



Business Development Seminar

Knowledge Empowerment

Y. M. SHAH & CO
CHARTERED ACCOUNTANTS

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Plot of the Seminar



GST Laws



Income Tax Act



**Business Expansion
Techniques**


Income Tax



Important highlights of The Income Tax Act, 1961.....

Computation of Gross total income and Taxable Income

<i>Particulars</i>	<i>Amount</i>
Income from salary	XXXXXX
Income from house property	XXXXXX
Profits and gains of business or profession	XXXXXX
Capital gains	XXXXXX
Income from other sources	<u>XXXXXX</u>
<i>Gross Total Income</i>	XXXXXX
<i>Less : Deductions under Chapter VI-A (i.e. under section 80C to 80U)</i>	<u>(XXXXXX)</u>
<i>Total Income (i.e., taxable income)</i>	XXXXXX



Section 115BAC: Features of the new tax regime and its benefits

- Individuals and HUF taxpayers are eligible to choose a new tax regime from FY 2020-21.
- From FY 2020-21, you can choose to pay income tax under an optional new tax regime. The new tax regime is available for individuals and HUFs with lower tax rates and zero deductions/exemptions. We will discuss the features of the new tax regime and how you can benefit from it.

What are the
tax rates
under the
new regime?

New slab rates		Existing slab rates	
Income from Rs 2.5 lakh to Rs 5 lakh	5%	Income from Rs 2.5 lakh to Rs 5 lakh	5%
Income from Rs 5 lakh to Rs 7.5 lakh	10%	Income from Rs 5 lakh to Rs 10 lakh	20%
Income from Rs 7.5 lakh to Rs 10 lakh	15%	Income above Rs 10 lakh	30%
Income from Rs 10 lakh to Rs 12.5 lakh	20%		
Income from Rs 12.5 lakh to Rs 15 lakh	25%		
Income above Rs 15 lakh	30%		

How much beneficial it is?

Annual income	Tax under the existing regime (Rs)	Tax under the new regime (Rs)	Tax savings under the new regime (Rs)
Up to Rs 7,50,000	65,000	39,000	26,000
Up to Rs 10,00,000	117,000	78,000	39,000
Up to Rs 12,50,000	195,000	130,000	65,000
Up to Rs 15,00,000	273,000	195,000	78,000

But.....

Exemptions and deductions not claimable under the new tax regime

1. The standard deduction, professional tax and entertainment allowance on salaries
2. Leave Travel Allowance (LTA)
3. House Rent Allowance (HRA)
4. Other special allowances [Section 10(14)]
5. Interest on housing loan on the self-occupied property or vacant property (Section 24)
6. Chapter VI-A deduction (80C, 80D, 80E and so on) (Except Section 80CCD(2) and 80JJAA)
7. Without exemption or deduction for any other perquisites or allowances
8. Deduction from family pension income
9. Set off of any loss under the head house property with any other head of income.
10. And many more.....

Example for Old Tax regime Vs New Tax regime.....

- Let's take an example of comparing the Old & New tax regime of an assessee with Rs 10 Lakh income.
- Mr. Rajesh has a Total income of Rs 10 lakh. His total investment u/s 80C is Rs 1.7 lakh under ELSS, PF, LIC premium and principal installment of home loan. Further he pays Medical insurance for himself and his wife of Rs 28000. If he opts for the old tax regime, then he can claim the above deductions, however if he wishes to go for a new tax regime than these deductions will not be available. He has paid home loan interest of Rs 75000 in FY 20-21. Let us see the tax outflow in both the regimes

Particulars	Old Tax Regime (Rs)	New Tax Regime (Rs)
Gross Income	10,00,000	10,00,000
Deductions:		
u/Sec: 80C	150,000	—
u/Sec: 80D	25,000	—
u/Sec: 24(b)	75,000	—
Taxable Income	750,000	10,00,000

Particulars	Old Tax Regime (Rs)	New Tax Regime (Rs)
Taxable Income	750,000	10,00,000
Tax Slab (OLD)		
0 to 2.5 Lakh	—	—
2.5 to 5 Lakh @ 5%	12,500	—
5 Lakh to 10 Lakh @ 20%	50,000	—
Tax Slab (NEW)		
0 to 5 Lakh	—	—
2.5 to 5 Lakh @ 5%	—	12,500
5 to 7.5 Lakh @ 10%	—	25,000
7.5 Lakh to 10 Lakh @ 15%	—	37,500
Income Tax	62,500	75,000
Cess @ 4%	2,500	3,000
Total Tax Outgo	65,000	78,000

Old Tax regime Vs New Tax regime & which is better?

- The new tax regime can largely benefit middle class taxpayers who have a taxable income upto Rs 15 lakh. **Old regime is a better option for high-income earners.**
- The new income tax regime is beneficial for people who make low investments. As the new regime offers seven lower income tax slabs, anyone paying taxes without claiming tax deductions can benefit from paying a lower rate of tax under the new tax regime. For instance, assessee having total income before deduction up-to Rs 12 lakh will have higher tax liability under the old system if they have investments less than Rs 1.91 lakh. **Therefore, if you invest less in tax-saving schemes, go for the new regime.**
- That being said, if you already have in place a financial plan for wealth creation by making investments in tax-saving instruments; mediclaim and life insurance; making payments of children's tuition fees; payment of EMIs on education loan ;buying a house with a home loan; and so on, the old regime helps you with higher tax deductions and lower tax outgo.
- In light of the above and considering the new income tax regime, if taxpayers want to opt for the concessional tax rates, they may evaluate both regimes. **Hence, it is advisable to do a comparative evaluation and analysis under both regimes and then choose the most beneficial one as it may vary from person to person.**

How Can I choose between the new tax regime and the existing regime?

Individuals having 'Business income'	Individuals having income 'other than business income'
Individuals with business income will not be eligible to choose between the two regimes every year. Once they select a new tax regime, they have only once in a lifetime option for switching back to the old regime. Once they switch back to the old regime, they won't be able to choose a new regime anytime in future.	An individual with no business income can choose between the new and old tax regimes every year .
Hence, people with business income probably will have to file Form 10IE twice in a lifetime – once to choose the new tax regime and the second time for switching back to the old regime.	Hence, such individual will have to file Form 10IE every year for opting new tax regime.

COMPULSORY MAINTENANCE OF ACCOUNTS [SECTION 44AA]



- **Maintenance of books of account and other documents by specified persons carrying on business or profession**
- 1. **In case of Individual or HUF:** income from the business or profession exceeds Rs.2,50,000 or the total sales, **turnover or gross receipts exceed Rs.25,00,000**
- 2. **Person (other than individual or HUF) :** income from the business or profession exceeds ` 1,20,000 or the total sales, **turnover or gross receipts exceed Rs.10,00,000**

AUDIT OF
ACCOUNTS OF
CERTAIN
PERSONS
CARRYING ON
BUSINESS OR
PROFESSION
[SECTION 44AB]

In case of a person carrying on business

If his total sales, turnover or gross receipts in business > Rs.1 crore in the relevant PY

If in case of such person carrying on business -
(i) Aggregate cash receipts in the relevant PY \leq 5% of total receipts and
(ii) Aggregate cash payments in the relevant PY \leq 5% of total payments

If his total sales, turnover or gross receipts in business > Rs.10 crore in the relevant PY



Meaning of presumptive taxation scheme

- As per the Income-tax Act, a person engaged in business or profession is required to maintain regular books of account and further, he has to get his accounts audited. To give relief to small taxpayers from this tedious work, the Income-tax Act has framed the presumptive taxation scheme under sections 44AD.
- A person adopting the presumptive taxation scheme can declare income at 8% or 6% of Gross Turnover or Gross Receipt when such Turn over or receipt does not exceed Rs.2 Cr and in turn, is relieved from tedious job of maintenance of books of account and also from getting the accounts audited.
- The presumptive taxation scheme of section 44AD can be adopted by following persons :
 1. Resident Individual
 2. Resident Hindu Undivided Family
 3. Resident Partnership Firm (not Limited Liability Partnership Firm)

Comparative Analysis 44AA/44AB/44AD

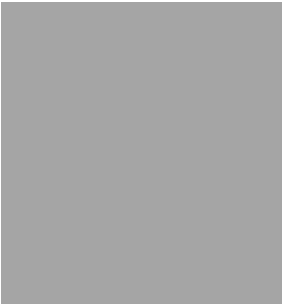
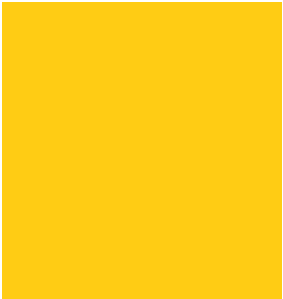
Turnover (Rs. In Lacs)	Profit %	Cash Receipt/ Payment >5%	Maintenance of Books of A/c	Tax Audit
9 or 24	5%	Yes	No	No
75	8%	Yes	No	No
75	5%	No	Yes	No
75	5%	Yes	Yes	No
150	8%	Yes	No	No
150	5%	Yes	Yes	Yes
150	5%	No	Yes	No
500	5%	No	Yes	No
500	5%	Yes	Yes	Yes
1100	5%	No	Yes	Yes

When You Should Deduct or Collect Tax at Source at Higher Rates (Section 206AB/206CCA)

The tax is required to be deducted/collected at source at rates higher than prescribed in the Act, if the transaction is incurred with the person who satisfies the following conditions:

- The person has not file the income tax return for both of the previous two Financial Years (FYs) immediately before the FY in which tax is required to be deducted,
- and
- The total amount of deduction and collection of tax (TDS and TCS) is Rs.50,000 or more in each of these two previous years.

Rate of TDS or TCS



If the taxpayer falls under all the above conditions then tax shall be deducted or collected at source at higher of below rates:

- Twice at the rates prescribed in the relevant provisions of the Income Tax Act.
- At the rate or rates in force, i.e., the rate prescribed in the Finance Act
- At five per cent.

Thank you

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