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B.Com Honours | Semester VI | Calicut University

INCOME TAX ASSESSMENT

Course Code: COM6EJ314 • Module 3 Notes

Module III: Assessment of Cooperatives, Trusts, & NRIs

Covers assessment of Cooperative Societies (Sec 80P deductions), Charitable & Religious Trusts (85% income application rule, Sec 11/12A/13), and Non-Resident Indians (NRI presumptive business taxation Rule 10).

Unit 6: Assessment of Cooperative Societies (Sec 80P Deductions)

Sec 80P Deductions: 100% deduction for primary agricultural credit societies, cottage industries, & milk supply societies; deductions on interest/dividends from other co-operatives.

Unit 7: Assessment of Charitable & Religious Trusts (Sec 11, 12A, 13)

Trust Exemption Rules: Trust income exempt if at least 85% of total income is applied for charitable/religious purposes in India during the year. Up to 15% income can be accumulated unconditionally. Balance accumulation allowed up to 5 years under Form 10 notice (Sec 11(2)).

Unit 8: Assessment of Non-Resident Indians (NRIs) & Presumptive Rates

NRI Presumptive Profits:
- **Sec 44B (Shipping Business):** Deemed profit = 7.5% of gross receipts.
- **Sec 44BB (Mineral Oil Exploration):** Deemed profit = 10% of gross receipts.
- **Sec 44BBA (Aircraft Operation):** Deemed profit = 5% of gross receipts.

Practical Solved Charitable Trust Income Tax Problem (85% Application Rule Calculation): A registered charitable trust receives total income (donations & interest) = $₹20,00,000$. During the year, it applies $₹14,00,000$ for charitable activities. It accumulated $₹3,00,000$ under Sec 11(2) by filing Form 10. Calculate taxable income of the trust under Sec 11.

Exempt Income = 85% Applied Amount + Specified Accumulation + 15% Basic Accumulation

Step-by-Step Trust Tax Working:
1. Gross Trust Income = $\mathbf{₹20,00,000}$.
2. Less: 15% Unconditional Basic Accumulation = $15\% \text{ of } ₹20,00,000 = \mathbf{₹3,00,000}$.
3. Mandatory 85% Application Target = $₹20,00,000 - ₹3,00,000 = \mathbf{₹17,00,000}$.
4. Actual Income Applied for Charity = $\mathbf{₹14,00,000}$.
5. Shortfall in Application = $₹17,00,000 - ₹14,00,000 = \mathbf{₹3,00,000}$.
6. Less: Form 10 Specified Accumulation (Sec 11(2)) = $\mathbf{₹3,00,000}$.
7. **Taxable Income of Trust** = $₹3,00,000 - ₹3,00,000 = \mathbf{₹0}$ (Nil Tax).

Practical Case Framework 2 (NRI Presumptive Business Tax Rates Matrix under Income Tax Act): Compare NRI business activity, applicable section, statutory deemed profit %, and gross receipt base.

NRI Presumptive Business Taxation Rates Table:

NRI Business Activity	Income Tax Section	Statutory Presumptive Deemed Profit %
Shipping Business of Non-Residents	Sec 44B	7.5% of total gross freight receipts
Operation of Aircraft by Non-Residents	Sec 44BBA	5.0% of total gross passage/freight receipts
Service/Facility for Mineral Oil Exploration	Sec 44BB	10.0% of total amounts received/receivable