

shall be deemed to be income liable to tax,

and an assessment based on such estimate or proportion shall be deemed to be duly made in accordance with the provisions of this Act.

Sec 295(4) - The power to make rules conferred by this section shall include the power to give retrospective effect, from a date not earlier than the date of commencement of this Act, to the rules or any of them and, unless the contrary is permitted (whether expressly or by necessary implication), no retrospective effect shall be given to any rule so as to prejudicially affect the interests of assesseees.

### Scope of Income Tax Act

#### Income Tax Act, 1961

- 1) For determination of Taxable Income
- 2) For determination of Tax Liability
- 3) Assessment procedures
- 4) Appeals, Penalties & Prosecutions

#### Income Tax Rules, 1962

- 1) For implementation of the Act
- 2) For carrying out purposes of the Act
- 3) Sec 295 - CBDT makes the Rules

#### Circulars & Clarifications

- 1) U/s 119, CBDT issues circulars & clarifications which helps clarify doubts
- 2) Binding on Income Tax Authorities
- 3) Not binding on Assessee
- 4) All Notifications & Circulars 6 months before exams are relevant

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# 1. BASICS OF INCOME TAX

## Judicial Decisions

- 1) SC/HC provides decision on Question of Law
- 2) Decision of SC become the law of land

## Annual Amendments

Every year along with Budget a Financial Bill is presented.

The provisions of such Finance Act are thereafter incorporated in the Income-tax Act.

### Direct Tax Amendments

Effective from 1st day of Next Year, Unless Specified

Otherwise

### Indirect Tax Amendments

Effective from Midnight, Unless Specified Otherwise [Now after GST, amendment are expected after every GST Council Meet].

The **FA'20 Amendments** have the following objectives -

- a) Rates of Income Tax;
- b) Preventing tax abuse;
- c) Measures to provide tax certainty;
- d) Tax Incentives;
- e) Removing difficulties faced by taxpayers;
- f) Widening & deepening of tax base;
- g) Revenue mobilisation measures;
- h) Improving Effectiveness of Tax administration
- i) Rationalisation of provisions of the Act

## Sec 1 Short title, extent & commencement

- ❖ This Act may be called the Income-tax Act, 1961
- ❖ It extends to the **whole of India**
- ❖ It shall come into force on the 1st day of April, 1962
  - ↻ Total No. of Chapter in Act, XXIII
  - ↻ Total Sec. in Act, 298
  - ↻ Total Schedule in Act, Fourteen.



## Sec 4 Charge of income-tax

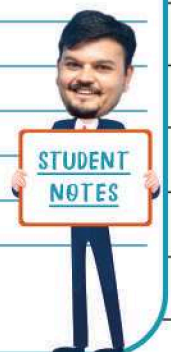
- (1) Where any Central Act enacts that income-tax shall be charged for any AY at any rate or rates, income-tax at that rate or those rates shall be charged for that year in accordance with, and subject to the provisions (incl. provisions for the levy of additional income-tax) of, this Act in respect of the total income of PY of every person. Provided that where by virtue of any provision of this Act income-tax is to be charged in respect of the income of a period other than the PY, income-tax shall be charged accordingly.
- (2) In respect of income chargeable under sub-section (1), income-tax shall be deducted at the source or paid in advance, where it is so deductible or payable under any provision of this Act.

### ⇒ SIMPLIFIED ANALYSIS OF THE SECTION -

**Income Tax** is Payable For Any **Assessment Year** at the **rate specified in Annual Finance Act** in respect of **total income** of **any person** in the **previous year**.

## Sec 2(31) Person

- 1 An Individual
- 2 A Hindu Undivided Family [HUF]
- 3 A Company [Domestic & Foreign]
- 4 A Firm [Including LLP]
- 5 Association of Person / Body of Individuals. [AOP/BOI]
- 6 A Local Authority
- 7 Every Artificial juridical person not falling within any of the preceding sub-clauses. [AJP]



## 1. BASICS OF INCOME TAX

Explanation - For the purposes of this clause, an AOPs / BOIs / local authority / an artificial juridical person shall be deemed to be a person, whether or not such person / authority / body / juridical person was formed / established / incorporated with object of deriving income, profits / gains.

### Sec 2(7) Assessee

"Assessee" means a person by whom any tax or any other sum of money is payable under this Act, and includes -

every person in respect of whom any proceeding under this Act has been

- a. taken for the assessment of his income or assessment of fringe benefits or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or of the amount of refund due to him or to such other person
- b. every person who is deemed to be an assessee under any provision of this Act
- c. every person who is deemed to be an assessee in default under any provision of this Act

### Sec 2(9) Assessment Year

FY is a year in which income is charged to tax or year in which IT is payable. It is a period of 12 months commencing on 1st April every year.

### Sec 3 Previous Year

PY is a year in which income is earned. It is same as FY. This uniform PY has to be followed for all source of income.

Notes :

In case newly started business P Y will begin with the date of commencement and ending of 31st March of that year however next year shall always be a period of 12m.



## 1. BASICS OF INCOME TAX

### Exception to above rule: [IMP] (Dealt Separately)

In following cases income of PY is taxable in same year in which earned-

- 1 Shipping Business of Non-Resident [Sec 172]
- 2 Persons leaving India [Sec 174]
- 3 AOP or BOI or Artificial Juridical Person formed for a particular event or purpose [Sec 174A]
- 4 Persons likely to transfer property to avoid tax [Sec 175]
- 5 Discontinued business [Sec 176]

### Section 80B(5) : GROSS TOTAL INCOME

U/s 14, income of a person is computed under following five heads.

- a) Income from Salary
- b) Income from House Property
- c) Income from Business of Profession
- d) Capital Gains
- e) Income from other Sources

### Exemptions

Every income of the assessee is charged to tax unless specifically exempted under the Act, Sec. 10 provides list of incomes which are not to be include in the total income of the assessee for tax purpose.

### Deductions

From the gross total income of the assessee, deductions is allowed on fulfilment of conditions as prescribed in the various sections of chapter VIA. Chapter VIA of provides for various deductions from gross total income.

### Relief

Income tax liability of assessee is computed on the total income after allowing various exemptions & deductions under several sections of the Act.

Relief are reduced from the amount of income-tax liability so computed on fulfilment of conditions as prescribed in Sec.86,89etc



## Sec 2(25A) India (Simplified Definition)

India means the territory of India as referred to in Article 1 of Constitution, its territorial waters, seabed & subsoil underlying waters, continental shelf, exclusive economic zone or any other maritime zone as referred to in the Territorial Waters, Continental Shelf, Exclusive Economic Zone & other maritime Zones Act, 1976 and the air space above its territory & territorial waters

## Sec 2(45) Total Income

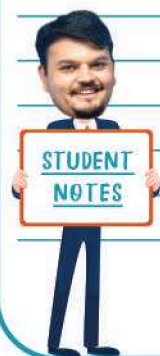
"Total income" means the total amount of income referred to in sec 5, computed in the manner laid down in this Act

Simplified Explanation -

Total income is income after reducing the deduction under chapter VI-A from the gross total income. This income is also called taxable income on which tax has to be imposed.

## Section 2(24) : Income

- 1 Profits or gains of business / profession / Dividend / CG
- 2 Voluntary Contribution received
- 3 Value of perquisite or profit in lieu of salary taxable u/s 17
- 4 Export incentives, like Duty Drawback, Cash Compensatory Support, Sale of licences or Government Assistance etc.
- 5 Income of Partner from a Firm
- 6 Winnings from lotteries, crossword puzzles other casual income.
- 7 Deemed income u/s 41 or 59
- 8 Sums received by an assessee from his employees towards





## 1. BASICS OF INCOME TAX

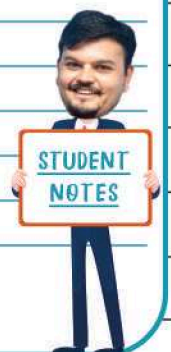
welfare fund contributions such as PF/SPF

- 9 Amount received under Keyman Insurance Policy incl bonus
- 10 Amount received under agreement for Intangible
- 11 Gift covered u/s 56
- 12 Advance received under failed negotiation on transfer of CA
- 13 Person received income in connection with termination or modification of any contract relating to Business
- 14 FMV of Inventory as on date of which converted into CA
- 15 Accumulated Profits [Reserves] of Amalgamated co to also incl. Reserve of Amalgamating co on date of amalgamation
- 16 Proposed Amendment - Gift by Resident to NR of any money or property situated in India after 05.07.19 shall be taxable in India

### Rates of income tax

**Normal rates** - these are specified by the relevant FA

**Special rates** - these are specified by Income Tax Act



# 1. BASICS OF INCOME TAX

## Normal Rates

**Individual:** In case of every individual viz Male female, & below the age of 60 yrs on the last day of PY any AOP, BOI, HUF, AJP, Non Resident (Irrespective of Age).

Total Income	Rate (%)	Shortcut
Upto ₹ 250000	Nil	-
₹ 2,50,001 to 5,00,000	5%	₹ 12,500
₹ 5,00,001 to 10,00,000	20%	₹ 1,12,500
Above ₹ 10L	30%	-



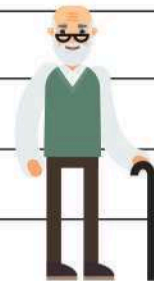
**Senior citizens:** Every individual (Resident) 60 years or more but not more than 80 years

Total Income	Rate (%)	Shortcut
Upto ₹ 300000	Nil	-
₹ 3,00,001 to 5,00,000	5%	₹ 10,000
₹ 5,00,001 to 10,00,000	20%	₹ 1,10,000
Above ₹ 10L	30%	-



**Super Senior citizens:** Individual (Resident) 80 years / more

Total Income	Rate (%)	Shortcut
Upto ₹ 500000	Nil	-
₹ 5,00,001 to 10,00,000	20%	₹ 1,00,000
Above ₹ 10L	30%	-



From AY 21-22, Individual & HUF tax payers have an option to opt for taxation under newly inserted sec 115BAC

**Circular 28/2016 :** Clarifications Regarding Attaining Prescribed Age Of 60/80 Years on 31st March Itself, In Case of Senior/Very Senior Citizens Whose Date of Birth Falls on 1st April, for Purposes of Income-Tax Act Higher tax exemption limits have been prescribed under the past Finance Acts for resident senior citizen taxpayers who have attained the age of sixty years. Although specific provision does not exist in this regard under the Act, the Hon'ble