



New Delhi – July 17th, 2015

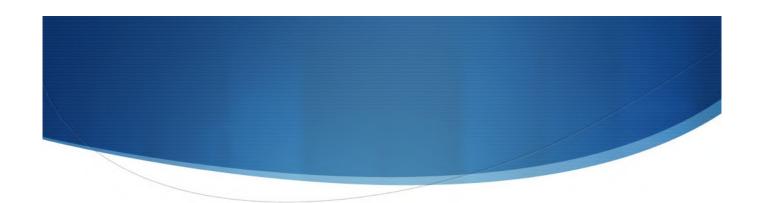
PAN INDIA CORPORATE SERVICES PVT LTD

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Overview of Indian Taxation

Overview of Indian Income Tax

- Residency: Income tax in India is based on the concept of "Residency" and not "Citizenship". Residency is defined on the basis of no. of days physically present in India for Individuals and on the basis of management/ control in case of Corporates
- <u>DTAA:</u> India has a Double Taxation Avoidance Agreement (DTAA) with France. The provisions of DTAA prevail over Indian Income Tax Act. DTAA does not define the residential status parameters. Therefore residential status needs to be determined as per the provisions of Income Tax Act
- ▲ <u>Tax Year:</u> Tax year in India is from April 01 to March, 31. For eg: April 01, 2015 March 31, 2016 is considered as Assessment Year 2016-17 relevant to the Previous Year 2015-16. All provisions of the Income Tax Act are defined in terms of Assessment Years.
- Taxable Income is determined on the basis of residential status for each assessment year
- Individuals are taxed on the basis of income slabs and corporates are taxed at flat rates (surcharge & cess are charged separately)
- No inheritance tax or gift tax in India
- Wealth tax has been abolished from Assessment Year 2016-17 however for Assessment Year 2015-16 (i.e. April 01, 2014 March 31, 2015) wealth tax is applicable

Types of Residential Status

Individuals

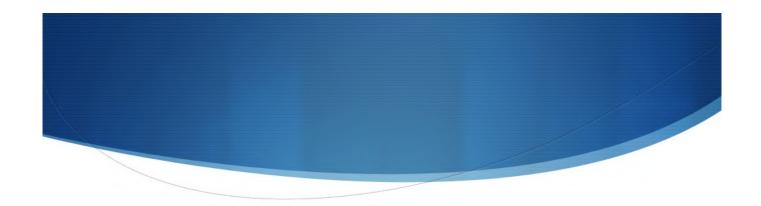
- Resident & Ordinary Resident (ROR)
- Resident & Not Ordinary Resident (RNOR)
- ♦ Non Resident (NR)

Corporates

- Resident Company
- Non Resident Company

Heads of Income

- Salaries
- Business or Profession
- ♦ Any Other Sources



Corporate Taxation

Overview of Corporate Taxation

♦ Highlights of Corporate Taxation:-

- Corporates are bifurcated as Resident & Foreign Corporates on the basis of their residential status
- Income tax specifies separate tax rates for Resident & Foreign Corporates
- Each corporate needs to obtain Permanent Account Number (PAN) and Tax Deduction Account Number (TAN)
- Corporate Tax is payable on the "Net Profit" of the corporate
- Net profits are computed on the basis of generally accepted accounting principles in India by applying accrual system of accounting with the exception of certain expenses that are allowed only on payment basis and certain others on deferred revenue basis
- Every corporate needs to file ITR irrespective of profits/ (losses) on or before the due date
- Every corporate:
 - While making certain payments is required to withhold taxes at specified rates
 - Pay advance tax
- Important concepts:
 - ♦ Tax Audit
 - ♦ Transfer Pricing
 - Minimum Alternate Tax
 - Dividend Distribution Tax
 - Carry forward of business losses
 - Income Tax Assessments

Determining Residential Status

Type of Residency	Conditions	Taxable Income
Resident Company	 Incorporated in India <i>OR</i> Control & Management of affairs from India* 	Global Income
Non Resident Company	• That is not a Resident Company	• Income earned/ sourced from India

^{*} This term has not been specifically defined in the Act. It is determined based on the facts of each case and there are judicial pronouncements for guidance on this matter.

Tax Rates

Type of Corporate	Particulars	Net Income <rs. 1="" crore<="" th=""><th>Net Income between Rs. 1-10 crores</th><th>Net Income>Rs. 10 crores</th></rs.>	Net Income between Rs. 1-10 crores	Net Income>Rs. 10 crores
Resident Company	Base Rate	30%	30%	30%
	Surcharge	Nil	5% (7%-AY 2016-17)	10% (12%-AY2016-17)
	Cess	3%	3%	3%
	Effective Rate	30.9%	32.445% (33.063% AY 2016-17)	33.99% (34.61% AY 2016-17)
Non Resident Company	Base Rate	40%	40%	40%
C 0 	Surcharge	Nil	2%	5%
	Cess	3%	3%	3%
	Effective Rate	41.2%	42.024%	43.26%

PAN & TAN

PAN

- It is a mandatory requirement for every corporate/ non-corporate
- It is a unique identification number allotted by the Income Tax Department (ITD)
- It is required to open bank accounts, pay taxes, file tax returns and for any communication with the ITD
- Form No. 49A needs to be filed with the ITD to obtain PAN
- It takes days 7-10 business days for ITD to allot PAN
- Non obtaining or wrong-quoting or nonquoting of PAN attracts a penalty of Rs.10,000

TAN

- It is a mandatory requirement for complying with the provisions of withholding taxes
- It is a unique identification number allotted by the ITD
- It can be applied for post allotment of PAN
- Form No. 49B needs to be filed with the ITD to obtain TAN
- It takes 7-10 business days for ITD to allot TAN
- Non obtaining or wrong-quoting or nonquoting of PAN attracts a penalty of Rs.10,000

Expenses allowed as a deduction

Rent	Bad Debts written off (not "Provision for doubtful debts")
Salaries & Bonus	Business Research & Know-how
Electricity, Water & Fuel	Advertisement
Business Travel	Interest on loans taken for business
Depreciation & Additional Depreciation (to be computed as per the rates specified in the Income Tax Act)	Business set up expenses
Insurance	Books & Periodicals
Repairs	Any other expense incurred for earning the business income and is not of "Personal Nature"

Special provisions relating to allowability of certain expenses

- Expenses allowed on "payment basis" as against accrual basis:
 - Any tax/duty/cess/fee
 - Contribution towards welfare funds for employees including social security eg: Provident Fund
 - Bonus/ Gratuity/ Leave encashment payable to employees
 - Interest on loan from banks and/ or public/state financial institutions

However in case the above expenses are paid on or before the due date of filing the income tax return, these shall be allowed in the same year

- Expenses on which taxes have not been withheld:
 - Expense payment to a resident : 70% of the expenditure shall be allowed
 - Expense ayment to a non-resident: 100% not allowed

Special provisions relating to allowability of certain expenses

- Business set-up expenses: whether prior to commencement or for expansion/ setting up of an undertaking shall be amortized over a period of 5 years. However such expense should not exceed 5% of the project cost or capital employed
- <u>Cash expenses:</u> Any expense incurred in cash in excess of Rs.20,000 in a day to one person shall be disallowed with the exception of payment for hiring/ leasing of goods carrier where this limit has been increased to Rs.35,000
- <u>Penal Expenses:</u> Any amount paid as a penalty under any statue is not allowed as an expenditure
- Any loan/ deposit taken/accepted/repaid otherwise than through proper banking channels of an amount equal/ more of Rs.20,000 from/to one person shall be considered as a deemed income

Advance Tax & Withholding Tax

• The concept of payment of income tax in India is based on the principle of <u>"Pay as You Earn"</u>. Accordingly there are provisions of withholding tax and advance tax.

Advance Tax

- Who is required: Every tax payer whose annual tax liability (after giving credit of withholding taxes) exceeds Rs.10,000 is required to estimate income and pay taxes >= 90% of the tax liability on estimated income.
- Penalty: Non payment or short payment of advance tax attracts penal interest at 1% p.m.

A	D	Data	•
	Due	Date	

Non-Corporate Assesee	Corporate Assesee
15th September-30%	15th June-15%
15th December-60%	15th September-45%
15th March-100%	15 th December-75%
	15th March-100%

Withholding Taxes

- Every corporate making payments as mentioned in the table is required to withhold tax at prescribed rates and deposit with the Income Tax Department.
- Withholding tax needs to be paid by 7th from the end of each month. Non-compliance attracts a penal interest of 1% per month.
- Withholding tax return needs to be prepared & filed by 15th from the end of each quarter. Noncompliance attracts a penalty of INR 200/ day.
- On the basis of the withholding tax return, credit is made available to the person whose tax has been withheld. (Tax credit of every corporate/individual is available in Form 26AS)

Type of Payment	Rate	Threshold limit for non deduction
Service Providers such as CA's, Lawyers any other professional	10%	INR 30,000
Contractors/ Suppliers	2%	Single payment<=INR 30,000 and Combined<=INR 75,000
Rent	10%-Building 2%-Machinery	INR180,000
Interest on loans taken under ECB norms	5%	-
Salary	As per slab rates	INR 250,000

Important Concepts

Tax Audit Tax Audit

- Applicable to: Every corporate having a gross turnover of more than INR 1 crore (INR 25 lacs for professional)
- Regulatory Requirement: Only a CA can carry out a tax audit and a certificate in Form 3CA (3CB for professionals) and 3CD is issued by him. Tax audit is filed electronically by the CA prior to filing of ITR.
- *Penalty for non-compliance:* Rs.150,000 or 0.5% of gross turnover whichever is lower
- Note: Tax audit is in addition to audit under the Companies Act that is mandatory for each corporate

Transfer Pricing

- Applicable on: Any transaction (purchase, sale, sharing of expenses) between an Indian corporate and its associated foreign corporate
- *Concept:* Any such transaction must be at arm's length price (AMP), i.e., the relationship between the two corporates must not have any bearing on the transaction and it should be as between two unrelated parties. There are methods prescribed under the law that are used to determine weather the transaction is at AMP. This needs to be certified by a CA.

Regulatory Requirements:

- ♦ The certificate (Form 3CEB) needs to be filed by November 30th with the Income Tax Department. Non-filing of such a certificate attracts a penalty of INR 100,000
- The Indian Corporate is required to maintain a report to determine weather the provisions of Transfer Pricing are followed and correct method is used. Such a report is required where the aggregate value of transactions is in excess INR 1 Crore. Non maintenance of such report attracts a penalty of 2% of the aggregate value of transactions entered into.

Dividend Distribution Tax (DDT)

- *Applicable to:* All resident corporates
- Concept: Every resident corporate declaring/ distributing dividends need to pay DDT on dividend declared or distributed whichever is earlier. Dividends on which DDT is paid are exempt in the hands of reciepient. DDT is not allowed as an expense
- *Effective Rate:* 20.36%
- Time of tax payment: 14 days from the date of declaration/ distribution/ payment whichever is earlier

Minimum Alternate Tax (MAT)

- Applicable on: All corporates carrying on the business in India
- *Concept:* Indian corporate earning book profits (profits as stated in the financial statements) are required to pay higher of the following as tax to the Government:
 - Tax computed (post allowing/ disallowing certain expenses) on taxable profits as per corporate tax rates
 - ♦ 18.5% of book profits
- *Credit of MAT:* Where a corporate has paid MAT, it can be carried forward for a period of 10 years and can be set-off against the actual income tax payable.
- *How to compute book profits:* The law provides a formula to compute book profits.
- *Due date for deposit:* Before filing the ITR
- **♦** Regulatory Requirements:
 - A certificate (Form 29B) needs to be filed by a CA on behalf of the corporate

♦ Carry forward & set-off of business losses

- In case of business loss, the Act allows set-off the same against income under any other head in the same year except for salary income
- Any business loss (without giving effect to depreciation as per the Act) remaining unadjusted shall be allowed to be carried forward for a period of 8 assessment years to be adjusted against the future business incomes ONLY
- In order to carry forward the losses at least 51% of the shareholders should continue (in case of unlisted corporates)

Income Tax Assessments income Tax Assessme

- ITD has a right to carry out scrutiny of any ITR filed
- A notice is received at the registered office of the corporate
- Corporate can either itself or through an authorized representative as per law submit information/reply to queries as asked for by the Tax officer
- Tax officer is required to complete the scrutiny assessment and issue "Order of Assessment" to the corporate
- The corporate may file an application against the order if it so desires post discussions with their advisors

Statement of Assessable Income of ABC Pvt Ltd (A/Y 2015-16)

Particulars				INR
Income (Sales - Purchases)				5,00,00,000
Add: Other Income (Bank Interest)			5,00,000	
Total Income (A)			5,05,00,000	
	Total Expense (As per Profit &			
Less: Business Expenses	Loss A/c)	Allowed	Not Allowed	
- Rent (Tax not withheld on Rs.				
5,00,000)	12,00,000	10,50,000	1,50,000	10,50,000
- Salaries (Tax withhed & paid in time)	60,00,000	60,00,000	-	60,00,000
- Travelling(Personal travel of Rs.				
2,00,000)	6,00,000	4,00,000	2,00,000	4,00,000
- Bad Debts (Provision of Rs.1,00,000)	10,00,000	9,00,000	1,00,000	9,00,000
- Depreciation (As per income tax:				
Rs.12,00,000)	10,00,000	12,00,000	-	12,00,000
- Electricity/ Water	12,00,000	12,00,000	-	12,00,000
- Fuel	6,00,000	6,00,000	-	6,00,000
			400000 (to be	
- Business set up	5,00,000	1,00,000	c/f for 4 years)	1,00,000
- Bonus (Actual payment Rs.100,000)	5,00,000	1,00,000	4,00,000	1,00,000
- Cash Expenses (Rs.50,000 paid to Mr.A				
in one day)	1,50,000	1,00,000	50,000	1,00,000
Total Expenses(B)	1,27,50,000	1,16,50,000	9,00,000	1,16,50,000
Net Profit				3,88,50,000

Note:

Turnover in excess of Rs. 1 crore therefore Tax Audit is applicable and needs to be completed before filing ITR.

Tax Computation of ABC Pvt Ltd (A/Y 2015-16)

Tax Computation	Income Tax Act	MAT
		Book Profit (Turnover-
Type of Profit	Net Profit	Expenses as per P&L)
Net Profit	3,88,50,000	3,77,50,000
Less: Brought forward business loss	50,00,000	Not Allowed
Taxable Net Profit	3,38,50,000	3,77,50,000
Effective Rate (%)	32.445	18.5
Тах	1,09,82,633	69,83,750
Tax Rounded Off	1,09,82,630	
Less: Withholding Taxes-TDS (As per		
form 26AS)	50,00,000	
Balance tax subject to advance tax	59,82,630	
Less: Advance tax		
- 15th June	8,00,000	Tax as per Income Tax
- 15th September	15,00,000	Act is higher therefore
- 15th December	15,00,000	MAT will not be
- 15th March	20,00,000	attracted
Balance Tax Liability	1,82,630	
Add: Interest for delay in payment of		
advance tax installments	35,297	
Net Tax	2,17,927	
Tax Rounded Off to be paid	2,17,930	

This tax needs to be paid before filing the ITR and tax counter foil number is to be mentioned in ITR

Filing of corporate income tax return - highlights

- Who needs to file: Every corporate carrying on the business in India is required to file ITR irrespective of profits or losses
- Form: Return is to be filed in form ITR-6 (consists of more than 30 pages) that can be downloaded from the website www.incometaxindiaefiling.gov.in.
- Authorizing ITR: ITR needs to be signed digitally by any director.
- *Due Date*: September 30th of the following year. However where transfer pricing provisions are applicable then the due date is November 30th.
- Non-Compliance: Attracts penal & prosecution provisions

Process of filing corporate ITR

- Obtain PAN & TAN
- Register on income tax site <u>www.incometaxindiaefiling.gov.in</u> to create a separate login ID
- Checklist of documents for filing ITR
 - Audited financials
 - ♦ Tax audit report
 - Details of managerial personnel (Name, Designation, DIN, PAN, Address)
 - Depreciation calculation as per Income Tax Act
 - Details of business assets purchased/ sold during the year
 - Foreign assets details in case of resident corporate
 - ♦ Bank details (A/c No., IFSC, A/c type)
 - Details of other income earned, if any
 - Details of dividend distributed and DDT



- Download Form 26AS (Tax Credit Form) from income tax website <u>www.incometaxindiaefiling.gov.in</u>.
- Prepare statement of assessable income after giving due credit of tax paid (as mentioned in form 26AS) and disallowing any expenditure, if required in law, to determine any tax payable/ refundable
- Check and ensure the validity of any business losses/ any other losses to be carried forward or set off
- Compute MAT and pay higher of income tax or MAT. Obtain MAT certificate from CA.
- Tax is paid using tax challan no. 281 and can be paid online. Ensure correct PAN, amount and Assessment Year is mentioned while paying the tax
- Prepare the Income Tax Return in the respective format (ITR-6) and digitally sign the same. Carry out a self check before filing the ITR
- File the ITR online and print ITR acknowledgement receipt (ITR V).
- E-mail from the income tax department

Step-1: Open the website www.incometaxindiaefiling.gov.in

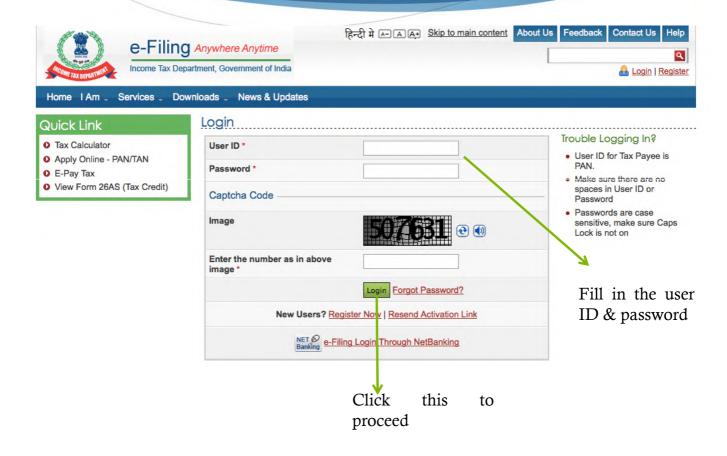




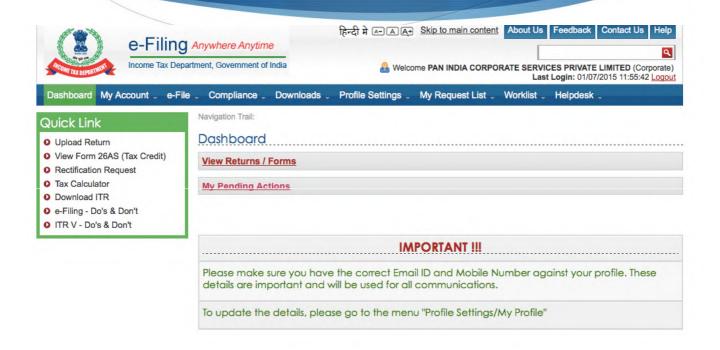
Step 3: Complete the registration form by filling in necessary details



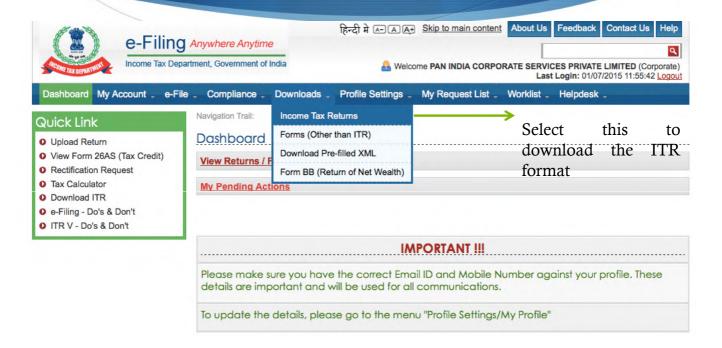
Step 4: Once the registration form is completed, a unique user ID & password will be sent through mail



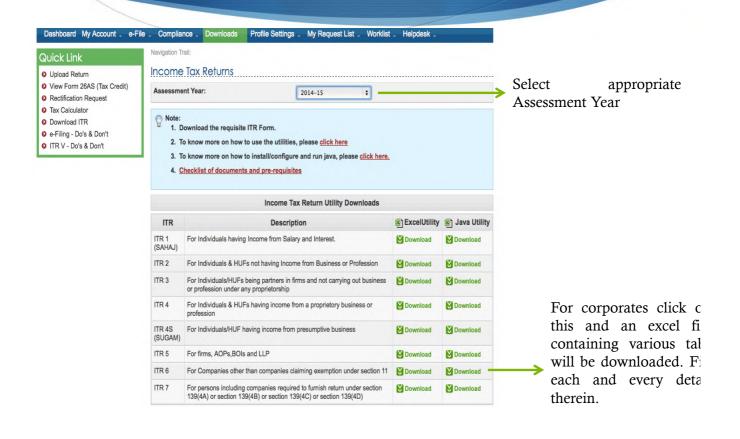
Step 5: Dashboard of the company



Step 6: Select Income Tax Return from Download Tab



Step 7: Download the ITR-6 Excel Utility



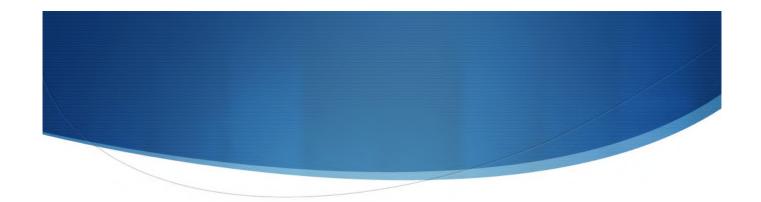
Step 8: Upload ITR



Draft ITR V

	ved with thanks from 2. 1(SAHAJ) → 2 → 3 → 4S(SUGAM) → 4 →	a return of income in 5 ► ○ 7 ► ○ for assessment year 2015-16, having the following particulars
	IRST NAME	MIDDLE NAME
1	INCOME THE PROPERTY OF THE PARTY OF THE PART	THE PERSON NAMED IN COLUMN 1
	AST NAME	PERMANENT ACCOUNT NUMBER
AS S		AT INCOME TAX WARD/CIRCLE
OM	ale O Female DDMMYYYY	
AS F	LAT/DOOR/BUILDING	NAME OF PREMISES/BUILDING/VILLAGE
A10	ROAD/STREET A13 AREA/LO	
	THE PERSON NAMED IN TAXABLE PROPERTY OF THE PERSON NAMED IN TAXABLE PROPERTY OF TAXABL	THE PROPERTY OF THE PARTY OF TH
	STATE	COUNTRY A14 PINCODE
_	Fill only one: filed > ○ 0n or Before oue date-139(1)> ○ After due date-139(4) > ○	Revised Return-139(5) OR
	in response to notice ◆ ○129(9) ◆ ○142(1) ◆ ○ 148 ◆ ○1534 COMPUTATION OF INCOME AND	
۰.		F showing loss, mark the negative sign in bracket at left
B1		• B2
B2		- B3 ()
В3		
В4	Current Loss if any	* B4 ()
B5	Net Tax Payable	- B5
В6	Interest Payable	• B6
В7	Total Tax and Interest Payable	• B7
В8	Total Advance Tax Paid	- B8
В9	Total Self Assessment Tax Paid	- B9
B 10	Total TDS Deducted	- B10
B11	Total TCS Collected	*B11
B12	Total Prepaid Taxes (B8+B9+B10+B11)	* B12
	Tax Payable (B7-B12, If B7 > B12)	• B13
<u> 3 1 3</u>	Refund (B12-B7, If B12 > B7)	-B14
B14	Exempt Income	
B14	Exempt Income Agriculture	• B15
B14	Exempt Income Agriculture	- B15

This acknowledgement shall be generated automatically post filing of ITR-6



Taxation of Individuals

Determining Residential Status

♦ Determined on the basis of "Physical Presence in India".

Type of Residency	Conditions	Taxable Income (Benefit under DTAA shall be provided, if any)
ROR	 Present in India for>=182 days OR Presence in India for >=60 days and >=365 days in preceding 4 years 	Global Income
RNOR	 Presence in India for < 730 days in 7 previous years <i>OR</i> Non Resident in 9 out of 10 previous years 	 Income earned/received/sourced from India Income from any business that is controlled from India
NR	Neither a ROR nor RNOR	• Income earned and/or received in India

How to compute the number of days present in India?

Arrival in India	Departure from India	Days in India
Apr-01	Apr-02	2
Apr-22	May-19	28
May-28	Jun-02	6
Jun-28	Jul-06	9
Jul-19	Jul-23	5
Jul-26	Aug-25	31
Sep-20	Oct-03	14
Oct-21	Nov-14	25
Nov-30	Dec-06	7
Dec-16	Dec-17	2
Dec-21	Jan-26	37
Feb-27	Mar-04	6
Mar-28	Mar-31	4
Total Days in India		176

Date of arrival and departure are counted as stayed in India.

Income Tax Slabs for Individuals

Annual Net Income	Tax Rate	Surcharge	Education Cess	Secondary and Higher
Range				Education cess
Up to Rs.250,000	Nil	Nil	Nil	Nil
Rs.250,000 - Rs.500,000	10%*(Net Income <i>minus</i> Rs.250,00 0)	Nil	2%	1%
Rs.500,000- Rs.10,00,000	Rs.25,000+20%*(Net Income <i>minus</i> Rs.500,00 0)	Nil	2%	1%
Rs.10,00,000- Rs.1,00,00,000	Rs.125,000+30%*(Net Income <i>minus</i> Rs.10,00, 000)	Nil	2%	1%
Above Rs.1,00,00,000	Rs.28,25,000+30%*(N et Income <i>minus</i> Rs.1,00,0 0,000)	10% of tax (Increased to 12% w.e.f April 01, 2015)	2% of tax and surcharge	1%of tax and surcharge

Tax on Employment-Key Issues

- Includes salaries, fees, commissions, allowances and perquisites
- Reimbursements specifically for official purposes are not taxable
- Children & Hostel Education Allowance Exempt upto Rs.100/ 300 per child per month (Max. of two children)
- Transport Allowance Exempt upto Rs.1,600 per month(Rs.3,200 p.m in case of handicap)
- Medical Allowance Exempt upto Rs. 1,250 per month
- Non cash benefits such as Free use of Gas, Electricity, Water, Domestic help, Insurance, Use of any assets, club memberships, meals, interest free loans, etc are fully taxable
- Car facility provided by employer is taxable at Rs.1800 or Rs.2400 per month (depending on the cubic capacity of the car). In cases where a driver facility is also provided, the same is taxable at Rs.900/ month



- Housing Benefits:
 - Rent Free Accomodation Taxed at 15% of salary or rent paid whichever is lower
 - House Rent Allowance Taxed after allowing deduction of lower of the following:
 - 50%/ 40% (depending on the city of residence) of Salary
 - Rent paid in excess of 10% of salary
 - ♦ Actual amount received

Tax on Employment – Social Security

- <u>Law:</u> As per the Ministry of Labour and Employment, every expat is required to contribute to the Indian Social Schemes namely Employee Provident Fund (EPF) and Employee Pension Scheme (EPS) provided these are applicable to the establishment with which the expat is working.
- Relaxation: India has entered into a Social Security Agreement (SSA) with France. As per the SSA, where an expat obtains a certificate from his/ her home country then he is not liable to contribute to Indian social security schemes. Such a certificate may be obtained where the expat is contributing to his/ her home social security schemes.
- Expat Contribution: 12% of the basic salary, retention allowance and dearness allowance (excluding bonus) per month is required to be deducted by the employer from the expat's salary.
- <u>Deduction</u>: Any such contribution made by the expat is allowed as a deduction upto Rs.150,000 annually while computing his/her taxable income.
- Withdrawal of the contribution: The expat may withdraw the contribution made from his salary along with the applicable interest when he/ she:
 - Retires
 - Ceases to be an employee
 - Suffers to specified diseases

The money shall be paid directly into the overseas bank account of the expat after carrying out documentary formalities.

Tax on Employment - ESOP

Event	Taxability
Grant	Nil
Vesting	Nil
Exercise	Nil
Allotment	Taxed as perquisite
Sale	Taxed as capital gains

- Mr. A was allotted ESOP's say 1000 shares at an exercise price of Rs.100 per share as against the market price of Rs.150 per share. Therefore INR 50,000 (1000*(150-100)) shall be charged to tax as perquisite under the head salary of Mr. A in the year of allotment. Slab rates shall be applied to compute tax.
- Mr. A sells 1000 shares at a price of Rs.200 per share. The profit of Rs. 50 per share (200-150) earned shall be taxed as per the provisions capital gains.

Short Stay Exemption

- Remuneration received by an expat as an employee of a foreign enterprise for services rendered in India during his/ her stay in India is exempt provided <u>all of the following</u> conditions are satisfied:
 - Foreign enterprise is not engaged in any trade/ business in India
 - Stay of the expat does not exceed 90 days in a year
 - Such remuneration is not liable to deducted from the income of the employer under the Indian Income Tax

Note: As per DTAA, the period of 90 days has been extended to 183 days provided the employer is neither a resident of India nor does he have any fixed base in India

Capital Gains Tax

- Applicable on sale or transfer of capital asset
- Capital assets include all forms of property, stocks and shares, land and buildings, goodwill, etc (but exclude personal effects except jewellery, stock-in-trade, stores and raw materials held for business purposes)
- Capital assets held for more than three years (one year in case of shares listed on a stock exchange) are termed as Long term capital assets (LTCA) and others as short term capital assets (STCA)
- Benefit of indexation (inflation adjustment) available in case of LTCA
- Sale/ transfer of LTCA attracts 20% tax (post indexation benefit) and in case of STCA attracts normal tax rate
- Sale of shares on which STT is paid and which are held for a period of more than 12 months attract no tax
- Sale of shares on which STT is paid and which are held for a period of less than 12 months attract a tax rate of 15%
- Sale of shares (held for more than 12 months) that are not listed and are held by a Non Resident are taxed at 10% provided the benefit of indexation is not taken

Tax on Business/ Profession, Rental & Other Income

Business (carried on by an individual not as corporate entity)/ Professional Income

- Any business, trade, profession or vocation carried on in India is taxable.
- The expenses incurred in running such business, trade, profession or vocation are allowed as a deduction in computing profits and payment of corresponding tax. Eg: Rent, Salary, Fuel, Electricity, Water, Books & Periodicals, Depreciation on assets, Consulting, etc.

♦ Rental Income

- Rental Income earned from any property in India is taxable
- Deduction of expenses incurred in paying municipal taxes, interest on loan and from this further a standard deduction of 30% (Rent received municipal taxes paid) is allowed
- Tax rate shall depend on the tax slabs based on your annual net income

Other Income

- There is no gift tax liability on the donor in India. However any gift received as money or property in excess of Rs.50,000 shall be taxable in the hands of the recipients. Such an amount is not taxable where the same has been received from a relative or on occasion of marriage or on death of the donor.
- ♦ Bank Interest received upto Rs.10,000 annually is exempt from tax
- Dividend received from an Indian Corporate is not taxable.

ITR Filing - Individual

- Applicability: Every individual having a taxable income
- <u>Due Date</u>: Every Individual needs to file his/ her ITR for a respective tax year by July 31st of the following year. Eg: for the year ended March 31, 2016 the due date is July 31, 2017.
- <u>Date Extension</u>: For the year ended March 31, 2015 the due date has been extended to August 31, 2015.
- Reporting of Foreign Assets:
 - Who needs to disclose: Where an expat becomes ROR in an tax year
 - What needs to be disclosed: Foreign bank accounts,

Immovable property or any other assets

Financial interest in any entity

Detail of bank accounts where expat has signing authority

Details of any trust created where expat is trustee, beneficiary or

settlor

Any other income

Income Source	ITR to be filed
Salary/ House Rentals/ Other Sources	ITR-1
Salary/ House Rentals/ Capital Gains/ Foreign Assets/ Other Sources	ITR-2
Individual is partner in any firm	ITR-3
Expat carries on a business/ profession	ITR-4

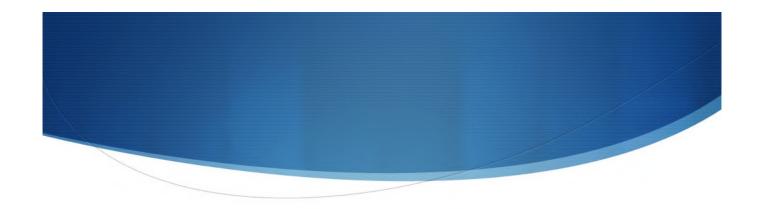
Default	Penalty	
PAN not obtained	Rs.10,000	
Non filing of ITR	Rs.5,000 & Prosecution	
Non payment of advance tax	Penal Interest @ 1% per month	
Concealing income	100%-300% of the concealed income. Prosecution in certain cases.	
Delay in filing ITR	Interest charged at 1% per month tax payable.	

Process of filing ITR

- Obtain Permanent Account Number (PAN)
- Register on income tax site <u>www.incometaxindiaefiling.gov.in</u> to create a separate login ID.
- Checklist of important documents to be reviewed before filing the ITR:-
 - ♦ Form 16/16A
 - Bank statements
 - Detail of investments if any (FD, shares etc)
 - Details of capital assets purchased or sold during the year
 - Details of rental income and/ or any other income (including dividend income)
 - Donation made during the year
 - Detail of foreign assets in case of ROR
- Personal details required:-
 - Passport Number
 - ♦ E-mail Address
 - House Address
 - Father's / Spouse Name



- Compute period of stay in India to determine residential status
- Counter foil of advance tax paid during the year.
- Download Form 26AS (Tax Credit Form) from income tax website www.incometaxindiaefiling.gov.in
- Prepare statement of assessable income on the basis of the details obtained from expat and Form 26AS.
- Pay tax, if due post preparing statement of assessable income
- Prepare the Income Tax Return in the respective format and carry out a self check
- File the ITR online and print ITR acknowledgement receipt (ITR V).
- E-mail will be received from the income tax department containing ITR V
- Sign ITR V and <u>"Speed Post"</u> (do not courier) the signed ITR V copy to CPC Bangalore. Address of CPC Bangalore shall be available on the bottom of ITR V



Other Concepts

Tax Clearance Certificate

- Who is required: Every expat not domiciled in India, working in India and who is leaving in India
- When to obtain: Prior to leaving India
- **How to obtain**: Details of person, leaving India, is filed with the ITD in prescribed form along with a declaration from the employer to the effect that any tax payable, if any, by the person will be paid by the employer
- **NOC**: On the basis of the documents submitted, ITD issues a "No Objection Certificate" which may be asked by the Immigration Authorities at the time of leaving India

FC-GPR – a brief

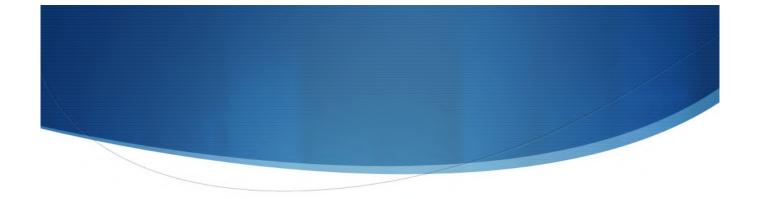
- FC-GPR is a form specified by the RBI
- Applicable where shares/ convertible debentures in an Indian corporate are allotted utilizing foreign inward remittance to persons resident outside India
- Needs to be signed by Managing Director/ Director/ Secretary of the Corporate and to be filed with the authorized bankers of the corporate who file it with the RBI along with following documents:
 - Certificate of Companies Secretary certifying that provisions of Indian Companies Act and Government conditions have been complied with
 - Certificate of a CA certifying the basis of determining the share issue price
 - Foreign Inward Remittance Certificate (FIRC)
 - Board Resolution & Statutory Auditor Certificate

Time Line for filing FC-GPR



Concept of Wealth Tax

- Applicable to: Individuals & Corporates. In case of RNOR, NR and foreign corporates assets located out of India are not liable to wealth tax
- *Recent Amendment*: It has been abolished w.e.f April 01, 2015. However for the year April 01, 2014 to March 31, 2015 wealth tax needs to be paid.
- Threshold limit: INR 30,00,000. Wealth over and above the threshold is liable to wealth tax
- **♦** *Rate*: 1%
- *Due Date*: At the time of filing ITR in a separate format (Form BB)
- ♦ Assets that fall under wealth tax:
 - ♦ Buildings & Land
 - ♦ Cash> INR 50,000
 - Urban Land
 - Jewellery, furniture
 - Boats, Aircrafts, Yatch
- Any debt/ liability incurred on acquire the above shall be allowed as a deduction while computing the wealth



Brief of the Consultant



- **♦** Rendering services since 1988
- <u>MISSION Statement:</u> To render time efficient, quality conscious and cost effective services through our team of certified and dedicated professionals to our esteemed clients. To assist as well as ensure the satisfaction of our clients and to be at service 24X7
- Boutique Firm having dedicated team for expats & corporates
- Render door-step services and save travel time of our clients

Services Rendered to Expats

- ♦ FRRO Registration
- Managing Inward & Outward Remittances
- Business Start-up Advisory
- Obtaining Digital Signatures, DIN, PAN & TAN
- Maintaining Accounts
- Tax Management & Representation before tax authorities
- Withholding Tax & Advance Tax Management
- Obtaining Tax Clearance Certificates



- Business Start-up Advisory
- Maintaining Accounts
- Audits
- ♦ Tax Management & Representation before tax authorities
- Payroll Management
- RBI & FEMA Advisory (Including assistance in FC-GPR and other documents)
- Transaction Advisory



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