

This note gives some general information to “individual” taxpayers with respect to income tax and certain other taxes for the financial year 2008-09 (assessment year 2009-10).

Tax Rates

- The personal tax rates are as under :

Taxable income (Rs.)	Tax rate (%)
Up to Rs. 1,50,000*	Nil
1,50,001* to 3,00,000	10
3,00,001* to 5,00,000	20
5,00,001 and above	30

* Threshold exemption for a resident woman is Rs.180,000 and for any resident individual aged 65 years or more at any time during the financial year (i.e. senior citizens) is Rs.2,25,000.

Notes: (i) No surcharge where the total income does not exceed Rs.10,00,000. Where the total income exceeds Rs.10,00,000 a surcharge of 10% applies on the total income tax liability. (ii) Education cess of 2% is to be levied on the aggregate of income tax plus surcharge where applicable. (iii) An additional secondary & higher education cess of 1% is leviable on the aggregate amount of income-tax plus surcharge where applicable.

Tax deductions and rebates

- **Deduction** under Section 80C in respect of prescribed contributions to savings instruments for e.g. insurance premium, Provident Fund, PPF, NSC, subscription to bonds issued by the National Bank for Agriculture and Rural Development as notified by the Central Government in the Official Gazette, deposits in accordance

with a notified scheme of fixed deposit for a fixed period of not less than 5 years with a scheduled bank, etc. is available subject to prescribed conditions.

- Effective the financial year beginning 01 April 2008, deduction under section 80C (for individuals and HUF's) will now be available for investments in Post Office Time Deposit Rules, 1981 and Senior Citizens Savings Scheme Rules, 2004. Withdrawal of any of the deposits including interest accrued (not taxed earlier) on such deposits within a 5 year period is taxable in year of withdrawal. Amount taxable will not include any amount received by the nominee or legal heir of the assessee (other than interest not included in the total income of the assessee for any year).
The aggregate deduction under section 80C however, cannot exceed Rs. 1,00,000 under any circumstances.
- Deduction under section 80CCC with respect to contribution to a pension plan with an Indian insurance company which is limited to Rs. 1,00,000 is available.
- Deduction under section 80CCD in respect of contribution to notified pension scheme is available to employees of Central Government and also to any employee and the same is tax deductible subject to a limit of 10% of ‘salary’ – ‘salary’ is defined to mean only “basic” and “dearness allowance” if any. Further, contribution, if any, made by the employer to such scheme will not be considered as taxable

salary subject to the aforesaid limit. (Note : On closure / maturity of such account, the amount received will be fully taxable in the hands of the employee / nominee).

- The total of tax deduction under sections 80C, 80CCC and 80CCD (contribution to the pension scheme of the Central Government) is limited to Rs. 1,00,000 in every case.
- Presently, a deduction under section 80D of Rs.15,000 (Rs.20,000 for senior citizens) is available to an individual for payment of medical insurance premium for self, spouse, dependent parents or dependent children. Effective the financial year beginning 01 April 2008, an additional deduction of up to Rs.15,000 (Rs.20,000 for senior citizens) to an individual assessee who makes payment of the specified sum, by any mode, other than cash, to effect or keep in force an insurance on the health of his parent or parents (whether dependant on the assessee or not).
- Deduction of Rs. 50,000 to support the medical expenses (or take insurance cover) of certain dependants who have mental or physical challenges as specified, subject to fulfilling certain prescribed conditions. In case of severe mental or physical challenges as specified, the deduction is Rs. 75,000.
- Deduction for expenses incurred on self or certain dependants on the medical treatment of specified diseases, subject to fulfilling certain prescribed conditions continues — actual expenditure is deductible subject to a cap of Rs. 40,000 (Rs.

60,000 in the case of a senior citizen).

- Interest paid on loan, taken from certain financial institutions or approved charitable institutions for the purposes of pursuing higher education as defined, are fully tax deductible. Such deduction is available for the initial year (in which the payment of interest begins) and a maximum period of seven years thereafter. This deduction is also available to interest on loan taken by the individual for higher education of his spouse and children.
- Money donated to tax-approved charitable institutions is deductible to the extent of 50%, subject to conditions. Deduction of 100% is available in the case of payment to certain specified Funds like Prime Minister's National Relief Fund.
- Deduction of Rs.50,000 for persons with specified disability. In the case of severe disability, the deduction is increased to Rs.75,000.
- Contribution to approved scientific research or rural development institutions is tax deductible.
- Standard deduction is not available for salaried employees.
- No deduction (under section 80L) is available for certain interest income like interest on bank deposits, national savings certificates, etc.
- No tax rebates for senior citizens and women (under sections 88B and 88C).

Perquisites

In the case of salaried employee, some of the perquisites provided by the

employer are valued for income taxation in the hands of the employee as under:

- Provision of unfurnished accommodation :

Owned by the employer:

- In cities having population exceeding 2.5 million as per 2001 census, 15% of salary (as defined) for the period during which accommodation is provided
- In cities having population exceeding 1 million but not exceeding 2.5 million as per 2001 census, 10% of salary (as defined) for the period during which accommodation is provided
- In other cities, 7.5% of salary as aforesaid

as reduced by the rent, if any, paid by the employee to the employer for the said accommodation.

Leased by the employer:

Actual amount of lease rent payable by the employer *or* 15% of salary as defined, whichever is lower, as reduced by the rent, if any, paid by the employee to the employer for the said accommodation.

- Provision of furniture (includes TV, refrigerator, air-conditioner, other appliances):
 - 10% per annum of cost of furniture, where it is owned by the employer
 - Actual hire charges paid by the employer in other cases,

as reduced by charges, if any, paid by the employee to the employer for such furniture.

- Provision of motor car and chauffeur: Nil
- Gas, electric energy and water: Actual amount spent by the employer less recovery, if any, from the employee.
- Provision of a sweeper, gardener, watchman or a personal attendant shall be the actual cost to the employer as reduced by charges, if any, paid by the employee to the employer for such services.
- Interest-free or concessional loans: Value computed with reference to the interest charged by SBI as on 1 April of the relevant financial year for similar loan less interest, if any, paid by the employee to the employer (Nil perquisite value in case of loan obtained for medical treatment of specified diseases or where the loan amount is petty not exceeding Rs. 20,000).
- Use of movable assets (excluding computers and laptops): 10% p.a. of the cost of the asset in case asset owned by the employer *or* hire charges paid by the employer where hired, less amount recovered, if any, from the employee.
- Asset sold: Excess, if any, of the net cost of the asset (i.e., cost less depreciation at 10% for every completed year) over the amount paid, if any, by the employee (for computers and electronic items the depreciation rate is 50% and for

motor cars it is 20% computed on reducing balance basis).

- Value of free food and beverages, gift, credit card expenses including annual fees, payment to clubs, telephone expenses: Nil

Fringe Benefit Tax (FBT) :

- FBT (base rate of 30% increased by applicable surcharge and education cess as applicable to the employer) is payable by the employer on the excess, if any, of “fair market value” (FMV) as on the date of vesting over the “exercise price”. FMV is to be determined based on the ‘method’ prescribed by the Ministry of Finance. These provisions are relevant to stock options vesting on or after 01 April 2007. The salient features are given below:
 - (i) In a case where, on the date of the vesting of the option, the share in the company is listed on a recognized stock exchange, the fair market value shall be the average of the opening price and closing price of the share on that date on the said stock exchange;
 - (ii) If on the date of vesting of the option, the share is listed on more than one recognized stock exchanges, the fair market value shall be the average of opening price and closing price of the share on the recognised stock exchange which records the highest volume of trading in the share;
 - (iii) If on the date of vesting of the option, there is no trading in the share on any recognized stock exchange, the fair market value shall be,-
 - (a) the closing price of the share on any recognised stock

exchange on a date closest to the date of vesting of the option and immediately preceding such date; or

(b) the closing price of the share on a recognised stock exchange, which records the highest volume of trading in such share, if the closing price, as on the date closest to the date of vesting of the option and immediately preceding such date, is recorded on more than one recognized stock exchange.

(iv) In a case where, on the date of vesting of the option, the share in the company is not listed on a recognized stock exchange, the fair market value shall be such value of the share in the company, as determined by a Category 1 Merchant Banker registered with the Security and Exchange Board of India, on the specified date. The specified date has been defined as to mean,-

- (i) the date of vesting of the option; or
- (ii) any date earlier than the date of the vesting of the option, not being a date which is more than 180 days earlier than the date of the vesting.

- FBT liability arises if the relevant employee was rendering service in India anytime during the period beginning with the date of grant of option and ending on the date of its vesting.
- FBT liability is triggered only in respect of those Employee Share Schemes where the employee has a “right” but not an “obligation” to apply for the shares at a “pre-determined” price.

- FBT is payable by the employer into the Government treasury at the time of allotment / issue of shares to the employees i.e. the date when the shares are directly or indirectly given to the employees (i.e. the date of exercise, which will be on or after the date of vesting).
- An employer is legally authorized to recover the FBT liability paid on Employee Stock Schemes from the employee.
- On sale of shares by the employee, the employee will be liable to applicable capital gains tax on the difference between the sale price and the FMV on the date of vesting considered for computing FBT.

Some of the concessions / exemptions to salaried employees

- Leave Travel Concession: Exemption not exceeding economy class airfare charged by national carrier or air-conditioned 1st class train fare by the shortest route to destination, as the case may be. Only two journeys permitted in a block of four calendar years (current block begins calendar year 2006).
- Gratuity received on retirement, termination of employment or death is exempt from tax to the extent of least of the following:
 - > Rs. 3,50,000
 - > ½ months average salary (last 10 months) for each year of completed service
 - > Gratuity actually received.
- Commuted value of pension: 1/3rd value exempt where gratuity is also receivable *or* 50% value exempt where there is no gratuity.

- Leave encashment at the time of retirement on superannuation or otherwise: Earned leave limited to 10 months and encashment computed with reference to average salary of last 10 months. Earned leave entitlement cannot exceed 30 days for each year of completed service. The amount of exemption is limited to Rs. 3,00,000.
- Voluntary retirement compensation: Exempt if the same is received under a Voluntary Retirement Scheme of the employer that meets with prescribed guidelines – exemption however, limited to Rs. 5,00,000.
- House rent allowance: Amount exempted is the least of the following:
 - Actual house rent allowance received from the employer
 - Rent paid by the employee in excess of 10% of salary (as defined)
 - 50% of salary (for the four metro cities) or 40% of salary (for non-metros).
- Actual amount of profession tax paid is deductible.
- Transport allowance for commuting between the place of residence and the place of duty is exempt to the extent of Rs.800 per month.

Gains arising on transfer of a capital asset held for not more than 36 months (12 months in the case of a share held in a company or other security listed on recognised stock exchange in India or a unit of a mutual fund) prior to its transfer are “short-term”. Capital gains arising on transfer of capital asset held for a period exceeding the aforesaid period are “long-term”. Capital gains on transfer of a tax depreciable capital asset are computed in the prescribed manner. Such capital gains are assumed to be ‘short-term’ capital gains for the purposes of levying income tax.

- Capital gains are generally computed as under:

Full value of transfer consideration received/receivable	xxx
<u>Less:</u>	
(a) Cost of acquisition	xx
(b) Expenses wholly & exclusively incurred to transfer	xx
Net capital gains	X

- Generally speaking, full value of the transfer consideration is the total consideration agreed between the seller and buyer.

In the case of transfer of land and or building, such agreed transfer consideration between the parties or the value adopted/assessed by the stamp duty authorities, which ever is higher, shall be used for computing the capital gains.

- Cost of bonus shares is Nil. Generally, the cost in the case of assets acquired under gift, will, inheritance, etc is assumed to be the cost for which the previous owner acquired it.
- If the capital asset was acquired before 1 April 1981, the fair market value of the asset as on 1 April 1981 can also be taken as its ‘cost’.
- Generally, the ‘cost’ of capital asset can be increased by the notified cost inflation index, while computing ‘long-term’ capital gains.
- Any sum paid on account of securities transaction tax is *not* deductible while computing capital gains.
- Long-term capital gains tax can be saved if such gains are invested, within a period of six months from the transfer of the capital asset, in duly approved bonds redeemable after 3 years and issued only by *National Highways Authority of India (NHAI)* or *Rural Electrification Corporation Ltd (REC)* (the tax savings is proportionate to the investment in case the entire capital gains is not invested). Such bonds can neither be transferred nor any loan or advance can be obtained against its security for a period of three years from the date of acquisition of bonds. There is a ceiling of Rs.5 million for investment in “long term specified bonds” made during any financial year for claiming exemption of long term capital gains. Any bond issued by NHAI or

by REC and redeemable after 3 years is a “long term specified bond”.

- Long-term capital gains arising on transfer of equity shares in a company or units of an ‘equity oriented’ mutual fund is exempt from income tax if the Securities Transaction Tax is paid on such transaction i.e., the transfer of equity shares or such units should be made through the recognised stock exchange in India (or such units are repurchased by the relevant Mutual Fund). Short-term capital gains arising on such transactions are taxable at a base rate of 15% (increased by surcharge as applicable, education cess of 2% and secondary and higher education cess of 1%). ‘Equity oriented’ mutual fund means a fund where the investible corpus is invested by way of equity shares in Indian companies to the extent of more than 65% of the total proceeds of such fund.
- Consequent to ESOP’s being brought under the purview of Fringe Benefit Tax, on sale of shares by the employee, the employee will be liable to applicable capital gains tax on the difference between the sale price and the FMV on the date of vesting, which has been considered by the employer for computing FBT.
- Effective financial year 2007-2008 and onwards, conversion of Foreign Currency Exchangeable Bonds (‘FCEBs’) into shares or debentures of any company will be exempted from capital gains tax. Cost of acquisition of FCEBs will be deemed to be the cost of acquisition

of the shares / debentures issued pursuant to the conversion of FCEBs.

- Effective financial year 2007-2008 and onwards, transfer of capital assets under a reverse mortgage scheme made and notified by the Central Government will not be taxable. However, a borrower, under such scheme, will be liable to capital gains tax only at the point where the property is ‘transferred’ for the purpose of repaying the loan.
- Capital gains is equally applicable (i.e., included in the definition of ‘capital asset’) to transfer of jewellery, archaeological collections, drawings, paintings, scriptures or any work of art.

Some exemptions from tax

- Dividend received on shares in a domestic company is exempt in the hands of the shareholder. The dividend distribution tax payable by a locally incorporated company is 16.995%.
- Income received from units of a Mutual Fund registered with the Securities and Exchange Board of India is exempt in the hands of the unit holder. A debt-oriented mutual fund is liable to pay income distribution tax of 14.1625% and 22.66% on the distribution of income to individual / HUF and other persons, respectively. In the case of “money market mutual funds” and “liquid mutual funds” (as defined under SEBI regulations), the income

distribution tax is 28.325% across all categories of investors.

Advance income tax

- In a case where the estimated total annual income tax liability as reduced by the amount of tax deductible at source (TDS) is Rs. 5,000 or more, such net amount is payable in advance as under:

On or before 15 September	At least 30% of such net amount
On or before 15 December	At least 60% of such net amount as reduced by the earlier payment.
On or before 15 March	100% of such net amount as reduced by the earlier payments.

Default or delay in payment of advance tax entails interest liability computed as prescribed. Such interest is not tax deductible.

Set-off of loss

- Taxable ‘capital loss’ (i.e., a transaction on which there is a liability to pay tax if the result were ‘gains’ instead of ‘loss’) can be set-off only against ‘capital gains’. Exempt capital loss (i.e., a transaction which is exempt from tax if the result were ‘gains’ instead of ‘loss’) cannot be set-off against taxable capital gains.

Taxable long-term capital loss can be set-off only against long-term

capital gains. However, taxable short-term capital loss can be set-off against both short-term and long-term capital gains.

- Loss from 'business or profession' arising in a year cannot be set-off against 'salary income', if any, of such year.
- Unabsorbed loss can be carried forward for set-off as stipulated only if such loss is determined pursuant to the income tax return filed within the prescribed due date.

Tax Return

- The due date for filing of income tax return in the case of an individual is 31 July following the end of the financial year (in case of individual having business or profession and subject to tax audit u/s 44AB, the due date has been pre-poned to 30 September). With effect from 01 April 2008, the return of income will be regarded as defective if is not accompanied by evidence of payment of advance tax / self-assessment tax and tax deduction certificate(s).
- On 28 March 2008 the Government has notified new income-tax return forms that will apply for the assessment year 2008-2009 relevant to the financial year 2007-2008. The Return Forms are available for download on website <http://incometaxindiaefiling.gov.in/portal/index.jsp>.

In the case of individual taxpayers, some of the new forms will apply as under :

- Form ITR-1 – Where taxable income consists ONLY of "salary" income and "interest" income.
- Form ITR-2 – Where taxable income includes any income EXCEPT "business / profession" income.
- Form ITR-4 – Where taxable income includes "business / profession" income.

In the case of companies, Form ITR-6 (includes return of fringe benefits) has to be used.

Individuals have a choice of furnishing return either in the traditional paper form or electronically under digital signature or electronically and thereafter submitting signed "verification" in Form ITR-V.

Companies have to file the return either electronically under digital signature or transmit electronically and thereafter submit signed "verification" in Form ITR-V.

In all cases, statements of computation and tax payable, proof of tax paid, TDS certificates, etc should NOT be attached to the Return when filing (a change from the traditional procedure).

Permanent Account Number (PAN)

- The Central Government can *notify* any class of persons, who will be required to apply for a PAN.
- Effective 1 June 2006, it is mandatory to quote PAN of all the *payees* in the withholding tax

(TDS) quarterly statements filed by the *payer* with the tax authorities. In other words, all such payees are now required to obtain their PAN and / or communicate the same to the payer of such income (example interest, professional fees, etc).

- The tax officer is empowered to *suo motto* allot a PAN to any person, irrespective of whether any tax is payable by such person or not, upon such person undertaking transactions as may be prescribed.

Others

- Dematerialization of tax withholding certificate (TDS certificate) has been deferred. TDS certificates in Form 16 (for salaries) and Form 16A (for other payments) will continue till 31 March 2010 in physical form.
- Generally speaking, in the case of an individual tax payer, the time limit available to the income tax officer for completing regular assessment is 31 December. To illustrate, the assessment for the financial year ended 31 March 2006 i.e., assessment year 2006-07 has to be completed by the tax authorities by 31 December 2008.
- Effective financial year 2007-2008 and onwards, amounts received by an individual by way of a loan (lump sum or installment) from a transaction of reverse mortgage will be exempt from income-tax where such reverse mortgage scheme is made and notified by the Central Government.

- Notices and other documents issued by the income-tax authorities shall be deemed to have been authenticated if the name and the office of the designated income-tax authority is printed, stamped or otherwise written on the notice or document.
- With effect from 01 October 2008, the Income Tax Appellate Tribunal will not grant a stay in demand beyond an aggregate period of 365 days, even if the delay in disposing of the appeal is not attributable to the assessee.
- Interest on 8% Savings (Taxable Bonds), 2003 (popularly called the RBI Relief Bonds) will attract withholding income-tax (TDS) if the interest on such bonds payable during a financial year exceeds Rs.10,000.
- The exemption limit of TDS under section 194A is Rs.10,000 on interest earned from any deposit under the Senior Citizens Savings Scheme, 2004.
- The threshold limit for TDS on interest on resident deposits payable by a bank or co-operative society engaged in carrying on the business of banking or on notified schemes of a Post Office is Rs.10,000 per year.
- 'Individuals' and 'Hindu Undivided Family' (HUF) are obliged to withhold income tax (deduct TDS) from payments made to 'contractors' ONLY IF the total sales, gross receipts or turnover from the business/profession carried on by such individual/HUF exceeds INR four million (INR one

million for professional receipts) during the financial year immediately the year of payment. This obligation will NOT apply to payments made by such individual / HUF for personal purposes.

- In the case of payment to 'residents', the TDS base rate on:
 - brokerage and commission is 10% (section 194H)
 - rent for the use of any machinery, plant or equipment is 10% (section 194I)
 - professional fees, fees for technical services and royalty is 10% (section 194J).
- PAN will be the sole identification number for all transactions in the financial market subject to suitable threshold exemption limits.
- The Government will introduce a new scheme of debt waiver and debt relief for farmers. The total value of loans to be waived by banks under this scheme is estimated at Rs.60,000 crores.

Customs Duty :

- Peak rate of basic customs duty has remained unchanged.
- Effective rate of customs duty has been reduced from 34.13% to 31.70% (CENVAT credit to manufacturer at 20.93%).

Wealth tax

- Wealth tax is payable on the following 'assets' held as at 31 March of the relevant year: (1) any building or land appurtenant

thereto but excludes, among others: (i) property occupied for carrying on any business or profession; (ii) residential property that has been let-out for a minimum period of 300 days in the relevant financial year; (2) Motor-cars (except those used in the business of running them on hire or stock-in-trade); (3) jewellery, bullion, furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal or any alloy containing on or more of such precious metals (stock-in-trade excepted); (4) yachts, boats and aircrafts (except those used for commercial purposes); (5) urban land as defined; and (6) cash in hand in excess of Rs. 50,000.

- One house or a plot of land is exempt. No wealth tax payable on a plot of land not exceeding 500 square metres.
- Wealth tax payable at 1% on the aggregate net value of 'assets' exceeding Rs. 15,00,000.

Securities Transaction Tax (STT)

- No change in rates of Securities Transaction Tax ('STT') upon purchase and sale of shares and securities. The obligation to collect STT and pay it into the Government treasury is on the relevant Mutual Fund and the Stock Exchange. The rates are:

Transaction	STT %	Payable by
Contract for purchase of an equity share in a	0.125	Purchaser

company or a unit of an 'equity oriented' mutual fund through the stock exchange, settled by way of actual delivery of such share or unit.		
Contract for sale of an equity share in a company or a unit of an 'equity oriented' mutual fund through the stock exchange, settled by way of actual delivery of such share or unit	0.125	Seller
Contract for sale of an equity share in a company or a unit of an 'equity oriented' fund, through the stock exchange, settled otherwise than by actual delivery of such share or unit	0.025	Seller
Sale of a derivative through the stock exchange	0.017	Seller
Sale of a unit of an 'equity oriented' fund to the Mutual Fund.	0.25	Seller

securities @ 0.017% on the aggregate value of strike price and option premium. With effect from 01 June 2008, the levy of STT on exchange traded options in securities will be levied as follows :

- > Levy of STT on sale of an option in securities @ 0.017% on the option premium, payable by the seller.
- > Levy of STT on sale of an option in securities, where option is exercised, @ 0.125% on the settlement price, payable by the purchaser.
- STT paid in respect of taxable securities transactions will now be allowed as a deductible expenditure provided that income from such taxable securities transactions is included under the head "profits and gains from business and profession". Consequently, the rebate for STT paid is not available.

Commodities Transaction Tax (CTT)

- Commodities Transaction Tax ('CTT') will come into effect from a date to be notified by the Government. CTT is payable on certain commodities transaction, entered in a recognized Association, as under :

Transaction	Rate
Sale of option in goods or an option in commodity derivative	0.017% of the option premium, payable by the seller.
Sale of option in goods or an option in commodity derivative when option is exercised	0.125% of the settlement price, payable by the purchaser

Sale of any other commodity derivative	0.017% of the price at which derivative is sold, payable by the seller.
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The responsibility for the collection of the CTT and payment to the credit of the Government treasury will be with the recognized Association where the transaction is entered into. The recognized Association will be required to furnish a return in a prescribed form at the end of the financial year, in respect of all transactions entered on the recognized association. Detailed provisions in respect of interest / penalty on defaults, assessments and matters relating thereto have also been provided. CTT will be allowable as a deductible expenditure in computing income under the head 'profits and gains of business and profession'.

Banking Cash Transaction Tax

- Banking Cash Transaction Tax (BCTT) introduced with effect from 01 June 2005 continues till 31 March 2009. No BCTT will be charged on taxable banking transactions entered into on or after 01 April 2009.
- Upto 31 March 2009, BCTT will be charged @ 0.1% on withdrawal of cash on any single day from an account (**except savings account**) or being receipt of cash on any single day on encashment of one or more term deposits, whether on maturity or otherwise:

- Currently, STT is levied on sale of all exchange traded options in

Account maintained by	Amount exceeds (Rs.)
Individual or Hindu Undivided Family	50,000
Others	1,00,000

BCTT does not apply to offices or establishments of the Central and State Governments.

Banks are obliged to collect the due BCTT from the transacting customers and pay the same into the government treasury by the 15th of the month immediately following the calendar month in which BCTT is collected. Banks are also obliged to file monthly and yearly BCTT returns with the tax authorities giving the prescribed information.

Service tax

- Most of the services are now under the service tax net. The current rate of service tax is 12.36% comprising of base rate of 12%, education cess of 2% and secondary and higher education cess of 1% thereon.
- The threshold limit of service tax exemption has been increased from Rs.8,00,000 to Rs.10,00,000
- Purchase and sale of foreign currency and money changing is liable to service tax effective 16 May 2008 under the head "Banking and Other Financial Services". Where the consideration for services is not specified, service tax will be levied @ 0.2575% (including cess) of the gross amount of currency exchanged.

Illustration showing typical income tax computation statement: Rs.

Gross salary including perquisites	3,00,000
Less: Standard Deduction	Nil (not available)
<u>Income from Salary (A)</u>	3,00,000
<u>Capital gains (B)</u> Short-term capital gains on sale of shares on which STT is paid	9,000
<u>Income from other sources (C)</u> Interest from bank (including TDS, if any) Interest on fixed deposits made in minor son's name (Rs. 3,000 less basic exemption of Rs. 1,500)	20,000 1,500
Gross Total Income (GTI) A+B+C	3,30,500
<u>Less deductions under chapter VI-A:</u> Section 80G qualifying donations Rs. 10,000 – 50% thereof Section 80C contribution to PPF, life insurance premium, etc (assuming that Rs.25,500 has been invested / paid) Section 80L – for bank interest, etc	5,000 25,500 Nil (not available)
Total Income (GTI less Chapter VI-A deductions)	3,00,000

<u>Income tax liability:</u> On short-term capital gains of Rs. 9,000 at 15% u/s 111A	1,350
On balance of Total Income i.e., Rs. 2,91,000	<u>14,100</u>
Add: Education cess of 2%	15,450 309
Add: Secondary and Higher Education Cess of 1%	155
<u>Total income tax liability</u>	15,914 =====
<u>Notes:</u> Income not forming part of Total Income (i.e., exempt income): 1. Dividend from shares in Indian companies – Rs. 7,500 2. Income from units of mutual fund – Rs. 3,750	

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