

Commercial's

TAXATION

Module 1 : INCOME TAX with Multiple Choice Questions (MCQs)

For CA Inter As per New Syllabus, 2023

Applicable for May, 2024 & Nov. 2024 Examinations

Key Features

- Practical Examples to enhance the practical applicability of the concepts discussed
- More than 1,400 MCQs for Self-Assessment covering all chapters
- Case Study Based MCQs: In line with the latest trends in examinations
- Chapter-wise Section Lists to allows readers to quickly locate reference of specific sections
- Chapter Summaries serves as a valuable tool for readers, helping in the revision process by offering a quick recap of key concepts and principles covered in the chapter

**12th
Edition
2024**

**Assessment Year
2024-2025**



Jaspreet Singh Johar
Chartered Accountant

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Phones: 43502007, 43502008, 43011562, 43452009

e-mail: commercialhouse@yahoo.co.in

naveen.commercialhouse@gmail.com

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**DEDICATED TO
THE ALMIGHTY**

WORK OF THIS BOOK IS NOT MY MERIT
BUT IS GRACE OF GOD

Preface to the Twelfth Edition

Welcome to the twelfth edition of our Income Tax book. It is with great pleasure and a sense of responsibility that I present the twelfth edition of the *"Income Tax Guide for Assessment Year 2024-2025"*. As the landscape of taxation undergoes continuous changes, this edition has been meticulously updated to incorporate the latest amendments and revisions, ensuring that you are equipped with the most current and relevant information as of October 31, 2023. This edition will serve you as indispensable companion till your exams.

Navigating the intricacies of income tax regulations, staying abreast of the latest developments is imperative for students, professionals and taxpayers alike. The meticulous updating process has taken into account the Finance Act 2023 changes, circulars, and notifications issued by the government, ensuring that the readers have access to the most accurate and current information.

This twelfth edition, authored by the esteemed Chartered Accountant Jaspreet Singh Johar, is a commitment to provide you with most comprehensive and up-to-date resource material that aims to bridge the gap between complexity and comprehension in the field of income tax.

Key features of the twelfth edition:

Legislative Updates: All amendments introduced in the Finance Act 2023, latest circulars and notifications upto October 31, 2023 have been incorporated, providing a comprehensive understanding of the altered tax laws.

Practical Examples: To enhance the practical applicability of the concepts discussed, numerous practical examples have been strategically solved at relevant places. This approach aims to facilitate a deeper understanding of the intricacies of income tax provisions.

MCQs for Self-Assessment: Recognizing the evolving examination pattern CA/CS/CMA and other professional bodies, this edition places a significant emphasis on Multiple Choice Questions (MCQs). More than 1,400 MCQs have been thoughtfully integrated throughout the book, covering all chapters. Answers to these MCQs are provided, allowing students to assess their understanding and preparation.

Case Study Based MCQs: In line with the latest trends in examinations, we have incorporated Case Study based MCQs. These real-world scenarios challenge readers to apply their knowledge to practical situations, preparing them comprehensively for the complexities of examinations and professional practice.

Chapter-wise Section Lists: To enhance accessibility, a comprehensive list of all sections relevant to each chapter is provided at the beginning of the chapter. This feature allows readers to quickly locate and reference specific sections, streamlining the learning process.

Chapter Summaries: At the conclusion of each chapter, a concise summary is provided. This feature serves as a valuable tool for readers, aiding in the revision process by offering a quick recap of key concepts and principles covered in the chapter.

I am confident that this twelfth edition will continue to serve as an invaluable tool in your journey through the complex yet fascinating world of income tax.

I extend my best wishes to all readers and users of this book.

Happy reading!

CA. JASPREET SINGH JOHAR
8010921000 / jaspreetjohar@gmail.com

25th December, 2023

SYLLABUS AS PRESCRIBED BY ICAI

PAPER - 3: TAXATION

(One paper – Three hours – 100 Marks)

SECTION A: INCOME TAX LAW (50 MARKS)

Objective

- a) To develop an understanding of the provisions of income-tax law.
- b) To acquire the ability to apply such provisions to solve problems and address application oriented issues.

Contents

1. Basic Concepts:

- (i) Income-tax law: An introduction
- (ii) Significant concepts in income-tax law, including person, assessee, previous year, assessment year, income, agricultural income
- (iii) Basis of Charge
- (iv) Procedure for computation of total income and tax payable in case of individuals

2. Residential status and scope of total income:

- (i) Residential status
- (ii) Scope of total income

3. Heads of income and the provisions governing computation of income under different heads:

- (i) Salaries
- (ii) Income from house property
- (iii) Profits and gains of business or profession
- (iv) Capital gains
- (v) Income from other sources

4. Provisions relating to clubbing of income, set-off or carry forward and set-off of losses, deductions from gross total income.

5. Advance Tax, Tax deduction at source and tax collection at source.

6. Provisions for filing return of income and self-assessment.

7. Computation of total income and income-tax payable by an individual under the alternative tax regimes under the Income-tax Act, 1961 to optimize tax liability.

Expected Weightage

| Content | Section | Weightage |
|---|---------|--------------|
| 1. Basic Concepts: (i) Income-tax law: An introduction (ii) Significant concepts in income-tax law, including person, assessee, previous year, assessment year, income, agricultural income (iii) Basis of Charge (iv) Procedure for computation of total income and tax payable in case of individuals | I | 10 % to 20 % |
| 2. Residential status and scope of total income: (i) Residential status | | |

| | | |
|---|-----|--------------|
| (ii) Scope of total income | | |
| 3. Heads of income and the provisions governing computation of income under different heads: (i) Salaries (ii) Income from house property (iii) Profits and gains of business or profession (iv) Capital gains (v) Income from other sources | II | 25 % to 30 % |
| 4. Provisions relating to clubbing of income, set-off or carry forward and set-off of losses, deductions from gross total income. | III | 15 % to 20 % |
| 5. Advance Tax, Tax deduction at source and tax collection at source. | IV | 15 % to 20 % |
| 6. Provisions for filing return of income and self-assessment. | | |
| 7. Computation of total income and income-tax payable by an individual under the alternative tax regimes under the Income-tax Act, 1961 to optimize tax liability. | V | 20 % to 25 % |

Note: If any new legislation(s) are enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation(s) on income tax law ceases to be in force, the syllabus will accordingly exclude such legislation(s) with effect from the date to be notified by the Institute.

Further, the specific inclusion(s)/exclusion(s) in any topic covered in the syllabus will be effected by way of Study Guidelines every year, if required. Specific inclusions/exclusions in a topic may also arise due to additions/deletions made every year by the Annual Finance Act.

SECTION B: GOODS AND SERVICES TAX (GST)(50 MARKS)

Objective

- a) To develop an understanding of the provisions of goods and services tax law.
- b) To acquire the ability to apply such provisions to address/ solve issues in moderately complex scenarios.

Contents

1. GST Laws: An introduction including Constitutional aspects.
2. Levy and collection of CGST and IGST:
 - (i) Application of CGST/IGST law
 - (ii) Concept of supply including composite and mixed supplies
 - (iii) Charge of tax including reverse charge
 - (iv) Exemption from tax
 - (v) Composition levy
3. Basic concepts of:
 - (i) Classification
 - (ii) Place of supply
 - (iii) Time of supply
 - (iv) Value of supply
 - (v) Input tax credit
4. Computation of GST liability.

5. Registration.
6. Tax invoice; Credit and Debit Notes; Electronic way bill.
7. Accounts and Records.
8. Returns.
9. Payment of tax.

| <u>Expected weightage</u> | | Section | Weightage |
|--|--|---------|--------------|
| Content | | | |
| 1. GST Laws: An introduction including Constitutional aspects. | | I | 0 % to 5 % |
| 2. Levy and collection of CGST and IGST: (i) Application of CGST/IGST law (ii) Concept of supply including composite and mixed supplies (iii) Charge of tax including reverse charge (iv) Exemption from tax (v) Composition levy | | II | 50 % to 80 % |
| 3. Basic concepts of: (i) Classification (ii) Place of supply (iii) Time of supply (iv) Value of supply (v) Input tax credit | | | |
| 4. Computation of GST liability. | | | |
| 5. Registration. 6. Tax invoice; Credit and Debit Notes; Electronic way bill. 7. Accounts and Records. 8. Returns. 9. Payment of tax. | | III | 20 % to 45 % |

Note: If any new legislation(s) is enacted in place of an existing legislation(s), the syllabus will accordingly include the corresponding provisions of such new legislation(s) in place of the existing legislation(s) with effect from the date to be notified by the Institute. Similarly, if any existing legislation ceases to have effect, the syllabus will accordingly exclude such legislation with effect from the date to be notified by the Institute. Students shall not be examined with reference to any particular State GST Law.

Consequential/ corresponding amendments made in the provisions of the Goods and Services Tax laws covered in the syllabus of this paper which arise out of the amendments made in the provisions not covered in the syllabus will not form part of the syllabus. Further, the specific inclusion(s)/ exclusion(s) in the various topics covered in the syllabus will be affected every year by way of Study Guidelines. The specific inclusion(s)/ exclusion(s) may also arise due to additions/ deletions every year by the annual Finance Act.

WEIGHTAGE OF CHAPTERS IN GST IN PREVIOUS EXAMS

| | TOPICS | 100% SUBJECTIVE | | 30% OBJECTIVE, 70% SUBJECTIVE | | | | | | | | | |
|--------------|-------------------------|-----------------|---------------------------|-------------------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | | May 2018 | Nov 2018 | May 2019 | Nov 2019 | Nov 2020 | Jan 2021 | July 2021 | Dec 2021 | May 2022 | Nov 2022 | May 2023 | Nov 2023 |
| | | 1. | BASIC INTRODUCTION TO GST | 3-T | 2-T | | | | | | | | |
| 2. | CHARGEABILITY UNDER GST | | | | | | | | | | | | |
| 3. | REGISTRATION | 4-P | 1.5-T | 4-T | 5-T | 4-T | 5-T | 5-P | 4-P | 5-T | 4-P | | |
| | | 5-T | 5-T | 5-T | | | 5-T | 5-T | 5-T | | 5-P | | |
| 4. | SUPPLY | | 5-T | | | | | 4-T | | 4-P | | 5-T | |
| | | | | | | | | | | | | | |
| 5. | EXEMPTIONS AND RCM | 3-P | 3-T | 4-T | | 4-T | 6-P | 5-T | 6-P | 5-T | | 4-P | |
| | | | 3-P | | | 5-T | 4-P | | | | | 2-T | |
| 6. | VALUE OF SUPPLY | 5-P | 5-P | 6-P | | 6-P | | | | 6-P | | 6-P | |
| | | | | | | | | | | | | | |
| 7. | COMPOSITION SCHEME | 3-P | | 5-T | 6-P | | | | | | | 3-T | |
| | | 5-T | | | 5-T | | | | | | | | |
| 8. | INPUT TAX CREDIT | 4-P | 4-P | | | 5-T | | 6-P | | 5-T | 5-T | | |
| 9. | TIME OF SUPPLY | 4-P | 5-P | | 4-P | | | | 5-P | | | | |
| 10. | PAYMENT OF GST | 6-P | 6-P | 8-P | 8-P | 8-P | 8-P | 8-P | 8-P | 8-P | 8-P | 8-P | 8-P |
| | | 5-T | 4-T | 2-T | 3-T | 5-T | | | | | | 3-T | 5-P |
| 11. | INVOICE | | 1.5-T | | | | | | | | | 6-P | 5-T |
| | | 3-P | 3-T | 4-T | | | 4-T | | 5-T | 4-P | 5-T | | |
| 12. | E-WAY BILL | | | 5-T | | 3-T | 3-P | | | 3-T | 2-T | 2-T | |
| | | | | | | | | | | | | | |
| 13. | FILING OF RETURN | 5-T | 2-T | | 5-T | 3-T | 3-T | 5-T | 5-T | 3-T | 5-T | 3-T | |
| | | | | | 2-T | | | | | | | | |
| Total | | 55 | 55 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 | 43 |

WEIGHTAGE OF MCQs OF VARIOUS CHAPTERS IS NOT GIVEN IN THIS TABLE

P = PRACTICAL QUESTION AND T = THEORY QUESTION

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INTRODUCTION, BASIC CONCEPTS AND DEFINITIONS UNDER INCOME TAX ACT, 1961

SYNOPSIS

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1. LEARNING OBJECTIVES OF CHAPTER OF INTRODUCTION, BASIC CONCEPTS AND DEFINITIONS UNDER INCOME TAX ACT, 1961

- To understand reasons of levying taxes by the Government
- To understand the structure of Income Tax Act, 1961
- To understand the meaning of various terms frequently used in Income Tax Act, 1961 as per their definitions given in Section 2 of Income Tax Act, 1961

- To understand meaning and scope of terms like Person, Assessment Year, Previous Year, Income, Total Income and Assessee used in Taxation Parlance
- To understand meaning and types of companies
- To understand concept of taxability of incomes and applicable tax rates
- To understand applicability of amendments done by Annual Finance Acts

2. SECTIONS DISCUSSED IN THE CHAPTER OF INTRODUCTION, BASIC CONCEPTS AND DEFINITIONS UNDER INCOME TAX ACT, 1961

| Topic | Section |
|--|------------------------|
| Person | Section 2(31) |
| Total Income | Section 2(45) |
| Income | Section 2(24) |
| Assessment Year | Section 2(9) |
| Assessee | Section 2(7) |
| Previous Year | Sections 2(34) and 3 |
| 1st Previous Year starts from the date of set up of business or profession | Provision to Section 3 |
| Gross Total Income | Section 14 |
| Exceptions to Previous Year: | |
| (1) Shipping Business of non-residents | Sections 172 |
| (2) Assessment of persons leaving India | Section 174 |
| (3) Assessment of AOP or BOI formed for purpose of particular event | Section 174A |
| (4) Assessment of persons likely to transfer property to avoid tax | Section 175 |
| (5) Discontinued business | Section 176 |
| Company | Section 2(17) |
| Indian Company | Section 2(26) |
| Foreign Company | Section 2(23A) |
| Company in which public are substantially interested | Section 2(18) |
| India | Section 2(25A) |
| Domestic Company | Section 2(22A) |

PART I

3. INTRODUCTION OF CHAPTER BASIC CONCEPTS AND DEFINITIONS UNDER INCOME TAX ACT, 1961

This chapter will lay foundation for understanding of the subject of Income-tax. This chapter covers understanding of all basic concepts which are relevant before learning computation of total income and tax liability. This chapter covers various definitions such as Assessment Year (AY), Previous Year (PY), Assessee and Total Income.

In other words, tax is mandatory financial charge which is imposed by government in order to fund various public expenditure.

4. WHAT IS THE MEANING OF TAX?

Tax may be defined as a pecuniary (धन-संबंधी) burden laid upon individuals or property owners to support the Government; a payment exacted (वसूल करना) by legislative authority.

6. WHY ARE TAXES LEVIED?

| WHY ARE TAXES LEVIED? |
|--|
| Government requires funds for: <ul style="list-style-type: none"> • Development of nation • Providing infrastructure facilities • Preservation of natural resources • Defence of nation • Meeting contingencies |

| GOVERNMENT COLLECTS FUNDS FROM |
|---|
| <ul style="list-style-type: none"> • Sale of natural resources available in the country like sale of petroleum, etc. • Imposing taxes on the income, wealth, goods and services |

8. TYPE OF TAXES?

| DIRECT TAXES |
|--|
| Tax levied by government on the income and wealth received by households and businesses and the burden of which cannot be passed on to another person. |

| INDIRECT TAXES |
|---|
| Tax levied by government on goods and services and the burden of which can be passed on to ultimate consumer. |

The Constitution of India gives power to the Central and State Governments to levy taxes on different types of transactions.

| |
|---|
| Some of the taxes charged by the State Governments are: <ul style="list-style-type: none"> • On sale and purchase of immovable property within the State, State Government Charges Stamp Duty or Property Tax • State Government Charges Electricity Tax on providing electricity |
|---|

| |
|--|
| Some of the taxes charged by the Central Government are: <ul style="list-style-type: none"> • Income-tax on the incomes earned • GST on the services supplied to some other person |
|--|

7. DIFFERENCES BETWEEN DIRECT TAXES AND INDIRECT TAXES

| BASIS | DIRECT TAX | INDIRECT TAX |
|---------------------------|---|--|
| Meaning | Direct tax is levied on person's income and wealth and is paid directly to the government. | Indirect Tax is levied on a person who consumes the goods and services and is paid indirectly to the government. |
| Nature | Progressive in nature, i.e., higher tax is levied on a person earning higher income and vice versa. | Proportional in nature, i.e., all persons will bear equal burden of tax on goods or services consumed by them. |
| Incidence and Impact | The taxpayer himself bears such taxes and thus, it pinches the taxpayer. | The taxpayer passes such burden to another person. Thus, it does not pinch the taxpayer. |
| Example | Income-tax | GST, Custom Duty |
| Inflation | Direct tax helps in reducing the inflation. | Cost of goods and services increases due to levy of indirect tax thus indirect taxes promote inflation. However, sometimes it is useful tool to promote social welfare by checking the consumption of harmful goods or sin goods through higher rate of tax. |
| Imposition and collection | Imposed on and collected from the same person | Collected from consumers of goods and services but paid and deposited by the assessee. |

| BASIS | DIRECT TAX | INDIRECT TAX |
|--------|--------------------------------|------------------------------|
| Burden | Cannot be shifted | Can be shifted |
| Event | Taxable income of the assessee | Supply of goods and services |

8. POWER TO LEVY TAX

- The Constitution of India is the Supreme Law of India
- Any tax law, which is not in conformity with the Constitution, is called *ultra vires* the Constitution and is illegal and void.
- **Article 265:** No tax shall be levied or collected except by the authority of law. It means tax proposed to be levied must be within powers of the legislature imposing the tax
- **Entry 82** of the Union List to Constitution of India - Central Government has power to levy and collect Income-tax (apart from tax on agriculture income)
- **Entry 46** of the State List to Constitution of India - State Government has power to levy and collect Income-tax on agriculture income)

9. THE LAW GOVERNING INCOME TAX, ITS LEVY AND ITS COLLECTION

- The law relating to Income-tax is specified in Act called Income Tax Act, 1961
- It is implemented according to the rules laid down in the Income Tax Rules, 1962
- It is administered through circulars issued by the highest authority of Income-tax Central Board of Direct Taxes (CBDT)
- It is interpreted by the judgment of cases, which are heard and decided by the Supreme Court or the High Court.

10. COMPONENTS OF INCOME TAX LAW

Components of income-tax law are:

| | |
|-----------------------------|---|
| Income Tax Act, 1961 | <ul style="list-style-type: none"> • Income-Tax Act, 1961 has been divided into Chapters I to XXIII and has XIV Schedules • Each Chapter has been further divided into Sections. (There are total of 298 Sections) • Each Section deals with a specific provision and is further divided into sub-sections, clauses and sub-clauses that further clarify the provisions discussed in the Section. • Provision, sub-sections, clauses and sub-clauses have explanations, which further simplify any word used in the Section or any point mentioned in the Section • Provision, sub-sections, clauses and sub-clauses further have Provisos, which indicate an exception or a pre-condition which needs to be satisfied for application of Section • Further definitions are given which give a precise meaning to the term used in Act. |
|-----------------------------|---|

Difference between Sub-Section and Clause

| Sub-section | Clause |
|--|---|
| Sub-section refers to such parts of a section where each part is related with other and all sub-sections taken together completes the concept mentioned in that section. | When each part of the section is independent of each other and one is not related with other, such parts are called as a clause |

Illustration 1:

Section 5 which defines the scope of total income has two sub-sections (1) and (2).

Section 5 sub-section (1) defines the scope of total income for resident and ordinary resident of India and Section 5 sub-section (2) defines the scope of total income of a non-resident.

Each sub-section is related with the other in the sense that only when one reads them all, one gets the complete idea related with scope of total income

Illustration 2:

The clauses of section 2 define the meaning of terms used in the Income-tax Act, 1961.

Section 2 Clause (1A) defines "agricultural income", Section 2 Clause (1B) defines "amalgamation" and so on.

Each one of them is independent of other clause of the same section

Difference between Provisos and Explanations

| Provisos | Explanations |
|--|--|
| Proviso to a section/sub-section/clause gives out the exception to the provision given in the section/sub-section/clause. Thus, when proviso is given, provision given in the section would not apply or may apply with certain modification | The Explanation to a section/sub-section/clause gives a clarification relating to the provision given in that section/sub-section/clause |

Annual Finance Acts

Every year, the Union Finance Minister introduces the Finance Bill in the Parliament's Budget Session. When the Finance Bill is passed by both the Houses of the Parliament and gets the assent of the President, it becomes the Finance Act. Amendments are made every year to the Income-tax Act, 1961 and other tax laws by the Finance Act.

The First Schedule to the Finance Act contains four parts which specify the rates of tax—

- **Part I** specifies the rates of tax applicable for the current AY.
- **Part II** specifies the rates at which tax is deductible at source for the current Financial Year.
- **Part III** gives the rates for calculating income-tax for deducting tax from income chargeable under the head "salaries and computation of advance tax".
- **Part IV** gives the rules for computing net agricultural income.

Income Tax Rules, 1962

- The administration of direct taxes is looked after by the Central Board of Direct Taxes (CBDT).
- The CBDT is empowered to make rules for carrying out the purposes of the Act.
- For the proper administration of the Income-tax Act, 1961, the CBDT frames rules from time to time. These rules are collectively called **Income-tax Rules, 1962**.
- It is important to keep in mind that along with the Income-tax Act, 1961, these rules should also be studied.

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| Circulars and Notifications | <p>Circulars</p> <ul style="list-style-type: none"> • Circulars are issued by the CBDT from time to time to deal with certain specific problems and to clarify doubts regarding the scope and meaning of certain provisions of the Act. • Circulars are issued for the guidance of the officers and/or assessees. • The department is bound by the circulars. While such circulars are not binding on the assessees, they can take advantage of beneficial circulars. <p>Notifications</p> <ul style="list-style-type: none"> • Notifications are issued by the Central Government and by CBDT to implement the provisions of the Act. |
|------------------------------------|--|

Difference between Circulars and Notifications

| Circulars | Notification |
|--|--|
| Circulars are issued by CBDT | Notifications are issued by the Central Government. The CBDT is also empowered to issue notifications. |
| Circulars are issued with certain specific problems and to clarify doubt regarding the scope and meaning of certain provisions of the Act. | Central Government issues notifications to affect the provisions of the Act, and CBDT issues notifications to make and amend Income-Tax Rules. |
| The department is bound by the circulars. While such circulars are not binding on the assessee, they can take advantage of beneficial circulars. | Notifications are binding in nature. Both department and assessee are bound by the notifications. |

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| Legal Decisions of Courts | <ul style="list-style-type: none"> • The study of case laws is an important and unavoidable part of the study of Income-tax law. It is not possible for Parliament to conceive and provide for all possible issues that may arise in the implementation of any Act. Hence the judiciary will hear the disputes between the assessees and the department and give decisions on various issues. • The Supreme Court is the Apex Court of the Country and the law laid down by the Supreme Court is the law of the land. The decisions given by various High Courts will apply in the respective states in which such High Courts have jurisdiction. |
|----------------------------------|---|

11. ARRANGEMENT OF SECTIONS AND STRUCTURE OF INCOME TAX ACT, 1961 RELATED TO SYLLABUS

| CHAPTER OF INCOME TAX ACT | TOPICS COVERED | SECTIONS COVERED |
|--|--|--|
| Chapter I Preliminary | Short title, extent and commencement | Section 1 |
| | Definitions | Section 2 |
| | Definition of PY | Section 3 |
| Chapter II Basis of charge | Charge of income-tax | Section 4 |
| | Scope of total income | Section 5 |
| | Determination of residential status | Section 6 |
| | Determination of nature of incomes | Section 7 to Section 9 |
| Chapter III Incomes which do not form part of total income | Exempted incomes | Section 10 |
| | Newly established units in SEZ area | Section 10AA |
| | Provisions related to Trusts and Political Parties | Section 11 to Section 13B |
| Chapter IV Computation of Total Income | Heads of Income | Section 14 |
| | (A) Salaries | Section 15 to Section 17 |
| | (B) Interest on securities | Section 18 to Section 21 Omitted WEF 1/4/1989 |
| | (C) Income from House Property | Section 22 to Section 27 |
| | (D) Profits and Gains of Business and Profession | Section 28 to Section 44DB |
| | (E) Capital Gains | Section 45 to Section 55A |
| | (F) Income from other sources | Section 56 to Section 59 |
| Chapter V Income of other persons included in assessee's total income | Clubbing of incomes | Section 60 to Section 65 |
| Chapter VI Aggregation of Income and set off or carry forward of loss | Aggregation of Income | Section 66 to Section 69D |
| | Set off of losses or carry forward and set off of losses | Section 70 to Section 80 |
| Chapter VI-A Deduction to be made in computing total income | (A) General sections | Section 80A to Section 80B |
| | (B) Deductions in respect of certain payments | Section 80C to Section 80GGC |
| | (C) Deductions in respect of certain Incomes | Section 80H to Section 80TT |
| | (CA) Deduction in respect of other incomes | Section 80TTA to Section 80TTB |
| | (D) Other deductions | Section 80U |
| Chapter VI-B | Omitted | |

| CHAPTER OF INCOME TAX ACT | TOPICS COVERED | SECTIONS COVERED |
|--|---|---|
| Chapter VII | Not in syllabus | |
| Chapter VIII Rebates and Reliefs | (A) Rebate of income-tax in case of certain Individuals (B) Relief of income tax when salary is paid in arrear or in advance | Section 87A Section 89 |
| Chapter XII Determination of tax in some special cases | Tax rates on special incomes. These are tax rates other than rates which are given in the Finance Act for normal incomes. | Section 110 to Section 115BBG |
| Chapter XIIA Special provisions relating to certain incomes of non-resident | Tax rates on incomes earned by non-resident. | Section 115C to Section 115-I |
| Chapter XIV Assessment Procedure | Filing of ITR | Section 139 to Section 140A and Section 145 |
| Chapter XVII Collection and recovery of tax | (A) General | Section 190 to Section 191 |
| | (B) TDS | Section 192 to Section 206AA |
| | (BB) TCS | Section 206C |
| | (C) Advance payment of tax | Section 207 to 211 |
| | (D) Collection and recovery | Not in syllabus |
| | (E) Provisional assessment | Not in syllabus |
| | (F) Interest payable to government | Section 234A to Section 234C |

12. SHORT TITLE, EXTENT AND COMMENCEMENT

Section 1(1): This Act may be called the Income-tax Act, 1961

Section 1(2): It extends to the whole of India

Section 1(3): Save as otherwise provided in this Act, it shall come into force on 1/4/1962.

AUTHOR'S COMMENTS

1/4/1962 refers to the AY 1962-1963, i.e., PY 1961-1962

MCQs OF PART 1

Q 1: Income-tax is a

- (a) Indirect Tax
- (b) Entertainment Tax
- (c) Direct Tax
- (d) State Tax

Q 2: For the purpose of levying tax on income other than agricultural income, Union List contained entry

- (a) 92D

(b) 92C

(c) 92E

(d) 82

Q3: Income-tax Act, 1961 applies to:

- (a) Whole of India
- (b) Whole of India excluding Sikkim
- (c) Whole of India excluding Jammu & Kashmir
- (d) All of the above