

Income Tax Laws and Practices

BBA 405

54. Income of Provident and Superannuation Funds [Section 10(25)]

1. Interest on securities which are held by or are the property of any provident fund to which Provident Funds Act, 1925 applies and any capital gains of the fund arising from the sale, exchange or transfer of such securities.
2. Any income received by the trustees on behalf of a recognised provident fund.
3. Any income received by the trustees on behalf of an approved superannuation fund

55. Income of Employee's State Insurance Fund [Section 10 (25A)]

Income of such fund is fully exempted.

56. Income of Schedule Tribe Members [Section 10(26) and 10(26A)]

Certain types of incomes of the members of Scheduled Tribes living in tribal areas are exempt from tax. The Scheduled Tribes to which this exemption applies are defined in Clause (25) of Article 366 of the Constitution, residing in any areas specified in Part A or Part B of the table appended to paragraph 20 of the Sixth Schedule of the Constitution or in the State of Arunachal Pradesh, Manipur, Tripura, Mizoram and Nagaland or in the Ladakh region of the State of Jammu & Kashmir.

The exempted incomes are incomes which accrue or arise to him :

1. from any source in the area, State, or Union Territories aforesaid, or
2. by way of dividend.

This means that if a member of a Schedule Tribe sets up a business at any place other than mentioned above, profit from such business will be taxable.

57. Income of Sikkimese individual [Section 10(26AAN)] (With retrospective effect from 1-4-1990)

The following incomes which accrues or arises to a Sikkimese individual shall be exempt from income tax—

1. income from any source in the State of Sikkim; or
2. income by way of dividend or interest on securities.

This exemption will not be available to a Sikkimese women who, on or after 1-4-2008 marries a non-Sikkimese individual.

58. Regulating the marketing of agricultural produce [Section 10[26AAB]

Any income of an agricultural produce market committee or board constituted under any law for the time being in force for the purpose of regulating the marketing of agricultural produce shall be exempted.

59. Income of a corporation set-up for promoting the interests of Scheduled Castes, Scheduled Tribes or Backward Classes [Section 10(26B)]

Income of such corporation or body, institutions or associations which are wholly financed by govt. and which have been set-up to promote the interest of above mentioned communities shall be fully exempted.

60. Income of a corporation set-up to protect the interests of Minorities [Section 10(26BB)]

Any income of a corporation established by the Central Government or State Government for promoting the interests of the members of such minority community as notified by the Central Government from time-to-time, is exempt from tax under Section-10(26BB).

61. Any income of a Corporation established for Ex-Servicemen [Section 10(26BBB)]

From assessment year 2004-05, any income of a statutory corporation established by Central, State or Provincial Act for the welfare and economic upliftment of ex-servicemen (being citizen of India) is exempt from tax under section 10(26BBB).

“Ex-Serviceman” means a person who has served in any rank, whether as combatant or non-combatant, in the armed forces of the Union or armed forces of the Indian States before the commencement of the Constitution (but excluding the Assam Rifles, Defence Security Corps, General Reserve Engineering Force, Lok Sahayak Sena, Jammu and Kashmir Militia and Territorial Army) for a continuous period of not less than six months after attestation and has been released, otherwise than by way of dismissal or discharge on account of misconduct or inefficiency, and in the case of a deceased or incapacitated ex-serviceman includes his wife, children, father, mother, minor brother, widowed daughter and widowed sister, wholly dependant upon such ex-serviceman immediately before his death or incapacitation.

62. Income of cooperative society looking after the interests of Scheduled Castes or Scheduled Tribes or Both [Section 10(27)]

Such income shall be fully exempted provided the membership of such society consists of only other cooperative societies formed for similar purposes and the finances of the society are provided by Government and such other societies.

63. Any income accruing or arising to Commodity Boards etc. [Section 10(29A)]

Any income accruing to

1. **The Coffee Board** constituted under section 4 of the Coffee Act, 1942 (7 of 1942), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later
2. **The Rubber Board** constituted under sub-section (1) of section 4 of the Rubber Board Act, 1947 (24 of 1947), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later
3. **The Tea Board** established under section 4 of the Tea Act 1953 (29 of 1953), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1962 or the previous year in which such Board was constituted, whichever is later
4. **The Tobacco Board** constituted under the Tobacco Board Act, 1975 (4 of 1975), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1975 or the previous year in which such Board was constituted, whichever is later
5. **The Marine Products Export Development Authority** established under section 4 of the Marine Products Export Development Authority Act, 1972 (13 of 1972), in any previous year relevant to any assessment year

commencing on or after the 1st day of April, 1972 or the previous year in which such Authority was constituted, whichever is later

6. **The Agricultural and Processed Food Products Export Development Authority** established under section 4 of the Agricultural and Processed Food Products Export Development Act, 1985 (2 of 1986), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1985 or the previous year in which such Authority was constituted, whichever is later
7. **The Spices Board** constituted under sub-section (1) of section 3 of the Spices Board Act, 1986 (10 of 1986), in any previous year relevant to any assessment year commencing on or after the 1st day of April, 1986 or the previous year in which such Board was constituted, whichever is later.
8. **The Coir Board** established under section 4 of the Coir Industry Act, 1953.

64. Amount received as subsidy from or through the Tea Board [Section 10(30)]

In the case of a taxpayer, who carries on business of growing and manufacturing tea in India, the amount of any subsidy received from or through the Tea Board under the notified scheme for replantation or replacement of tea bushes or for rejuvenation or consolidation of the area used for cultivation of tea, is exempt from tax (for notified schemes see Notification No. S.O. 3616, dated September 27, 1976).

To claim exemption, a certificate from the Tea Board as to the amount of subsidy paid to the taxpayer during the year is to be obtained.

A similar exemption is available under section 10(31) in respect of subsidy received by an taxpayer engaged in the business of growing and manufacturing

rubber, coffee, cardamom or such other commodities as the Central Government may by notification specify [Section 10(31)]

65. Amount received as subsidy from or through the concerned Board [Section 10(31)]

Any amount received as subsidy from or through the concerned Board for replantation or replacement of Rubber, Coffee, cardamom plants or plants for growing of such other commodities or for any other scheme so notified shall be fully exempted.

66. Income of Child Clubbed U/s 64 (IA) [Section 10(32)]

In case income of a minor child is clubbed with the income of his parent, the parent can claim exemption upto actual income of child clubbed or 1,500 whichever is less in respect of each minor child whose income is included.

67. Income by way of dividend from Indian company [Section 10(34)]

Dividend received from a domestic company is **exempt** in the hands of the shareholders provided such dividend has already suffered Dividend Distribution Tax (DDT) under **section 115-O**

68. Exemption of income to a shareholder on buyback of shares of unlisted company [Section 10 (34A) [w.e.f. A.Y. 2014-15]

Any income arising to an assessee being a shareholder, on account of buyback of shares, (not being listed on a recognised stock exchange) by the company as referred to in section 115QA shall be exempt.

69. Exemption of income from Units [Section 10(35)]

Like in case of dividend, section 10(35) provides that any income received in respect of—

1. units from the Administrator of the specified undertaking, or
2. the specified company, or
3. a Mutual Fund specified under clause (23D)

shall be Exempt.

70. Exemption of income from Securitisation Trust [Section 10(35A)] [w.e.f A.Y. 2014-15]

Any income received by any person being an investor of the Securitisation Trust from such a trust, by way of distributed income referred to in section 115TA shall be exempt.

71. Capital Gain on compulsory acquisition of urban Agricultural Land [Section 10(37)]

With a view to mitigate the hardship faced by the farmers whose agricultural land situated in specified urban limits has been compulsorily acquired, the Finance (No. 2) Act, 2004 has inserted a new clause (37) in section 10 so as to exempt the capital gains (whether short-term or long-term) arising to an individual or a Hindu undivided family from transfer of agricultural land by way of compulsory acquisition where the compensation or the enhanced compensation or consideration, as the case may be, is received on or after 1.4.2004. The exemption is available only when such land has been used for agricultural purposes during the preceding two years by such individual or a parent of his or by such Hindu undivided family.

Where the compulsory acquisition has taken place before 1.4.2004 but the compensation is received after 31.3.2004, it shall be exempt. But if part of the original compensation in the above case has already been received before 1.4.2004, then exemption shall not be available even though balance original compensation is received after 31.3.2004. However, enhanced compensation received on or after 1.4.2004 against agricultural land compulsorily acquired before 1.4.2004 shall be **Exempt**.

If such urban agricultural land is held as stock-in-trade, section 10(37) shall not be applicable as it is not a capital asset. Profit from the compulsory acquisition of such urban land shall be taxable under business head.

72. Income from international Sporting event [Section 10(39)]

Any specified income (which is from such international event and which is notified by the Central Govt.) of specified persons from any international event held in India shall be fully exempted if

1. such event is approved by the international body regulating the international sport relating to such event
2. it has participation by more than two countries ; and
3. is notified by the Central Govt. in this regard.

73. Exemption of 'specified income' of certain bodies or authorities [Section 10(46)]

Any '**Specified Income**' arising to a body or authority or Board or Trust or Commission (by whatever name called) which—

1. has been established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public;
2. is not engaged in any commercial activity; and
3. is notified by the Central Government in the Official Gazette for the purposes of this clause. shall be exempt.

Any **Specified Income** arising to a body or authority or Board or Trust or Commission (by whatever name called) which—

(a) has been established or constituted by or under a Central, State or Provincial Act, or constituted by the Central Government or a State Government, with the object of regulating or administering any activity for the benefit of the general public;

(b) is not engaged in any commercial activity; and

(c) is notified by the Central Government in the Official Gazette for the purposes of this clause. shall be exempt.

74. Exemption of Income of a foreign company from sale of Crude Oil in India
[Section 10 (48)]

Any income of a foreign Co. received in India in Indian currency on account of sale of crude oil to any person in India shall be exempt if the following conditions are satisfied

1. Such Income is in pursuant to an agreement or an arrangement entered into by the Central Govt. or approved by the Central Govt.;

2. having regard to the national interest, the foreign company and the agreement or arrangement are notified by the Central Govt. in this behalf;
and
3. the foreign company is not engaged in any activity, other than receipt of such income, in India.