Twitter Thread by Nikita Poojary



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How to save taxes on the trading profits for an individual

4 Legit ways to retain most of the trading income: ■

Collaborated with @AdityaTodmal

1. Divide your capital amongst your family members:

• Ensure they are not salaried employees as they might not be allowed to trade as per their employer's policy.

• Your family is your strength, not just emotionally, but financially too.

• E.g. your net taxable income works out to Rs. 50 lacs, as per the new tax regime, you are in the 30% tax bracket.

However, if you divide the capital amongst your family members in such a way that the net taxable income works out to Rs. 12.5 lacs per member (assuming 4).

This way the tax bracket gets shifted from 30% to 20%, clear saving of 10%

2. Expenses a trader can claim:

All the expenses directly related to the trading business can be claimed.

i) Rent Expense: If one has an office on rented premises, rent paid is a valid expense. However, you should have the rent receipts & rent agreement as valid proof.

If you are operating from a house which is rented you can claim the same on pro rata basis.

iii) Electricity Bills: Can claim electricity bills for the office. similar to rental expsnse if you are working from home, you can claim electricity expenses proportionally.

iii) Insurance Expense: Traders can claim insurance expenses on assets used for trading purposes.

iv) Repairs & Maintenance: Can claim expenses paid for repairs of the laptop or monitor, furniture, or any other equipment for business purposes.

v) Office Supplies: Stationery expense, refreshments expense, etc. is a valid expense.

vi) Subscription fees: Subscription fees for software or trading platforms is tax deductible. So if you are subscribing for Tradingview or iCharts etc, remember that it is tax deductible.

vii) Mobile & Internet Expense: Expenses incurred towards mobile bills & internet charges is deductible if the expense is incurred for business purpose.

viii) Fuel expenses: Fuel bills for your vehicle is tax deductible.

ix) Salary to employees: If you hire people for punching orders or for any research work, then you can claim those salary expenses. Pro tip: You can hire a family member whose income threshold is under 5lacs & can pay them a salary, which is a tax deductible expense.

x) Vacations, a.k.a. business trip: Your travel, stay at a hotel, and food bills can also be claimed to a certain extent.

xi) Depreciation: A non cash expenditure. Depreciation is claiming & providing for the cost of the asset as an expense over the life of the asset. IT rules prevail for the depreciation rates for high end computers, working desk, the car etc.

3) Set Off of Losses:

Set off of losses means adjusting the losses against the profit or income of that particular year. If you incur a loss in trading, you can set off that loss against any other business income.

4) Carry forward losses:

Losses in any year can be carried forward upto next 8 assessment years from the assessment year in which the loss was incurred.

Long-term (LT) capital losses can be adjusted only against long-term capital gains.

Short-term capital losses can be set off against long-term capital gains as well as short-term capital gains.

Last but definitely not least, you just need a decent CA to help you out with these things.

We have our upcoming workshop in Bangalore; if interested, then do check this out:

https://t.co/R1XefpjYby

> After a very successful workshop conducted in Mumbai, @AdityaTodmal and I are launching our next workshop in Bangalore.

> If interested in joining the workshop, can register via this link.
>
> Payment Link: https://t.co/ZEkZzKm2Jl pic.twitter.com/qnGQ2DcpHz
>
> — Nikita Poojary (@niki_poojary) November 25, 2022

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> — Aditya Todmal (@AdityaTodmal) September 24, 2022

That's a wrap!

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I appreciate it!