ANIRAM Times

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Contents

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“In Investing, what is comfortable is rarely profitable

Start Today!”

M/s ANIRAM

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M/s Aniram

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FROM THE EDITOR'S DESK

Dear Finvestor!

TAX- the word by itself is very Taxing! Both direct and indirect taxes have been eating our income pie for long and will continue to cut our full share of the pie if we don't make terms with it and master it.

So, the question "How to Tax Save Income for Salaried and Professionals?" – a question that is often asked by my friends, family and clients. This is expected mainly due to the complicated income tax structure. There are multiple tax sections and every year a few more are added or modified. It's hard to keep track of all of these and check if it's applicable to you. So, I thought why not a Newsletter on Income Tax!

The topic is a vast ocean and I have just brushed through the basics of it for resident Indians we will do a detailed newsletter for NRI's in the coming issue. In this newsletter I have addressed about the old and new Tax regimes in India, Tax saving Instruments, deduction we can claim and TDS. Always seek professional help to sort your taxes its always better to seek the doctor at the first step and not wait till the situation has been complicated.

Taxes are the backbone for the development of our country Save Tax but Pay Tax honestly, don't Evade it!

Happy Investing!!

For Your Information

ITR Filing due date extension:

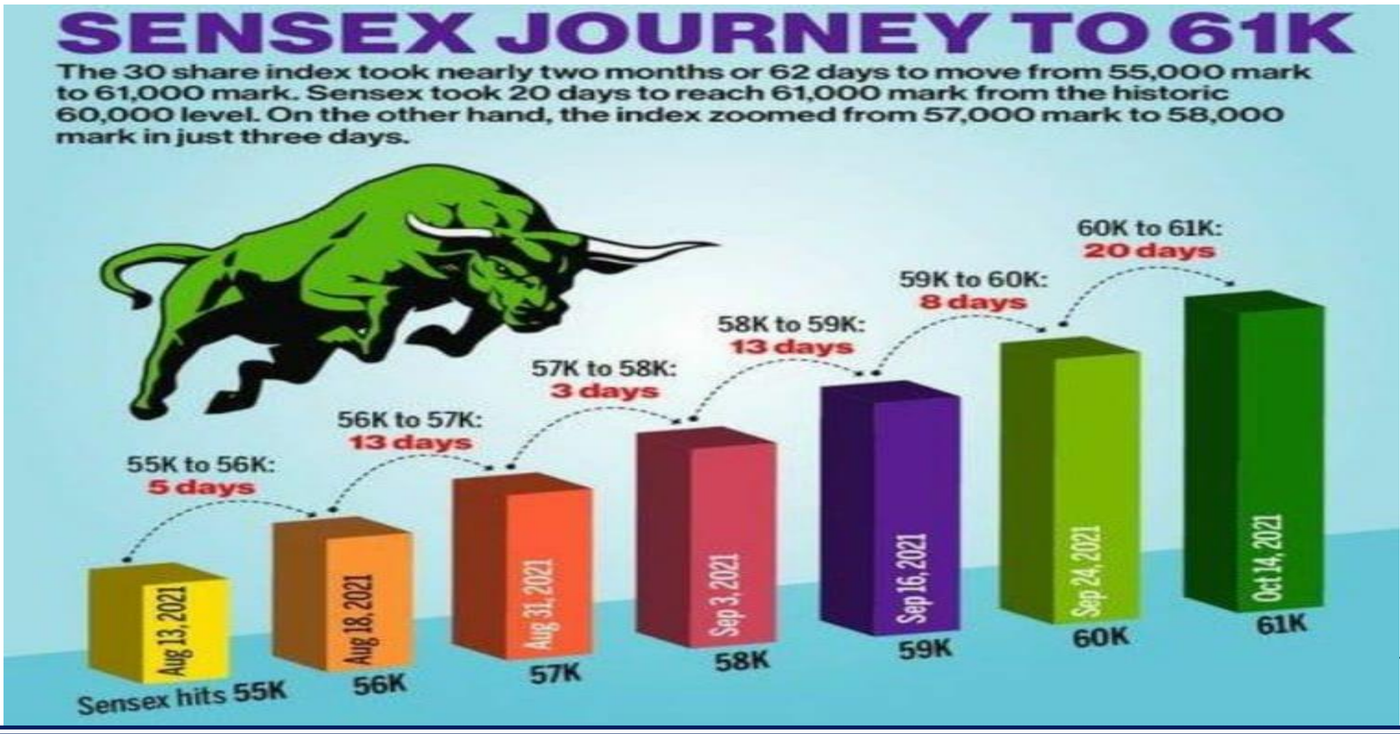
- ITR filing by taxpayers not covered under audit is extended from 30th Sep ‘21 to 31st Dec ‘21
- ITR filing for Tax audit cases is extended to 15th Feb ‘22
- ITR filing for transfer Pricing is extended to 28th Feb ‘22
- ITR filing of Belated or Revised Return for FY 20-21 is extended from 31st Dec ‘21 to 31st March ‘22.

Furnishing Audit Report:

- Due date to furnish the audit report is extended to 15th Jan ‘22
- Due date to furnish the audit report for transfer pricing cases is extended to 31st Jan ‘22.

Tax on Dividend

The company distributing dividends shall have to deduct tax at source while paying dividend, at applicable rates (including any surcharge or cess). TDS will be deducted at 10% as per Section 194 on the amount of dividend payable for residents.



Income Tax - Basics

What is Income Tax? - Income Tax Basics in India

Income tax is a type of tax that the central government charges on the income earned during a financial year by the individuals and businesses. Taxes are sources of revenue for the government. Government utilizes this revenue for developing infrastructure, providing healthcare, education, subsidy to the farmer/agriculture sector and in other government welfare schemes. Taxes are mainly of two types, direct taxes and indirect form of taxes. Tax levied directly on the income earned is called as direct tax, for example Income tax is a direct tax. The tax calculation is based on the income slab rates applicable during that financial year.

Who should pay Income Tax? - Types of Income Tax Payers

The Income tax Act has classified the types of taxpayers in categories so as to apply different tax rates for different types of taxpayers.
Taxpayers are categorized as below:

- Individuals
- Hindu Undivided Family (HUF)
- Association of Persons (AOP)
- Body of Individuals (BOI)
- Firms
- Companies

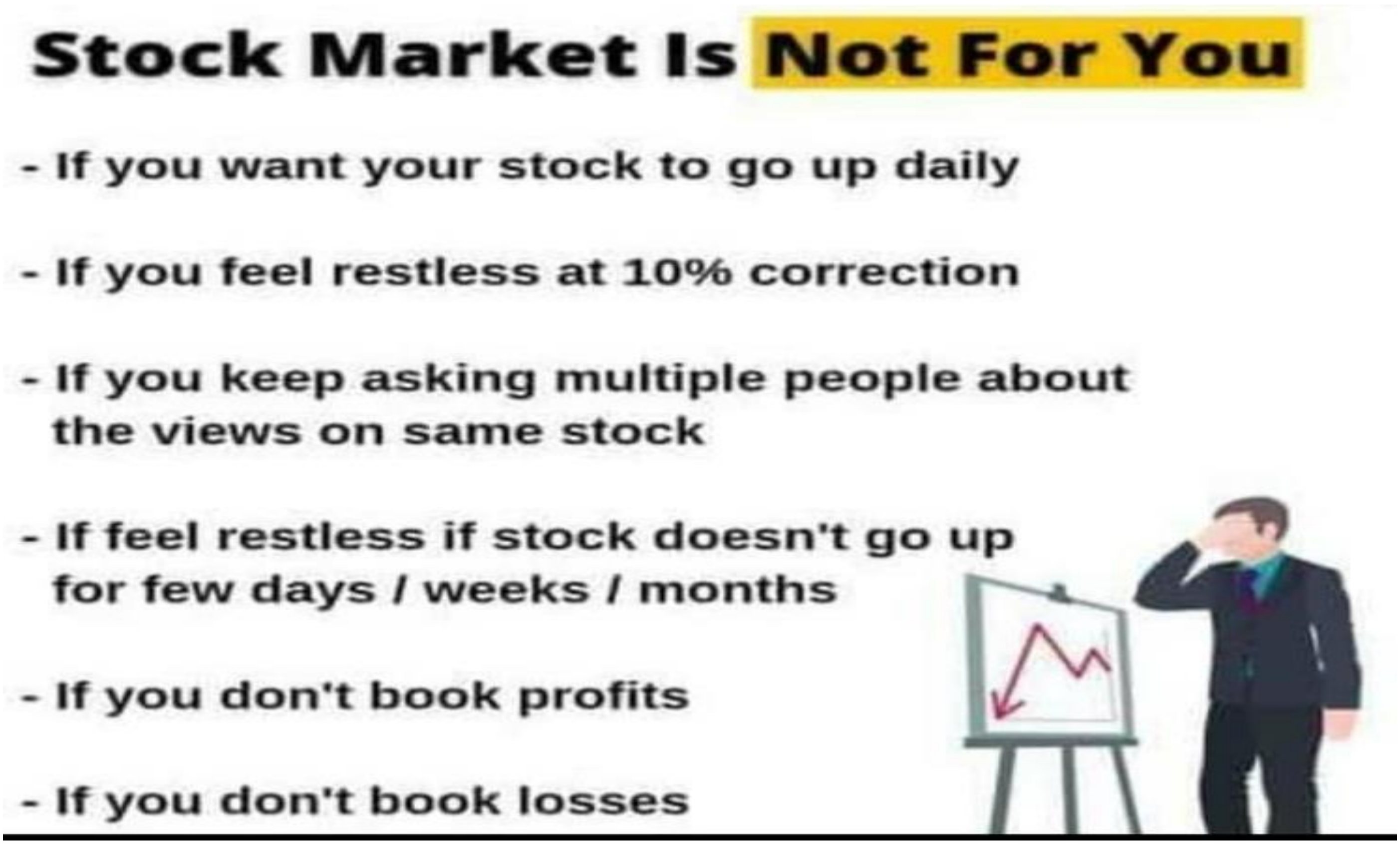
Further, Individuals are broadly classified into residents and non-residents. Resident individuals are liable to pay tax on their global income in India i.e., income earned in India and abroad. Whereas, those who qualify as Non-residents need to pay taxes only on income earned or accrued in India. The residential status has to be determined separately for tax purposes for every financial year on the basis of the individual tenor of stay in India. Resident Individuals are further classified into below mentioned categories for tax purposes-

- Individuals less than 60 years of age
- Individuals aged more than 60 but less than 80 years
- Individuals aged more than 80 years

Types of Income / Heads of Income

Everyone who earns or gets an income in India is subject to income tax (Yes, be it a resident or a non-resident of India). For simpler classification, the Income tax department breaks down income into five main heads:

- Income from Other Sources
- Income from House Property
- Income from Capital Gains
- Income from Business and Profession
- Income from Salary



Income Tax Slabs

Each of these taxpayers is taxed differently under the Indian income tax laws. While firms and Indian companies have a fixed rate of tax calculated on their tax profits, the individual, HUF, AOP and BOI taxpayers are taxed based on the income slab they fall under. People's incomes are grouped into blocks called tax brackets or tax slabs. And each tax slab has a different tax rate. Rate at which income is charged to tax increases with increase in income. **Budget 2020 introduced a 'New tax regime' for the Individuals and HUF taxpayers**

What is the Existing / Old Income Tax Regime?

The old tax regime provides 3 slab rates for levy of income tax which are 5%, 20% tax rate and 30% for different brackets of income. The individuals have been given the option to continue with this old tax regime and they can claim deductions of allowances like Leave Travel Concession (LTC), House Rent Allowance (HRA), and certain other allowances. Additionally, deductions for tax saving investments as per section 80C (LIC, PPF, NPS etc) to 80U can be claimed. Standard deduction of Rs 50,000, deduction for interest paid on home loan.

Tax slab rates applicable for Individual taxpayer below 60 years for old tax regime as below:

Income Range	Tax Rate	Tax to be paid
Up to Rs. 2,50,000	0	No Tax
Rs. 2.5 Lakhs – Rs. 5 Lakhs	5%	5%of your taxable income
Rs. 5 Lakhs – Rs. 10 Lakhs	20%	Rs.12,500+20% of income above Rs. 5 Lakhs
Above Rs. 10 Lakhs	30%	Rs. 1,12,500 + 30% of income above Rs.10 Lakhs

There are two other tax slabs for two other age groups: those who are 60 and older and those who are above 80.A word of note: People often misunderstand that if they earn let's say Rs.12 lakhs, they will be paying a 30% tax on Rs.12 lakhs i.e., Rs.3,60,000. That's incorrect. A person earning 12 lakhs in the progressive tax system, will pay Rs.1,12,500+ Rs.60,000 = Rs. 1,72,500. Check out the income tax slabs for previous years and other age brackets.

Income Tax Slabs Under New Tax Regime

From the FY 2020-21, **a new tax regime is available for individuals and HUFs with lower tax rates and zero deductions/exemptions**. Individuals and HUF have the option to choose the new regime or continue with the old regime. The new tax regime is optional and the choice should be made at the time of filing the ITR. If the old regime is continued than all the deductions/exemptions as available can be availed by the taxpayer. The income tax slabs under the new tax regime are:

New regime slab rates		**Existing regime 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%		

Most of the deductions like deductions and exemptions are not allowed if the taxpayers opt for the New Tax regime. However, he exemptions and deductions available under the new regime are:

- Transport allowances in case of a specially-abled person.
- Conveyance allowance received to meet the conveyance expenditure incurred as part of the employment.
- Any compensation received to meet the cost of travel on tour or transfer.
- Daily allowance received to meet the ordinary regular charges or expenditure you incur on account of absence from his regular place of duty.

Exceptions to the Income Tax Slab

One must bear in mind that not all income can be taxed on slab basis. Capital gains income is an exception to this rule. Capital gains are taxed depending on the asset you own and how long you've had it. The holding period would determine if an asset is long term or short term. The holding period to determine nature of asset also differs for different assets. A quick glance of holding periods, nature of asset and the rate of tax for each of them is given below.

Type of capital asset	Holding period	Tax rate
House Property	Holding more than 24 months – Long-Term Holding less than 24 months – Short Term	20% Depends on slab rate
Debt mutual funds	Holding more than 36 months – Long-Term Holding less than 36 months – Short Term	20% Depends on slab rate
Equity mutual funds	Holding more than 12 months – Long-Term Holding less than 12 months – Short Term	Exempt (until 31 March 2018) Gains > Rs 1 lakh taxable @ 10% 15%
Shares (STT paid)	Holding more than 12 months – Long-Term Holding less than 12 months – Short Term	Exempt (until 31 March 2018) Gains > Rs 1 lakh taxable @ 10% 15%
Shares (STT unpaid)	Holding more than 12 months – Long-Term Holding less than 12 months – Short Term	20% As per Slab Rates
FMPs	Holding more than 36 months – Long-Term Holding less than 36 months – Short Term	20% Depends on slab rate

Income Tax Payment

Tax Deducted at Source (TDS)

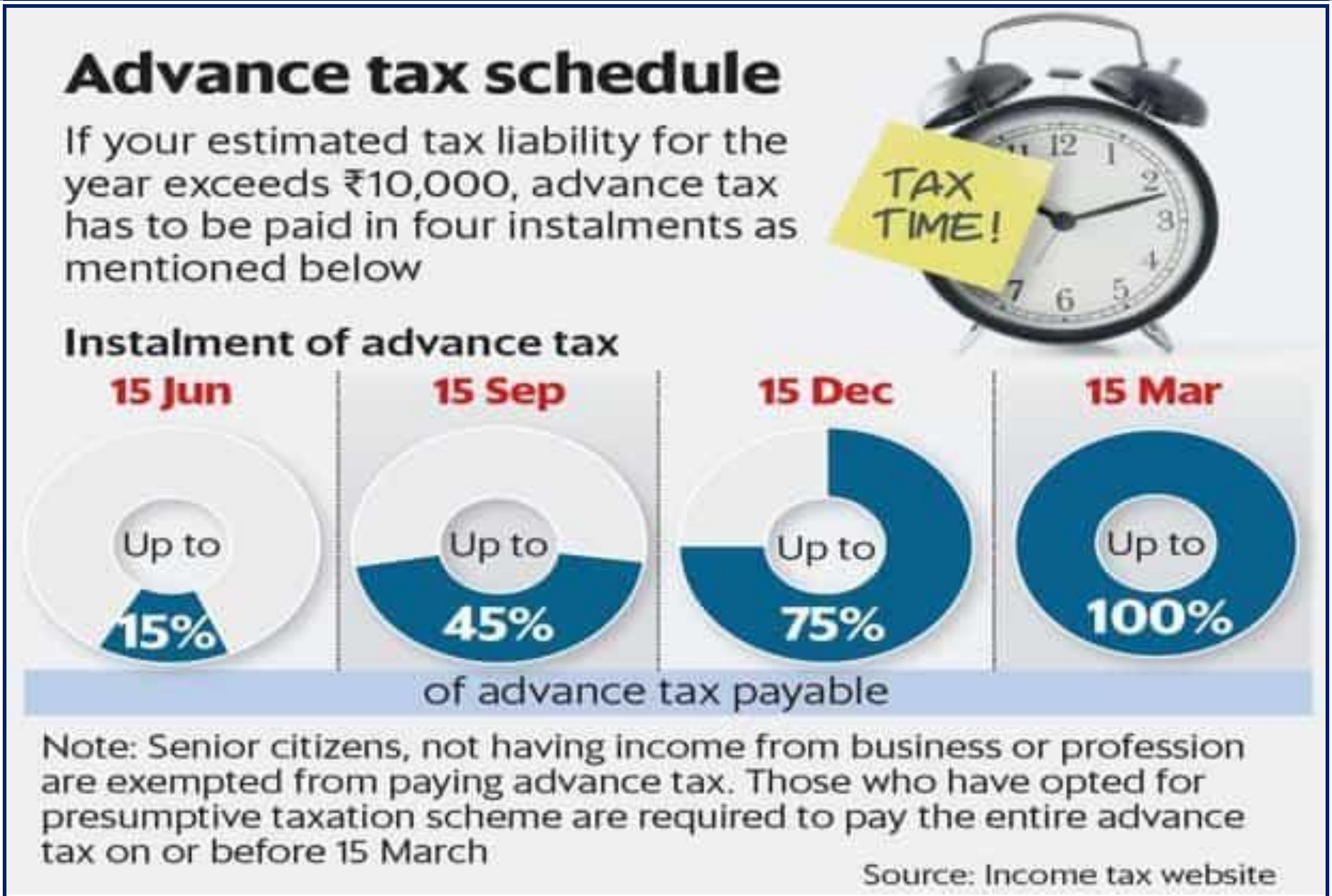
For specified payments, tax is deducted at source by the payer when making payment to the recipient of income. The recipient of income can claim the credit of the TDS amount by adjusting it with the final tax liability.

TDS ON VARIOUS INCOMES

Payment	TDS Rate for FY 2021-22	Threshold
Savings Bank Account Interest	10%	₹ 40,000 (₹ 50,000 for senior citizens)
Insurance commission	5%	₹ 15,000
Rent on land, building, furniture	5-10%	₹ 2,40,000
Transfer of immovable Property	1%	₹ 50 lakh
Professional services fee	2-10%	₹ 30,000
Dividend	10%	₹ 5,000

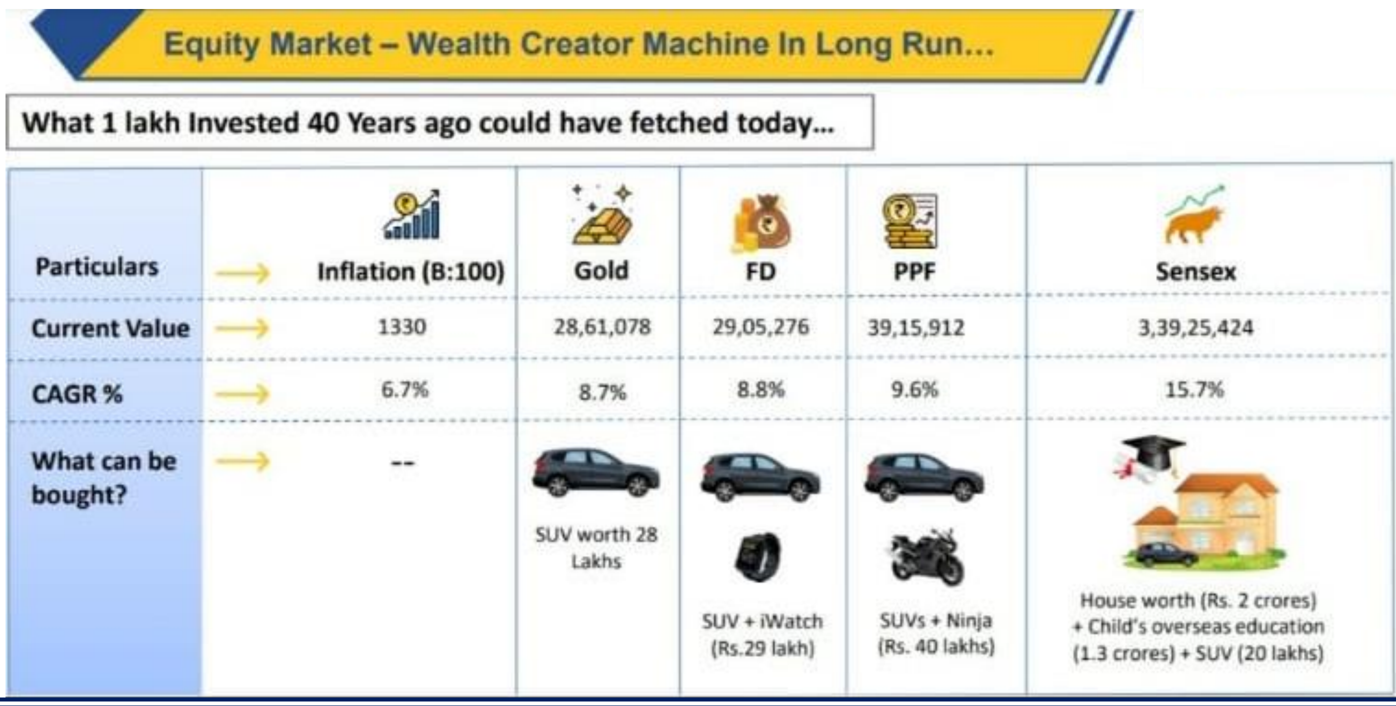
Advance Tax

The taxpayer must pay tax in advance when his estimated income tax liability for the year exceeds Rs 10,000. The government has specified due dates for payment of advance tax instalments.



Self-Assessment Tax

It is the balance tax that the taxpayer has to pay on the assessed income. The self-assessment tax is calculated after reducing the advance tax and TDS from the total income tax calculated on the assessed income.



Equity Market – Wealth Creator Machine In Long Run...

What 1 lakh Invested 40 Years ago could have fetched today...

Particulars	Inflation (B:100)	Gold	FD	PPF	Sensex
Current Value	1330	28,61,078	29,05,276	39,15,912	3,39,25,424
CAGR %	6.7%	8.7%	8.8%	9.6%	15.7%
What can be bought?	--	SUV worth 28 Lakhs	SUV + iWatch (Rs.29 lakh)	SUVs + Ninja (Rs. 40 lakhs)	House worth (Rs. 2 crores) + Child's overseas education (1.3 crores) + SUV (20 lakhs)

Income Tax Saving Instruments (Deduction Chapter u/s VI A)

The taxpayer can save tax by tax planning. A taxpayer can do tax planning by investing in tax-saving instruments. It helps in reducing the income tax liability. Section 80C to 80U of the Income Tax Act allows a deduction for certain expenditures and investments from the total computed income.

Some of the popular Section 80C investments are:

	ELSS	PPF	NSC	5-Year Tax Saving FD	SCSS
Section 80C Benefit	Yes	Yes	Yes	Yes	Yes
Type of Investment	Equity	Fixed Income	Fixed Income	Fixed Income	Fixed Income
Lock-in Period	3 Years	15 Years	5 Years	5 Years	5 Years
Maximum Investment	No Max Limit	Rs 1.5 lakh	No Max Limit	Rs 1.5 lakh	Rs 15 lakh

**ELSS and NSC have no upper investment limit. However, you get tax benefits under Section 80C only up to Rs 1.5 lakh per financial year.*

Health Insurance & Medical Expense Deduction – u/s 80 D

Apart from the 80C deduction, a taxpayer can also take a tax benefit over and above 80C under Section 80D for health insurance premium and medical expenditure incurred for self, family and parents.

Particulars	Deduction for Self & Family	Deduction for Parents	Preventive Health Check up*	Total Deduction
Self & Family (Below 60 Years)	25,000/-	-	5,000/-	25,000/-
Self & Family + Parents (All below 60 Years)	25,000/-	25,000/-	5,000/-	50,000/-
Self & Family (Below60 Years) + Parents (Above 60 Years)	25,000/-	50,000/-	5,000/-	75,000/-
Self & Family + Parents (Both above 60 Years)	50,000/-	50,000/-	5,000/-	100,000/-

Education Loan Deduction – u/s 80E

Under Section 80E, the taxpayer can claim a deduction for the interest paid on a loan taken for higher education. There is no limit to claim such a deduction in the income tax return.

Home Loan Deduction – u/s 24 & 80 C

Under Section 24, the taxpayer can claim a deduction for interest paid on a housing loan during the relevant financial year. The amount of deduction will depend upon whether the house is self-occupied or let out. The taxpayer can also claim a deduction of the principal amount of loan under Section 80C up to Rs 1.5 lakh.

Deduction for Interest Income – u/s 80TTA

The taxpayer can also claim a deduction for interest on deposits from banks under Section 80TTA of the Income Tax Act. The individuals can claim up to Rs 10,000 deduction under the said section.

SECTION 80U
Income Tax Deduction in case of disability

BENEFIT TO

- A Resident Individual with Disability
- Certified with Medical Authority
- Only to Indian Resident

AMOUNT OF DEDUCTION ALLOWED

Disability	Level of Disability	Amount
Normal Disability	40% or above	75,000
Severe Disability	80% or above	1,25,000

DISABILITY INCLUDES-

- Blindness
- Low Vision
- Leprosy Cured
- Hearing Impairment
- Autism
- Locomotor Disability
- Mental Retardation
- Mental illness
- Cerebral Palsy

Section 80C Investments	Section 80CCC Annuity Plan Of LIC	Section 80CCD Pension Scheme	Section 80TTA Interest On Savings Account	Section 80TTB Interest On Deposits For Senior Citizens	Section 80GG House Rent Paid
Section 80E Interest On Education Loan	Section 80EE Interest On Home Loan	Section 80CCG Investment Under RGESS	Section 80D Medical Insurance	Section 80DD Handicapped Medical Treatments	Section 80DDB Medical Expenditure
Section 80U Self Suffering From Disability	Section 80GGB Companies Contribution To Political Parties	Section 80GGC Individual Contribution To Political Parties	Section 80RRB Royalty On Patents	Section 80G Donations	

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What is Form 26AS?

A consolidated annual tax statement that shows the taxes you have already paid in a Financial Year and tax refunds due if any

Form 26AS contains the following information

Your general information

- ✓ Name
- ✓ Permanent Account Number (PAN)
- ✓ Financial Year & Assessment Year
- ✓ Taxpayers Address

Your tax and financial information

- ✓ Tax Deducted at Source (TDS) and Tax Collected at Source (TCS)
- ✓ Payment of taxes
- ✓ Demand and Refunds
- ✓ Information related to Specified Financial Transaction (SFT)*
- ✓ Defaults relating to TDS statements
- ✓ Details of turnover as per GSTR-3B
- ✓ Pending and Completed proceedings

*SFT are the record of transactions of the taxpayer reported to the income tax department by the specified entities.

TDS on Sale of Property – 26QB

As per Finance Bill of 2013, TDS is applicable on sale of immoveable property wherein the sale consideration of the property exceeds or is equal to ₹ 50,00,000 (Rupees Fifty Lakhs). Sec 194 IA of the Income Tax Act, 1961 states that for all transactions with effect from June 1, 2013, Tax @ 1% or 0.75% should be deducted (depending upon the Date of Payment/Credit to the Seller) by the purchaser of the property at the time of making payment of sale consideration. Tax so deducted should be deposited to the Government Account through any of the authorised bank branches.

Points to be remembered by the Purchaser of the Property:

- Deduct tax @ 1% or 0.75% from the sale consideration (depending upon the Date of Payment/Credit to the Seller).
- Collect the Permanent Account Number (PAN) of the Seller and verify the same with the Original PAN card.
- PAN of seller as well as Purchaser should be mandatorily furnished in the online Form for furnishing information regarding the sale transaction.
- Do not commit any error in quoting the PAN or other details in the online Form as there is no online mechanism for rectification of errors. For the purpose of rectification, you are required to contact Income Tax Department.

Points to be remembered by the Seller of the Property:

- Provide your PAN to the Purchaser for furnishing information regarding TDS to the Income Tax Department.
- Verify deposit of taxes deducted by the Purchaser in your Form 26AS Annual Tax Statement.

When a Non-resident sells an Immovable property in India, Capital gains income may accrue on such sale to the Non-resident which is chargeable to tax in India. Therefore, the consideration from sale of property in India by a non-resident is chargeable to tax in India and is covered by Section 195 and therefore tax has to be deducted at the time of payment of such consideration.

Now the question arises as to the rate of deduction of tax. Sub-section (1) of section 195 prescribes that tax is to be deducted at the **rates in force.**

Rates in force is the rate at which a particular type of income is taxable under the provisions of the Income Tax Act.

For the purpose of sale by a non-resident of an immovable property, we will have to see the rates prescribed for taxation of capital gains.

As per section 112, Long term capital gains on sale of a capital asset is to be taxed at the rate of 20%.

Short-term capital gain on sale of a capital asset (except on sale of equity shares and equity oriented mutual funds) is to be taxed at the slab rates prescribed under the Finance Act applicable to the year of sale.

Therefore, here we can draw the conclusion that the buyer/ transferee has to deduct tax on sale of immovable property by the non-resident at the slab rate prescribed in case property is sold within three years of its purchase and at the rate of 20% where property is sold after two years* of its purchase i.e., where LTCG accrues.

*The criteria of 36 months have been reduced to 24 months for immovable properties such as land, building and house property from FY 2017-18.

Section 90:

Now as per section 90 of the Income Tax Act'1961, the rates of taxation on taxable income of a non-resident will be as prescribed under the Income Tax Act'1961 or under the DTAA of India with the country of which the non-resident is a resident, whichever is more beneficial to the tax payer.

Therefore, if the rates prescribed for taxation of capital gains in the DTAA are less than the 20% rate or the slab rate, then tax will be deducted at that rate.

However, for availing the benefit of lower rate of deduction of tax under the DTAA, the non-resident transferor will have to furnish a Tax Residency Certificate to the payer indicating the tax residency of which he is a resident.

On what amount is the tax to be deducted?

After determining the rate of tax, now the question arises that on which amount is the tax to be deducted.

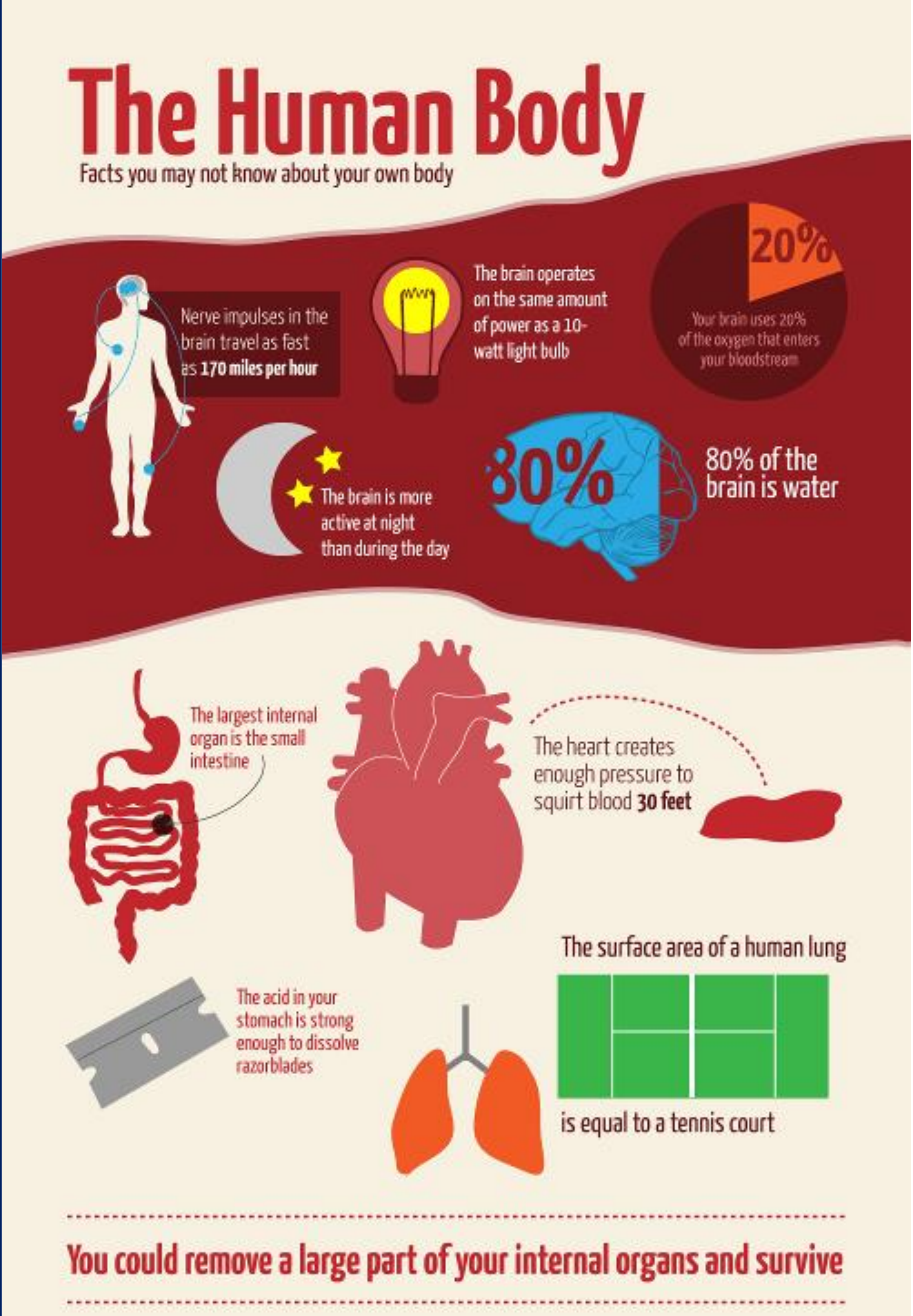
The tax is to be deducted on income only i.e on the amount of capital gains arising to the non-resident out of the total consideration.

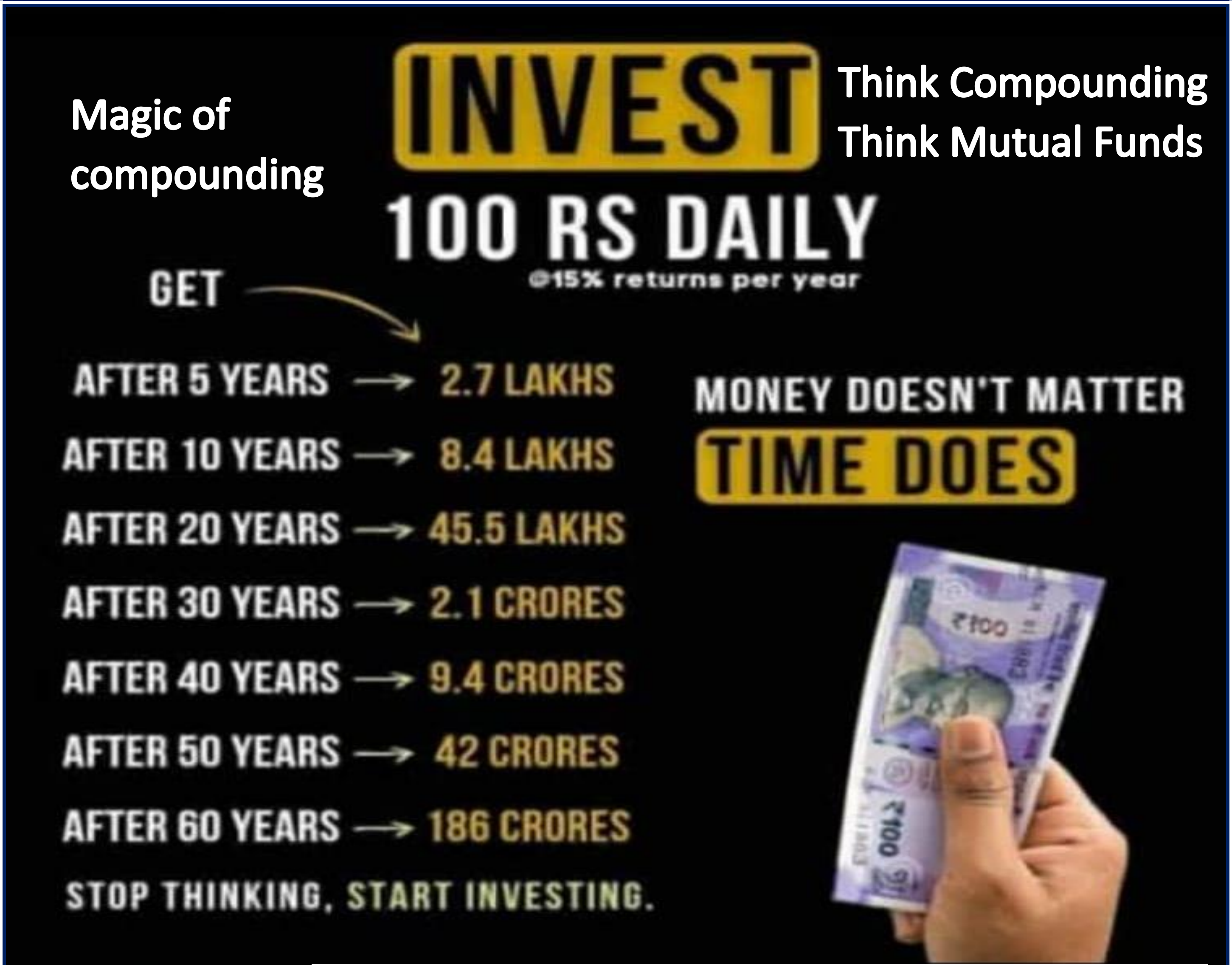
But how will the payer determine the amount of capital gains arising to the non-resident transferee.

The answer lies in sub-sections (2) & (3) of section 195. Under, the provisions of these sub-sections the payer or transferor/payee may make an application to the jurisdictional Assessing officer to determine the sum of capital gains on which tax is to be deducted.

The application to the AO will be made in the prescribed form.

The amount determined by the AO will be the amount on which tax is to be deducted. However, **if no such application** is made by the payer or the payee to determine the sum chargeable to tax**, the tax will be deducted on the entire consideration** for sale of immovable property.


The Human Body
Facts you may not know about your own body
Nerve impulses in the brain travel as fast as 170 miles per hour
The brain operates on the same amount of power as a 10-watt light bulb
20%
Your brain uses 20% of the oxygen that enters your bloodstream
The brain is more active at night than during the day
80%
80% of the brain is water
The largest internal organ is the small intestine
The heart creates enough pressure to squirt blood 30 feet
The acid in your stomach is strong enough to dissolve razorblades
The surface area of a human lung
is equal to a tennis court
You could remove a large part of your internal organs and survive



'Bank FDs to fetch negative real interest'

PRESS TRUST OF INDIA
NEW DELHI

Senior citizens and others depending upon income from bank fixed deposit (FD) schemes will be at the receiving end with the retail inflation exceeding the interest rates.

The Reserve Bank of India (RBI), in its latest monetary policy review, has projected retail inflation at 5.3% for FY22.

Last week, the RBI said that the Consumer Price Index (CPI)-based inflation is now projected to be at 5.3% for 2021-22.

At this level, the FD for one year with the State Bank of India would earn negative interest.

Investors are earning negative returns from bank FDs: SBI Research

SBI Research report says investors opting for floater funds and trading in shares due to low returns on bank deposits.

Risk in Fixed Deposits

49.1% deposits don't have ₹5 lakh cover

Banks not paying premium cited among reasons.

by **Naveen Kumar**

When a bank fails, the only respite a depositor has is the insurance cover offered by the DICGC. This cover was raised to ₹5 lakh from ₹1 lakh, effective February 2020. According to RBI's latest annual report, the number of fully protected accounts in banks stood at 247.8 crore in end March 2021, which is 98.1% of the total number of accounts (252.6 crore). Around 4.8 crore accounts do not enjoy the cover offered by Deposit Insurance and Credit Guarantee Corporation (DICGC).

Total insured deposits stood at ₹76,21,258 crore as of end-March 2021. This is only 50.9% of the assessable deposits of ₹1,49,67,776 crore. This means that around 49.1% of the amount deposited with banks do not enjoy DICGC cover.

While the deposit insurance cover has been raised to ₹5 lakh, not all deposits are covered. Though this cover is available to all banks, they have to register for this facility and pay the corresponding insurance premium to keep enjoying the financial protection under this deposit insurance.

Banks not registered with DICGC or not paying premium are the main reasons for deposits not being covered. However, this can also happen in case of a higher deposit amount held by an account holder in the same right and capacity. For instance, if you hold a total deposit of ₹25 lakh in same right and capacity, then the maximum cover will remain only ₹5 lakh and remaining ₹20 lakh deposit will not have this protection.

Five cooperative banks and one LAB (or Local Area Bank) were liquidated during 2020-21. The DICGC has processed claims amounting to ₹ 993 crore during 2020-21 with a view to ensuring payment to insured depositors of liquidated banks under the prevailing pandemic situation. Of ₹993 crore, the Corporation has settled claims amounting to ₹564 crore in respect of nine co-operative banks during 2020-21.

Investors
Returns
MUTUAL FUND
Fund Manager
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COMPANY FIXED DEPOSIT
LIC
भारतीय जीवन बीमा निगम
LIFE INSURANCE CORPORATION OF INDIA
PLAN
LEGAL ADVICE
STOCK MARKET
ALTERNATIVE INVESTMENTS
Initial Public Offering
IPO
INCOME TAX (Filling)
GST (Registration)
GST (Filling)
भारतीय डाक
India Post
Post Office Small Savings Schemes
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