

**SIP PROJECT REPORT  
ON**

**“CALCULATION OF INCOME TAX LIABILITY AND  
FILING OF RETURN OF SALARIED EMPLOYEE”**

**BY**

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**PINNACLE MBA**

**2019MBA014**

**JK LAKSHMIPAT UNIVERSITY**

**JAIPUR**



**Company guide:**

**Mr. Amit Khandelwal**

**Faculty guide:**

**Dr. Sarita Gupta**

**Date of Submission:**

# **DECLARATION**

I NARAYAN GANDHI student of JK LAKSHMIPAT UNIVERSITY, JAIPUR  
batch 2019-2021 declare that every part of the project report  
**“CALCULATION OF INCOME TAX LIABILITY AND FILING OF RETURN OF  
SALARIED EMPLOYEE”**

I was in regular contact with my faculty guide and contacted many times for  
discussing the project.

Date of project submission \_\_\_\_\_

Signature

Faculty mentor's Comments: - \_\_\_\_\_

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Signature

Dr. Sarita Gupta

Faculty Guide

**CERTIFICATE**

**UCWL** UDAIPUR CEMENT  
WORKS LIMITED

**PLATINUM**  
HEAVY DUTY  
CEMENT

UCWL/TR/LTR/2020/022

27<sup>th</sup> August, 2020

**TO WHOM SO EVER IT MAY CONCERN**

This is to certify that **Mr. Narayan Gandhi** has successfully completed his summer internship for a period of **2 months** commencing from **28<sup>th</sup> May 2020**, as per his curriculum to undergo industry exposure, at **Udaipur Cement Works Ltd., Udaipur**, on project as mentioned herewith:

**"Strategies for Salaried Employees"**

During the projects an in depth understanding of following concepts was imparted and implementation of the said project was carried out accordingly:-

- Salary Structure of Individuals
- Tax Calculation on Salary
- Filling of Return

The internship was carried out under the guidance of **Mr. Amit Khandelwal, Dy. General Manager (Accounts)**.

Thanking You

Yours faithfully,

For Udaipur Cement Works Ltd.,



Naveen Kumar Sharma

(Whole Time Director)




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I am heartily thankful to the Udaipur Cement Works Limited (UCWL) for giving an opportunity to practical exposure of corporate.

I am thankful to Mr Amit Khandelwal for giving me an opportunity to learn in this organisation.

I would like to express my deep and sincere gratitude to my Project Guide, **Mr Amit Khandelwal** for the patience, humble supervision and advice I received from his in the course of this project. He supported me from the initial to the final level that enabled me to develop an understanding in this study area. Without his passion for research, this work would have far from complete.

I would also like to acknowledge my esteemed teachers **Dr. Sarita Gupta** for their valuable suggestions and timely support in my research work.

Furthermore, I would also like to offer my deepest gratitude to my friends and family for their love, support and kindness.

Last but not the least, I would also like to thank my parents. They were my role models and the best example for me to follow in my life. They never stopped supporting me through my whole life and without them I would have never been what I am today.

**Narayan Gandhi**  
**Pinnacle MBA**  
**2019MBA014**

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# **PROJECT SUMMARY**

This summer internship project report based on the two months internship program that I had completed in the Udaipur Cement works Limited.

I got the topic for my project on Calculation of income tax liability and filing of return of salaried employee. I was guided by my Mentor Mr. Amit Khandelwal. He gave me great confidence to do work sincerely and efficiently. The purpose of Summer Training is not only doing a project but to have a first- hand insight and exposure to the Organisation. It helpful in enhance academic knowledge as well as also to let me know how to put academic knowledge into a practical application in a working environment.

**CHAPTER 1**  
**INDUSTRY AND COMPANY**  
**OVERVIEW**



Udaipur Cement Works Limited (UCWL), is one of the leading cement manufacturing Company that has its roots originated in city of lakes, state of Rajasthan, in western India. Our philosophy is based on sustainable growth and developmental framework that works for a better and happier tomorrow/future.

Udaipur Cement Works Limited, (formerly known as JK Udaipur Udyog Ltd) was incorporated as a Public Limited Company on 15th March 1993 having registered office at Jaipur, Rajasthan. The name of the Company was subsequently changed to its present name Udaipur Cement Works Limited from 19th May 2006. The company presently is a subsidiary of renowned Indian Cement Manufacturing Company, JK Lakshmi Cement Limited, which is part of reputed business conglomerate JK Organisation (JKO) that has rich business legacy of more than 135 years. The company is listed on Bombay Stock Exchange (BSE).

The company has an integrated Cement Manufacturing unit with installed cement production capacity of 1.6 Million tonnes per annum (MTPA). Since its inception, the company is committed towards boosting sustainability through adopting latest art of technology designs, resource efficient equipment and various in-house innovations. The company has a 6 MW Waste Heat Recovery System that utilizes the waste heat of kiln and helps reducing the carbon footprint of the company by 34058 tCO<sub>2</sub>e per year and thereby saving 24724 tons of coal and 113529 KL of water compared to conventional thermal power plant . The company has also installed a 6 km long Over Land Belt Conveyor (OLBC) to source raw material from its captive mine to the manufacturing plant that further adds value in gaining cost and environmental efficiency.

With the blend of modern technology and rich legacy, UCWL manufactures world class cement under the brand name-Platinum Heavy Duty Cement. The cement is made using latest superior PSD Technology which provides a wide array of benefits to the consumers like 10% more volume, high initial strength, superior workability and fast setting.

This incredible communion is the source of inspiration for JK Organisation, which also embodies a perfect blend of rich legacy of over 135 years and modern work culture. JK Organisation a very well respected name in the Indian industry contributing in the various sectors important to the national growth. Its major interests are in the field of production of Tyres, Paper, Cement, Automotive transmission system, Agri-Genetics, Dairy Products, Education etc. The group has been committed t-o “Make in India’ even in the pre-independence era by manufacturing products of impeccable quality to substitute imported goods. It has been in cement business for

over three decades and distinguishes itself based on its innovative practices and initiatives aimed at customer satisfaction.

All products of the JK Organisation have a strong brand recall and enjoy a significant market share in their respective segments. The strong brand equity of the JK Organisation has been built through use of latest technologies, continuous research & development, innovation, and professional management. JK Organisation has set up highly reputed Research and Development Institutes in various fields.

I have done my internship in the group of Finance and Accounts (F&A) department, under Mr. Amit Khandelwal was my company mentor.

# **CHAPTER 2**

## **INTRODUCTION TO TOPIC**

Tax regime in India has undergone elaborate reforms over the last couple of years in order to enhance rationality, ensure simplicity and improve compliance. The tax authorities constantly review the system in order to remain relevant. India has a federal system of Government with clear demarcation of powers between the Central Government and the State Governments. Like governance, the tax administration is also based on principle of separation therefore well defined and demarcated between Central and State Governments and local bodies.

The tax on local on local incomes, custom duties, central excise and service tax are levied by the Central Government. The state government levies agricultural income tax (income from plantations only), Value Added Tax (VAT)/ Sales Tax, Stamp Duty, State Excise, Land Revenue, Luxury Tax and Tax on Professions. The local bodies have the authority to levy tax on properties, octroi/entry tax and tax for utilities like water supply, drainage etc.

# **CHAPTER 3**

## **INTRODUCTION TO TAX**

- Taxes in India are levied by the Central Government and the state governments.
- Some minor taxes are also levied by the local authorities such as the Municipality.
- The authority to levy a tax is derived from the Constitution of India which allocates the power to levy various taxes between the Central and the State.
- An important restriction on this power is Article 265 of the Constitution which states that "No tax shall be levied or collected except by the authority of law".
- Therefore, each tax levied or collected has to be backed by an accompanying law, passed either by the Parliament or the State Legislature.

### **What is tax?**

- Tax, in general, is the imposition of financial charges upon an individual or a company by the Government of India or their respective state or similar other functional equivalents in a state.
- The computation and imposition of the varied taxes prevalent in the country are carried on by the Ministry of Finance's Department of Revenue.

## EXEMPTIONS & DEDUCTIONS

### Exemptions :

It is the part of income which is not taxable. It is required to be deducted before computing gross total income. E.g. CFA @ rs.2600/-pm, MFA @ rs.1000/pm so on. In any case exemptions can not be more than gross total income.

### DEDUCTIONS:

Amount of expenditure incurred by individual towards investment, donations, insurance etc. These amounts are deducted from gross specific total income before computing tax liability.

| Name of Allowances                      | Amount of exemption | Name of Allowances            | Amount of exemption  |
|-----------------------------------------|---------------------|-------------------------------|----------------------|
| High Altitude Allowance                 | Rs.1600/- pm        | Siachin Allowance             | Rs.7000/-pm          |
| Spl Compensatory Allowance              | Rs.1300/pm          | CEA                           | Rs.100/-pm per child |
| Hostel Subsidy                          | Rs.300/-pm          | CFA                           | Rs.2600/-pm          |
| MFA                                     | Rs.1000/-pm         | CI Allowance                  | Rs.3900/-pm          |
| HAFA                                    | Rs.4200/-           | Island Special Duty Allowance | Rs.3250/-pm          |
| Monetary Allowance for Gallantry Awards | Fully Exempted      |                               |                      |

|                             |                                                                                 |
|-----------------------------|---------------------------------------------------------------------------------|
| <b>House Rent Allowance</b> | <b>Up to certain amount based on specific conditions. Explained separately.</b> |
|-----------------------------|---------------------------------------------------------------------------------|

## **Types of Tax**



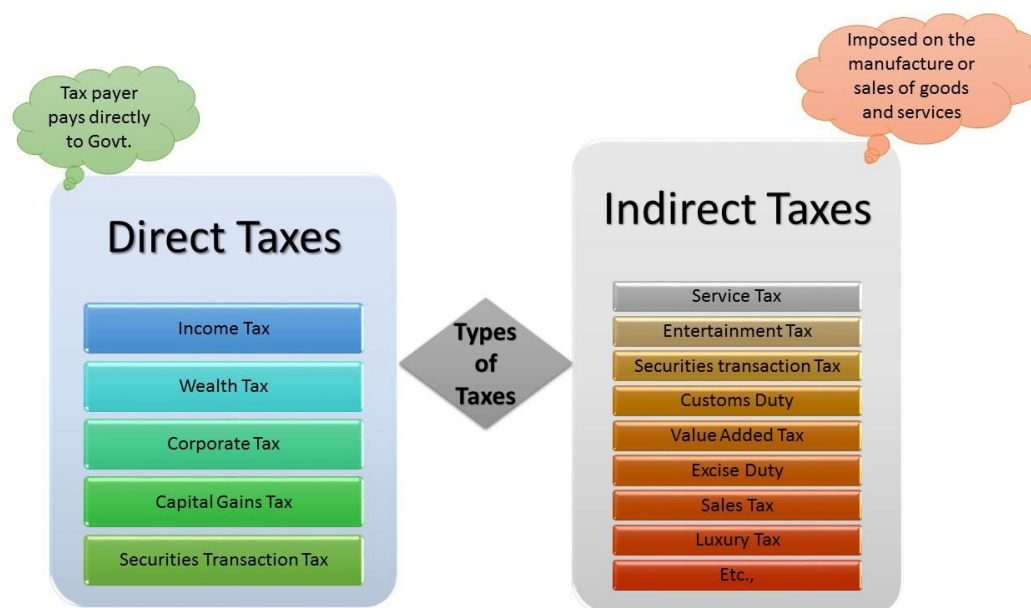
### **1. DIRECT TAX**

- Direct Taxes are the taxes that are levied on the income of individuals or organizations.
- Income tax, corporate tax, inheritance tax are some instances of direct taxation.
- Income tax is the tax levied on individual income from various sources like salaries, investments, interest etc.
- Corporate tax is the tax paid by companies or firms on the incomes they earn.

### **2. INDIRECT TAX**

- Indirect taxes are those paid by consumers when they buy goods and services.
- These include excise and customs duties.
- Customs duty is the charge levied when goods are imported into the country, and is paid by the importer or exporter.

- Excise duty is a levy paid by the manufacturer on items manufactured within the country. Usually, these charges are passed on to the consumer.



# DIRECT TAX

## INCOME TAX

- Income tax is the most common and most important tax that an Indian must pay.
- It is charged directly on the income of a person.
- The rate at which it is charged varies, depending on the level of income.
- It's charged to individuals, co-operative societies, firms, companies, Hindu Undivided Families (HUFs), trusts and any artificial judicial person.
- Income tax is charged on an income known as "taxable income", which is:
- Taxable income = (total income) – (applicable deductions and exemptions).

## HEADS OF INCOME TAX

- Income from house and property.

2. Income from business or profession.
  3. Income from salaries.
  4. Income in the form of capital gains.
  5. Income from other sources.
- It is levied differently for different people depending on their residency status.

### **For individual residents under 60 years of age**

| <b>INCOME SLAB</b>      | <b>TAX RATE</b> |
|-------------------------|-----------------|
| Below ₹2,50,000         | Nil             |
| ₹2,50,000 To ₹5,00,000  | 10%             |
| ₹5,00,000 To ₹10,00,000 | 20%             |
| Above ₹10,00,000        | 30%             |

### **For individual residents between 60 and 80 years of age**

| <b>INCOME SLAB</b>      | <b>TAX RATE</b> |
|-------------------------|-----------------|
| Below ₹3,00,000         | Nil             |
| ₹3,00,000 To ₹5,00,000  | 10%             |
| ₹5,00,000 To ₹10,00,000 | 20%             |
| Above ₹10,00,000        | 30%             |

### **For Individual residents above 80 years of age**

| <b>INCOME SLAB</b> | <b>TAX RATE</b> |
|--------------------|-----------------|
| Below ₹5,00,000    | Nil             |

|                         |     |
|-------------------------|-----|
| ₹5,00,000 To ₹10,00,000 | 20% |
| Above ₹10,00,000        | 30% |

## Heads of Income:

- Salaries
- Income from House Property
- Profits and Gains of Business or Profession
- Capital Gains
- Income from Other Sources

## Source of Income

- Under each Head of Income, there could be multiple Sources of Income
- For example, a person could be employed with more than one employer. In such a case, each employment is a different Source of Income under the Head of Salaries

## Salaries

Income is taxable under head “Salaries”, only if there exists ***Employer - Employee Relationship*** between the payer and the payee. The following incomes shall be chargeable to income-tax under the head “Salaries”:-

1. Salary Due
2. Advance Salary [u/s 17(1)(v)]
3. Arrears of Salary

Note:

(i) Salary is chargeable on due basis or receipt earlier.

(ii) Advance salary and Arrears of salary are chargeable to tax on receipt basis only.

## **Income from House Property**

### **Properties can be broadly classified into:**

- Let out property
- Self occupied property
- Deemed to be let out
- The annual value of property consisting of any buildings or lands appurtenant thereto of which the assessee is the owner
- other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him

## **Determination of Annual Value**

### **This involves these steps:**

1. Determination of Gross Annual Value (GAV)
2. GAV minus municipal tax paid by the owner during the previous year
3. Balance = Net Annual Value (NAV)
4. Reduce 30% of NAV as an ad-hoc Standard deduction
5. Reduce Interest, if any, paid on a loan taken to buy/construct the property

## **Profits and Gains of Business or Profession**

### **Business:**

“Business” simply means any economic activity carried on for earning profits.

Sec. 2(3) has defined the term as “any trade, commerce, manufacturing activity or any adventure or concern in the nature of trade, commerce and manufacture”.

### **Profession:**

“Profession” may be defined as a vocation, or a job requiring some thought, skill and special knowledge like that of C.A., Lawyer, Doctor, Engineer, Architect etc. So profession refers to those activities where the livelihood is earned by the persons through their intellectual or manual skill.

## **Capital Gain**

Capital Gain’s tax liability arises only when the following conditions are satisfied:

- There should be a capital asset.
- The capital asset is transferred by the assessee
- Such transfer takes place during the previous year.
- Any profit or gains arises as a result of transfer.
- Such profit or gains is not exempt from tax under section 54, 54B, 54D, 54EC, 54F, 54G, 54GA and 54GB

## **Income from Other Sources**

Income of every kind, which is not to be excluded from the total income and not chargeable to tax under any other head, shall be chargeable under the head “Income from Other Sources”.

### **List of items chargeable under this head:-**

- Dividends from Co-op. Banks/Foreign companies
- Winning from lotteries, crossword puzzles, races, gambling, betting of any form
- Interest on securities
- Income from plant, machinery or furniture on hire
- Any sum received under a Keyman insurance policy
- Any gift exceeding Rs. 50,000 received from non relatives
- Interest on foreign government securities
- Agriculture income received outside India
- Director’s Sitting Fees

## **WEALTH TAX**

- Wealth tax is charged on the benefits derived from property ownership.
- The same property will be taxed every year on its current market value.
- Wealth tax is charged whether the property is earning an income or not.
- The tax is levied on the individuals, HUFs, and companies alike.
- Chargeability depends on residential status.

## **CORPORATE TAX**

- Levied on companies who exist as separate entities from their shareholders.
- Foreign companies are taxed on income that arises, or is deemed to arise, in India.
- It is charged on royalties, interest, gains from sale of capital assets located in India, fees for technical services and dividends.
- Includes Minimum Alternative Tax (MAT) which was introduced to bring Zero Tax companies under the income tax net, whose accounts were made in accordance with the Companies Act.
- Includes Fringe Benefit Tax (FBT) which is a tax that companies pay on the fringe benefits provided (or deemed to have been provided) to employees.
- Includes Dividend Distribution Tax (DDT) which is a tax levied on any amount declared, distributed or paid as dividend by any domestic company. International companies are exempt from this tax.
- Includes Securities Transaction Tax (STT) which is a tax levied on taxable securities transactions. There is not surcharge applicable on this.

# RATES

## **1. For domestic companies**

- The Corporate Tax rate for domestic companies is 30%.
- If the company does not have an income of over Rs.1 crore, then it does not have to pay any corporate income tax.
- If the net income of the company is in the range of Rs.10 crore, a surcharge of 5% is applicable on the net income.
- If the net income of the company exceeds Rs.10 crore, a surcharge of 10% is applicable on the net income.

## **2. For international companies**

- That are earning less than 1 crore rupees, a corporate tax of 41.2% is applicable – inclusive of 40% basic tax and an education cess of 3%.
- That are earning more than 1 crore rupees, a corporate tax of 42.024% is applicable – inclusive of 40% basic tax, 3% education cess and a 2% surcharge.
- That are earning more than 10 crore rupees, a surcharge of 5% is applicable in addition to basic tax.

## **3. Minimum Alternative Tax (MAT) is presently charged at 19.05%.**

#### **4. Dividend Distribution Tax (DDT) is charged at a rate of 16.995% on declared dividends.**

## **CAPITAL GAINS TAX**

- Taxed on the income derived from the sale of assets or investments.
- Capital investments cover homes, farms, businesses, works of art, etc.
- Capital gains = (money received from sale) – (cost of capital investment).
- Categorized as short-term gains (gains on assets sold within 36 months of acquisition) and long-term gains (gains on assets sold after 36 months of acquisition and holding).
- Voluntary tax that is paid by the taxpayer when the asset is sold.

## **RATES**

- Short term capital gains are taxed as per the normal income tax slab rates.
- Method of indexation using the cost inflation index will be done to the cost of acquisition and the cost of improvement, and the resultant figures will be used for computation.
- Long term capital gains are taxed at 20% if computed with the benefit of indexation.
- Long term capital gains are taxed at 10% if computed without the benefit of indexation.

# **INDIRECT TAX**

## **CUSTOMS DUTY**

- Customs duty is a tax collected on goods imported into or exported out of the boundaries of a country.
- Customs duty now forms a significant source of revenue for all countries, more so in the case of developing countries like India.
- In India, customs duty is levied on goods imported and at the rates specified in the Schedules to the Customs Tariff Act, 1975.

## **2. EXCISE DUTY**

- The excise duty is tax on articles produced or manufactured in the taxing country and intended for home consumption.

- Excise duty is an indirect duty which the manufacture or producer passes on the ultimate consumer.
- The Central Excise duty is collected under the authority of the Central Excise Act, 1944, at the rates specified under Central Excise Tariff Act, 1985.

### **3. SERVICE TAX**

- Service Tax is a central tax imposed on consumers of selective services and is the latest addition to the genus of indirect taxes like customs and central excise duty.
- Service tax is levied at the rate of 14% of the value of the taxable service provided.
- Service tax is recoverable from the customer as a part of the consideration received towards rendering the service.

**Service tax is a tax levied by the Central Government on the following services:**

- Stock broking services
- Telephone services
- Insurance
- Insurer services
- Advertising services
- Radio paging services
- Courier services.

### **4. SALES TAX**

- Sales tax is levied on the sale of moveable goods in India at rates which vary depending upon the type and nature of goods and the state in which the sale has taken place.
- The Central and State Government are both empowered to impose sales tax on transactions involving sale of moveable goods.
- Sales Tax in India is a form of tax that is imposed by the Government on the sale or purchase of a particular commodity within the country.

## **5. VALUE ADDED TAX (VAT)**

- The practice of VAT executed by State Governments is applied on each stage of sale, with a particular apparatus of credit for the input VAT paid.
- VAT in India classified under the tax slabs are
  - 0% for essential commodities,
  - 1% on gold ingots and expensive stones,
  - 4% on industrial inputs, capital merchandise and commodities of mass consumption
  - 12.5% on other items.

## **6. SECURITIES TRANSACTION TAX (STT)**

- STT is a tax being levied on all transactions done on the stock exchanges.
- STT is applicable on purchase or sale of equity shares, derivatives, equity oriented funds and equity oriented Mutual Funds.

## **7. OCTROI DUTY**

- Octroi duty is a tax levied on the entry of goods into a municipality or any other specified jurisdiction for use, consumption or sale.
- Octroi duty is levied at the time when the goods enter the municipal limits where the goods are to be ultimately sold, used or consumed.
- Generally, octroi is borne by the purchaser.
- Goods in transit are exempted from octroi.

## **8. ENTERTAINMENT TAX**

- Entertainment tax is levied on entertainment to which persons are admitted on payment.
- Entertainment tax is levied on different kinds of entertainment under the applicable state legislations.
- Under the Bombay Entertainments Duty Act, 1923, entertainment tax is levied in Maharashtra on any exhibition, performance or amusement, to which persons are admitted for payment.
- This tax is also applicable to cable operators.

## Filing of Return

- Any Individual whose total income exceeds the threshold limit is chargeable to tax in India and has to file return of income
- All corporate tax payers and all partnership firms have to file the return irrespective of the level of income
- Different forms and due dates prescribed for the returns

## Deduction

- The total income of an assessee is to be computed after making deductions permissible u/s 80C to 80U. However, the aggregate amount of deductions cannot exceed the Gross Total Income.
- Deductions are allowed under chapter VI-A of Income Tax Act.

### Section 80C Deduction

Section 80C of the Income Tax Act allows certain investments and expenditure to be deducted from total income up to the maximum of 1lac. The total limit under this section is Rs. 100,000 (Rupees One lac) which can be any combination of the below:

- Contribution to Provident Fund or Public Provident fund
- Payment of Life Insurance Premium
- Investment in Pension Plans
- Investment in Equity Linked Savings Scheme of Mutual Funds.
- Investment in NSC

- Tax Saving Deposits provided by Banks
- Payment towards principal repayment of housing loans
- Payment of Tuition fees of Children
- Post Office Term Deposit

This investment can be from any source and not necessarily from income chargeable to tax.

## **Section 80D Medical Insurance Premium**

➤ **Deduction is available in respect of the amount paid to effect or to keep in force health insurance under a scheme –**

- made by General Insurance Corporation of India (GIC) and approved by Central Government; or
- made by any other insurer and approved by IRDA

➤ **Deduction shall be to the extent of lower of –**

- Actual Health insurance premium paid by any mode other than cash, or
- Rs. 15,000 (Rs. 20,000 if the insured is a senior citizen).

➤ **Deduction on account of expenditure on preventive health check-up (for self, spouse, dependent children and parents) shall not exceed in the aggregate Rs.5,000. This payment can be made in cash.**

- **The deduction for preventive health-checkup is included in the overall limit of Rs. 15,000 / Rs. 20,000 as the case may be**

## **Tax Deducted At Source (TDS)**

- In simple terms, TDS is the tax getting deducted from the person (Employee/ Deductee) by the person paying such amount (Employer/Deductor)
- Different sections and rates of tax for different type of payments.
- A tax deductor is required to pay to the Central Government the amount so deducted and issue TDS certificate to the deductee within specified time and in a specific format.

## **TDS Important Section**

- 192 – Salaries
- 194A – Interest
- 194C – Contracts
- 194H – Commission
- 194I – Rent
- 194IA – Purchase of Certain Immovable Property
- 194J – Professional Fees
- 195 – Payment to Non-Residents (other than salaries)

## Example Of Calculation Tax

| Particulars                                                    |               | Maximum Deductions | Amount         |
|----------------------------------------------------------------|---------------|--------------------|----------------|
| Salary                                                         |               |                    | 1100000        |
| Income from other sources (Interest on Taxable GOI Bonds)      |               |                    | 24000          |
| Interest Income from Savings Bank Account                      |               |                    | 21000          |
| Taxable Income                                                 |               |                    | <b>1145000</b> |
| <b>LESS:</b>                                                   |               |                    |                |
| <b>Deduction u/s 24(b)</b>                                     |               |                    |                |
| Interest on Housing Loan                                       |               | 200000             |                |
| <b>Deduction u/s 80C, sub-section 80CCC(1) and 80 CCD (1B)</b> |               |                    |                |
| ULIP Plan                                                      | 100000        |                    |                |
| PF Contribution                                                | 20000         |                    |                |
| Housing Loan Repayment                                         | 50000         |                    |                |
| ELSS Fund                                                      | 50000         |                    |                |
| NPS Contribution                                               | 50000         |                    |                |
| <b>Total Investments</b>                                       | <b>270000</b> |                    |                |
| <b>Deductions limited up to</b>                                |               | <b>200000</b>      |                |
| <b>Deduction u/s 80TTA</b>                                     |               |                    |                |
| Interest Income from saving bank Account                       | 21000         |                    |                |
| <b>Deductions limited up to</b>                                |               | <b>10000</b>       |                |
| <b>Deduction u/s 80D</b>                                       |               |                    |                |
| Health Insurance                                               |               | 25000              |                |
| <b>TOTAL DEDUCTION</b>                                         |               |                    | <b>435000</b>  |
| <b>Net Taxable Income</b>                                      |               |                    | <b>710000</b>  |

| Particulars                                     | Amount (Rs)      |
|-------------------------------------------------|------------------|
| <b>Gross Salary</b>                             | <b>13,25,000</b> |
| Less, Standard Deduction                        | -50000           |
| <b>Income under the head Salary</b>             | <b>12,75,000</b> |
| Less, interest on home loan                     | -3,50,000        |
| <b>Total Income</b>                             | <b>9,25,000</b>  |
| Less, deductions u/s 80C                        | -1,50,000        |
| Less, deductions on health insurance u/s 80D    | -75000           |
| Less, int on auto loan for EV u/s 80EEB         | -1,50,000        |
| Less, NPS contribution u/s 80CCD (1B)           | -50000           |
| <b>Taxable Income</b>                           | <b>5,00,000</b>  |
| <b>Tax @ 0% on 2.5 lakh + 5% on Rs 2.5 lakh</b> | <b>12500</b>     |
| <b>Less Tax Rebate</b>                          | <b>-12500</b>    |
| <b>Tax Payable</b>                              | <b>Nil</b>       |

|                                  |                                           |
|----------------------------------|-------------------------------------------|
| <b>Employee No - 1234</b>        | <b>Name - Sharda Shukla</b>               |
| <b>Joining Date - 21/12/2012</b> | <b>PF No - SB/AYE/1234567/123/1234567</b> |

|                                          |                      |                  |       |
|------------------------------------------|----------------------|------------------|-------|
| BASIC                                    | 30,000               | PF               | 2,000 |
| HRA                                      | 13,000               | Professional Tax | 200   |
| CONVEYANCE                               | 2,000                |                  |       |
| SPECIAL ALLOWANCE                        | 3,000                |                  |       |
| MEDICAL                                  | 1,250                |                  |       |
| LTA                                      | 5,000                |                  |       |
| <b>Total Earnings</b>                    | <b>54,250</b>        |                  |       |
| Salary ( considering no commission & DA) | 30,000*12=3,60,000/- |                  |       |

| 10% of Basic Salary                        | $3,60,000 \times 10\% = 36,000/-$ |                 |
|--------------------------------------------|-----------------------------------|-----------------|
| Rent Paid per month                        | 10,000/-                          |                 |
| Particulars                                | Calculation                       | Amount(INR)     |
| a) Actual HRA Received                     | $13,000 \times 12$                | 1,56,000/-      |
| b) 50% of Salary                           | $3,60,000 \times 50\%$            | 1,80,000 /-     |
| c) Rent paid (-) 10% of salary             | $(10,000 \times 12) - 36,000/-$   | 84,000/-        |
| <b>Exemption Which ever is less(a,b,c)</b> |                                   | <b>84,000/-</b> |

## CHAPTER 4

# RESEARCH OBJECTIVES/ RESEARCH METHODOLOGY

# RESEARCH OBJECTIVES

## **The objectives of study are as follows:-**

- To understand the Tax Deducted at Source(TDS) process, which comes under the Income Tax Act 1961
- To know the various types of taxes are paid by the company
- To understand the importance of taxation in an organization
- Getting a more practical insight into the tax filling process.

# RESEARCH METHODOLOGY

The new income tax regime has come into effect from April 1, 2020. This gives an individual taxpayer the option to either continue with the existing tax regime (with tax-exemptions and deductions) or opt for the new tax regime (without 70 tax-exemptions and deductions). Salaried individuals, who have no business income, will have to choose between the existing and new tax regimes every financial year, as per their convenience. On the other hand, those who have business income should carefully evaluate whether they want to continue with the existing tax regime or opt for the new regime. Once they opt for the new regime, then they can switch back to the existing tax regime only once in a lifetime.

To choose between the two income tax structures, it is important that you know how much your tax liability comes down to, in both cases.

*Surcharge is levied on incomes above Rs 50 lakh. Health and Education cess at the rate of 4 per cent will be added to the income tax liability in all cases. Individuals having taxable income of up to Rs 5 lakh will be eligible for tax rebate under section 87A up to Rs 12,500, thereby making zero tax payable in the new tax regime.*

Under the new tax regime, an individual is eligible for only one deduction under section 80CCD (2). This section allows deduction on the employer's contribution to the NPS (National Pension System) account for maximum of 10 per cent of the employee's salary (salary here means basic plus dearness allowance).

Other commonly availed deductions such as those under sections 80C, 80D etc, and tax exemptions such as HRA, LTA etc. are not available in the new tax structure.

### **The income Tax Act permits two methods of accounting, mercantile system of accounting and cash system of accounting.**

1. Mercantile system of accounting requires recording all transactions when they accrue or when they become due.
2. Under cash system of accounting, transactions are only recorded when actually paid or received.

## **RECOMMENDATIONS & CONCLUSIONS**

Taxation is the process by which the government imposes charges on citizens and corporate businesses. The charges collected by the government are used to fund different government projects that would in the end benefit the citizens of the country as a whole. The taxation process can benefit both the society and business as a whole. The government allocates the money collected from the taxpayers to different areas of the country. The areas picked are rural areas. Some rural areas may have resources that might be beneficial for both the country and its economy. Therefore, the government would allocate part of the tax money to provide the essential services required and to improve the standards of such places.

- Tax should be paid by all those who have to
- Awareness as to why should one pay tax should be spread
- Best possible methods of tax collection and payment should be used.