaluating the value of a business that has been discounted due to various factors such as:

1. Poor financial performance
2. Industry decline
3. Management issues
4. Legal or regulatory challenges
5. Economic downturn

Steps to assess a discounted business:

1. Financial Analysis: Review financial statements to identify areas of underperformance.
2. Industry Analysis: Research the industry to understand market trends, competition, and growth prospects.
3. Management Evaluation: Assess the management team's experience, skills, and track record.
4. Risk Assessment: Identify potential risks and liabilities, such as legal or regulatory issues.
5. Valuation: Determine the business's value using methods like discounted cash flow (DCF), comparable company analysis, or asset-based valuation.

6. Discount Rate: Apply a discount rate to reflect the business's risks and uncertainties.
7. Sensitivity Analysis: Test the valuation's sensitivity to changes in assumptions and variables.
8. Due Diligence: Verify the business's assets, liabilities, contracts, and operations.
9. Growth Potential: Evaluate the business's potential for growth and turnaround.
10. Exit Strategies: Consider potential exit strategies, such as sale, merger, or liquidation.

Discounted business assessment tools:
1. Financial ratios: Analyze profitability, efficiency, and solvency ratios.
2. Industry benchmarks: Compare performance to industry averages.
3. SWOT analysis: Identify strengths, weaknesses, opportunities, and threats.
4. Scenario planning: Develop scenarios to anticipate potential outcomes.
5. Monte Carlo simulations: Run simulations to model uncertainty and risk.

DOUBLE TAXATION RELIEF

Relief for Double Taxation [Secs. 90, 90A and 91]
ADT Agreements [Sec. 90]
Unilateral Relief [Sec. 91]
Double Taxation Relief in Case of Specified Associations [Sec. 90A].
1. Relief for Double Taxation [Secs. 90, 90A and 91]
Foreign income of a person generally becomes liable to tax in two countries – the country in which income is earned and the country in which the person is resident. Double taxation of such income is avoided by means of double taxation avoidance agreements (ADT) entered into by the Government of India with the Governments of other countries under section 90. Where the income accrues or arises in a country with which no agreement exists, unilateral tax relief is provided on the doubly taxed income under the provisions of section 91.

2. ADT Agreements [Sec. 90]
The Government of India has entered into comprehensive agreements for avoidance of double taxation with 57 countries. Besides, the Government of India has entered into agreements which cover limited areas of activity like aircraft and shipping business.

2.1 Modes of granting relief under ADT agreements
Generally, there are two modes of granting relief under ADT agreements –
(a) exemption method, and
(b) tax credit method. Under exemption method a particular income is taxed in one of the two countries. Under tax credit method, an income is taxable in both the countries in accordance with their respective tax laws read with the ADT agreement. However, the country of residence of the taxpayer allows him credit for the tax charged thereon in the country of source against the tax charged on such income in the country of residence.

In India’s ADT agreements, double taxation relief is provided by a combination of the two modes.
The effect of an ADT agreement is as follows —
a. if no tax liability is imposed under the Act, the question of resorting to the agreement would not arise, no provision of the agreement can possibly fasten a tax liability where the liability is not imposed by the Act;
b. if a tax liability is imposed by the Act, the agreement may be resorted to for negativing or reducing it;

c. in case of difference between the provisions of the Act and of the agreement, the provisions of the agreement prevail over the provisions of the Act and can be enforced by the appellate authorities and the court.
Provisions of section 90 are to be invoked for granting relief to the assessee if the income of the non-resident assessee is chargeable to tax under sections 4, 5 and 9; if the income of non-resident is not chargeable to tax under the Act, the question of invoking the provisions of section 90 would not arise at all.
Provisions of DTAAs override the provisions of the Act, to the extent these agreements are more favourable to the assessee.
3. Unilateral Relief [Sec. 91]
Section 91 provides for the grant of unilateral relief in the case of resident taxpayers on income which has suffered tax in India as well as in the country with which there is no ADT agreement.

The following requirements have to be satisfied in order that an assessee is entitled to claim deduction on the doubly taxed income :

a. the assessee must have been resident in India in the relevant previous year;
b. income must have accrued or arisen to him during that previous year outside India;
c. in respect of that income which accrued or arose outside India, he must have paid by deduction or otherwise tax under the law in force in the country in question.
The relief is worked out as under :

On the amount of the doubly taxed income so ascertained, income-tax is calculated at the Indian rate of tax and the rate of tax of the foreign country. The foreign tax rate has to be calculated separately for each country.
Relief is granted by allowing to the taxpayer a deduction from the tax liability of an amount equal to the tax calculated at the average Indian rate of tax or the amount of tax calculated at the rate of tax of the other country on the doubly taxed income, whichever is lower. For example, if out of income of Rs. 4,80,000 deduction of Rs. 36,000 is allowed under section 80E in computing the total income, the assessee will be entitled to the double taxation relief under section 91 only in respect of Rs. 4,44,000 which has been subjected to income-tax in India.
What is Indian rate – The Indian rate of tax means the rate determined by dividing the amount of Indian income-tax after deduction of any relief due under the provisions of the Act, but before deduction of any relief due under sections 90 and 91, by the total income.
What is foreign rate – The rate of tax of the foreign country means income-tax and super-tax actually paid in that country in accordance with the corresponding laws in force thereafter deduction of all relief due, divided by the whole amount of the income as assessed in that country.
4. Double Taxation Relief in Case of Specified Associations [Sec. 90A]
Section 90A provides as under—
There is a specified association in India.
It enters into an agreement with any specified association in a specified territory outside India.
The Central Government may, by notification in the Official Gazette, make the necessary provisions for adopting and implementing such agreement—
a. for grant of double taxation relief, for avoidance of double taxation ;
b. for exchange of information for the prevention of evasion or avoidance of income-tax ;
c. for recovery of income-tax.
In relation to any assessee to whom the said agreement applies, the provisions of the Income-tax Act shall apply to the extent they are more beneficial to that assessee.

Y Z
Rs. Rs.
Income from a business in India 80,000 (–) 1,30,000
Income from business in Argentina (India does not have ADT agreement with Argentina) 1,80,000 5,50,000
Income from other sources in India (bank interest) 60,000 1,40,000
PPF contribution 16,000 41,500
Tax levied in Argentina 39,000 10,000
1. Computation of income and tax of X
Business income in India 8,96,000
Interest on Government securities 32,000
Gross total income 9,28,000
Less: Deduction under section 80C 42,000
Net income 8,86,000
Foreign income to be included for rate purposes 1,92,000
Total 10,78,000
Tax on Rs. 10,78,000 [see Annex 1] 1,35,900
Add: Surcharge Nil
Tax and surcharge 1,35,900
Add: Health and education cess 5,436
Tax payable 1,41,336
Average rate of tax [Rs. 1,41,336/Rs. 10,78,000 × 100] 13.11%
Indian tax liability (i.e., tax on Rs. 8,86,000 @ 13.11%) (rounded off) 1,16,663
2. Computation of income and tax of X Ltd.

Indian tax Foreign tax
Rs. Rs.
Business income in India 3,80,000 —
Foreign business income 2,16,000 2,16,000
Net income 5,96,000 2,16,000
Tax on net income [@ 31.2% in India and 17.5% in foreign country] 1,85,952 37,800
Less: Tax paid in foreign country 37,800 —
Indian tax liability (rounded off) 1,48,150 —
Tax paid by X in country B 1,40,000
Income from Business C situated in country C (India does not have ADT agreement with country C) 9,60,000
Tax paid by X in country C 3,80,000
Bank FD interest in India 2,00,000
Public provident fund contribution 50,000
Amount donated to a public charitable institute (notified for the purpose of section 80G) 3,20,000

Income from Business A in India 11,50,000
Income from Business B situated in country B 11,80,000
Income from Business C situated in country C 9,60,000
Bank interest in India 2,00,000
Gross total income 34,90,000
Less: Deduction under section 80C 50,000
Less: Deduction under section 80G (50% of Rs. 3,20,000) 1,60,000

Net income	32,80,000
Tax on net income	
Income-tax	7,96,500
Add: Health and education cess	31,860
Tax liability	8,28,360

Average rate of tax in India (i.e., Rs. 8,28,360 ÷ Rs. 32,80,000): 25.25% (a)
Foreign tax rate for country B (Rs. 1,40,000 ÷ Rs. 11,80,000): 11.86% (b)
Foreign tax rate for country C (Rs. 3,80,000 ÷ Rs. 9,60,000): 39.58% (c)
Income doubly taxed in India and country B: Rs. 11,80,000
Rate of relief on doubly taxed income in India and country B [i.e., (a) or (b), whichever is lower]: 11.86%