



**Association of Medical Consultants,
Mumbai
along with Finnovate**

Presents

Wealth Rx:

**Financial Planning & Investment
Strategies for Doctors**

Seven-Module Masterclass

All sessions outline

Session	Date	Topic
Module 1	06 July 2025	All About Financial Planning For Achieving Your Goals
Module 2	20 July 2025	How To Grow Your Practice While Saving Taxes
Module 3	03 Aug 2025	Overview Of All Asset Classes and Basics Of Investing In Mutual Funds
Module 4	24 Aug 2025	Basics Of Investing In Mutual Funds (continued). Basics of Fundamental
Module 5	7 Sept 2025	Basics of Fundamental (cont.) & Technical Analysis of Stocks
Module 6	21 Sept 2025	Loans, Insurance, Legacy: Managing Risk & Wealth Transfer
Module 7	28 Sept 2025	Instilling The Right Financial Habits- Recap Of The Course

Objective of this course:

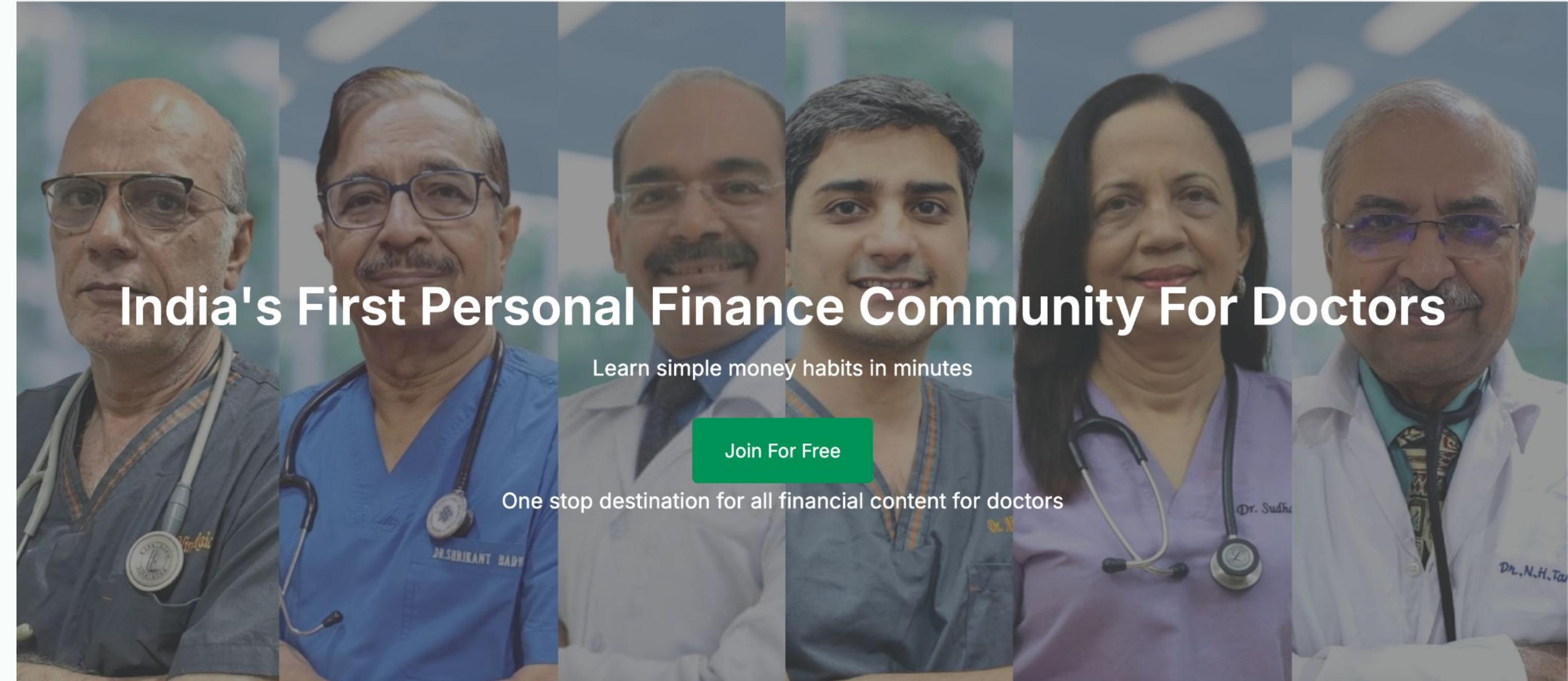
- 1) The course aims to give doctors a clear understanding of how financial planning actually works—what the process involves, what various financial products are meant to do, and what realistic outcomes to expect from each of them. When you're informed, you're less likely to rely on guesswork or biased recommendations.
- 2) It helps you understand what you should expect from your financial advisor or service provider. Whether it's a CA, a wealth advisor, you will learn how to evaluate advice instead of following it blindly.
- 3) This course is not designed to turn you into fund managers. Instead, it equips you with just enough foundational knowledge so that you can make sound, long-term decisions without getting overwhelmed.
- 4) As a doctor, your time is far more valuable when spent saving lives, not spent researching SIPs or debating insurance policies. By understanding the essentials, you will avoid common traps and save hours otherwise lost in financial confusion.
- 5) The course also focuses on developing good financial habits rather than relying on short-term tactics. It's about building long-term systems that support wealth creation, protection, and transfer.
- 6) With better planning and execution you can move towards financial independence much earlier in life. It's not about earning more, but using what you earn more efficiently and purposefully.

India's First Personal Finance Community For Doctors

Learn simple money habits in minutes

Join For Free

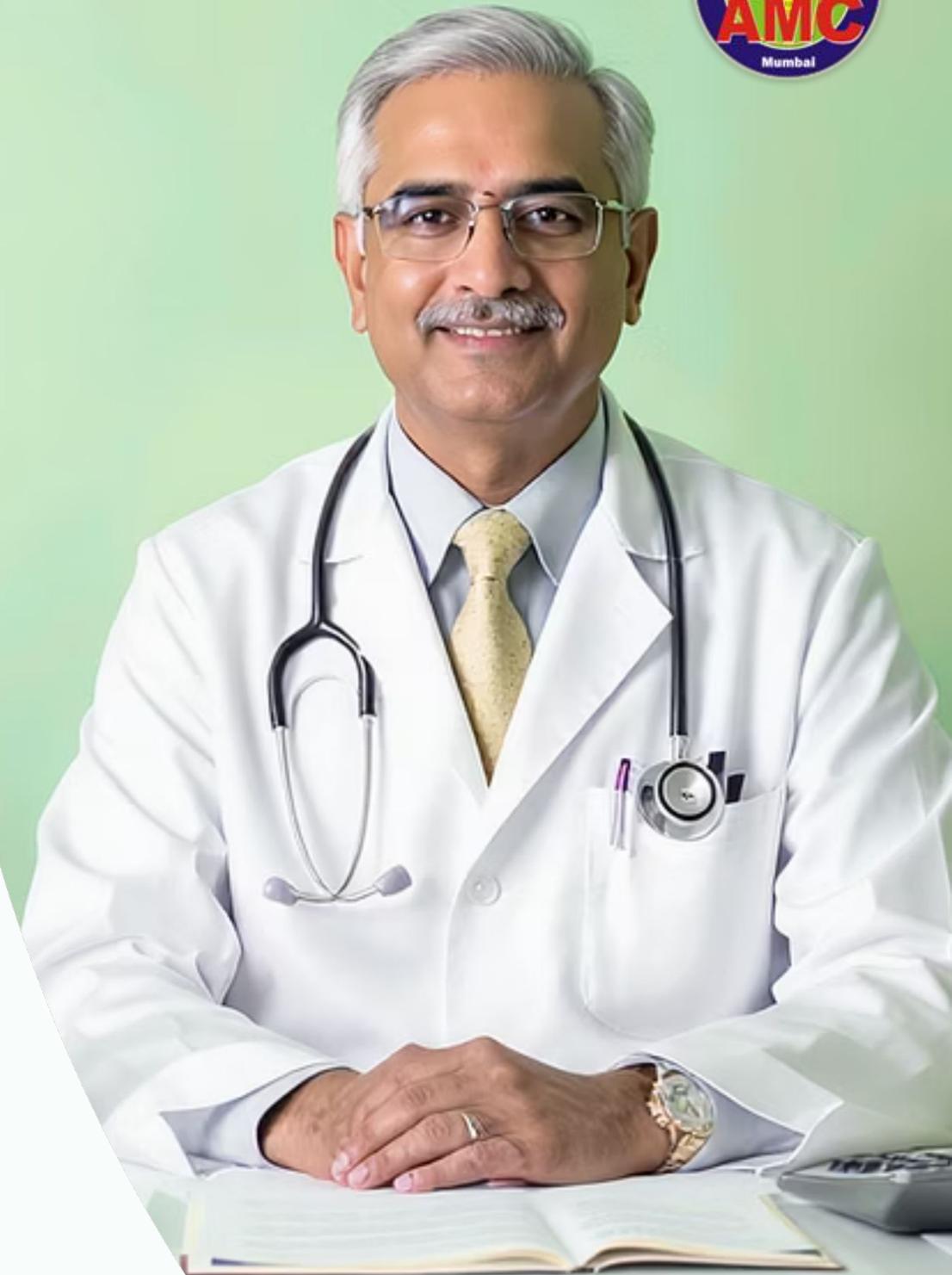
One stop destination for all financial content for doctors



Practical Aspects of Income Tax for Doctors

**A Comprehensive Guide to Tax Compliance and
Planning for Medical Professionals**

Disclaimer :- This is not promotion of CA practices but only for practical guidance . The participants are requested to consult their CA before acting on the same.



About Finnovate

Finnovate is a leading financial planning company specializing in providing successful professionals with a disciplined approach to achieving their financial goals.

Our Approach: Six Pillars of Financial Fitness

Goal Planning

Budgeting & Taxation

Loan Management

Risk (Insurance) Planning

Investment Advisory

Estate Planning

Our Impact:

- Over **3500+** professionals and families served through our FinnFit™ process.
- Combining expert advisors with a transparent tech platform.



Finnovate in News



Watch Later Share

MARRIED WOMEN'S PROPERTY ACT

Financial Independence

- Promotes financial independence by granting property ownership rights

SMART MONEY | IMPORTANCE OF INSURING ASSETS

CNBC TV18

CNBC-TV18 @CNBCTV18News

#SmartMoney | Catch @soniashenoy speak with @nassersalim001, Managing Partner of @FlexiCapital & Nehal Mota, Co-founder of @Finnovate as they help you pick the right insurance plan for you & your family, at 3pm on Friday, July 21 only on CNBC-TV18

NASSER SALIM
Managing Partner, Flexi Capital

NEHAL MOTA
Co-Founder, Finnovate Financial Services

FRIDAY, 3:30 PM

SMART MONEY

NEWS NOW

Srscs Say Total Said To Seek Buying Stakes In Some Adani Green Proj; May Invst About \$700 Mn: Agencies

NIKKI 225 33533.09

364.99 1.10%

1.6m 1450.00 8.25 IndusTowers¹⁰ 29.3m 188.25 4.40 Ingerso

Nifty Bank index advances for 3rd straight day; Bandhan Bk, HDFC Bk lead

ET NOW 5:08 PM

THE MONEY SHOW FINANCIAL PLANNING FOR SELF-EMPLOYED

FINCL PLANNING FOR SELF-EMPLOYED

Nehal Mota's View

Do Not Mix Your Personal Finance With Business

NEWS NOW

Sensex, Nifty End At Record Closing Highs; Financial Services Cos Gain

SENSEX 67838.63

319.63 0.47%

alth² 0.4m 808.25 1.05 MEP Infra¹⁰ 0.7m 12.45 0.35 MRF¹⁰ 14.1k

Nifty FMCG index declines for 2nd straight day; Emami, United Spirits drag most

ET LIVE NOW 5:10 PM



SPEAKER

- Professional Chartered Accountant with 35 years of post qualification experience.
- Very good experience in Taxation and Commercial Laws
- Hands on experience on Accounting and Tax Optimization
- Very practical approach for Strategic Tax planning
- Hands on experience of Joint ventures and Business valuation
- Adept at Financial viability of new projects and Project Financing
- Loan syndication and capital management options
- Rich experience in formulating Investment strategies for Family wealth creation



CA JAYANT FURIA



Why White is Beautiful?

Do you believe in Holding Cash ? or Converting Cash to White ?

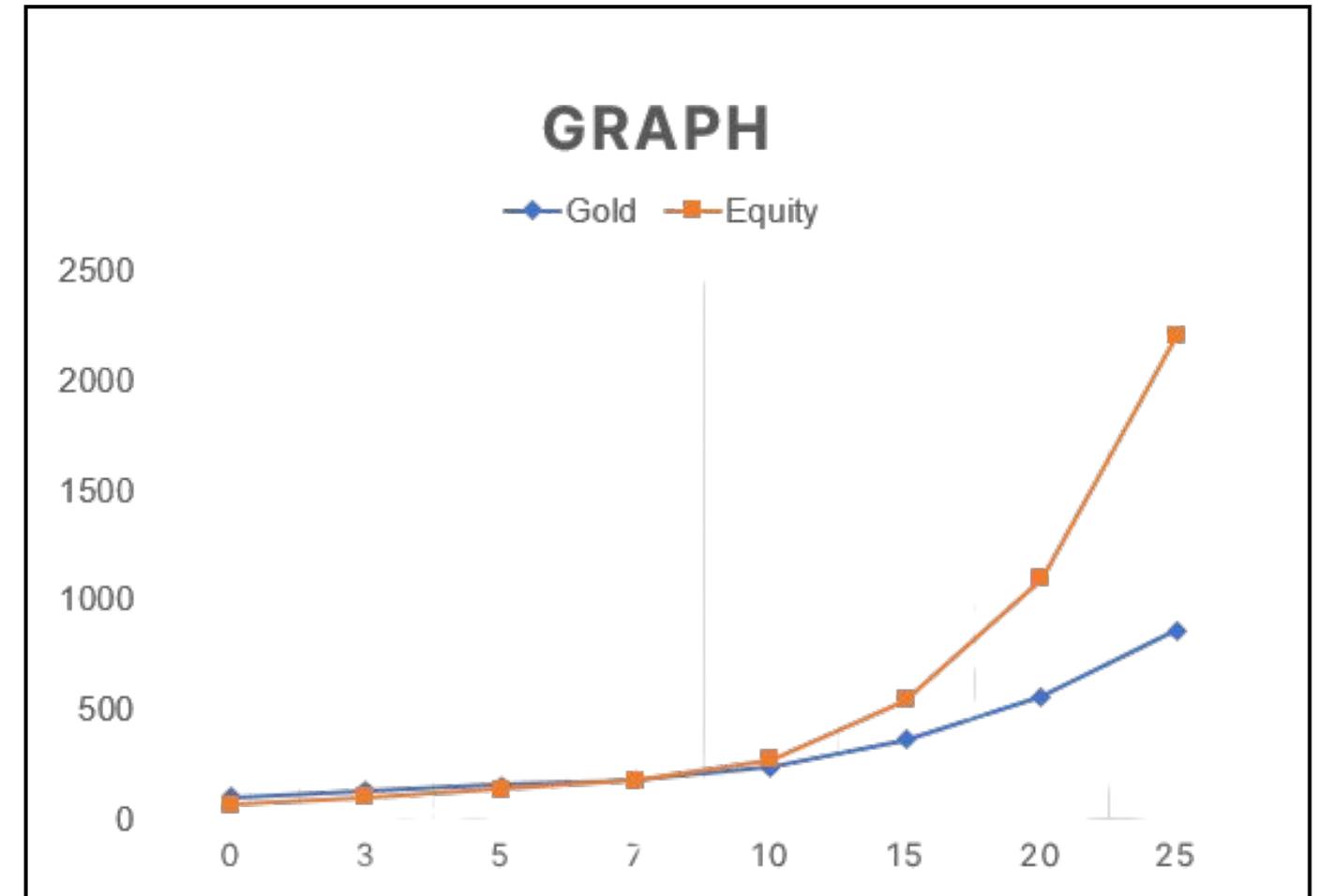
What is reasonable Average Tax % you think is good to pay ?

Do you know Person declaring more Income is generating more Wealth than person holding on Cash ?



Why **Pay** your Taxes?

Returns	9%	15%	
Years	CAGR	CAGR	Difference
0	100	67	-33
3	130	102	-28
5	154	135	-19
7	183	178	-5
10	237	271	34
15	364	545	181
20	560	1097	537
25	862	2206	1344



Why **Paying Taxes** is in your **Best Interest?**



- Stronger financial standing: A higher declared income means higher borrowing power. Your company entity can borrow at an attractive post-tax interest rate (8-10% interest of loan can be shown as business expense)
- Right leverage can help companies expand faster. Personal wealth can be allocated towards high alpha avenues.
- Plan taxes, instead of just focusing on minimizing it: Optimize your taxes. You can declare more income by structuring it properly instead of just making your financial objective of reducing taxes.
- Peace of mind: This can reduce scrutiny from tax authorities and prevent issues.



Why **Reducing Taxes** should not be **your only Goal for Financial Planning?**

Case study: Dr. D and his family did not disclose full income in order to save taxes.

Family-level income includes individual incomes of Dr. D, his wife, his father and their HUF.

AY 2024-25	Dr. D HUF	Father of Dr. D	Wife of Dr. D	Dr. D	Total
Income	4,72,880	4,21,560	15,80,860	27,86,150	52,61,450
Tax	-	-	1,81,215	5,09,356	6,90,571
Effective Tax Rate			11.46%	18.28%	13.13%
Net Income Post Tax	4,72,880	4,21,560	13,99,645	22,76,794	45,70,879



Why **Reducing Taxes** should not be your only **Goal for Financial Planning?**

AY 2025-26	Dr. D HUF	Father of Dr. D	Wife of Dr. D	Dr. D	Total
Total Income	25,00,000	25,00,000	35,00,000	40,00,000	1,25,00,000
Tax Payable	4,57,600	4,57,600	7,69,600	9,25,600	26,10,400
Effective Tax Rate	18.30%	18.30%	21.99%	23.14%	20.88%
Net Income Post Tax	20,42,400	20,42,400	27,30,400	30,74,400	98,89,600



Taxability of Different Types of Income for Doctors

Income from Medical Profession

- Income from clinic, hospital visits, telemedicine, honorarium, Pharmacy
- Tax treatment of consultancy vs salary
- Income from medical camps, pharma companies, lectures
- Section 44ADA (Presumptive Taxation for Professionals)
- When to opt out of 44ADA – pros and cons

Types of Professional Fees received by Medical Professionals

1. Types of Income for Doctors and Their Tax Treatment



Nature of Income	Description	Tax Head	Remarks
Clinic Practice	Fees received from private patients	PGBP (Sec 28)	Eligible for Sec 44ADA or regular books
Hospital Visits	Retainership or OPD/IPD rounds at hospital	PGBP	Considered consultancy if no employer-employee relationship
Telemedicine	Online consultations through apps or private clients	PGBP	Treated as professional fees
Honorarium	Payments from institutions for lectures, CMEs, panels	PGBP	Treated as professional fees
Medical Camps	Participation in health camps (govt/private)	PGBP	Expenses may be deductible if incurred
Pharma Advisory	Advisory, speaker events, product endorsements	PGBP	May attract TDS u/s 194J or 194R
Lectures & Training	Guest lectures at colleges, webinars	PGBP	If casual, still taxed as professional fees
Salary from Hospital	Full-time employee with fixed salary	Salary	Standard deduction allowed, TDS under 192
Visiting Consultant (with contract)	Paid per visit/procedure	PGBP	Not salary, no employer-employee relationship

2. Salary vs Consultancy – Key Differences



Particulars	Salary	Consultancy
Tax Head	Income from Salary	Income from Profession (PGBP)
TDS	Section 192	194J (10%)
Deductions	Standard deduction (Rs. 75,000)	Business expenses allowed
Books of Account	Not required	Required if above limit (Sec 44AA)
Form 16 / Form 26AS	Form 16 issued	TDS reflected in 26AS only
Flexibility for deductions	Limited	Full deductions including depreciation, rent, staff salary, etc.



3. Key Points for Doctors

-  If you work at multiple hospitals or do private practice: income is treated as consultancy unless under formal employment
-  If TDS is under Sec 194J, then it is professional income, not salary
-  If full-time employee with benefits, PF, leave, etc., it's likely salary





4. Tax Planning Tips

1

Separate personal and professional accounts to track income

3

Choose between Sec 44ADA or normal accounting depending on profit margin

2

For consultancy income, maintain proper invoices and claim expenses

4

Maintain documentation for honorarium, pharma payments (Sec 194R compliance)



Allowable Business Expenses for Doctors – Income Tax Act

1. Overview of Business Expenses

Doctors running a clinic or practicing independently can claim business and professional expenses under Section 37(1) of the Income Tax Act. These expenses must be:

-  Incurred wholly and exclusively for the profession
-  Not capital or personal in nature

Activity: poll what all expenses you claim?:



Allowable Business Expenses for Doctors

- Staff salary, rent, electricity, mobile/internet, depreciation
- Medical equipment purchase and AMC
- Travel expenses (CME, conferences, hospital visits)
- Books, journals, professional subscription
- Car expenses (Full /partial claim)



2. List of Common Allowable Expenses



Expense Head	Examples	Remarks
Clinic Rent	Rental payments for premises	Agreement, rent receipts needed
Staff Salaries & Wages	Assistant doctors, nurses, receptionist	TDS applicable if above threshold
Medical Equipment	Purchase, maintenance, AMC	Capitalized and depreciated; maintenance is revenue expense
Depreciation	Medical equipment, furniture, computers	Allowed as per Income Tax rates (e.g., 15%/40%)
Electricity & Water	Utility bills for clinic	Bills in clinic's name preferred
Telephone & Internet	Mobile, broadband used for clinic	Partial disallowance if mixed use
Motor Car Expenses	Petrol, insurance, repairs	Apportioned between personal & professional use
Professional Indemnity Insurance	Annual premium	Deductible under Sec 37(1)

3. Inadmissible or Restricted Expenses



Expense

Tax Treatment

Personal travel or meals

Disallowed

Donations to political parties

Not allowed under Sec 37

Capital expenses (e.g., land, building)

Not deductible; depreciable if applicable

Personal insurance (Life/Health)

Not allowed under business; may be eligible under 80C/80D

Case study



Dr. Pyarelal is like many senior doctors today with multiple income sources- clinic fees, hospital retainership, guest lectures fees, pharma advisory fees, and more. Some payments came in cash, others in the bank. Some had TDS deductions. Some didn't.

But when tax season came around, the confusion kicked in.

How should he classify these earnings?

Was he overpaying tax without even realising?

That's where Finnovate stepped in.

We worked closely with him to structure his income, classify the cash and digital receipts, and ensure every rupee was declared in the right place - with the least possible tax impact.

Profit as worked out by accountant: Rs. 6,768,000

Profit as worked out by CA (based on above): Rs. 6,520,500

Profit as worked by Finnovate: Rs. 5,081,500

https://docs.google.com/spreadsheets/d/1ZhgCH0OZai74GPkMIAM_ovnQGCFR4Cti/edit?usp=sharing&ouid=108954486334442761598&rtpof=true&sd=true



Cash Transaction Limits & Compliance

- Section 269ST: ₹2 lakh limit on cash receipts
- Penalties for cash transactions
- Cash deposit reporting under AIR/SFT
- Record-keeping requirements

1. Section 269ST – Cash Receipt Limit



Provision

Sec 269ST

Rule

No person shall receive cash of ₹2,00,000 or more: In a single transaction in aggregate from a person in a day for a single event/occasion from a person

Example:

- Patient pays ₹1.5 lakh today and ₹0.6 lakh tomorrow in cash for the same surgery – Violation.
- ₹1 lakh from 3 patients in a day – No violation.

Penalty (Sec 271DA): Equal to the amount received in cash (100% penalty)



2. Section 269SS – Cash Loan/Deposit Limit

Rule

You cannot accept a loan, deposit, or advance in cash of ₹20,000 or more

Applies to

Loans from patients, friends, or even family (unless exempt under relatives category)

Penalty (Sec 271D)

Equal to the amount accepted in cash

3. Section 40A(3) – Cash Payment Disallowance

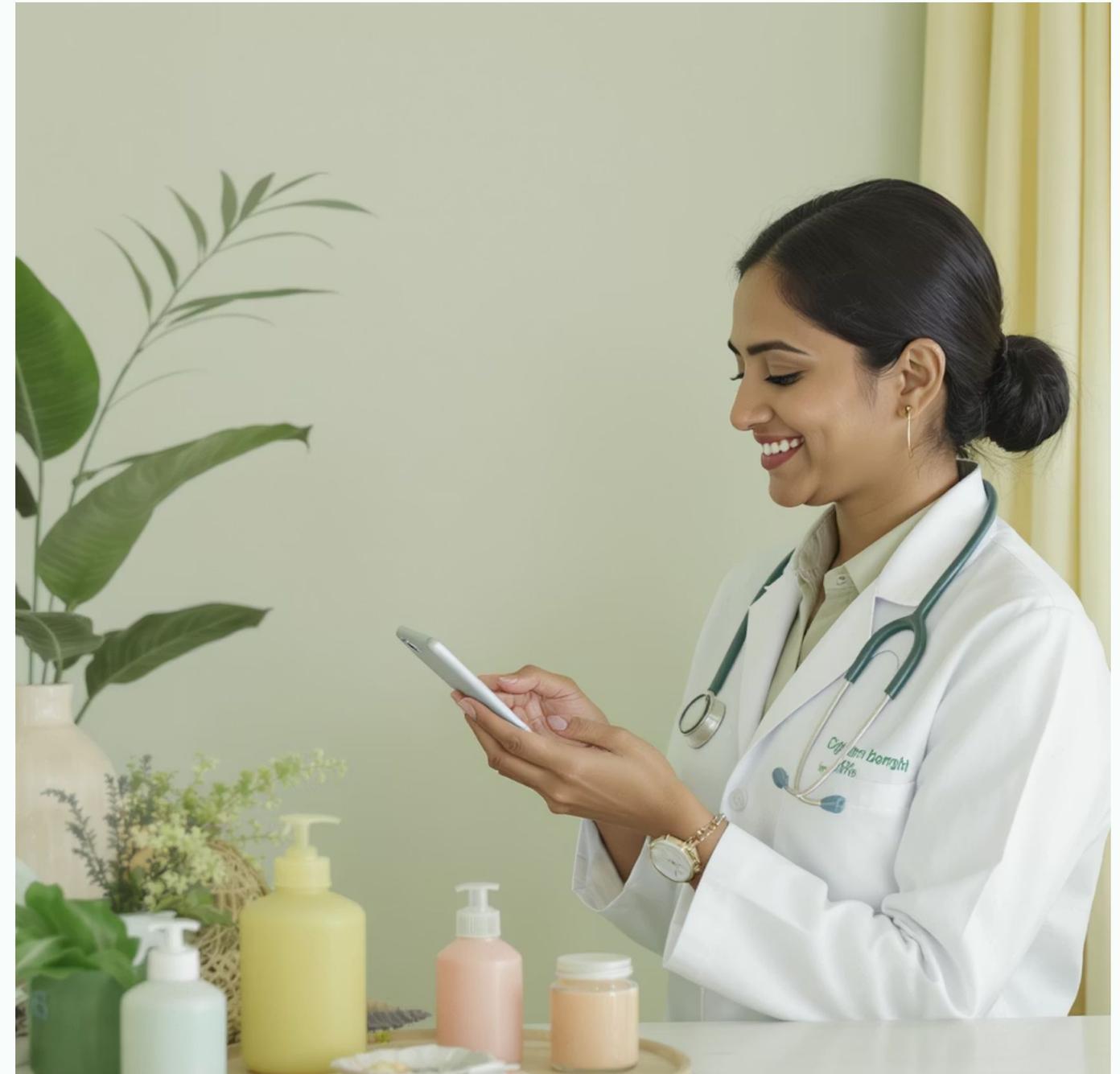


Rule

Any payment > ₹10,000 per day to a person in cash is disallowed as expense in tax computation

Exception

Hospital purchases in emergency (e.g., medicine, ambulance fuel) can be allowed with justification.





4. High-Value Cash Reporting Under SFT

Transaction Type	Reported by	Threshold
Cash deposit in savings account	Bank	> ₹10 lakh/year
Cash deposit in current account	Bank	> ₹50 lakh/year
Cash payments for health services	Hospital/Clinic (if liable)	If covered under tax audit

Ensure PAN is quoted for such transactions.



5. Cash Compliance for Doctors

-  Avoid receiving more than ₹2L cash from any patient
-  Use digital payments (UPI, NEFT, RTGS, Cheque, Card)
-  Issue proper invoices and receipts
-  Maintain Daily Cash Book and tally with bank
-  Reconcile cash sales with PAN-linked transactions



6. Best Practices for Cash Management

Mention cash policy on clinic board or bills

Accept cash < ₹2L and prefer digital for higher bills

Train staff to handle and record cash correctly

Regularly review audit trail and cash flow vs income

Importance of Cash Compliance

- ⚠️ Non-compliance with cash transaction laws not only invites penalties but also increases the risk of tax scrutiny.



Index:

Part 1

- Why Pay Your Taxes?
- Income Sources vs Tax Treatment
- Cash Compliance
- Maintenance of Books and Audit Requirements
- Sec 44ADA vs Normal Accounting
- New Regime vs Old Regime: Which is Better for Doctors

Part 2

- ITR Forms
- Income Tax Notices, Scrutiny, and Litigation for Doctors
- Succession Planning for your clinic practice
- TDS Applicability to Doctors
- International Income & Teleconsulting for NRIs
- Professional Indemnity Insurance – Tax Impact
- GST for medical professionals
- TAX HARVESTING



Maintenance of Books & Audit Requirements

Here is a detailed summary of Maintenance of Books of Accounts & Audit Requirements under Income Tax Act and other laws for Medical Professionals in India:

- Who is required to maintain books of accounts?
- Medical professionals and Sec 44AA
- Tax Audit under Section 44AB
- Thresholds for AY 2025-26 (50L/75L/1Cr)
- Audit formats and audit report



2. If NOT opting for Sec 44ADA

Medical Professionals are required to maintain books if:

Criteria	Threshold
Gross receipts in any 1 of 3 preceding years	> ₹2,50,000
New profession started in the year	Likely to exceed ₹2,50,000



A. Maintenance of Books of Accounts – Section 44AA

➤ Who is required to maintain books?

1. If opting for Presumptive Taxation (Sec 44ADA)
 - Turnover \leq ₹75 lakhs (from AY 2024-25)
 - Not required to maintain books if income is shown as \geq 50% of gross receipts.

Exception:

- If actual income is less than 50% of gross receipts and total income exceeds basic exemption, books must be maintained.



B. Books to be Maintained (Rule 6F)

Applicable to medical, legal, engineering, architectural, accountancy, technical consultancy, and interior decoration professions.

For Medical Practitioners, the following records must be maintained:

Type of Record	Description
Cash Book	Daily cash transactions
Journal	If mercantile system is followed
Ledger	To summarize transactions
Bills > ₹25	Original bills/receipts for expenses
Bills < ₹25	Payment vouchers
Inventory Register	Stock of medicines, consumables on hand as on 31st March

➤ Additional for Medical Professionals:

Record	Details
Daily Case Register	For patient details (name, service given, fees received)
Register of Drugs & Consumables	Date-wise stock, usage, and balance



C. Audit Requirements – Section 44AB

1. Tax Audit is required if:

Scenario	Limit (AY 2024-25 onwards)
If NOT opting for 44ADA	Gross receipts > ₹50 lakhs
If opted for 44ADA but declaring profit < 50% and total income > exemption	Mandatory audit



D. Other Laws Requiring Maintenance of Records

1. Goods & Services Tax (GST) – if registered

Record	Remarks
Patient-wise invoices	Required for each taxable supply
Expense records	For ITC eligibility
Inventory register	For input-output matching



2. Clinical Establishments Act / State Medical Council

May require:



Patient records



Consent forms



Treatment notes



Biomedical waste records



3. Other Applicable Acts (for Hospitals/Clinics)

Law

Record

Biomedical Waste Mgmt Rules

Waste logs, disposal receipts

PCPNDT Act (for imaging centers)

Sonography logs, Form F

Drugs & Cosmetics Act

Drug stock register, purchase invoices



Summary Compliance Table

Turnover	44ADA Applicable	Books Required	Tax Audit
≤ ₹75 lakhs & profit ≥50%	Yes	No	No
≤ ₹75 lakhs & profit <50% + total income > exemption	Yes	Yes	Yes
>₹75 lakhs	No	Yes	Yes (if > ₹50L)



E. Sec 44ADA vs Normal Accounting

Feature	Sec 44ADA	Normal Method
Expense Claim	No individual claims	Full claims allowed
Books Required	No	Yes
Audit Needed	No	If income > ₹75L or profit < 50% and income > ₹2.5L



Section 44ADA – Overview

Section 44ADA offers presumptive taxation for certain professionals (including doctors) with gross receipts up to ₹75 lakhs in a financial year.

Key Features

- 50% of gross receipts are deemed as profit (taxable income)
- No need to maintain detailed books of account
- No audit required
- No separate deduction for expenses



When Should a Doctor Opt Out of 44ADA?

You should opt out of 44ADA and go for normal taxation (P&L method) when:

1

Actual Net Profit is Less than 50% of Gross Receipts

If your expenses are high (e.g. rent, staff, medical equipment, loans), actual profit may be much less than 50%, making normal taxation more tax-efficient.

3

You Need to Avail Deductions like 80C, 80D, Home Loan

44ADA doesn't stop you from claiming deductions under Chapter VI-A (like 80C), but normal computation may give better flexibility in tax planning.

2

You Want to Claim High Deductions/Depreciation

Normal taxation allows:

- Depreciation on equipment & car
- Staff salaries
- Clinic rent, repairs, electricity
- Travel, conference expenses
- Insurance (including indemnity)
- Professional development

4

You Have Borrowings (Loans, EMI interest) and Want to Reflect Losses or Lower Taxable Income

Under 44ADA, 50% profit is fixed—even if you had low profits due to loan repayments or startup costs.



Pros and Cons of Opting Out of Section 44ADA

Aspect	Stay in 44ADA	Opt Out
Compliance burden	Low	High (books + audit if required)
Profit considered	Fixed at 50%	Actual (net of expenses)
Books of account	Not required	Required under Sec 44AA
Audit	Not required	Required if profit < 50% and income > basic exemption
Flexibility to claim expenses	No	Yes
Best when...	Expenses < 50% of receipts	Expenses > 50% of receipts

Important Notes on Section 44ADA

- 🔒 Once opted out, you must continue normal taxation for the next 5 years (Sec 44ADA(4))
- 🗣️ If you revert to presumptive before 5 years, you lose eligibility for presumptive for that period
- 📄 If profit < 50% and total income exceeds basic exemption, audit under Section 44AB is mandatory





Example: Comparing 44ADA vs Normal Taxation

Dr. A: Gross receipts ₹60 lakhs

- Expenses: ₹40 lakhs
- Actual profit: ₹20 lakhs (33%)

Under 44ADA:

Deemed profit ₹30 lakhs → Tax on ₹30L

Under Normal:

Net profit ₹20 lakhs → Tax on ₹20L

✔ Better to opt out and pay tax on ₹20L



Summary Checklist – When to Opt Out of 44ADA if:

Actual profit < 50%

High clinic/hospital expenses

You want to show lower profit
or claim losses

You require accurate books for funding or
regulation

You invest heavily in equipment or infrastructure

Tips for Doctors on Tax Planning



Separate Accounts

Use a separate bank account for clinic transactions



Documentation

Maintain invoices, receipts, and vouchers for all expenses



Expense Tracking

Avoid mixing personal and professional expenses



TDS Compliance

File TDS returns if paying salaries/consultancy above limits

Importance of Documentation

Proper documentation and categorization of expenses can significantly reduce taxable income and ensure audit readiness.



New Regime vs Old Regime – Which is Better for Doctors?



New Regime vs Old Regime – Which is Better for Doctors?

- Comparison of tax slabs
- Deduction losses in New Regime
- When New Regime works better (high net income, fewer expenses)
- Case studies for decision-making

Choosing between the Old Tax Regime and the New Tax Regime (under Section 115BAC) depends on your income level, available deductions, and type of expenses/investments. Here's a detailed comparison specifically tailored for Doctors (Medical Professionals):



Basic Difference – Old vs. New Regime

Particulars	Old Regime	New Regime (115BAC) – AY 2024-25 onwards
Tax Slabs	Higher rates	Lower rates
Deductions	Allowed Yes (80C, 80D, HRA, etc.)	Not allowed (with few exceptions)
Compliance Burden	Higher (proof of deductions, etc.)	Lower
Suitable For	High deductions, family, loans	High-income professionals with fewer deductions



Key Deductions Allowed (Old Regime)

Deduction/Exemption	Available in Old	New Regime
80C (LIC, PPF, ELSS, School fees)	Yes	No
80D (Medical Insurance)	Yes	No
HRA (if staying in rented house)	Yes	No
Home Loan Interest (Sec 24)	Yes	No
Standard Deduction (₹50,000)	Yes	Yes
NPS u/s 80CCD(2) (employer contribution)	Yes	Yes



Example Comparison – For a Doctor

Particulars	Example 1: Gross ₹12L	Example 2: Gross ₹20L
Deductions under Old Regime	₹2.5L (80C + 80D + HRA)	₹4.5L (all applicable)
Tax under Old Regime	₹1,17,000 approx	₹3,37,500 approx
Tax under New Regime	₹1,35,000	₹3,00,000
Which is better?	Old (lower tax)	New (lower tax)

Old Regime is better if you have high deductions

New Regime is better if you don't claim many deductions

Doctors – What to Consider



Situation	Suggested Regime
Salaried with HRA, PF, Life/Health Insurance	Old Regime
Clinic income with few deductions	New Regime
Home loan and children's tuition fees	Old Regime
NPS/Employer contribution only	New Regime may work



Allowable deductions in old regime vs new regime

<https://www.incometax.gov.in/iec/foportal/help/individual/return-applicable-1>

Slab Rates Comparison (AY 2025-26) - Old Regime



Old Tax Regime		
Income Tax Slab	Income Tax Rate	*Surcharge
Up to ₹ 2,50,000	Nil	Nil
₹ 2,50,001 - ₹ 5,00,000**	5% above ₹ 2,50,000	Nil
₹ 5,00,001 - ₹ 10,00,000	₹ 12,500 + 20% above ₹ 5,00,000	Nil
₹ 10,00,001- ₹ 50,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	Nil
₹ 50,00,001- ₹ 100,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	10%
₹ 100,00,001- ₹ 200,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	15%
₹ 200,00,001- ₹ 500,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	25%
Above ₹ 500,00,000	₹ 1,12,500 + 30% above ₹ 10,00,000	37%

Slab Rates Comparison (AY 2025-26) - New Regime



New Tax Regime u/s 115BAC		
Income Tax Slab	Income Tax Rate	*Surcharge
Up to ₹ 3,00,000	Nil	Nil
₹ 3,00,001 - ₹ 7,00,000**	5% above ₹ 3,00,000	Nil
₹ 7,00,001 - ₹ 10,00,000	₹ 20,000 + 10% above ₹ 7,00,000	Nil
₹ 10,00,001 - ₹ 12,00,000	₹ 50,000 + 15% above ₹ 10,00,000	Nil
₹ 12,00,001 - ₹ 15,00,000	₹ 80,000 + 20% above ₹ 12,00,000	Nil
₹ 15,00,001- ₹ 50,00,000	₹ 1,40,000 + 30% above ₹ 15,00,000	Nil
₹ 50,00,001- ₹ 100,00,000	₹ 1,40,000 + 30% above ₹ 15,00,000	10%
₹ 100,00,001- ₹ 200,00,000	₹ 1,40,000 + 30% above ₹ 15,00,000	15%
Above ₹ ₹ 200,00,001	₹ 1,40,000 + 30% above ₹ 15,00,000	25%



10 min break

with QnA

Post your questions in the **QnA option**

What will be covered in Part 2

- ITR Forms
- Income Tax Notices, Scrutiny, and Litigation for Doctors
- Succession Planning for your clinic practice
- TDS Applicability to Doctors
- International Income & Teleconsulting for NRIs
- Professional Indemnity Insurance – Tax Impact
- GST for medical professionals
- TAX HARVESTING



ITR Forms



Before filing ITR you must verify information from the following 2 forms available on Income tax website.

1) Form 26AS

https://eportal.incometax.gov.in/iec/foservices/assets/pdf/3_Form26AS_Sample.pdf



2) Form AIS & TIS

<https://www.incometax.gov.in/iec/foportal/ais-faq>



1. ITR-1 (SAHAJ) – Applicable only for Individual

This return is applicable for a Resident (other than Not Ordinarily Resident) Individual having Total Income from any of the following sources up to ₹ 50 lakh

Salary / Pension

One House Property

Other sources (Interest, Family Pension, Dividend etc.)

Agricultural Income up to ₹ 5,000

Note: ITR-1 cannot be used by a person who:

- (a) is a Director in a company
- (b) has held any unlisted equity shares at any time during the previous year
- (c) has any asset (including financial interest in any entity) located outside India
- (d) has signing authority in any account located outside India
- (e) has income from any source outside India
- (f) is a person in whose case tax has been deducted u/s 194N
- (g) is a person in whose case payment or deduction of tax has been deferred on ESOP
- (h) has any brought forward loss or loss to be carried forward under any head of income
- (i) has total income exceeding Rs. 50 lakhs.

<https://www.incometax.gov.in/iec/foportal/help/how-to-file-itr1-form-sahaj>



2. ITR-2 - Applicable for Individual (Not eligible for ITR 1) and HUF

This return is applicable for Individual and Hindu Undivided Family (HUF)

Not having Income under the head Profits and Gains of Business or Profession

Who is not eligible for filing ITR-1

3. ITR-3- Applicable for Individual and HUF

This return is applicable for Individual and Hindu Undivided Family (HUF)

Having Income under the head Profits and Gains of Business or Profession

Who is not eligible for filing ITR-1, ITR-2 or ITR-4

<https://www.incometax.gov.in/iec/foportal/help/how-to-file-itr2-form>

4. ITR-4 (SUGAM) – Applicable for Individual, HUF and Firm (other than LLP)



This return is applicable for an Individual or Hindu Undivided Family (HUF), who is Resident other than Not Ordinarily Resident or a Firm (other than LLP) which is a Resident having Total Income under Business or Profession which is computed on a presumptive basis (u/s 44AD / 44ADA / 44AE) and income from any of the following sources:

Salary / Pension	One House Property	Other sources (Interest, Family Pension, Dividend etc.)	Agricultural Income up to ₹ 5,000	Long Term Capital u/s 112A upto ₹ 1,25,000
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Note 1:

ITR-4 cannot be used by a person who:

- (a) is a Director in a Company, or
- (b) has held any unlisted equity shares at any time during the previous year, or
- (c) has any asset (including financial interest in any entity) located outside India, or
- (d) has signing authority in any account located outside India, or
- (e) has income from any source outside India,
- (f) is a person in whose case payment or deduction of tax has been deferred on ESOP
- (g) has any brought forward loss or loss to be carried forward under any head of income
- (h) has total income exceeding Rs. 50 lakhs.
- (i) has income from short term capital gains
- (j) has income from long-term capital gain other than u/s 112A upto Rs.1.25 lakhs

Note:2 ITR-4 (Sugam) is not mandatory. It is a simplified return form to be used by an Assessee, at his option, if he is eligible to declare Profits and Gains from Business or Profession on presumptive basis u/s 44AD, 44ADA or 44AE.

<https://www.incometax.gov.in/iec/foportal/help/how-to-file-itr4-form-sugam>



Income Tax Notices, Scrutiny, and Litigation for Doctors



Income Tax Notices, Scrutiny, and Litigation for Doctors

- Common reasons for notices
- Mismatch in TDS/26AS vs returns
- High cash deposit or expense scrutiny
- AIR/SFT monitoring for high-value transactions

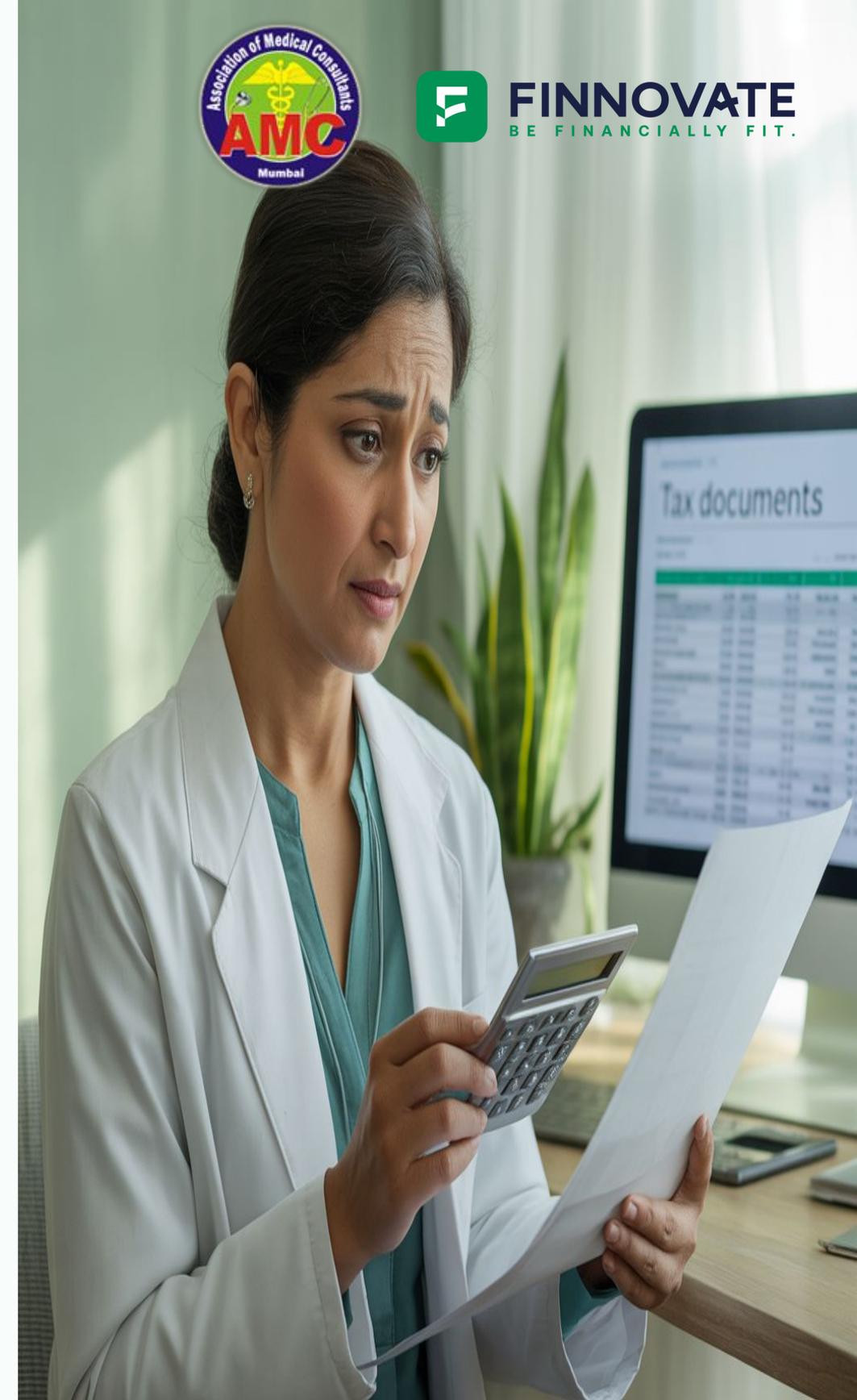


1. Types of Income Tax Notices

Section	Purpose
139(9)	Defective return – errors in filing
142(1)	Inquiry before assessment – asking for documents, clarification
143(1)	Intimation – summary assessment with adjustments
143(2)	Scrutiny notice – selected for detailed examination
148	Reassessment – income escaped assessment
156	Demand notice – payment of tax, penalty, interest
245	Set-off of refunds against old demands

2. Reasons Doctors Receive Notices

- ☆ Mismatch in reported income vs Form 26AS / AIS
- 📄 High-value cash receipts or expenses
- 📅 Non-filing or late filing of returns
- 📑 Claiming excessive deductions or expenses
- 🌐 Foreign income or telemedicine earnings not disclosed
- 👤 Pharma advisory or brand endorsement not properly declared





3. Scrutiny Assessment – Sec 143(2)

Types:

- Limited Scrutiny: Specific issue(s), e.g., mismatch in receipts vs TDS
- Complete Scrutiny: Entire return under review

Doctors may be selected for:

- High cash sales vs declared income
- Multiple PAN-linked accounts
- Underreporting of hospital consulting income
- Excessive expenses claimed





4. Handling a Scrutiny Notice

Respond within the deadline via Income Tax Portal

Submit relevant documents: clinic income details, bank statements, bills, TDS proofs

Keep detailed books: OPD/IPD registers, appointment logs, digital payments, expense vouchers

Engage a tax consultant or CA



5. Litigation and Appeals Process

Level	Forum
1st	CIT (Appeals) – within 30 days
2nd	ITAT (Income Tax Appellate Tribunal)
3rd	High Court – on substantial questions of law
4th	Supreme Court – on important legal matters

Other forums:

- Dispute Resolution Committee (DRC) – for small taxpayers
- Faceless Appeal Scheme under CBDT



6. Best Practices to Avoid Notices

1

File returns on time and accurately

2

Match 26AS, AIS, Form 16/16A data before filing

3

Avoid excessive cash transactions

4

Declare all consulting and honorarium income

5

Maintain clear books and tax audit reports

6

Don't misuse Section 44ADA if actual profit < 50%



Important Note on Tax Notices

- Note: Notices are not always negative – many are routine or query-based. Timely and accurate responses can prevent escalation.
- ⓘ Consult a qualified tax professional for representation and guidance during scrutiny or appeal.

Succession Planning and Tax Implications

- Transfer of clinic/hospital ownership
- Gift vs sale of medical practice
- Will and inheritance tax planning



Succession Planning for your clinic practice



1. What is Succession Planning?

Succession planning for doctors involves planning the smooth transfer of:

- Medical practice or clinic ownership
- Hospital shares or business interests
- Medical equipment or immovable assets
- Intellectual property (brand, goodwill, patient base)

To:

- Children (doctor/non-doctor)
- Partners or associates
- Other institutions or trusts



2. Modes of Succession

Mode	Description	Tax Treatment
Will	Legal transfer upon death	No tax at inheritance stage
Gift (during lifetime)	Transfer to family member or trust	No tax in hands of recipient if relative (Sec 56(2)(x))
Family Settlement	Distribution among family	No tax if genuine and without consideration
Buy-sell Agreement	Partner buys out exiting partner	Capital gains on transfer value
Transfer to Trust	Create family trust to manage clinic/assets	No tax if irrevocable trust and within family



3. Clinic/Hospital as a Business

If clinic is run as a business entity (firm/company):

- Shares or partnership interest can be transferred
- Stamp duty may apply if immovable assets are involved
- Succession may trigger capital gains or revaluation issues





4. Tax Implications

➤ On the Transferor (Doctor):

- Capital Gains Tax on sale/transfer of clinic, equipment, or goodwill if consideration received
- No capital gains on gift or will

➤ On the Recipient (Legal Heir/Family):

- No tax if received via inheritance, will, or gift from relative
- Future income from business/clinic taxable in their hands
- Can claim depreciation on assets received



5. Goodwill Transfer – Important Note

- Sale of goodwill of profession is taxable as capital gains (Sec 55)
- Self-generated goodwill (no cost) → Full sale value taxable
- Goodwill passed through will/gift → No tax at transfer stage





6. Compliance and Documentation

- Registered Will or gift deed
- Valuation report for goodwill or assets
- Business transfer agreement (if sale)
- Update PAN, GST, and bank account in heir's/firm's name
- Inform patients, insurers, regulators (if applicable)

7. Best Practices for Succession Planning

1

Draft a clear succession plan early

2

Identify successor and train for continuity

3

Review tax implications of each mode

4

Use family trusts or LLPs for smooth ownership transfer

5

Maintain updated asset list and business valuation

Succession planning ensures long-term value of medical practice and protects heirs from tax and legal hurdles. Consult legal and tax experts for a well-structured plan.



TDS Applicability to Doctors



TDS Applicability to Doctors

- TDS on professional fees (Sec 194J)
- TDS on rent, contract staff, or payments to other doctors
- TDS deducted by hospitals and pharma companies
- Form 26AS reconciliation





TDS under GST (Sec 51)

Applicability

If services provided to Govt hospitals/PSUs > ₹2.5 lakhs

Rate

TDS @2% to be deducted and deposited

When Doctors Must Deduct TDS

If a doctor is running a clinic/hospital and makes payments to others, TDS applies in these cases:

Nature of Payment	Section	Threshold	TDS Rate
Professional services (other doctors, consultants)	194J	₹30,000 p.a.	10%
Rent (clinic, equipment)	194I	₹6 lakh p.a. or ₹50K PM	10% (for land/building), 2% (equipment)
Contractual payments (lab tie-ups, housekeeping)	194C	₹30,000 single / ₹1 lakh aggregate	1% (individual), 2% (others)
Commission/Brokerage (referrals, if applicable)	194H	₹15,000 p.a.	5%
Salary to staff	192	Based on slab	As per slab

Note: TAN registration is mandatory for deducting and depositing TDS.



2. TDS When Doctor is Deductee (Recipient of Income)

Payer	Payment Nature	TDS Section	TDS Rate
Hospital to visiting doctor	Consultancy Fees	194J	10%
Pharma company	Advisory/lecture	194J / 194R	10% / value-based
Medical college/university	Honorarium	194J	10%
Patient (as business entity)	Professional service	194J	10% (if applicable)

3. New Provision – Section 194R (Benefit or Perquisite)

- Applicable from July 1, 2022
- TDS @10% to be deducted by companies on free samples, gifts, foreign trips, etc. provided to doctors
- Applicable even if benefit is not in cash
- Doctors to maintain proper disclosure of such benefits in ITR





4. TDS Compliance Requirements

File TDS returns (Form 24Q/26Q) quarterly

Deposit TDS by 7th of next month (30th April for March)

Issue TDS certificates (Form 16/16A)

Reconcile with Form 26AS and AIS



5. Best Practices for TDS Compliance

- 1 Obtain PAN of payees and quote it in returns**
- 2 Avoid late deduction or deposit to prevent interest & penalties**
- 3 Use accounting software or CA support to manage TDS**
- 4 Declare all income net of TDS in return and claim credit**



Importance of TDS Compliance

Proper TDS compliance protects doctors from disallowances, penalties, and mismatches in Form 26AS.



GST

for medical professionals



Definition of 'Health Care Services' – As per GST Notification

"Any service by way of diagnosis or treatment or care for illness, injury, deformity, abnormality, or pregnancy in any recognized system of medicine in India and includes services by clinical establishments or authorized medical practitioners."

Answer in chat: Which medical services are liable for GST?

GST Applicability to Medical Services

- Services exempt under GST: Treatment vs cosmetic procedures
- GST on consultancy to hospitals (as independent consultant)
- GST on services to pharma companies (e.g., advisory, brand endorsement)
- Registration threshold for doctors
- Invoicing and record-keeping under GST



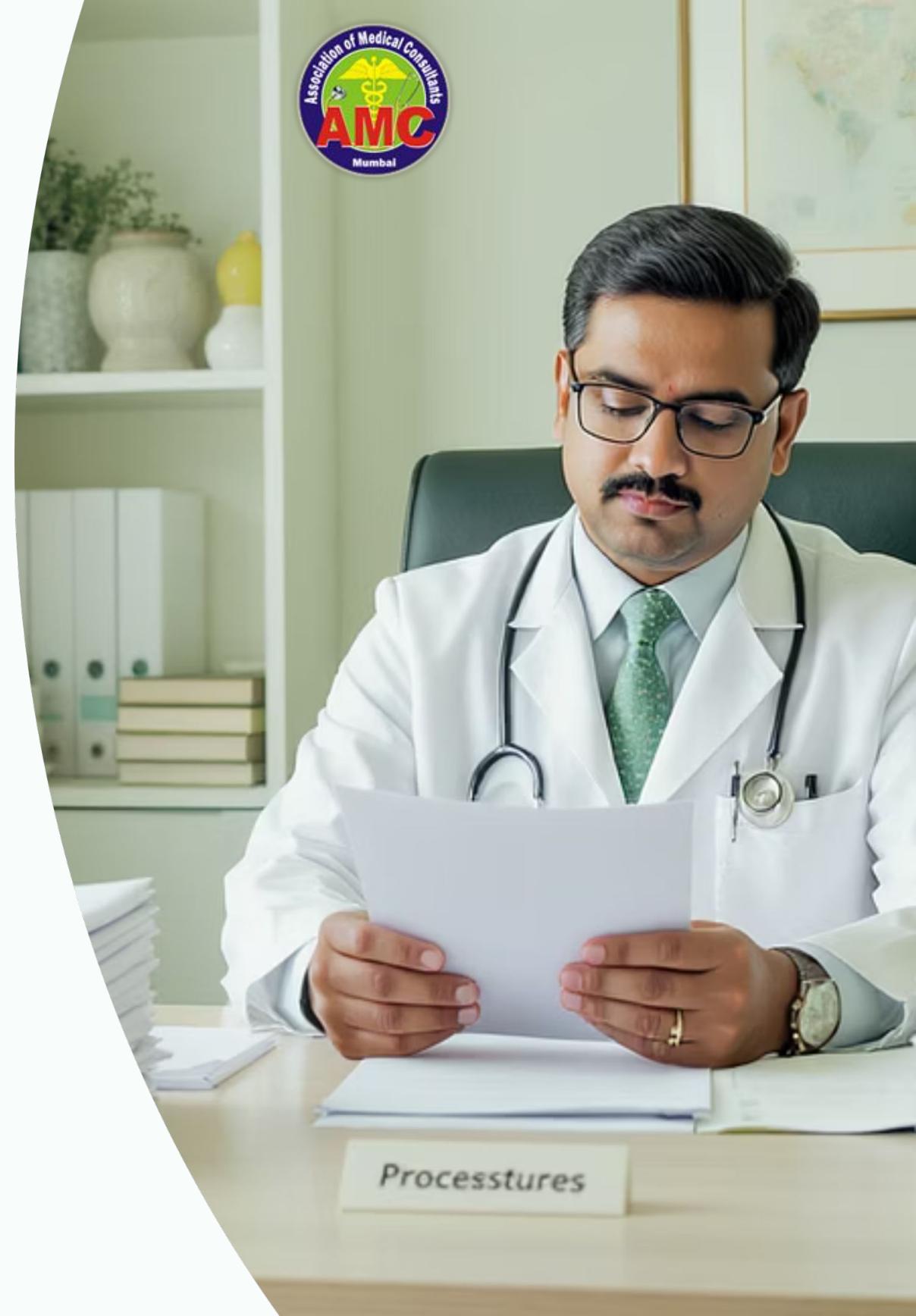
GST Compliance for Doctors

-  If registered, must raise GST invoice for taxable services
-  File GSTR-1 and GSTR-3B monthly/quarterly
-  No GST on exempt services, but bifurcation in records needed
-  ITC not allowed on inputs used for exempt health services
-  Maintain separate books if both exempt and taxable services are provided



GST Tip for Doctors with Mixed Income

- ❏ Tip: Doctors with mixed income (e.g., hospital visits + pharma advisory) should maintain detailed records to comply with GST and segregate exempt vs taxable services.





When is GST Registration Required?

Criteria	Requirement
Total taxable turnover > ₹20 lakhs (₹10L in NE/hill states)	Registration mandatory
Only exempt medical services	No registration needed
Both exempt (clinical) and taxable (consulting to pharma)	GST registration required if Aggregate turnover (Taxable Plus Exempt) exceeds limit of 20 Lakhs

GST Applicability to Medical Services – For Doctors and Hospitals



Exempt vs Taxable Medical Services

Type of Service	GST Applicability	Notes
Diagnosis, treatment, care of illness/disease	Exempt	Includes OPD/IPD, surgery, consultation
Preventive healthcare (e.g., vaccines)	Exempt	Provided by hospitals or registered doctors
Cosmetic/aesthetic surgery (not medically necessary)	Taxable (18%)	E.g., botox, liposuction – unless to correct deformity due to injury or birth defect
Hair transplant, body enhancement	Taxable	Unless done for reconstruction post accident/trauma
Telemedicine services	Exempt	Same as physical consultation if medically necessary
Health camps & community services	Exempt	If provided free or as part of health mission
Advisory to pharma or medical device companies	Taxable (18%)	Covered under FTS (Fees for Technical Services)
Brand promotion or product endorsement by doctors	Taxable (18%)	Considered commercial service



GST on Hospital Services

Service	GST Applicability
Room rent (non-ICU) > ₹5,000/day	5% GST (from July 2022)
ICU, emergency, dialysis	Exempt
Hospital pharmacy sales (to outpatients)	Taxable (as retail supply)
Services by visiting consultants	May be taxable if consultant is not hospital employee



International Income & Teleconsulting for NRIs

International Income & Teleconsulting for NRIs

- Taxability of foreign income for Resident/NRI doctors
- Double taxation relief and DTAA provisions
- GST and FEMA considerations for telemedicine across borders





1. Taxability of Foreign Income – Residents vs NRIs

Doctor's Residential Status	Foreign Income Taxable in India?	Notes
Resident (ROR)	✓ Yes	Global income taxable in India
Resident but Not Ordinarily Resident (RNOR)	✓ / ✗ Partially	Only income received in India or from business controlled in India
Non-Resident (NRI)	✗ No	Only Indian income is taxable in India

Examples of foreign income:

- Income from consulting foreign hospitals
- Online consultations with overseas patients
- Honorarium from international conferences
- Rental, dividends, or interest from foreign assets

2. Double Taxation Avoidance Agreement (DTAA)

Objective: Avoid taxing the same income twice – once in source country and again in India.

Relief Methods under DTAA:

1. Exemption method – Income taxed abroad is exempt in India
2. Tax credit method – Pay tax abroad and claim credit in Indian return (Sec 90/91)

Steps for DTAA Claim:

- Determine source and residence country
- Check DTAA terms (e.g., India–USA, India–UAE)
- Obtain Tax Residency Certificate (TRC) of foreign country
- File Form 67 before due date of return to claim foreign tax credit

Common Article in DTAA for doctors:

- Article 14 (Independent Personal Services)
- Article 12 (Royalties & Fees for Technical Services)

3. GST Implications – Telemedicine & Cross-border Services

Key Concept: Export of Services (under IGST Act)

- Place of supplier: India (doctor)
- Recipient: Outside India
- Payment: In foreign convertible currency
- Contract: Between Indian doctor and foreign patient/entity

If above conditions are met → Treated as "Export of Service"

- GST @ 0% (Zero-rated supply)
- Can claim refund of input tax credit (ITC) if registered

If patient is in India or payment is in INR → No export benefit





4. FEMA Guidelines – Receiving Income from Foreign Patients

- Doctors can freely receive fees in foreign currency for teleconsulting under general permission
- Funds must be received through banking channels (inward remittance)
- Ensure services are not in the negative list of FEMA (e.g., no transfer of sensitive data without approval)
- Maintain documentation (invoices, patient ID, payment confirmation)



5. Practical Considerations for International Income

-  **Disclose all foreign income in ITR (even if taxed abroad)**
-  **Keep documentation for DTAA claim and GST exports**
-  **Claim foreign tax credit carefully with Form 67**
-  **Consider whether foreign income is business income or professional income for classification**



Summary Table: International Income Taxation

Issue	Resident Doctor	NRI Doctor
Foreign income taxable in India	Yes	No
Claim of foreign tax credit	Yes (via DTAA)	No (not applicable)
GST on export of services	Yes (zero-rated if conditions met)	No (if services from abroad)
FEMA compliance	Required	Not applicable unless funds remitted to India



Professional Indemnity Insurance – Tax Impact



Professional Indemnity Insurance – Tax Impact

- ❏ Tip: International consulting can be tax-efficient with proper planning under DTAA, GST, and FEMA. For consultation, advisory, or exports of services (e.g., telemedicine for foreign patients), additional GST and FEMA rules may apply.

Professional Indemnity Insurance – Tax Impact:

- Deductibility of professional indemnity insurance
- Health insurance premiums under 80D
- Life insurance – taxability on maturity and deduction on premium

Deductibility of Professional Indemnity Insurance for Doctors



1. What is Professional Indemnity Insurance?

Professional indemnity insurance provides financial protection to doctors against legal liabilities arising from errors, omissions, or negligence during the course of their medical practice.





2. Is the Premium Deductible Under Income Tax?

Yes, the premium is deductible as a business expense under:

Section 37(1) of the Income Tax Act, 1961

"Any expenditure (not being capital or personal expenditure), laid out wholly and exclusively for the purposes of the business or profession shall be allowed as deduction."

Since the insurance directly relates to the risk associated with professional activity, it qualifies as an allowable expense.



3. Who Can Claim the Deduction?

Category	Eligible for Deduction?	Notes
Self-employed Doctors	Yes	Deductible as a business/professional expense
Partnership Firms	Yes	Deductible in firm's P&L account
Companies / LLPs	Yes	Deductible in entity's books
Salaried Doctors	No	Unless employer reimburses the premium
Doctors under Section 44ADA	No	No individual expense deduction allowed



4. Conditions for Deduction



Premium should be paid during the financial year



Policy should be in the name of the doctor or professional entity



Insurance should be for professional risks (not life/health insurance)



Not allowed under presumptive taxation (Sec 44ADA)

5. Documentation Required



- Premium payment receipt
- Policy copy mentioning indemnity coverage
- Payment proof (bank statement, etc.)
- Entry in books of accounts under insurance/professional expense





6. Points to Note During Scrutiny or Audit

- Ensure policy is clearly for professional indemnity, not personal cover
- Deduction should be reasonable in relation to income
- High-value policies may be scrutinized, so maintain justification



7. Summary Table: Professional Indemnity Insurance

Particular	Allowed?
Sec 37(1) Deduction	Yes
Under Sec 44ADA	No
For Salaried Doctors	No (unless reimbursed by employer)
Documentation Required	Yes



Tip for Professional Indemnity Insurance

- ① Tip: Doctors with substantial practice and litigation risk should consider both financial protection and tax benefit of this insurance.



For advisory or help in setting up tax-saving plans or accounting for insurance in your practice, contact your financial advisor and tax consultant.



Types of business entities

1. Sole proprietorship
2. Private limited
3. Partnership (Traditional Firm or LLP)
4. Public limited



Case study: How we reduced the tax burden of this client by restructuring his business entity.

- 1 There are total 5 Taxable Entities in the family
- 2 Currently Income is declared to the minimum
- 3 The family sold some land and received about 50 Lakh in Cash, came to us for planning his investment
- 4 We advised them to restructure their IT files, pay some additional tax, but deploy all cash into official ITR

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Case study: How we reduced the tax burden of this client by restructuring his business entity.



https://docs.google.com/spreadsheets/d/1ozGyK8IF0ZTtX7hmfNQByzq-12VjDr9_/edit?gid=1034056394#gid=1034056394

Result of Advice by Finnovate			
	Current	Recommended	Additional
Declared Income	53.20 Lakh	1.06 Crore	52.8 lakh
Tax Payable	8.10 Lakh	12.51 Lakh	4.41 lakh
Effec. Tax Rate	15.22%	11.84%	3.38% net savings
Net Tax paid for additional Income			8.35% on 52.8 lakh



FINNOVATE
BE FINANCIALLY FIT.

TAX HARVESTING





Capital Gains and Investments – Tax Planning



Capital Gains and Investments – Tax Planning

- Real estate income and sale of clinic premises
- Mutual funds and shares – LTCG/STCG taxation
- Sec 54F and Sec 54 on reinvestment
- Fixed deposits and interest income

Here's a comprehensive guide on Capital Gains and Investment-related Tax Planning, especially tailored for individual taxpayers, including doctors, professionals, or salaried individuals:

1. What is Capital Gain?

- Capital gain = Sale Price – (Purchase Price + Improvement + Transfer Cost)

Types of Capital Gains



- Holding Period (for listed shares, mutual funds, land, etc.)
- Short Term Capital Gain (STCG)
- Asset held \leq 12/24/36 months (depending on asset type)
- Long Term Capital Gain (LTCG)
- Asset held $>$ 12/24/36 months

Capital Gains Tax Rates

Asset Type	STCG Rate	LTCG Rate
Listed Equity Shares / Equity MFs	15% (Sec 111A)	10% above ₹1L (Sec 112A)
Debt Mutual Funds / Bonds	As per slab	20% with indexation (Sec 112)
Real Estate	As per slab	20% with indexation
Gold, Jewellery	As per slab	20% with indexation
Unlisted Shares	As per slab	20% with indexation

Surcharge & Cess extra on all gains

What is Capital Gain Harvesting?



1

A method of offsetting capital gains from investments such as stocks, ETFs, or mutual funds realised in the financial year by strategically investing in first or Second Residential House

2

Rebalancing your portfolio and ensuring it aligns with your financial objectives.

3

Strategy to improve returns on Liquid Assets Portfolio



Example : -

1. Doctor has substantial investments in Mutual Funds and Equity Stocks to the tune of Rs. 3 Crore.
2. Now he wants to buy Second Home for Agreement value of 4 Crore.

Dr. decides:

- a. Sell all Investments and Invest in new Home.
- b. Take Home Loan to part Finance (only 1 Crore balance)
- c. Left with no Investment in Liquid Assets like MF and Shares.



Capital Gain Harvesting also possible



1. When one wants to buy first or second house and has substantial investments in Liquid assets like Mutual Funds, Stocks etc for more than 1 year (Long Term)
2. It is possible to liquidate these Investments upto the agreement value of new House.
3. Take Home Loan upto 70-80% of Home Value as per financial eligibility of Banks
4. Claim Deduction U/s. 54F for Investment of Sale proceeds from Liquid Assets into New House as per the conditions of Sections 54F.
5. Reinvest the surplus due to Loan in MF/ PMS etc.
6. Advantage :- The long term capital gains for many years can be encashed and deemed to be invested in new House (Sec 54F).
7. New Investment will again grow in long term with latest Cost.



Example : -

1. Doctor has substantial investments in Mutual Funds and Equity Stocks to the tune of Rs. 3 Crore.
2. Now he wants to buy Second Home for Agreement value of 4 Crore.

Option - 2

- a. Sell all Investments value 3 Crore
- b. Take Home Loan to Maximum Eligibility (Upto say 3 Crore eligibility)
- c. Take advantage of Section 54F deduction with conditions fulfilled.
- d. Reinvest in Liquid Assets like MF and PMS even full value of 3 Crore.
- e. No Capital Gain tax with Section 54F.
- f. Home Loans are cheaper @ 7-7.5% and Expected Returns from Investments in MF / PMS are more than double. This may be considered.



What is Tax-Loss Harvesting?



- 1 A method of offsetting capital gains realised in the financial year by strategically selling another investments at a loss.
- 2 Reduce the taxable income from gains on investments such as stocks, ETFs, or mutual funds.
- 3 Rebalancing your portfolio and ensuring it aligns with your financial objectives.
- 4 Financial institutions and fund managers also employ this strategy to improve returns for their clients.
- 5 It's particularly useful during market downturns when opportunities for harvesting losses are abundant.



What is Tax-Loss Harvesting?



6

It can be used to manage both short-term and long-term capital gains.

7

Excess losses can be carried forward to future years, further amplifying benefits.

8

Tax planning plays a crucial role in personal wealth management.

9

Tax-loss harvesting is a very effective tool .



Process of Tax-Loss Harvesting



Identify Underperforming Investments

Examine your portfolio for stocks, bonds, or other securities that are currently valued below their purchase price.



Offset Gains with Losses

Use the realised losses to offset gains from other investments, thereby reducing the taxable amount.



Sell the Loss-Making Investments

Realise the capital loss by selling these underperforming assets.



Reinvest Strategically

To maintain your portfolio's structure and long-term goals, reinvest the proceeds into similar but not identical securities.



Benefits of Tax-Loss Harvesting



Tax-loss harvesting offers several advantages beyond immediate tax savings:



Minimizes Tax Liabilities

By offsetting capital gains with losses, you lower the taxable income from your investments.



Portfolio Rebalancing

Selling underperforming assets allows you to reinvest in more promising opportunities.



Long-Term Planning

Losses can be carried forward up to 8 years, creating opportunities for future tax savings.



Enhanced Post-Tax Returns

Reducing tax liabilities ensures that more of your earnings remain in your hands.



Flexibility in Timing

Tax-loss harvesting is not restricted to the year-end; you can implement it whenever opportunities arise.

Critical Considerations of Tax-Loss Harvesting



Transaction Costs:

Frequent buying and selling can incur brokerage fees, which may diminish overall gains.



Market Timing Risks:

Selling an asset at a loss may result in losing out on potential future recovery gains.



Tax Implications for Different Securities:

Rules vary depending on whether the losses are short-term or long-term.



Potential for Increased Volatility:

Frequent trading can lead to an unstable portfolio.



Overemphasis on Tax Savings:

Prioritising tax benefits over investment goals can compromise long-term returns.



Complexity in Record-Keeping

Tracking losses and gains across multiple securities can be challenging.



Professional Advice:

Consulting with a tax professional or financial advisor ensures compliance with laws and maximises benefits.



Tax Loss Harvesting Scenarios

	SHORT TERM GAINS		
Rate of Tax	15% (upto 22/7/2024)	20% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Net Tax Payable "A"	If No Harvesting Done		3,50,000

	WITH TAX HARVESTING		
Rate of Tax	15% (upto 22/7/2024)	20% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Less:- Loss Booked now		-7,00,000	-7,00,000
Net Taxable Gains	10,00,000	3,00,000	13,00,000
Tax Payable "B"			2,10,000
Net Tax Savings "A-B"	With Tax Harvesting Done		1,40,000

Tax Loss Harvesting Scenarios



	LONG TERM GAINS		
Rate of Tax	10% (upto 22/7/2024)	12.5% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Less:- EXEMPT		1,25,000	1,25,000
Balance Taxable Gains	10,00,000	8,75,000	18,75,000
Net Tax Payable "A"	If No Harvesting Done		2,09,375

	WITH TAX HARVESTING		
Rate of Tax	10% (upto 22/7/2024)	12.5% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Less:- Loss Booked now		-7,00,000	-7,00,000
Net Taxable Gains	10,00,000	3,00,000	13,00,000
Less:- EXEMPT		1,25,000	1,25,000
Balance Taxable Gains	10,00,000	1,75,000	11,75,000
Tax Payable "B"			1,21,875
Net Tax Savings "A-B"	With Tax Harvesting Done		87,500

Tax Loss Harvesting Scenarios (Loss exceeds gains)



	SHORT TERM GAINS		
Rate of Tax	15% (upto 22/7/2024)	20% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Net Tax Payable "A"	If No Harvesting Done		3,50,000
	WITH TAX HARVESTING		
Rate of Tax	15% (upto 22/7/2024)	20% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Less:- Loss Booked now		-25,00,000	-25,00,000
Net Taxable Gains	10,00,000	-15,00,000	-5,00,000
Tax Payable "B"			0
Net Tax Savings "A-B"	With Tax Harvesting Done		3,50,000
	Short term loss to carry forward for 8 years		5,00,000

Tax Loss Harvesting Scenarios (Loss exceeds gains)



	LONG TERM GAINS		
Rate of Tax	10% (upto 22/7/2024)	12.5% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Less:- EXEMPT		1,25,000	1,25,000
Balance Taxable Gains	10,00,000	8,75,000	18,75,000
Net Tax Payable "A"	If No Harvesting Done		2,09,375

	WITH TAX HARVESTING		
Rate of Tax	10% (upto 22/7/2024)	12.5% (Beyond 22/7/2024)	Total
Gains Booked	10,00,000	10,00,000	20,00,000
Less:- Loss Booked now		-25,00,000	-25,00,000
Net Taxable Gains	10,00,000	-15,00,000	-5,00,000
Less:- EXEMPT		1,25,000	1,25,000
Balance Taxable Gains	10,00,000	-13,75,000	-3,75,000
Tax Payable "B"			0
Net Tax Savings "A-B"	With Tax Harvesting Done		2,09,375
	Long term loss to carry forward for 8 years		3,75,000



Set off and Carry forward of Losses

LOSS ARISING FROM	IN THE SAME YEAR		CARRY FORWARD OF LOSSES	
	SEC. 70 – INTRA-HEAD SETOFF	SEC. 71 – INTER-HEAD SETOFF	CAN BE UTILIZED AGAINST	FOR
Short Term Capital Asset	Short Term Capital Gain & Long Term Capital Gain	Not Possible	Any Capital Gains (Short Term or Long Term)	8 years
Long Term Capital Asset	Long Term Capital Gain	Not Possible	Long Term Capital Gain	8 years

Note:- ITR must be filed in time to claim carry forward of losses for future year.

- Section 112A, the LTCG exemption of Rs 1.25 lakh is applied before setting off any Long-Term Capital Loss (LTCL).
- Only the LTCG exceeding Rs 1.25 lakh is considered for set-off against LTCL.
- First Rs 1.25 lakh of LTCG is automatically exempt from tax each FY, irrespective of any losses.
- After adjusting the losses, any remaining LTCG is then subjected to be taxed.
- LTCL cannot be set off against the exempt Rs 1.25 lakh LTCG, but only against the taxable LTCG exceeding this threshold.

Tax Gains Harvesting (LTCG Only)



- Long-term capital gain on selling equities or equity mutual fund is exempted up to Rs 1.25 lakh in a financial year.
- Use this annual exemption limit to bring down future tax liability.
- Exercise this option in the last week of March and then buy back the equities in the first week of April next year.
- To minimise the opportunity cost of using this strategy, usually the selling is done on March 31 and the buying back of the equities sold is done on April 1 i.e. the next day.



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The screenshot shows a user interface for a financial planning tool. At the top, there are navigation tabs: Learn, Plan (selected), Advisory, and Track. A user profile icon and a notification bell are in the top right. The main heading is "Naveen's Financial Plan" with a subtitle "Calculation of required amount to achieve desired financial goals." Below this are five summary cards: 1. Total need to achieve all the goals: 12.4Cr (with a sub-note of 4.42Cr Retirement corpus). 2. Your total investments for goals so far: 1.83Cr (with a sub-note of 10.54 Cr remaining). 3. Next year's need: 16.53L (with a sub-note of "Today -> Sep, 2023" and "with 10% increase yearly"). 4. Yearly systemic ongoing investments (this year): 8.61L (with a sub-note of "52% of next year's need"). 5. Your remaining need to achieve next year's target: 7.93L (with a sub-note of "Get investment advise >"). Below these cards is a section for "Naveen financial input" with filters for "Moderate risk", "insured", "Family of 5", "Home loan", and "Return assumption 8.3%". To the right, there are two key metrics: "2.45Cr Retirement corpus at 2044 with your desired yearly target(10.2L) with yearly increase." and "65% On avg. you may achieve only 65% of all your life goals". At the bottom, there are tabs for "Plan", "Goal", "Cashflow", "Investment", and "Family". A "Yearly desired target" is set to 10.2L. A chart area is partially visible at the bottom right, showing a vertical line at 10.2L on a scale from 12 Cr to 16 Cr. The date "March 2" is visible in the bottom left corner.



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