Module 8 · Tonnage Tax, Special Cases, Cash Rules P15 · topics 8.1–8.6

SM pp. 337–357 (exercise 358). Past questions were all on **equalisation levy** (J23 MCQ + Q6(b), D23 MCQ, postal MCQ) — which the SM now says no longer applies. Remaining MCQ material: 269SS / 269ST / 269T limits (MQP MCQ (vii)), liquidator (s.178), representative assessees, tonnage tax. Expected 0–2 marks.

⚠ EQUALISATION LEVY · DO NOT LEARN THE OLD ANSWERS

SM: **"Equalisation levy is not applicable from 01.08.2024"** — no EL rules are printed. [SM 357]

Not in the SM: 1 August 2024 ended the 2% levy on e-commerce supply (J23 Q6(b)); the 6% levy on online advertisement (D23 MCQ: ₹5 lakhs × 6% = ₹30,000; postal MCQ (iv)) was removed by the Finance Act 2025 from 1 April 2025. So for A.Y. 2026-27 no EL applies. If an EL question still appears, state that it no longer applies, and add the old-law working only if the question asks for it.

8.1 · TONNAGE TAX SCHEME (ss. 115V–115VZC)

- **Presumptive**: notional income from the ship's net tonnage, taxed at the normal corporate rate; **payable even in a loss year**. Option locked in for **10 years**; opting out or expulsion bars re-entry for 10 years. [SM 337]
- **Qualifying company** (115VC): Indian company, **POEM in India**, owns at least one qualifying ship, main object = operating ships. [SM 339]
- **Qualifying ship** (115VD): sea-going ship or inland vessel of **15 net tonnage or more**, registered (Merchant Shipping Act 1958 / licensed / Inland Vessels Act 2021), valid tonnage certificate; **excludes** factory ships, pleasure crafts, harbour and river ferries, ships giving land-type services, off-shore installations, fishing vessels (and a ship used for fishing over 30 days). [SM 338–339]
- Not an operator of a ship chartered out on bareboat (cum-demise) terms for over 3 years (115VB). [SM 338]
- Separate tonnage tax business and accounts; tonnage income replaces **relevant shipping income** (core + incidental; incidental above **¼% of core turnover** is taxed normally); a loss in relevant shipping income is ignored. [SM 339–341]
- **No deduction, set-off, VI-A**; ss. 30–43B and depreciation **deemed** allowed (115VL); pre-scheme losses deemed set off (115VM); **excluded from MAT** (115VO). [SM 340–341]
- Conditions: reserve of **20% of book profit** for new ships (115VT); training (expelled if not met for 5 consecutive years); chartering-in limit **49%**; separate audited accounts. [SM 337–338]

DAILY TONNAGE INCOME (s.115VG)

Net tonnage	Daily tonnage income
up to 1,000	₹70 for each 100 tons
1,000 – 10,000	₹700 + ₹53 per 100 tons above 1,000
10,000 – 25,000	₹5,470 + ₹42 per 100 tons above 10,000
above 25,000	₹11,770 + ₹29 per 100 tons above 25,000

× days operated in the year. Round tonnage to the nearest 100 (ignore kg; last figure 50 tons or more → up, else down). [SM 340]

WORKED PATTERN (OUR WORKING — SM HAS NO ILLUSTRATION) · CHECKED BY SCRIPT

Net tonnage 15,150.6 → ignore kg → 15,150 → round up	15,200
Daily: 5,470 + 42 × 52	7,654
Annual tonnage income × 365 days	**27,93,710**

Trap: 15,149 tons rounds **down** to 15,100 → ₹7,612 a day.

JUN'26 SUPPLEMENTARY · TONNAGE TAX

- **Inland vessels** (Inland Vessels Act, 2021) now qualify (115V, 115VD). [Supp J26 p.21]
- s.115VP(4): JCIT's order on the option — for applications from 1st April 2025, within **3 months from the end of the quarter** of receipt (was 1 month from the end of the month). [Supp J26 p.20–21]

8.2–8.5 · LIABILITY IN SPECIAL CASES

- **Legal representative** (s.159): pays what the deceased owed, **limited to the estate** — personally liable if he charges or disposes of estate assets while tax is unpaid (up to their value); pending proceedings continue against him; he is deemed an assessee. Death of a Karta: HUF continues, s.159 only for his own income. [SM 342]
- **Executor** (s.168): estate income taxed as an **individual** (one executor) or **AOP** (more than one); residence = the deceased's in the year of death; separate assessments till distribution; income given to a specific legatee is taxed in his hands; executor recovers tax from the estate (s.169). [SM 343]
- **Representative assessee** (s.160): agent of a non-resident (incl. s.163 agent); guardian / manager of a minor, lunatic or idiot; Court of Wards, Administrator-General, Official

CASH TRANSACTION RULES (MQP MCQ (vii))

Section	Rule	Penalty
269SS take	loan / deposit / specified sum (immovable property advance) of **₹20,000 or more** (incl. balance outstanding) only by a/c-payee cheque / draft / ECS / e-mode; **₹2,00,000** for a primary agricultural credit society or primary co-operative agricultural and rural development bank and its members	271D: amount taken

Trustee, court-appointed receiver; trustees under a written or oral trust. Same liabilities, assessed only in that capacity (s.161); may recover or retain the tax, with an AO certificate if disputed (s.162); direct assessment of the beneficiary not barred (s.166); remedies against property (s.167). [SM 344–345]

- **Liquidator** (s.178; SM MCQ 1): notify the AO within **30 days** of appointment; AO notifies the amount to be set aside within **3 months**; no parting with assets meanwhile (except tax, secured creditors with priority, reasonable winding-up costs); default → **personally liable up to the notified amount**; joint and several; overrides other laws except the **IBC 2016**. [SM 346]
- **Directors of a private company** (s.179): jointly and severally liable for its unrecoverable tax (incl. penalty, interest) of years they were directors — unless no gross neglect, misfeasance or breach of duty. [SM 347]

8.6 · INCOME TAXED IN THE SAME YEAR

s.174 person leaving India (notice ≥ 7 days) · **s.174A** AOP / BOI / AJP formed for a short period · **s.175** person likely to transfer assets to avoid tax · **s.176** discontinued business (notice of discontinuance within **15 days**; later receipts taxed when received) · **s.177** dissolved AOP — members jointly and severally liable. [SM 348–349]

MCQ ANSWERS

1. SM MCQ 1: 178(3) duty is the **liquidator**'s. SM MCQ 2: 269SS threshold **₹20,000**. [SM 358]
2. MQP MCQ (vii): loan from a primary agricultural credit society to its member → **₹2,00,000** (ICMAI key B).
3. J23 MCQ (vii) (old law): an individual's website advert for selling his own house — not for business, so no equalisation levy.

MEMORY HOOKS

- **"20k take, 2 lakh receive"** — 269SS / 269T at ₹20,000; 269ST at ₹2,00,000; co-op farm credit lifts 20k to 2 lakh.
- Tonnage: **15 tons, 10 years, 20% reserve, 49% charter, no MAT**.
- Liquidator: **30 days to tell, 3 months to hear**.

PRACTISE THESE

MQP MCQ (vii) · SM MCQs 1–2 · MCQ bank Q29, Q30, Q111, Q112, Q113, Q147 (check each for equalisation levy — now obsolete) · SM short essays 1–3 (tonnage tax; representative assessee; liquidator) · **ICMAI Practice Workbook: no problem on this module**.

269ST receive	**₹2,00,000 or more** from a person in a day / one transaction / one event — not in cash	271DA: amount received
269T repay	loan / deposit / specified advance with interest ₹20,000 or more (₹2,00,000 for the co-operative cases)	271E: amount repaid
269SU	turnover above **₹50 crores** in the preceding year → offer prescribed e-payment modes	271DB: ₹5,000 a day

Exempt: Government, banks, post-office savings banks, co-operative banks, statutory corporations, Government companies, notified bodies; 269SS also where both parties have only agricultural income. 269ST: one NBFC / HFC instalment = one transaction (Circular 22/2017). [SM 350–353]

The SM says the 271D penalty is imposed by the Joint Commissioner; the Jun'26 supplementary moved 271C–271E to the AO (see M4).

OTHER PROVISIONS

- Notices after HUF partition → last manager (or all adult members); dissolved firm / AOP → any partner (not minor) / member (s.283); discontinued business (s.284). [SM 353]
- Non-resident's **liaison office** statement Form 49C (s.285); Indian concern of an indirect-transfer entity Form 49D (s.285A); film producers / event managers report payments over **₹50,000** (s.285B). [SM 353]
- Publication of names (s.287) only after the appeal time for a penalty; registered valuer may appear (287A). [SM 354]
- **Authorised representative** (s.288): relative / employee, bank officer, legal practitioner, CA, holder of a recognised accountancy exam (incl. **ICWAI final**), commerce / law graduate …; disqualified: dismissed government servant (always), fraud conviction (10 years), insolvent (while insolvent); appeal to the Board within 1 month. [SM 354–357]

JUN'26 SUPPLEMENTARY · s.285BAA

New duty for prescribed reporting entities to report **crypto-asset** transactions; defects to be cured within 30 days of intimation. [Supp J26 p.28]