Rotary Club of Delhi
District 3011

IMAGINE ROTARY

CHARTER YEAR 1939

Indraprastha

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YEAR OF CHARTER 1939 Indraprastha No 23rd issue /22-23, 22nd December 2022

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LUNCH MEETING ON 15TH DECEMBER

OUR LUNCH SPEAKER MEET

Mr Ashok Tyagi was our Guest Speaker at the Lunch Meeting held at Hotel Ashoka on 15 December 2022. He is a Corporate Social Responsibility Funding Advisor who is on the Board of Directors of five listed Companies and after 25 years with Corporates spent twenty years as a Freelance Advisor.

His lecture was received well by the audience which too was comprising mostly of Business Owners who not only pay Corporate Taxes, but also indulge in Corporate Social Responsibility (CSR) over and above Charity in the environment.

Mr Ashok first gave the definition of Corporate Social Responsibility (CSR) as being something not to be included as Charity, but a responsibility of the Corporates towards Healthcare, Education, Heritage for India as in Enactment of Companies Act, 2013 by the Ministry of Corporate Affairs, Government of India. This Act has made India as the only country which has mandated and regulated Corporate Social Responsibility for select categories of Companies registered under the Act, and this initiative by Dr Manmohan Singh, former Prime Minister of India shall push the Nation towards achievement of sustainable development goals and public-private partnership in transforming India. The Corporates have to indulge in 2 percent spending on CSR from Profits Earned After Tax on other than Stakeholders / Assets created by Shareholders for Stakeholders eg adoption of a village for its healthcare, education, infrastructure which benefits the villagers. The unspent amount at end of a Financial Year can either be spent on a responsibility which is already on from previous fiscal else the amount is to be refunded to Government by September of subsequent Financial Year. Audits of the CSR Fund are carried out by Government and defaulting Corporates are liable for heavy penalties.

The lecture was well received by Corporate Honchos in audience and post a Question and Answer session a suggestion was mooted, that Mr Ashok Tyagi get some Corporate Funding for Rotary Club Projects in rural areas because Rotary Clubs too are into Social Responsibility within their area of jurisdiction.

SANJEEV SEHGAL

How one can save Tax from Sale of Residential House

Option I

Purchase of another Residential House Property
Section 54 of the Income Tax Act provides the exemption from Capital Gains if following conditions are satisfied:

The house property transferred is a residential house , either self occupied or rented
The asset transferred is a long -term capital asset i.e residential house held for more than 2 years

The house has been transferred by an individual or a Hindu undivided Family (herein after called the person)

The person has purchased one residential house in India within one year before or 2 years after the date on which the transfer took place , or constructed one residential house in India within a period of 3 year after the date on which the transfer took place
If all these four condition are satisfied then the assesse can claim the exemption under section 54.

However, where the amount of the capital gain does not exceed ₹ 2 crore, the assesse has the option to purchase or construct two residential house in India. This option of purchasing 2 residential houses is available only once in a lifetime.

The amount of Deduction shall be restricted to:
Amount of long-term capital gain ; i.e net sale proceeds minus indexed cost of acquisition
Amount invested in the purchase or construction of the residential house,
Whichever is less.

Scheme of deposit in capital Gains Accounts scheme, 1988 :
Although under section 54, the assesse is given 2 years to purchase the house property or 3 years for construction of the house property ,the person has to deposit the unutilized amount under the Capital Accounts Scheme before the due date of filing of return. For example if a person had sold the residential house in FY 2021-22 he has to deposit the unutilized amount of the Capital Gain before the due date of filing of Return applicable to that person for the FY 2021-22.

If the amount deposited in the capital Gain Account Scheme is not utilized for the purchase or the construction of a residential house in that case it becomes taxable as long capital gain after the expiry of three years from the sale of residential house.

There is also one more condition attached that where the new house purchased and/or constructed is transferred within a period of 3 years of its purchase or construction capital gain would calculated by the amount of gain from the transfer of the new property plus the deduction or exemption he had claimed under this section in prior year

Option II

Investment in Specified Bonds-Section 54EC of the Income Tax Act

Through Investment in specified Long term specified Assets in the shape of bonds redeemable after 5 year issued on or after 1.4.2018 by the National Highway Authority of India (NHAI) and the Rural Electrification Corporation Ltd. (RECL) or any other bond notified by the central Government in this behalf.

Conditions:

The assets (i.e., land or building or both) transferred is a long term capital asset including Residential House held for more than two years and hence, there is a long-term capital gain.
The assets is transferred by any assesse not just restricted to individual and HUF under this section.

The assesse has within a period of 6 month after the date of such transfer invested the capital gain in the long term specified assets.
The cost of long-term capital specified assets which is considered for the purpose of exemption under this section i.e., 54 EC, shall not be eligible for deduction with reference to such cost u/s 80 C deductions.

Need to hold Specified Bonds for 5 years. Where the long term specified asset is transferred or converted (otherwise than by transfer) into money at any time within a period of 5 year from the date of its acquisition, the amount of capital gain exempt u/s 54 EC earlier , shall be deemed to be long – term capital gain for the year, in which the long term specified asset is transferred or converted.

Benefit of availing Section 54 and 54EC together

It has been decided by different courts that a person can avail exemptions under both the sections if conditions as specified in the sections are fulfilled. In absence of any specific provisions contained in the Act in this regard , the Government should come out with a clarification to avoid Litigation

CA Rajan Gupta

Next Meeting
On
25th December
At
Golden Galaxy Hotel & Restaurant
Mathura Road
Faridabad

Rotary Club of Delhi District 3011

The 4-Way Test

Of the things we think, say or do

1. Is it the TRUTH?
2. Is it FAIR to all concerned?
3. Will it Build GOODWILL and BETTER FRIENDSHIP?
4. Will it be BENEFICIAL to all concerned?

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