Circular-2012

July 14, 2012

To,

Dear Sir(s)/Madam,

Sub: Income-tax, Wealth-tax, Service-tax and TDS returns for Assessment Year 2012-13 and payment of advance-tax for Assessment Year 2013-14

We invite your kind attention to the fact that Returns under Income-tax Act, Wealth-tax Act and Service-tax Acts have become due for the Assessment Year 2012-13.

A. Income-Tax :

1. The Schedule of dates for filing income-tax returns is given below:

a)	Where the accounts are required to be audited under the Income-tax Act or any other law	: on or before 30.09.2012.
b)	In any other case	: on or before 31.07.2012

Loss Returns :

2. The time limit for loss returns is the same as above. There is no provision for extension of time. A return of loss which has not been furnished by the above mentioned dates shall be deemed never to have been furnished. In other words, the benefit of carrying forward of the loss is lost if the return is not filed by the due date.

Extension of Time :

3. Any person who has not furnished his return within the time mentioned above may furnish his return at any time before the expiry of 1 year from the end of the relevant assessment year or before the completion of the assessment, whichever is earlier.

Interest for delay in filing:

4. If a return is furnished after the due date, the assessee shall be liable to pay simple interest @ 1% p.m. for every month or part of a month of delay on the tax outstanding.

Self-assessment tax to include interest:

5. Please note that the current provisions of the Income-tax and Wealth-tax Act require that self assessment tax together with interest for any delay in furnishing the return or any default/ deferment in payment of advance tax should be paid before the filing of the return.

<u>Advance tax</u> :

6. Advance tax for assessment year 2013-14 on the current income shall be payable by all assessees who are liable to pay the same in the following instalments in financial year 2012-13:

a) <u>Corporate assessee</u>:

Due date of instalment	Amount payable
On or before June 15, 2012	Not less than 15% of advance tax.
On or before September 15, 2012	Not less than 45% of advance tax as reduced by the amount paid in the earlier instalment.
On or before December 15, 2012	Not less than 75% of advance tax as reduced by the amount paid in the earlier instalments.
On or before March 15, 2013	The whole amount of advance tax as reduced by the amounts paid in the earlier instalments.

It has been provided that interest shall be chargeable on the shortfall according to the payments due on the relevant dates of 15th June, 15th September and 15th December. It has also been provided that no such interest for deferment will be charged if the tax paid by such companies on or before 15th June is not less than 12% and on or before 15th September is not less than 36% of the tax due on the returned income. No such benefit is provided for the third instalment payable on or before 15th December.

b) <u>Non-corporate assessee</u>:

Due date of instalment	Amount payable
On or before 15th September, 2012	Not less than 30% of such advance-tax,
On of before 15th December, 2012	Not less than 60% of such advance-tax, as reduced by the amount, if any, paid in the earlier instalment.
On or before 15th March, 2013	The whole amount of such advance- tax as reduced by the amount or amounts, if any, paid in the earlier instalment or instalments.

7. It has been held by Courts that tax payable on or before 31st March, was also an advance-tax and, therefore, no interest was chargeable on the same. In consonance with these decisions, a proviso had been added in section 211 of the Act, that such payments made upto 31st March, would not cease to be payments of advance tax. In view of the tendency of the assessee to delay payments of the last instalment of advance tax till 31st March, an interest has been provided whereby if the whole amount of the advance tax paid by an assessee on or before the 15th day of March in the financial year is less than the tax due on the returned income, the assessee shall be liable to pay, simple interest <u>at the rate of 1% p.m. on the amount of the shortfall from the tax due on the return.</u>

8. There is now mandatory levy of interest for deferment of advance tax. The shortfall in the amount paid in the said instalments is to be calculated on the basis of the tax due on the returned income. The rate of interest is 1% per month of the shortfall for a fixed period of 3 months. No reduction of interest is allowed even if shortfall is made up before the period of 3 months end.

9. If the total advance-tax paid is less than 90% of the assessed tax, interest @ 1% per month or part of month shall be paid on the shortfall from the 1st April of the relevant assessment year to the date of actual payment of tax on self-assessment/date of regular assessment.

10. Advance tax is not required to be paid by an individual resident in India who does not have any income chargeable under the head "Profits and gains of business or profession" and is of the age of sixty years or more at any time during the year.

Tax Rates for Assessment Year 2013-14:

11. In the case of individuals

A. **In the case of an individual other than the individual referred to in items (B) or (C) or (D) below or Hindu Undivided Family or Association of Persons or Body of Individual, or every artificial juridical person,-**

Rates of income-tax

	Total Income	**Tax Amount**
1.	Upto Rs.2,00,000	*Nil*;
2.	Rs.2,00,001 – Rs.5,00,000	10% of the amount by which the total income exceeds Rs.2,00,000/-;
3.	Rs.5,00,001 – Rs.10,00,000	Rs.30,000/- *plus* 20% of the amount by which the total income exceeds Rs.5,00,000/-;
4.	Exceeding Rs.10,00,000/-	Rs.1,30,000/- *plus* 30% of the amount by which the total income exceeds Rs.10,00,000/-

B. **In the case of an individual, being a resident in India, who is of the age of sixty years or more but less than eighty years at any time during the previous year,-**

Rates of income-tax

	Total Income	**Tax Amount**
1.	Upto Rs.2,50,000	*Nil*;
2.	Rs.2,50,001- Rs.5,00,000	10% of the amount by which the total income exceeds Rs.2,50,000/-;
3.	Rs.5,00,001- Rs.10,00,000/-	Rs.25,000/- *plus* 20% of the amount by which the total income exceeds Rs.5,00,000/-
4.	Exceeding	Rs.1,25,000/- plus 30% of the amount by

	Rs.10,00,000	which the total income exceeds Rs.10,00,000/-.

C. **In the case of an individual, being a resident in India, who is of the age of eighty years or more at any time during the previous year,-**

Rates of income-tax

	Total Income	**Tax Amount**
1.	Upto Rs.5,00,000	*Nil*;
2.	Rs.5,00,001-Rs.10,00,000/-	20% of the amount by which the total income exceeds Rs.5,00,000/-
3.	Exceeding Rs.10,00,000	Rs.1,00,000/- plus 30% of the amount by which the total income exceeds Rs.10,00,000/-.

Education Cess
Education cess @ 2% is to be levied on the tax.

Secondary and Higher Education Cess
Secondary and higher education cess @ 1% is to be levied on the tax.

12. In the case of a co-operative society**-**

(a) Rates of income-tax

	Total Income	**Tax Amount**
1.	Upto Rs.10,000	10% of the total income.
2.	Rs.10,001 - Rs.20,000	Rs.1,000/- *plus* 20% of the amount by which the total income exceeds Rs.10,000/-.
3.	Exceeding Rs.20,000	Rs.3,000/- plus 30% per cent. of the amount by which the total income exceeds Rs.20,000/-

(b) Education Cess
Education cess @ 2% is to be levied on the tax.

(c) Secondary and Higher Education Cess
Secondary and higher education cess @ 1% is to be levied on the tax.

13. In the case of a partnership firm,**-**

(a) Rates of income-tax

On the whole of the total income 30%

(b) Education Cess

Education cess @ 2% is to be levied on the tax.

(c) Secondary and Higher Education Cess

Secondary and higher education cess @ 1% is to be levied on the tax.

14. In the case of a company,-

(a) Rates of income-tax

I.	In the case of a domestic company	30% of the total income;
II.	In the case of a company other than a domestic company,-	
	(i) on so much of the total income as consists of,-	
	(a) royalties received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 31st day of March,1961 but before the 1st day of April,1976, or	
	(b) fees for rendering technical services received from Government or an Indian concern in pursuance of an agreement made by it with the Government or the Indian concern after the 29th day of February,1964 but before the 1st day of April,1976,	
	and where such agreement has, in either case, been approved by the Central Government	50%;
	(ii) on the balance, if any, of the total income	40%.

(b) Surcharge

In the case of every domestic company having a total income exceeding one crore rupees, the amount of income-tax computed above shall be increased by a surcharge calculated at the rate of 5% of such income-tax and in the case of every company other than a domestic company having a total income exceeding one crore rupees at the rate of 2%.

(c) Education Cess
Education cess @ 2% is to be levied on the aggregate of the tax and surcharge.

(d) Secondary and Higher Education Cess
Secondary and higher education cess @ 1% is to be levied on the tax and surcharge.

15. A person being a resident other than not ordinary resident in India who is not otherwise required to file a return of income and who during the year has any asset (including any financial interest in any entity) located outside India or signing authority in any account located outside India, shall be required to file his return of income on or before the due date.

Minimum Alternate Tax (MAT) on Companies

16. In the case of a company, if the income tax payable on the total income as computed under this Act is less than 18.5% of its book profit, such book profit shall be deemed to be the total income and the tax payable shall be the amount of income tax at the rate of 18.5%.

Alternate Minimum Tax(AMT) on all persons other than companies

17. In the case of others, if the income tax payable on the total income as computed under this Act is less than 18.5% of its adjusted total income, such adjusted total income shall be deemed to be the total income and the tax payable shall be the amount of income tax at the rate of 18.5%.

18. However "AMT" is not applicable to an individual or HUF or AOP or BOI or an artificial juridical person if the adjusted total income of such person does not exceed Rs.20 lakh

19. Adjusted total income referred to above shall be the total income before giving effect to Chapter XII-BA as increased by-

(i) deductions claimed, if any, under any section (other than section 80P) included in Chapter VIA under the heading "C-Deductions in respect of certain incomes"
(ii) deduction claimed, if any, under section 10AA.

20. Every aforementioned person shall obtain a report from a Chartered Accountant certifying that the adjusted total income and the alternate minimum tax have been computed in accordance with the provisions of this Chapter and furnish such report on or before the due date of furnishing of return of income.

Capital Gains

21. Any income arising from the transfer of a short-term capital asset, being an equity share in a company or a unit of an equity oriented fund where Securities Transaction Tax has been charged will be taxed at a flat rate of 15%.[plus applicable surcharge and cess].

22. Any income arising from the transfer of a long-term capital asset, being an equity share in a company or a unit of an equity oriented fund is exempt u/s 10(38). However, long term capital gain arising from transfer of units of Equity Oriented Funds shall be exempt from tax only if the fund has

invested more than 65% of the total proceeds of such fund in the equity shares of domestic companies.

23. Further in computing the total income of a previous year of any person, the following shall not be included:

- (i) any income by way of dividends on shares,
- (ii) income received in respect of the units of a Mutual Fund,
- (iii) income received in respect of units from the Administrator as referred to in clause (a) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act 2002,
- (iv) income received in respect of units from the specified company (as referred to in clause (h) of section 2 of the Unit Trust of India (Transfer of Undertaking and Repeal) Act,2002.

Deduction under Section 80C {For individuals and Hindu Undivided Family}

24. The maximum amount of specified savings is Rs.1,00,000/-. {Items falling in this are NSC, PPF, LIP, ULIP, tuition fees, instalment paid for repayment of housing loan, specified mutual funds, Investment in term deposit for a fixed period of not less than 5 years with a scheduled bank, investment in Senior Citizen Savings Scheme and in a five-year Time Deposit under the Post Office Time Deposit Rules,1981,etc }.

Deduction under Section 80TTA{For individuals and Hindu Undivided Family}

25. Deduction upto an amount of Rs.10,000/- is available in respect of interest on deposits in savings account.

Tax Audit:

26. Section 44AB of the Income-tax Act, 1961 makes it obligatory for a person carrying on business to get his accounts audited before the "specified date" by a Chartered Accountant if the total sales, turnover or gross receipts in business exceeds Rs.60 lac p.a.(Rs.1 crore p. a. w. e. f. assessment year 2013-14). Likewise a person carrying on a profession will also have to get his accounts audited before the specified date if his gross receipts in profession exceed Rs.15 lac p.a.(Rs.25 lac p. a. w. e. f. assessment year 2013-14). The report has to be in the form prescribed by the Central Board of Direct Taxes.

27. "Specified date" in relation to the accounts of the previous year relevant to Assessment Year 2012-13 means 30th September, 2012.

28. For failure to comply with the provisions of section 44AB or furnish the said report with the return of income, an assessee will be liable to penalty under Section 271B of the Income-tax Act, 1961 equal to one-half percent of the total sales, turnover or gross receipts, as the case may be, in the business or of the gross receipts in the profession in the relevant year, subject to a maximum penalty of Rs.1,50,000/-.

Charitable Institutions/Trusts:

29. In the case of Trusts/Institutions claiming charitable status under sections 11 to 13 of the Income-tax Act, 1961 following additional formalities have to be complied with before the filing of Return of Income.

1. Audit Report in Form No. 10B under section 12A(b) of the Income-tax Act, 1961 has to be obtained from the Chartered Accountants who have conducted the Audit.

2. A resolution has to be passed in the meeting of the Managing Committee for accumulation of funds in cases where 85% of the income of the year of the trust/institution is not applied during the year for charitable purpose.

3. Notice to the Assessing Officer in Form No.10 of the passing of the above mentioned resolution has to be filed with the Assessing-tax Officer.

30. Charitable institutions are allowed to accumulate their income beyond 15% <u>upto five years only</u>.

31. Any amount credited or paid, out of the income, which is not applied, but is accumulated or set apart, to any trust or institution registered under section 12AA or to any fund or institution or trust or any university or other educational institution or any hospital or other notified medical institution shall not be treated as application of income for charitable or religious purposes and will be deemed to be the income of the previous year in which it is credited or paid.

32. Section 2(15) has been amended to provide that advancement of any other object of general public utility' will not be considered as charitable purpose if it involves carrying on of any activity in the nature of trade, commerce or business or any activity of rendering any service in relation to any trade, commerce or business for any fee, cess or other consideration. If any such activity is carried on by a trust, fund or institution, then such an organization will not be entitled to exemption u/s 11 and its income will be chargeable to tax even if utilized for charity activities. However this will not be applicable if aggregate value of the receipts from the activities referred to hereinabove is Rs.25,00,000/- or less in the year.

<u>TDS Provisions:</u>

33. An individual or a Hindu Undivided Family, who was required to have a tax audit done in the financial year immediately preceding the financial year in which such sum is credited or paid, shall be liable to deduct income-tax on the following payments:

34. **<u>Assessment Year 2013-14</u>**

(a) <u>Rates of TDS</u>

Chart – enclosed herewith-Ann.1

(b) <u>T.D.S. Returns</u>:

<u>Quarterly return of deduction of tax from</u>

i)	salaries	Every quarter in Form 24Q, i.e. June, September, December, March
ii)	interest on securities	Every quarter in Form 26Q, i.e. June, September, December, March.

iii)	interest other than interest on securities	Every quarter in Form 26Q,i.e. June, September, December, March.
iv)	payments to any contractor or sub-contractor	Every quarter in Form 26Q, i.e. June, September, December, March
v)	insurance commission	Every quarter in Form 26Q, i.e. June, September, December, March
vi)	commission, brokerage	Every quarter in Form 26Q, i.e. June, September, December, March.
vii)	rent	Every quarter in Form 26Q, i.e. June, September, December, March.
viii)	fees for professional or technical services	Every quarter in Form 26Q i.e. June, September December, March

(c) Due dates for Quarterly TDS Returns

For the quarter ending	Due date
June	15^{th} July
September	15^{th} October
December	15^{th} January
March	15^{th} May

(d) Any person entitled to receive any sum or income or amount, on which tax is deductible shall furnish his PAN to the person responsible for deducting such tax, failing which tax shall be deducted at the higher of the following rates, namely-

(i) at the rate specified in the relevant provisions of the Act,
(ii) at the rate or rates in force or
(iii) at the rate of 20%

Penalties

35. For various non-compliances, the penalties imposable are as under:

		Amount of Penalty
1.	For failure to comply with notices	Rs.10,000
2.	For concealing/furnishing inaccurate particulars of income or the fringe benefits	Upto 3 times the tax evaded
3.	For failure to keep books of accounts	Rs.25,000
4.	For failure to get accounts audited	½% of the total sales/gross

		receipts or Rs.1,50,000/-) whichever is less
5.	For failure to deduct/pay tax at source	Amount of tax failed to be deducted/paid
6.	For taking or accepting any loan or deposit in excess of Rs.20,000/- by cash	Amount of loan or deposit taken or accepted
7.	For repaying any loan or deposit in excess of Rs.20,000/- by cash	Amount of loan or deposit repaid
8.	For failure to furnish return of income before the end of the relevant assessment year	Rs.5,000
8.	For failure/delay to furnish return of TDS	Rs.200 per day plus Rs.10,000 upto Rs.1,00000
9.	For failure to comply with the provisions related to Permanent Account Number	Rs.10,000
10.	For failure to comply with the provisions related to Tax Deduction Account Number	Rs.10,000

B. **Wealth-Tax** :

36. The return for wealth-tax is due on or before the relevant date on which the Income-tax return is due. (Please note that companies in which the public are substantially interested are also covered by the Wealth-tax Act)

37. The following assets are taxable under the Wealth tax Act:

i. Guest house; residential house; commercial property and/or farm house situated within 25 kilometers from the local limits of any municipality or a cantonment board. This will not include a house which has been given by a company to an employee or an officer, or a director who is in whole-time employment, having a gross annual salary of less than ten lakh rupees. It would also not include a house for residential purposes which forms part of stock-in-trade, any house for commercial purposes (i.e. commercial property) which forms part of stock-in-trade and any house (i.e. commercial property) which is occupied by the assessee for the purposes of any business or profession carried on by him. Kindly note that one house or part of a house belonging to an individual or a Hindu Undivided Family will be exempt from Wealth-tax.

ii. Motor cars, other than those used in the business of running them on hire or as stock-in trade.

iii. Jewellery, bullion and furniture, utensils or any other article made wholly or partly of gold, silver, platinum or any other precious metal, other than those used as stock-in-trade.

iv. Yachts and boats and aircraft (other than those used by the assessee for commercial purposes).

v. Cash in hand, in excess of Rs.50,000 of individuals or Hindu Undivided Families and in case of other persons, any amount not recorded in the books of account.

vi. Urban land being land situated in any area, within the jurisdiction of a municipality or a cantonment board which has a population of not less than 10,000; or within 8 kilometers from the local limits of such municipality/cantonment board as the Central Government may notify.

38. However, this will not include land on which construction of a building is not permissible under any law or the land on which building is constructed with the approval of the appropriate authority. Any unused land held by the assessee for industrial purposes for a period of two years from the date of its acquisition by him and any land held by the assessee as stock-in-trade for a period of five years from the date of its acquisition by him.

Rates of Wealth-tax

39. Wealth-tax is payable @ 1% on the amount by which the net wealth exceeds Rs.30,00,000/-.

Valuation Report

40. For the purpose of wealth-tax, valuation report in the prescribed form from a registered valuer will have to be obtained for jewellery, ornaments and articles made of precious metal if the value of the jewellery as on 31.3.2012 exceeds Rs.5 lakhs. It has been clarified that the Report of the registered valuer obtained for one assessment year can also be used subsequent four assessment years subject to the specified adjustments. In such a case, a copy of the said valuation report alongwith a chart showing the specified adjustments shall be filed alongwith the return of net wealth for each of the four assessment years.

41. However, so far as immovable property is concerned the wealth-tax rules lay down the method of valuation.

C. Gift-Tax

42. There is no gift tax leviable in respect of gifts made after 1.10.1998 in the hands of the donor.

43. However, gifts exceeding Rs.50,000/- in a year , is to be included in the hands of the donee. However this section will not apply to any gift received-

(1) from any relative;
(2) on the occasion of the marriage of the individual; or
(3) under a will or by way of inheritance; or
(4) in contemplation of death of the payer.
(5) from any local authority
(6) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in section 10(23C)
(7) from any trust or institution registered u/s 12AA.

44. In addition to the above, the following will be included in the hands of the donee, where an individual or HUF receives on or after 1st October 2009,

(a) any immovable property, without consideration, the stamp duty value of which exceeds Rs.50,000/-	the stamp duty value of such property
(b) Any property other than immovable property	
(i)without consideration, the aggregate fair market value of which exceeds Rs.50,000/-	the whole of the aggregate fair market value of such property
(ii) for a consideration which is less than the aggregate fair market value of the property by an amount exceeding Rs.50,000/-	the aggregate fair market value of such property as exceeds such consideration

However the above will not apply to any gift received-

(1) from any relative;
(2) on the occasion of the marriage of the individual; or
(3) under a will or by way of inheritance; or
(4) in contemplation of death of the payer.
(5) from any local authority
(6) from any fund or foundation or university or other educational institution or hospital or other medical institution or any trust or institution referred to in section 10(23C)
(7) from any trust or institution registered u/s 12AA.

D. <u>Service-Tax</u>

45. Assessees covered under the service-tax provisions are required to apply for registration within 30 days from the date on which business is commenced.

46. Individuals and partnership firms are required to pay tax @ 12.36% every quarter as follows:

<u>Period</u>	<u>Last day of payment</u>
April - June	5th July
July –September	5th October
October-December	5th January
January- March	31st March

47. Companies are required to pay tax @ 12.36% monthly i.e. on or before 5th of the following month. However, for the month of March, the tax is to be paid on or before 31st March.

48. For assessees who paid service tax of Rs.25,00,000/-or more, a common return called "Excise and Service tax Return" is to be filed monthly.

49. For others who paid service tax of less than Rs.25,00,000/-, service-tax returns are to be filed half yearly, within 25 days of the end of each half-year. The return for the period April to September is to be filed before <u>25th October</u> and the return for the period October to March is to filed before <u>25th April</u>.

E. <u>Documentation for preparation of Return of Income</u> :

50. The following is a list of basic papers/documents required for preparing and filing your return of income which may kindly be made available to us to avoid delays in preparation and filing of the return:

1. <u>Salary Income:</u>
   Original salary certificate in Form No.16.

2. <u>Income from House Property:</u>
   A) <u>Self-occupied</u>
      a. Annual rateable value certificate from society.
      b. Bill from the society for charges & taxes paid.
      c. If any interest paid on loan borrowed from employer/HDFC for construction of house details along with certificate from employers/HDFC.

   B) <u>Let out</u>
      a. Details of rent received.
      b. Bill for municipal taxes paid.

3. <u>Capital Gains:</u>
   1. Broker note for sale of shares.
   2. Details of purchase of shares along with broker notes if available, giving

      a. Date of purchase.
      b. Cost of shares.

4. <u>In the case of sale of any Immovable property the following details</u>:

   a. Agreement of sale/sale deed.
   b. Agreement for purchase of property.
   c. Details of sale proceeds i.e. date and amount received.
   d. Expenses connected with transfer with accompanying documents.

5. <u>Profits/Gains from Business/Profession:</u>
   a. Details of receipts and payments in respect of Business/ Profession.
   b. Vouchers for receipts and payments.
   c. Details of purchase/ sale of assets.

6. <u>Income from Other Sources:</u>
   a. All dividend warrants.
   b. Interest warrants.
   c. Fixed deposit interest certificates from bank(s).
   d. In case of any other income details thereof.
   e. Originals TDS certificates in Form No.16A, for any tax deducted at source.

7. Bank statement / Bank pass book for the period 1.4.2011 to 31.3.2012 alongwith bank pay-in-slips and cheque book counterfoils for the above mentioned period to enable us to prepare the bank summary or details of each debit and credit entry in the bank pass book.

8. Investments:
   a. NSC VIII issue purchased during the year - copy of the certificate.
   b. LIC premium paid - premium receipts.
   c. ULIP - receipt for contribution paid during the year.
   d. Public Provident Fund - PPF deposit receipt & PPF pass book.
   e. Donation receipts.
   f. Copy of certificate for investment in infrastructure bonds.

If any clarification is required, you are most welcome to contact us.

Yours faithfully,

(Ashok Rao & Co.)

Your file(s) with us :

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