

INCOME TAX

India
1961

Unit - I	<h2 style="color: red;">INTRODUCTION</h2> <p>1. income tax at 1961 2. basic concepts 3. Income 4. person 5. Assessee</p> <p>6. Assessment year 7. previous year 8. rates of Tax</p> <p>9. Agricultural income 10. Residential status of individual 11. income exempted from Tax (exempted income Sec 10) incidence of Tax</p>
Unit - II	<h2 style="color: blue;">Income from Salaries</h2> <p>introduction, types of allowances, perquisites, profits in lieu of salary, deductions from salary income Sec-80c, Computation of salary income - problems.</p>
Unit - III	<h2 style="color: green;">Income from house property and profits and gains from business</h2> <p>introduction, annual value, let out - self occupied houses, deduction from annual value, Computation from income from house property - problems definition business and profession, Computation of income from business, revenue and capital nature of income from exp, allowable exp dissolved exp - problems</p>
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20/5/22

Unit-1

①

Introduction

1. Define the term tax? explain its characteristics or overall features?

Ans Tax is a compulsory payment by a person to the government. Income Tax act 1961. doesn't defined the Term Tax.

Definition:

prof. Adam's defines "Tax is a Contribution from the individuals for common expenditure. Tax is a source of revenue to the government."

Characteristics or features of Tax:

1. Taxes shall be imposed by the central government.
2. Taxes are paid in the form of Cash.
3. The object of Tax is to raise the revenue to government.
4. Tax is a Legal Collection.
5. Taxes may be imposed on income or wealth or goods and services, directly or indirectly.

2.

Explain the objectives of Taxation?

Ans:

Tax is the main source of income to the government to meet its expenditure.

Taxation has been used as one of the main instrument to achieve the various objectives of Taxation are as follows:-

Taxation objectives

I. Main objectives

- 1. generation of income (revenue) to the government.
- 2. Maintenance of welfare of state.
- 3. prevention of concentration of economic power.
- 4. Re-distribution of wealth for the common goal.
- 5. balanced regional development

II. subsidiary objectives

- 1. Increasing saving and thereby investments.
- 2. Rapid economic development
- 3. generation of employment opportunities.
- 4. protecting domestic industries against foreign competition.
- 5. Controlling consumption of particular commodities and consumption patterns.

3.

Ans:

3. Explain different types of taxes?

Ans: Tax is a Compulsory payment by a person to the government. Income Tax act 1961 doesn't define Term Tax.

There are 2 types of taxes

- 1. Direct Taxes
- 2. Indirect Taxes

1. Direct Taxes:-

The direct taxes are paid by the person on whom it is legally imposed, and it is paid by him directly is known as direct tax.

Ex: Income tax, wealth tax.

The burden of direct tax can not be shifted to others. The important direct taxes are income tax and wealth tax.

2. Indirect Taxes:-

Indirect Taxes are those Taxes which have been imposed on person but it is paid partly or wholly by another on thus indirect taxes are shifted to others.

It includes central excise duty, service tax, Vat tax, gst only....

Ex: for the current assessment year 2022-2023, the previous year which is relevant is 2021-2022.

2. Assessment year:

According to section 2(9) the assessment year is the year in which income of the relevant previous year and income of any period is assessed to tax.

It is also known as Tax year.

It starts from 1 April and ends with 31st March on the next year.

Ex: current assessment year is 2022-2023.

Q. Define the terms gross total income and net total income?

Ans: 1. Gross total income:

All sources of incomes have been classified into 5 types of sources of income

- There are
1. Income from Salaries
 2. " " " " house property
 3. " " " " business / profession
 4. " " " " Capital gains
 5. " " " " other sources

Without making any deductions as per income tax act, the above 5 heads of income totally is known as gross total income.

6. Define the Term Assessee?

Ans: Section 2(7) defines the person who is liable to pay any amount due to the income tax department towards taxes, Tax penalties and interest etc. . . is also known as assessee.
Any Another Sum of Money is payable under income tax act 1961

7. Define the Term income?

Ans: Section 2(24) defines income to include the following items:

1. dividends
2. profit and gains
3. Any Allowances granted to Assessee
4. Value of Any benefit or Any perquisites (motor car etc)
5. Value of Any benefit obtained from a Company (gold ring)
6. Voluntary contributions etc. . .

8. Define the term previous year, Assessment year?

Ans:
1. previous year:
According to section 3(7) of previous year is preceding 12 months period to the relevant assessment year.
It starts from 1 April and ends with 31st March of next year. Total income earned during the above period is considered for tax purposes.
Therefore it is also known as income year or Accounting year.

Income tax act 1961 is imposed in our country (whole of india) from the assessment year 1962-1963 onwards

Income Tax Act 1962:

CBDT powers granted to it under section 295 of the income tax act 1961.

5. Define the term person?

Ans:

According to income tax act 1961 section 2(31) The term person includes the following types of Assesee's:

1. A natural person (he-she) who is liable to pay the Tax on his personal income.
2. A Joint hindu family
3. Partnership firm under the partnership Act 1932
4. A company which is incorporated under the Companies act 1956.
5. An Association of persons.
6. A Local Authority (municipalities, panchayats, Corporations)

4. Income tax act 1961 or write about the history of Income tax?

Ans:

Taxation was introduced in India for the first time in 1860 by the British rulers following the mutiny (militaries) of 1857. The period b/w 1860 and 1886 was a period of experiments of Taxation. This period extended till 1886. In 1918 another act imposed by the government, it is known as income tax act 1918. It was replaced by the income tax act 1922. And it is remained in existence and operations till 31-March-1961

Income Tax Act 1961:-

The Levy of income tax in India is regulated by the income tax Act 1961.

It is effective from 1-April-1962.

The act contains 298 sections and

XIV schedules. The income tax is amended every year through finance Act.

The Administration of direct tax is regulated by the Central board of Direct Taxes [CBDT].

Section 29 of income tax act empowers the board to make rules for the proper administration of the income tax act.

The CBDT frames the rules and regulations from time to time. These rules are collectively known as income tax rules 1962.

2. Net total income:-

After making deductions as per income tax act 1961 under section 80cc to 80v from the gross total income or the first 5 heads total income is known as net total income.

Net total income = gross total income - deductions under section 80cc to 80v

10 MARKS

10. What is meant by income? Define the term income? Explain its features?

Ans: The income tax is a tax on income as such it is very essential to understand the meaning of income generally.

The term income is some periodical receipt. Section 2(24) defines incomes to include the following:

1. Dividends
2. profits and gains
3. Any allowances granted to Assessee
4. Value of any benefits or any perquisites
5. Value of any benefit obtained from a company
6. Voluntary contributions.
7. Any Special incomes
8. Casual incomes (lotteries, horse races income)

Salient features of income :-

1. periodical income

The Term income is in the form of income i.e., income tax act refers to a periodical monetary return coming in with some sources.

Ex: rent received, interest received etc . .

2. Gain from Land & Capital :-

The receipt must necessarily being the nature of a return towards Capital invested by the assessee.

3. Incomes from outside :-

Income must come from outside money received by a student from his father or mother is not treated as income to the student.

4. permanent / Temporary :-

Income is not considered from the point of permanent / temporary are also taxed.

5. Voluntary payment :-

The Voluntary payment which is paid / made entirely without consideration and it is not treated as income.

(10)

6. Income in Kind:-

Income may be received either in money or kind or in the form of perquisites, which can be measured and calculated in terms of money.

7. Lumpsum Installments:-

Any income is received in Lumpsum or installments is immaterial in determining its nature.

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11. Define the term agricultural income. How it is treated in income tax?

~~Ans:-~~
(Or)
Explain the conditions of income as treated as agricultural income?

~~Ans:-~~
Income received from the agricultural land is treated as agricultural income generally. Section 10(1) of the income tax Act exempted agricultural income from income tax. Agricultural income includes the various types of income as follows:-
Definition:-

If the following 3 conditions are satisfied by any income is treated as agricultural income.

① Rent or Revenue or income received/derived from the land.

② The land is used for agricultural purpose.

③ The Land is situated in india.

1. Rent (or) Revenue received / derived from the Land :-

If the owner of the Land gives agricultural land on lease the rent received by the Land lord due to the sale proceeds of agricultural products (crops) income directly to the Land. So income received must and should from the Land.

2. The Land is used for agricultural purpose :-

To consider of income as agricultural income, It is necessary that the Land is used for agricultural purpose operational involvement of human skills of labour ^{on the} Land. It must be used primary and secondary operations implemented just like ground level, water supply, seeding and planting and fertilizers & pesticides are used for the crops developing.

3. The Land is situated in india :-

The agricultural Land must be situated in india i.e. Income from agricultural Land is situated in foreign Country is not considered as agricultural income

Kinds of Agricultural income:

1. Rent received from Agricultural Land
 2. Revenue received from Agricultural Land
 3. Income received by performance of some process to render the product saleable.
- Ex: Tobacco Leaves cannot be sold as it is 1st they have to be dried up for marketing.

12. Explain any 10 points of non-agricultural income? (81)

Explain income connected with land are not considered as agricultural income - explain?

Ans: non-agricultural incomes are as follows

1. Income from Land used for brick industry.
2. Income from Land used for dairy farm.
3. Income from Land used for Stone quarries
4. Income from Land left for storing crops (or) timber
5. Income from Mining Royalties.
6. Income from poultry farms.
7. Income from flour Mills.
8. Income from fisheries.
9. Ground rent for permanent shops at bazaars and stalls fee.

6/6/10
10. Commission received by a landlord on sale of agricultural products of tenants.

13. Explain the residential status of an individual?

Ans: For determining the residential status of person has been classified into 5 categories.

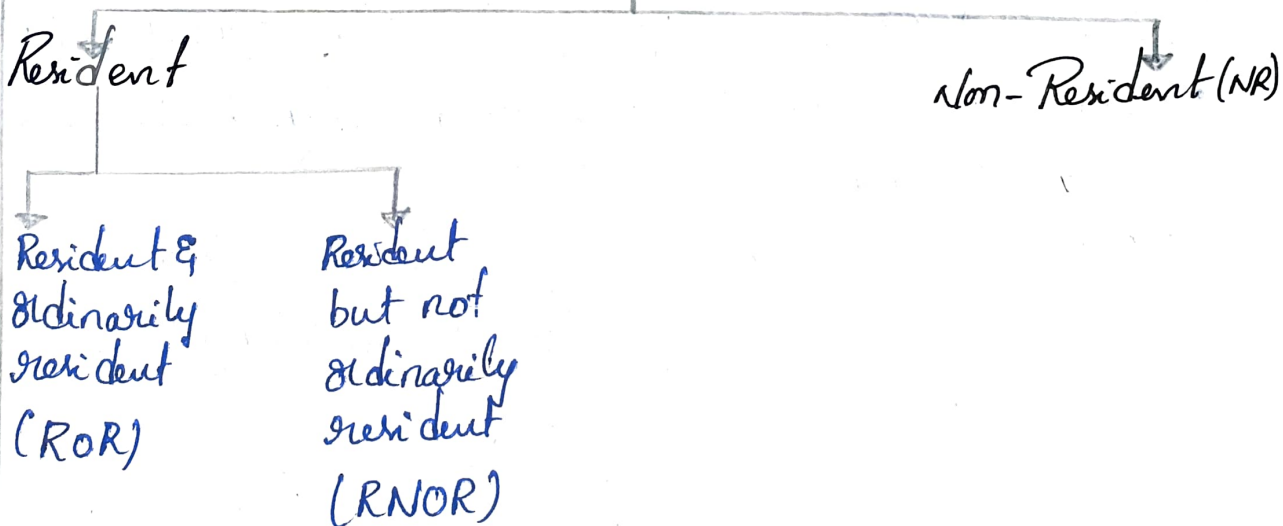
- * Individuals
- * Joint hindu family
- * partnership firms
- * Companies
- * Any other persons (Association of person)

Residential status of an individual:-

The Residential status of an person whose status is an individual can be divided into 3 types.

- Resident and ordinarily Resident (ROR)
- Resident but not ordinarily Resident (RNOR)
- Non-Resident (NR)

Residential status of an individual



Income Tax act 1961 Sec 6 of the all divides the person into above categories for determining the residential status of an individual. The act prescribes the following 2 conditions. They are

Basic Conditions:-

An individual will be considered as resident in the previous year, if satisfies one or more of the following conditions:

- * He is in india in the relevant previous year for a minimum period of 182 days must and should stayed.
- * He is in india for a period of 60 days or more days stayed during the previous year and 365 days or more during the 4 years preceding to the relevant previous year.

Additional Conditions:-

- He/she must be stayed in india with residential of 2 out of 10 years (8)
- In case of non-resident 9 out of 10 years preceding to the relevant previous year
- 730 days must and should be stayed in india Last 7 years:

Determination of the residential status

S.No	Status	Basic Conditions 6(1)	Additional conditions 6(b)
1	ROR	1	2
2	NOR	1	0
3	NR	0	0

Resident and ordinarily Resident :-

Any individual if he / she satisfies one or both of 2 basic conditions and 2 additional condition, then He/ she will be considered as resident.

Not ordinarily Resident :-

Any individual satisfies one or both of the basic conditions and none of the conditional satisfies then he/ she considered as not ordinarily resident.

Non-Resident :-

If a person fails to satisfy anyone of the 2 basic conditions and additional conditions they will be treated as non-resident.

14. Explain the residential status of joint hindu family and partnership firm and company is Association of person?

Ans: Joint Hindu Family:

It is said to be resident in india if Control and Management of its affairs is only in india and partly situated in india. It is treated as resident. the place of control and management is out of india from also joint hindu family is considered as non-resident.

only in india - Resident

only outside of india - Non-Resident

partly in india } - Resident
partly outside of india }

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Partnership firm :

partnership firm residential status

↓
Resident

↓
Non-Resident

Section 6(2) from the residential point of view the firm may be resident or non-resident partnership firm is said to be resident if its control and management fully or partly situated in india during the relevant previous year is treated as resident. If control and management situated outside india the firm will be considered as non-resident.

Residential Status of Company:

A company which is incorporated (registered) under the indian companies Act 1956 is known as indian company and the control and management of its affairs fully or partly situated outside india. Then it is considered as non-resident companies control and management is mean the place where the meeting of board of directors is held.

Association of persons:-

Cooperative Society Charitable trust are institutions of notary clubs etc the association of person. The residential status of A.O.P (A) be resident or non resident to determine the residential status of an assessee from place of control & management fully or partly within india. then it is considered as resident. In otherwise the place of control and management is act of in india then ~~the~~ will be considered as non-resident.

15. Explain the exempted incomes to individuals w/s 10 in the income?

Ans:

Sec 10 of indian income Tax Act 1961. deals with the exempted incomes.

These incomes are not to be included in the total income of an assessee. ~~is called~~ incomes are totally tax free.

Exempted incomes to individuals:-

- ① Agricultural income Sec (10) (1) of income Tax act has exempted agricultural income from Tax. if the following conditions are satisfied that income is treated as agricultural income.
- ② Rent or revenues derived from the Land. the Land is used for agricultural purpose only. Land should be situated in india.

- ③ Receipt by a No. of Joint Hindu family. Any amount received by a person from the Joint Hindu family is fully exempted from the tax.
- ④ Scholarships received by students.
- ⑤ Awards received literary scientific for profession and games and sports these income are exempted from tax.
- ⑥ Daily allowances received by MP/MLA/MLC is fully exempted from tax.
- ⑦ payments from recognized provident fund.
- ⑧ payment from statutory provident fund.
- ⑨ Leave Travel Concession is generally an exempted income.
- ⑩ Received by a government employee is fully exempted.
- ⑪ Dividends received by Indian company is fully exempted.
- ⑫ Allowances received by judges of Supreme Court and High Court.
- ⑬ Income received by Local authorities
Ex: Municipalities corporations.

- ⑭ Income
- ⑮ The from
- ⑯ Life from Comp
- ⑰ Ance retro
- ⑱ Retire
- ⑲ perq goue outst
- ⑳ paym
- ㉑ Inco
- ㉒ Inco

- ⑭ Income received from new person scheme
- ⑮ The primary minister national relief fund from tax.
- ⑯ Life insurance policy amount received from LIC or other private insurance company.
- ⑰ Amount received as Leave encashment on retirement.
- ⑱ Retirement paid to workmen
- ⑲ perquisites and allowances paid by government to its employees serving outside india.
- ⑳ payment received from Sukanya Samvidhi A/c.
- ㉑ Income of european economic community
- ㉒ Income of mutual funds.