INCOMETAX THEORY & PRACTICE (THEORY)

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B COM VI SEMESTER

1.What are the meaning of Income tax?

Income tax is a form of direct tax, i.e, it is levied directly from the tax payer on his 'income'. Every person, whose taxable income for the assessment year exceeds the minimum taxable limit, is liable to pay the income tax at rates in force during the current financial year.

2.What is Total income and tax payable?

Income tax is levied on the total income of the assesse. Total income is computed as per the provisions of the income tax Act, it is the amount arrived after deductions from gross total income are made.

3.What are the general rules of income tax?

- ✓ Income tax is an annual tax on income.
- ✓ Income of previous year is taxable in the next following assessment year at the rates applicable to the assessment year.
- ✓ Income tax rates are fixed by the annual union budget(Finance act).
- ✓ Tax is charged on every 'person' defined in sec2(31).
- ✓ The tax is charged on the total income of every person computed in accordance with the provisions of Income Tax Act.
- ✓ Income tax is to be deducted at source or paid in advance as provided under the provisions of the act. Any remuneration paid by an employer to his employee in consideration of his service is called

salary. It includes both monitory payments (e.g basic salary, bonus, commission etc.) as well as non - monitory facilities (e.g rent free house, medical facility, educational facilities for children etc.).

4.Definition of salary.

Salary under section 17(1), includes the following:

i) Wages, ii) Any annuity or pension, iii) Any gratuity, iv) Any fees, commission, perquisites or profit in lieu of or in addition to any salary or wages, v) Any advance of salary, vi) Any payment received in respect of any period of leaves not availed by him i.e. leave salary or leave encashment. vii) The annual accretion to the balance at the credit of an employee participating in a recognized provident fund, viii) Transferred balance in recognised provident fund to the extend it is taxable, ix) The contribution made by the Government or other employer, in the previous year, to the account of an employee, under the pension scheme notified by the central Government.

5.State Important points regarding salary.

1) Employer- employee relationship: the relationship between the payer and payee must be the relationship between employer and employee type. Consider the following cases,

a) Commission received by a Director from a company is not taxable under the head salary if he is not an employee of the company. It will be taxable under the head business or profession or other sources depending upon the facts.

b) Any salary, commission, bonus received by a partner of a firm shall not be regarded as salary income and should be charged under the head business or profession.

2) Only receipt from employer is taxable under this head. Receipts from persons other than employer is taxable under the head other sources, these area) University remuneration.

3) Salary from more than one employer shall be taxable under this head.

4) Any amount received after cessation of employment is also taxable under this head,

5) Forgoing salary is also taxable under this head if forgone voluntarily.

6.What is Provident fund?

Provident fund scheme is a scheme intended to give substantial benefits to an employee at the time of his retirement. Under this, a specified sum is deducted from his salary as contribution and employer also contributes certain sum to this scheme. The contribution of the employer and employee are invested in approved securities. Interest earned from this is also credited to this provident fund account.

7.What is Statutory Provident Fund (SPF) ?

The SPF is governed by Provident Fund Act, 1925. It applies to employees of government, semi-government, local bodies etc

8.What is Statutory Recognised Provident Fund (RPF)

RPF means a provident fund recognized by the Commissioner of income tax for the purpose of tax. It is governed by the Provident fund act 1952.

9.What is Statutory Unrecognised Provident Fund (URPF) ?

it is a provident fund not recognized by the Commissioner of income tax

10.What is Statutory Public Provident Fund (PPF)

PPF is operated under the Public Provident Fund Act 1968. It is open to general public. Salaried employees may also contribute to PPF in addition to the fund operated by the employer.

11.State the Fully Exempted Allowances.

(1) Foreign allowance given by Government to its employees posted abroad is fully exempted

(2) House rent allowance given to Judges of High Court and Supreme Court is fully exempted.

(3) Sumptuary Allowances given to Judges of High Court and Supreme Court is fully exempted.

(4) Allowances from U.N.O.

(5) Allowances to Teacher/Professor from SAARC member states

(6) Allowances to member of Union Public Service Commission.

12.State the Fully Taxable Allowances.

(1) **Dearness Allowance(DA) and Dearness Pay(DP):** This is a very common allowance these days on account of high prices. Sometimes Additional Dearness Allowance is also given. It is included in the income from salary and is taxable in full.

(2) **Fixed Medical Allowance:** It is fully taxable.

(3) **Tiffin Allowance:** It is given for lunch and refreshments to the employees. It is taxable.

(4) **Servant Allowance:** It is fully taxable even if it is given to a low paid employee, not being an officer, i.e., it is taxable for all categories of employees.

(5) **Non-practicing Allowance:** It is generally given to those medical doctors who are in government service and they are banned from doing private practice. It is to compensate them for this ban. It is fully taxable.

(6) **Hill Allowance:** It is given to employees working in hilly areas on account of high cost of living in hilly areas as compared to plains. It is fully taxable, if the place is located at less than 1,000 meters height from sea level.

(7) **Warden Allowance and Proctor Allowance:** These allowances are given in educational institutions for working as Warden of the hostel and/or working as Proctor in the institution. These allowances are fully taxable.

(8) **Deputation Allowance:** When an employee is sent from his permanent place of service to some other place or institution or organisation on deputation for a temporary period, he is given this allowance. It is fully taxable.

(9) **Overtime Allowance:** When an employee works for extra hours over and above his normal hours of duty he is given overtime allowance as extra wages. It is fully taxable.

(10) **Other Allowances** like Family allowance, Project allowance, Marriage allowance, City Compensatory allowance, Dinner allowance, Telephone allowance etc. These are fully taxable.

13.State the Partly Taxable Allowances.

(a) **Special allowances for performance of official duty:** These allowances are specifically granted to meet expenses wholly and exclusively incurred in the performance of official duty. These are exempt to the extent such expenses are actually incurred or the amount received whichever is less. These allowances are travelling allowance, Daily allowance, Helper allowance, Academic Allowance, Uniform Allowance etc.

(b) **Allowance to meet personal expenses :**Allowances which are granted to meet personal expenses are exempt to the extent of amount receivedor the limits specified whichever is less. It includes HRA, transport allowance, children education allowance, children hostel allowance .etc. a brief description of which are given below.

14.Explain the House Rent Allowance (HRA)

Any special allowance specifically granted to an employee by his employer to meet expenditure actually incurred on payment of rent in respect of residential accommodation occupied by the assessee, is exempt to the extent of least of the following:

1. Actual amount of such allowance received or
2. Rent paid over 10% of salary [Rent paid – 10% of salary]
3. an amount equal to:

a) where such accommodation is situated at Mumbai, Kolkatta, Delhi or Chennai, then 50% of the amount of salary due to the assesse,

b) where such accommodation is situated at any other place, then 40% of the amount of salary due to the assesse. (Salary = Basic Pay + D.A. (If form part of retirement benefit) + Commission (If it is based on specific % of turnover).

15.What ate the Treatment of Entertainment Allowance?

In case of Entertainment allowance an assessee will not get any exemption but would be eligible for deduction under section 16(ii) from gross salary. The deduction is allowed to government employees only; Non-Government employees will not be eligible for this deduction. The entire amount of entertainment allowance will be added to gross salary.

16.What is Perquisites?

The term "perquisites" includes all benefits and amenities provided by the employer to the employee in addition to salary and wages either in cash or in kind which are convertible into money. These benefits or amenities may be provided either voluntarily or under service contract. For income-tax purposes, the perquisites are of three types:

(A) Tax-free perquisites

(B) Taxable perquisites

(C) Perquisites taxable under specified cases.

17.Explain the salaries under section 17?

There are several receipts which are taxable under the head salary. Some of them are retirement benefits and some are receivable during service. Important receipts are discussed below:

Death cum Retirement Gratuity:-

i. Fully Exempted- Union government/ state government/local body etc employees.

ii. Where the employees are covered under the Payment of Gratuity Act, 1972: The amount of any gratuity received under The Payment of Gratuity Act, 1972, it shall be exempt from tax to theextent of least of the following:-

1. fifteen days' wages (seven days' wages in case of seasonal establishments) for each completed year ofservice or part thereof in excess of six months on the basis of salary last drawn for every completed yearof service or part thereof in excess of six months; or
2. the gratuity actually received; or
3. 10,00,000

iii. Where the employees are not covered under the Payment of Gratuity Act, 1972:

The amount of any other gratuity received by the employee from a private employer (not covered under the Payment of Gravity Act, 1972) on his retirement or at the termination of his employment, least of the following is exempted:-

1. 1/2 month's salary for each year of completed service, calculated on the basis of the average salary for the ten months immediately preceding to his retirement, or
2. 10,00,000 or
3. gratuity actually received.

18.Point out the note on Commutation of Pension

i) Any payment in commutation of pension received to Government employees is wholly exempt from tax.

ii) Any lump sum received on commutation of pension by a Government servant absorbed in a public sector undertakings also exempt from tax.

iii) Further, any payment in commutation of pension received by a person, from any other employer, would be exempt to the extent of the following:-

a) in cases where the employee receives any gratuity; the commuted value of $1/3^{rd}$ of pension

b) in any other case, the commuted value of 1/2 of such pension.

iv) Any payment in commutation of pension received from a pension fund set up by the Life Insurance Corporation of India is fully exempt from tax.

19.What about the Encashment of earned leave?

IT act grants the following exemptions on this account:

1) if received at the time of retirement by a government employee- fully exempt.

2) if received at the time of service – fully taxable for all employees

3) For non-government employees least of the following:

i) average salary x no. of leaves due at retirement

ii) 10 month's "average salary", i.e. salary drawn during the period of 10 months immediately preceding the retirement/superannuation,

iii) The amount specified by the Government 3,00,000.

iv) The amount of leave encashment actually received at the time of retirement.

20.Define of Annual Value of Property.

According to Section 22 of the income tax act, "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, the profits of which are chargeable to income tax, shall be chargeable to income tax under the head Income from House Property".

21.Describe the Annual Value.

The measure of charging income-tax under this head is the annual value of the property, i.e., the inherent capacity of a building to yield income. The expression

'annual value' has been defined in Section 23(1) of the Income-tax Act as: a) the sum for which the property might reasonably be expected to let from year to year; or

b) where the property or any part of the property is let and the actual rent received or receivable by the owner in respect thereof is in excess of the sum referred to in clause (a), the amount so received or receivable; or

c) where the property or any part of the property is let and was vacant during the whole or any part of the previous year and owing to such vacancy the actual rent received or receivable by the owner in respect thereof is less than the sum referred to in clause (a), the amount so received or receivable. Provided that the taxes levied by any local authority in respect of the property shall be deducted in determining the annual value of the property of that previous year in which such taxes are actually paid by him, i.e., municipal taxes will be allowed only in the year in which it was paid.

22.Explain the Computation of Annual Value/Net Annual Value(NAV)

Net annual value shall be computed in the following manner:

Step1. Determine the Gross Annual Value(GAV)

Step2. Deduct municipal tax actually paid by the owner during the previous year from the Gross Annual Value.

For the purpose of computation of net annual value, properties can be classified into three categories:

A. Properties let out throughout the year.

B. Properties occupied by the owner for residential purposes or properties not self occupied owing to employment at any other place.

C. Partly let out and partly self-occupied property.

A) Let out house property.

Municipal Value: Municipal value is the value determined by the municipal authorities for levying municipal taxes on house property.

Fair rent: Fair rent is the amount which a similar property can fetch in the same or similar locality, if it is let for a year.

Standard Rent: The standard rent is fixed under Rent Control Act. In such a case, the property cannot be let for an amount which is higher than the standard rent fixed under the Rent Control Act.

Actual rent received or receivable: Actual rent is rent for let out period. It is the de facto rent (i.e. what should have been the actual rent).

Deductions from Gross Annual Value (GAV)

While computing the net annual value the following deductions are made from the gross annual value:

1) Municipal Taxes: The taxes including service taxes (fire tax, conservancy tax, education, water tax, etc.) levied by any municipality or local authority in respect of any house property paid by the owner.

2) Unrealised Rent: If rent for the period cannot be recovered fully from the tenant it can be deductible. The sum remaining after these deductions are made is called the annual value of house property.

Deductions from Annual Value (AV)

The income chargeable under the head "Income from house property" shall be computed after making the following deductions, namely:

(a) Standard deduction

A sum equal to 30% of the annual value;

(b) Interest on borrowed capital

(i) Where the property has been acquired, constructed, repaired, renewed or reconstructed with borrowed capital, the amount of any interest payable on such capital and such acquisition or construction is completed within three years from the end of the financial year in which capital was borrowed is deductible

(ii) Interest on loan for the period prior to the previous year in which the house is completed is also allowable in five equal annual instalments.

B. Property occupied by the owner [Section 23(2)]

Where the property consists of one house or part of a house in the occupation of the owner for his own residence, and is not actually let during any part of the previous year and no other benefit is derived therefrom by the owner, the annual value of such a house or part of the house shall be taken to be nil.

Concession for one House only:

Where the assessee has occupied more than one house for the purposes of residence for himself and family members, he has to make a choice of one house only in respect of which he would like to claim exemption. Other self-occupied houses will be treated as if they were let out (Deemed Let out) and their annual value will be determined in the same manner as we have discussed in the case of let out property.

Loss from House Property.

When the aggregate amount of permissible deduction exceeds the net annual value of the property, there will be a loss from that property. This loss can be set-off against the income from any other house property. If even after the set-off, there is an unabsorbed balance of the loss, the same can be set-off against income under any other head in the same year and the balance unabsorbed part of the loss can be carried for set off within the subsequent eight assessment years against income from house property.

C. House which is partly Self-occupied and Partly Let Out:

When a portion of the house is self-occupied for the full year and a portion is selfoccupied for whole year, the annual value of the house shall be determined as under:

i. From the full annual value of the house the proportionate annual value for self occupied portion for the whole year shall be deducted.

ii. The balance under (i) shall be the annual value for let out portion for a part of the year.

23.Explain the Income From Business or Profession

The meaning of the expression 'Business, has been defined in Section 2(13) of the Income-tax Act. According to this definition, business includes any trade, commerce or manufacture or any adventure or concern in the nature of trade, commerce or manufacture.

Income chargeable to the head 'business or profession'.

The scope of income chargeable under the head 'Profits and Gains from business or Profession' is coveredby Section 28 of the Act which lays down that the following items of income must be charged to tax under this head:

1) **Income from business or profession**: The profits and gains of any business or profession which was carried on by the assessee at any time during the previous year.

2) **Compensations**:

a) Received on termination of a managing agency of Indian company.

b) Received on termination of a managing agency of foreign company

c) Received on termination of any agency or on modification of terms of agency,

d) Received from government or a corporation on taking over of management of property or business.

3) **Income from Trade associations**: Any income derived by a trade or professional or other similar association from the specific servicesperformed by it for its members.

4) **Export Incentives:**

Profits on sale of a license granted under the Imports

Cash assistance (by whatever name called) received or receivable by any person against export sunder any scheme of the Government of India;

Any duty of customs or excise re-paid or re-payable as drawback to any person against exports.

5) **The value of any benefit or perquisite**, whether convertible into money or not, which arises from thecarrying on of a business or the exercise of a profession.

6) **Any interest, salary, bonus, commission or remuneration**, by whatever name called, due to or receivedby a partner of a firm from such firm.

24.State the Expenses Disallowed. (Section 40)

The following amounts shall not be deducted in computing the income chargeable under the head "profits andgains of business or profession:

i. Interest, royalty, fees for technical services payable outside India

ii. TDS not deducted on certain payments:

iii. Rate or Tax Paid on Profits:

iv. Wealth Tax [Section 40a(iia)]:

v. Amount paid by way royalty, licence fee, service fee, privilege fee, service charge by State Government undertaking to State Government.

vi. Salaries [Section 40a(iii)]: Any payment which is chargeable under the head “salaries” if it is payable –

a) outside India; or

b) to a non-resident

vii. Payment to Provident Funds etc: Any payment to a Provident Fund or other fundestablished for the benefit of employees of the assessee would be disallowed in cases where the assessee (employer) has not made effective arrangements to secure deduction of tax at source from any payment made from the fund which are chargeable to tax under the head 'salaries' in the hands ofthe employees.

viii. Payment of tax on non-monetary perquisites [Section 40a(v)]:

ix. Payment to Partners by a firm (Discussed under the chapter Assessment of firms).

x. Payment by AOPs / BOIs (Discussed under the chapter assessment of AOP/BOI).

25.Explain the Income From Capital Gain.

Any profit or gains arising from the transfer of a capital asset will be chargeable to income tax under the head capital gain. The terms '**Capital Asset**' and '**Transfer**' is discussed below; **'Capital asset**s' may be:-

1) Any stock in trade, raw material or consumable stores held for the purpose of business or profession.

2) Personal effects, ie. Movable properties held by the assesse, excluding the followinga)

a)jewellery,

b) archaeological collections,

c) drawings,

d) paintings

e) sculptures, or

f) any art work

3) Rural agricultural land in India.

4) National defense gold bonds, 7% gold bonds issued by central government.

5) Special bearer bond 1991, issued by central government.

6) Gold deposit bonds issued under gold deposit scheme.

26.Describe the 'Transfer' .

The term transfer includes the following types of transactions:-

i) The sale, exchange of asset,

ii) The extinguishment of any right therein,

iii) The compulsory acquisition under any law ,

iv) Conversion of capital asset to stock in trade,

v) The maturity or redemption of zero coupon bond,

vi) Part performance of the contract,

vii) Transactions having the effect of transferring of an immovable property, eg. power of attorney transactions

27.Explain the Transactions which do not constitute transfer

[Sections 46 and 47]

1. any distribution of capital assets on the total or partial partition of a Hindu Undivided Family;

2. any transfer of a capital asset under a gift or will or an irrevocable trust

3. any transfer of a capital asset by a company to its subsidiary company, if–

a) the parent company or its nominees hold the whole of the share capital of the subsidiary company, and

b) the subsidiary company is an Indian company.

4. any transfer of a capital asset by a subsidiary company to the holding company, if –

a) the whole of the share capital of the subsidiary company is held by the holding company, and

b) the holding company is an Indian company;

5. any transfer, in a scheme of amalgamation, of a capital asset by the amalgamating company to the amalgamated company if the amalgamated company is an Indian company;

6. any transfer in a scheme of amalgamation of a capital asset being share or shares held in an IndianCompany, by the amalgamating foreign company to the amalgamated foreign company, if –

a) at least twenty-five per cent of the shareholders of the amalgamating foreign company continue to remain shareholders of the amalgamated foreign company; and

b) such transfer does not attract tax on capital gains in the country, in which the amalgamating company is incorporated.

7. any transfer by a shareholder, in a scheme of amalgamation, of a capital asset being a share or shares held by him in the amalgamating company, if –

a) the transfer is made in consideration of the allotment to him of any share or shares in the amalgamated company except where the shareholders itself is the amalgamated company, and

b) the amalgamated company is an Indian company;

8. any transfer of agricultural land in India effected before the first day of March, 1970;

9. any transfer of a capital asset being any work of art, archaeological, scientific or art collection, book, manuscript, drawing, painting or photograph.

28.Explain the Short Term Capital Gain (STCG) and Long Term Capital Gain (LTCG).

capital gain arising as a result of transfer of a short-term capital asset is known as short-term capital gain. According to Section 2(42A) of the Income-tax Act:

"Short term" capital asset means a capital asset held by an assessee for not more than thirty-six monthsimmediately preceding the date of its transfer. In the case of capital assets (being equity or preference share ina company) held by an assessee for not more than 12 months immediately prior to its transfer.However, an unlisted security and a unit of a mutual fund (other than an equity oriented mutual fund) shall be a short-term capital asset if it is held for not more than thirty six months.

Long Term Capital Gain is the gain arising from long term capital assets. And assets other than short-term capital assets are known as **'long-term capital assets'.**

29.Write a note on Capital gain account scheme (CGAS)'

Under sections 54, 54B, 54D, 54F and 54G capital gains is exempt to the extent of investment of such gains in specified assets within specified time. If such investment is not made before the date of filing of return of income, then the capital gain has to be deposited under CGAS.

Capital gains exempt from Tax.

Under Sections 54, 54B, 54D, 54EC, 54F, 54G and 54H of the Act, capital gains arising from the transfer of certain capital assets are exempt from tax under certain circumstances. These provisions are dealt with section wise below.

1. Capital Gain on sale of residential house (sec 54)

2. Capital gain on transfer of agricultural land (sec 54B)

3. Capital gains on compulsory acquisition of land and building (Sec 54D)

30.Discuss the Income From Other Sources.

The incomes which are neither covered under the head salary, house property, business income or capital gains shall be taxable under head Income from other sources. This head of income is a residual head because it covers all other incomes which are uncovered and which are not exempt from tax. Income chargeable under Income-tax Act, which does not specifically fall for assessment under any of the heads discussed earlier, must be charged to tax as "income from other sources". In addition to the taxation of income not covered by the other heads, Section 56(2) specifically provides certain items of incomes as being chargeable to tax under the head in every case.

The following shall be chargeable to Income Tax under the head Income from other sources:

1. Dividends [Section 56(2)(i)]

Dividend income other than divided referred under section 10(34) shall be included under income from other sources.

2. Keyman Insurance policy

Amount received under a Keyman insurance Policy, including bonus on each Policy, if it is not taxable under any other head of income shall be chargeable under Income from other sources.

3. Winnings from lotteries [Section 56(2)(ib)]

Any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature shall be chargeable to tax under Income from other sources.

4. Contribution to Provident fund

Income of the nature referred to in Section 2(24)(x) (relating to certain contributions to any provident fund or superannuation fund or any fund set up under the provisions) will be chargeable to income-tax under the head "income from other sources" if such income is not chargeable to income-tax under the head "profits and gains of business or profession".

5. Income by way of interest on securities

If the income by way of interest on securities is not chargeable to income-tax under the head 'Profits and gains of business or profession' than such income shall be taxable under Income from other sources.

6. **Income from hiring of machinery etc.**

Income from machinery, plant or furniture belonging to the assessee and let on hire if the income is not chargeable to income-tax under the head "profits and gains of business or profession" shall be taxable under Income from other sources.

7. **Hiring out of building with machinery (composite letting) etc.**

Where an assessee lets on hire machinery, plant or furniture belonging to him and also building and the letting of the building is inseparable from the letting of the said machinery, plant or furniture, the income from such letting, if it is not chargeable to income-tax under the head "Profits and gains of business or profession" shall be taxable under Income from other sources.

8. Money Gifts:

Where any sum of money, the aggregate value of which exceeds 50,000, is received without consideration the whole of the aggregate value of such sum shall be taxable under the head Income from other sources.

Provided that this clause shall not apply to any sum of money received

a) from any relative; or

b) on the occasion of the marriage of the individual; or

c) under a will or by way of inheritance; or

d) in contemplation of death of the payer; or

e) from any local authority

f) from any fund or foundation or university or other educational.

31.Write a note on Casual income and its taxability.

Casual income includes income by way of winnings from lotteries; crossword puzzles; races including horse races; gambling and betting of any nature or form; card games, game show or entertainment program on television or electronic mode and any other game of any sort. All these incomes are chargeable to tax under the head income from other sources

32.Write a note on Deduction from Casual Income:

No deduction or exemption is provided in respect of the casual income. No deduction can be claimed from such income even if such expenditure is incurred exclusively and wholly for earning such income. Further, deduction under section 80C to 80U is also not available from such income.

33.Write a note on Taxation of Casual Income:

Casual income is liable to TDS. The casual income is taxed at a flat rate of 30% plus surcharge (if any, plus education cess plus secondary and higher education cess). When the TDS has already been deducted from the income, then in order to calculate the tax liability on such income, the income is to be grossed up. However, the following incomes are not liable to TDS:

i. Winning from lottery upto amount .10,000

ii. Winning from racing other than horse race

iii. Winning from horse race upto . 5,000

34.Write a note on Dividend and its taxability.

Dividend means the sum paid to or received by a shareholder proportionate to his shareholding in a company out of the total sum distributed. The definition of “Dividends” under Section 2(22) is an inclusive definition and it means dividend as normally understood and include in its connotation several other receipts set out in the definition(e.g.loan by a closely held company to its shareholder).

35.What is Taxation of dividend?

i. Dividend declared/distributed/paid by domestic company including deemed dividendis exempt in the hands of shareholder.

ii. Dividend from units of mutual fund is exempted.

iii. Dividend from foreign company is taxable under the head other sources.

36.What is Interest on securities?

Interest on securities is chargeable as Income from Other Sources if it is not chargeable as Profits and Gains of Business or Profession, i.e. when the securities are held as investment.

37.What is Taxability of interest?

i. Interest is taxable under the head other sources and liable to TDS at 10%.

ii. Interest on Securities Exempt – The interest on securities of the following cases is exempt from tax –

a. Interest on notified securities, bonds or certificates issued by the Central Govt. Interest on Post Office Savings Bank Account will be exempted only to the extent of 3,500 in case of an individual and 7,000 in case of joint account w.e.f. AY 2012-13

b. Interest to an individual or a HUF on 7% Capital Investment Bond or on notified Relief Bonds.

c. Interest to non-resident Indians on notified bonds.