

## **BASICS OF INCOME TAX & TAX CALCULATION**

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### Very Important Point -

FA'19 has inserted alternative taxation scheme for companies - Sec 115BAA & 115BAB which are discussed later in Chap 48 - Miscellaneous

FA'20 has inserted alternative taxation scheme for Individuals & Co-operative Society - Sec 115BAC & 115BAD which are discussed later in Chap 48 - Miscellaneous

### IMPORTANT AMENDMENTS/ NOTIFICATIONS/CIRCULARS

Sr No.	Particulars	Pg No
1	Tax Rates for other entities	1.3

“  
PADHO toh  
HADDH kardo  
Warna PROGRAM  
RADDH kardo  
”



## CONSTITUTIONAL VALIDITY

Article 265	No Tax can be levied or collected except by authority of Law.
Article 270	All the taxes & duties except specified shall be levied by CG & distributed between Union & state Government in the manner specified by President or through recommendation of finance commission.
Article 245	Parliament may make law for the whole or part of the territory.
Article 123	President may Promulgate Ordinances during recess of Parliament
Article 271	Parliament may at any time increase any duties & taxes as referred in article 270, by surcharge for purpose of Union & whole proceeds of any such surcharge shall form part of CFI

## BASICS OF INCOME TAX

- > Income tax is covered under entry no 82 of the union list.
- > Agriculture Income is covered under Entry no 46 to State List
- > It is applicable to whole of India (Sec 1)

Notifications	Circulars	Judicial Updates
<ul style="list-style-type: none"> <li>&gt; Notification is communication of any change in Act/Rules</li> <li>&gt; Issued by CBDT u/s 119</li> <li>&gt; Notification overrides Act</li> <li>&gt; All Notification 6M before exam are applicable</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Clarification issued by Dept</li> <li>&gt; Issued by CBDT u/s 119</li> <li>&gt; All Circulars 6M before exam are applicable</li> </ul>	<ul style="list-style-type: none"> <li>&gt; <u>Supreme Court</u> : Approached when a) HC frames a ques of law; b) a SLP is filed; Judgements of SC become law of land</li> <li>&gt; <u>High Court</u> : Only handles ques of law. File Writ petition</li> <li>&gt; <u>ITAT</u> : Last authority for ques of fact</li> </ul>

## 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.

## IMPORTANT DEFINITIONS

S. 2(9)	Assessment Year	means period of 12 M commencing on 1st day of April every year. (AY = FY in which tax is paid)	
Sec 3	Previous Year	means FY immediately preceding AY. (PY = FY in which income is earned)	
	Exceptions to PY Income of PY taxable in PY itself instead of AY	S. 172	Income of NR shipping companies.
		S. 174	Income of persons leaving India with no intention of returning to India
		S. 174A	Assessment of AOP / BOI / AJP formed for a particular purpose likely to be dissolved in same year of formation
		S. 175	Assessee likely to transfer his assets with view to avoid payment of tax
		S. 176	Income of a discontinued business or profession.
S. 2(31)	Person	Includes Individual; HUF; Company; Firm; AOP; Local Authority; AJP	
S. 2(7)	Assessee	Person liable to pay tax, a deemed assessee; a person who is in default.	

# TAX RATES

NORMAL RATES : Specified by relevant Finance Act

SPECIAL RATES : Specified by Income Tax Act

## TAX RATES FOR I/HUF/AOP/BOI/AJP

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

Total Income	Amount of tax
Upto ₹. 2,50,000	Nil
Exceeding ₹. 2,50,000 but upto ₹. 5,00,000	5% of (total income less ₹. 2,50,000)
Exceeding ₹. 5,00,000 but upto ₹. 10,00,000	₹12500 + 20% of (TI less ₹. 5,00,000)
In excess of ₹. 10,00,000	₹112500 + 30% of TI

Senior citizens: Individual [Resident] 60 years or more but not more than 80 years

Total Income	Amount of tax
Upto ₹. 3,00,000	Nil
Exceeding ₹. 3,00,000 but upto ₹. 5,00,000	5% of (total income less ₹. 3,00,000)
Exceeding ₹. 5,00,000 but upto ₹. 10,00,000	₹10,000 + 20% of (TI less ₹. 5,00,000)
In excess of ₹. 10,00,000	₹1,10,000 + 30% of TI

Super Senior citizens: Individual [R] who is of age of 80 years or more

Total Income	Amount of tax
Upto ₹. 5,00,000	Nil
Exceeding ₹. 5,00,000 but upto ₹. 10,00,000	20% of (TI less ₹. 5,00,000)
In excess of ₹. 10,00,000	₹1,00,000 + 30% of TI

From AY 21-22, Ind. & HUF have an option to opt for sec 115BAC NOTES :

a) HEC is applicable @ 4%. [after surcharge or Rebate]

b) Rebate u/s 87A

1) Assessee is Individual

2) He is Resident in India

3) whose TI(From All Heads after Ded<sup>n</sup>) **does not exceed ₹ 5 lakh**

**Rebate= ₹ 12500 or 100% of tax payable , whichever is lower**

**> Rebate not available for tax computed u/s 112A**

c) Rounding Off

S.288A	Round off of Total Income	R/o to nearest multiple of ₹10
S.288B	Round off of Total Tax	R/o to nearest multiple of ₹10

Rule of 5 is applicable.

Eg:- If tax calculated is 81,501 then tax be rounded off to 81,500.

Circular 28/2016 -

CBDT, hereby clarifies that a person born on 1st April would be considered to have attained a particular age on 31st March, the day preceding the anniversary of his birthday. In particular, the question of attainment of age of eligibility for being considered a senior/very senior citizen would therefore be decided on the basis of above criteria. Therefore, if a person is born on 1 April, 1961/1941 then he shall get slab of ₹ 3,00,000/ ₹5,00,000 in PY 31.3.2021.

**Surcharge applicable to Individual, HUF,AOP,BOI,AJP - As per Taxation law amendment ordinance 2019. [dt.20/09/2019]**

No	Income	Surcharge on Income	
		u/s 111A & 112A & Dividend [FA'20]	Other
1)	TI [Including Income u/s 111A & 112A does not exceed 50L	Nil	Nil
2)	TI [Including Income u/s 111A & 112A exceed 50L but not 1cr.	10%	10%
3)	TI [Including Income u/s 111A & 112A exceed 1cr but not 2cr.	15%	15%
4)	TI [Excluding Income u/s 111A & 112A exceed 2cr but not 5cr.	15%	25%
5)	TI [Excluding Income u/s 111A & 112A exceed 5cr	15%	37%
6)	TI [Including Income u/s 111A & 112A exceed 2cr but not covered by situation 4 & 5.	15%	15%

Particulars	Rate	Example	
		Components of total income	Applicable rate of surcharge
TI (incl. dividend income & CG chargeable to tax u/s 111A & 112A) > ₹50L but ≤ ₹1cr.	10%	<ul style="list-style-type: none"> <li>Dividend ₹10 lakhs;</li> <li>STCG u/s 111A ₹20 lakhs;</li> <li>LTCG u/s 112A ₹25 lakhs; &amp;</li> <li>Other income ₹40L</li> </ul>	Surcharge would be levied @ 10% on income-tax computed on total income of ₹95 lakhs.
TI (incl. dividend income & CG chargeable to tax u/s 111A & 112A) > ₹1cr. but ≤ ₹2cr.	15%	<ul style="list-style-type: none"> <li>Dividend ₹10 lakhs;</li> <li>STCG u/s 111A ₹60 lakhs;</li> <li>LTCG u/s 112A ₹65 lakhs; and</li> <li>Other income ₹50L</li> </ul>	Surcharge would be levied @ 15% on income-tax computed on total income of ₹1.85 cr.
TI (excl. dividend income & CG chargeable to tax u/s 111A & 112A) > ₹2cr. but ≤ ₹5cr.	25%	<ul style="list-style-type: none"> <li>Dividend ₹60L</li> <li>STCG u/s 111A ₹54L</li> <li>LTCG u/s 112A ₹55L</li> <li>Other income ₹3 cr.</li> </ul>	Surcharge @ 15% would be levied on income-tax on: <ul style="list-style-type: none"> <li>Dividend of ₹60L;</li> <li>STCG of ₹54 lakhs chargeable to tax u/s 111A; and</li> <li>LTCG of ₹55L chargeable to tax u/s 112A.</li> </ul>
The rate of surcharge on the income-tax payable on portion of dividend & capital gains chargeable to tax u/s 111A & 112A	25%		Surcharge @ 25% would be leviable on income-tax computed on other income of ₹3 crores included in TI.

Particulars	Rate	Example	
		Components of total income	Applicable rate of surcharge
TI (excl. dividend & capital gains chargeable to tax u/s 111A & 112A) > ₹5 crore	37%	<ul style="list-style-type: none"> <li>Dividend ₹60 Lakhs;</li> <li>STCG u/s 111A ₹50L;</li> <li>LTCG u/s 112A ₹65L; &amp;</li> <li>Other income ₹6 cr.</li> </ul>	Surcharge @ 15% would be levied on income-tax on: <ul style="list-style-type: none"> <li>Dividend income of ₹60 lakhs;</li> <li>STCG of ₹50 lakhs chargeable to tax u/s 111A; and</li> <li>LTCG of ₹65 lakhs chargeable to tax u/s 112A.</li> </ul>
Rate of surcharge on the income-tax payable on the portion of dividend income & capital gains chargeable to tax u/s 111A and 112A	Not exceeding 15%		Surcharge @ 37% would be leviable on the income-tax computed on other income of ₹6 crores included in total income.
TI (excl. dividend income & CG chargeable to tax u/s 111A & 112A) > ₹2cr. in cases not covered under the above 2 cases	15%	<ul style="list-style-type: none"> <li>Dividend income ₹55L</li> <li>STCG u/s 111A ₹60L;</li> <li>LTCG u/s 112A ₹55L; &amp;</li> <li>Other income ₹1.10cr.</li> </ul>	Surcharge would be levied @ 15% on income-tax computed on total income of ₹2.80 crore.

## TAX RATES FOR OTHER ENTITIES

Domestic Co Turnover not exceeding 400Cr in PY 18-19[FA'20]	25%
Other Companies	30%
Foreign Companies	40%
Firm & LLP	30%
Local Authority	30%
Co-Operative Society:	
For First 10,000	10%
For Next 10,000	20%
For Balance	30%
Sec 115BAD (New inserted sec subject to conditions) [FA'20]	22%

### Surcharge applicable to other entities

Firm/LLP/Local Authority/Co-op Sty		If Income Exceed 1cr - 12%
Companies	Domestic Co	Upto 1cr- Nil
		Above 1cr upto 10 cr -7%
		Above 10cr -12%
	Foreign Co	Upto 1cr- Nil
		Above 1cr upto 10 cr -2%
		Above 10cr - 5%

## MARGINAL RELIEF

- A) In case of an **Local Authority & Firm**, where  $TI < ₹1cr$ , aggregate of income tax & surcharge shall be restricted to:  
 $(Tax\ on\ ₹1cr) + (Total\ Income - ₹1cr)$
- B) In case of an **Individual & HUF**,

Total Income	Income tax & Surcharge restricted to
₹50L <= ₹1cr	(Tax on ₹50 lakhs) + (Total Income - ₹50 lakhs)
₹1cr <= ₹2cr	(Tax on ₹1 crore with surch @ 10%) + (Total Income - ₹1 crore)
₹2cr <= ₹5cr	(Tax on ₹2 crore with surch @ 15%) + (Total Income - ₹2 crore)
Exceeds ₹5cr	(Tax on ₹5 crore with surch @ 25%) + (Total Income - ₹5 crore)

- C) In case of a **Domestic / Foreign Company**, where  $TI ₹1cr \leq ₹10cr$ , aggregate of income tax & surcharge shall be restricted to:  
 $(Tax\ on\ ₹1cr) + (Total\ Income - ₹1cr)$
- D) In case of a **Domestic Company**, where  $TI > ₹10cr$ , aggregate of income tax & surcharge shall be restricted to:  
 $(Tax\ on\ ₹10cr\ with\ surch\ of\ 7\%) + (Total\ Income - ₹10cr)$
- E) In case of a **Foreign Company**, where  $TI > ₹10cr$ , aggregate of income tax & surcharge shall be restricted to:  
 $(Tax\ on\ ₹10cr\ with\ surch\ of\ 2\%) + (Total\ Income - ₹10cr)$

## CASE LAWS

<b>Saurashtra Cements Ltd SC</b>	Case: Delay in supply of machinery Assessee received liquidated damages is it a revenue receipt?	Held: It is a capital receipt since it is not receipt in course of profit earning process
<b>T.A. Quereshi SC</b>	Case: Whether illegal Income is also chargeable to tax	Held: Yes, IT taxes all revenue receipts chargeable to Tax