

Business income, capital gains and I-T

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In the first part of this Article which appeared a fortnight had emphasized the need of maintaining an exhaustive personal record of financial documents to ensure accurate and timely preparation and submission of income tax returns with particular reference to income of salaried class and those having income from house property.

In this, I deal with the *sine qua non* for the assesses having business income, capital gains and income from other sources. The Writer also gives certain important tips of conduct for tax payers.

I. PROFITS AND GAINS IN BUSINESS/PROFESSION

(a) Corporate Assesseees :

- Copy of Memorandum & Articles of Association (with certificate of Registration)
- Registrar of Companies file including all particulars as at the start of the year and particulars of change during the year.
- Audited Financial Statements such as Balance Sheet, Profit & Loss Account along with Auditor's Report thereon.
- If any exemption availed by the company then copy of such "Exemption Notification" issued by the concerned department alongwith CA's certificate in prescribed form.
- Tax Audit Report, where gross turnover exceeds Rs.40 lacs per annum in case of business and Rs 10 lacs in case of profession.
- Authority letter in favour of Authorized signatory, supported by a resolution authorizing the person to sign the income tax return and all documents required to be attached thereto.
- TDS return along with copy of TDS Certificates issued/received & copy of Challan.
- Detail of Advance Tax deposited along with copy of challan.
- Computation of Book Profit as per the requirement of section 115JB of the Income Tax Act, 1961 along with certificate in Form No. 29B issued by a Chartered Accountants.

(b) Non-corporate assesses :

- Copy of Partnership Deed, if Firm, copy of memorandum in case of societies.
- Particulars of change in constitution, if any.
- Printout of Partners capital account.

- Authenticated Financial Statements such as Balance Sheet, Profit & Loss Account along with supporting schedules, where applicable get it audited.
- If any exemption availed by the assessee, then copy of such “Exemption Notification” issued by the concerned department alongwith CA’s certificate in prescribed form.
- Tax Audit Report, where gross turnover exceeds Rs. 40 lacs per annum in case of business and Rs 10 lacs in case of profession.
- TDS Return along with copy of TDS Certificates issued/received & copy of Challan, if Firm.
- Detail of Advance Tax deposited along with copy of challan.

III. PARTICULARS W.R.T. CAPITAL GAINS

Any profit or gain arising from the sale or transfer of a capital asset is chargeable to tax under the head “Capital gains”. It is deemed to be the income of the previous year in which the transfer of the capital asset takes place.

Detail of the capital asset, date of purchase, date of sale, copy of agreement, title of the property, utilization of the sale proceeds, detail of expenditure on transfer alongwith supporting documents cost of improvement of the capital asset alongwith supporting documents.

Remember to consult your Chartered Accountant before selling or purchasing a capital asset w.r.t capital gains and claiming of total/partial exemption of capital gains under various sections

Keep the property dealer commission receipt, make a list of out of pocket expenses during registration, remember cost of stamp papers is added in the cost of purchase, keep a copy of occupancy certificate, sanction letter of sewerage connection and that of electricity connection for record.

III. PARTICULARS W.R.T. INCOME FROM OTHER SOURCES:

The following incomes are chargeable to tax under this head, namely, dividends, winnings from lotteries, crossword puzzles, horse races, card games, etc., and income from machinery, plant or furniture let on hire.

With effect from the assessment year 1989-90, interest on securities is taxable under this head, if the same is not taxable as business income.

Besides, the following incomes are also taxable under the head “Income from other sources” “Income from subletting, interest on bank deposits and loans, income from royalty, director’s fees, ground rent, agricultural income from outside India, director’s commission for standing as a guarantor to bankers, director’s commission for underwriting shares of a new company, examination fees received by a teacher, rent of a plot of land, insurance commission, mining rent and royalties, interest on foreign Government securities, casual income in excess of Rs. 5,000, annuity payable under a will, and salaries payable to a Member of Parliament.

- Keep record of the counter foils of dividends warrants deposited
- obtain bank statements/certificate w.r.t interest earned on deposits/savings.

Maintain the following sheet of information w.r.t. shares and securities :

- (i) Serial number
- (ii) Name of company
- (iii) Nature of share (equity, preference, etc)
- (iv) Number of shares
- (v) Date of acquisition
- (vi) Mode of acquisition (inheritance, gift, purchase, bonus received, etc)
- (vii) Cost of acquisition
 - a) bonus received
 - b) dividend received
- (viii) particulars of sale if any (for capital gain purposes/business income)

III. IMPORTANT TIPS OF CONDUCT

- (i) Don't open or close bank accounts without reason, you are accountable.
- (ii) By paying advance tax you can save lot of interest payable on late payment of tax.
- (iii) Tax savings for the year have to be done out of income for the year.
- (iv) Whenever you pledge any of your investment certificate with bankers for obtaining any loan; maintain complete particulars including letter of sanction of loan and photocopy of the investment certificates pledged.
- (v) Maintain a record of monthly statement received in case of credit card and ensure that these have been considered by your Chartered Accountant/Tax Advisor
- (vi) Remember to give a courtesy call to your Chartered Accountant/Tax Advisor atleast once during the year and enquire if you require any special tax planning and to know of any good opportunities for tax planning that may be applicable to your situation.
- (vii) Make it a point to inform your Chartered Accountant/Tax Advisor of any change in address/phone number/contact
- (viii) Ensure timely submission of statements, returns and claims for all deductions and reliefs admissible to you in consultation with your Chartered Accountant/Tax Advisor
- (ix) Ensure that your case is effectively represented by your tax advisor as and when it comes under scrutiny by supplying him with necessary documents and remaining in regular touch.

Remember : Maintaining file is not an activity but an attitude therefore should be accepted not as a hobby but as a good habit.