

CA / CMA - INTER
COMPACT

MAY / JUNE & NOV / DEC - 2023 EXAMS
(AS AMENDED BY FINANCE ACT 2022)

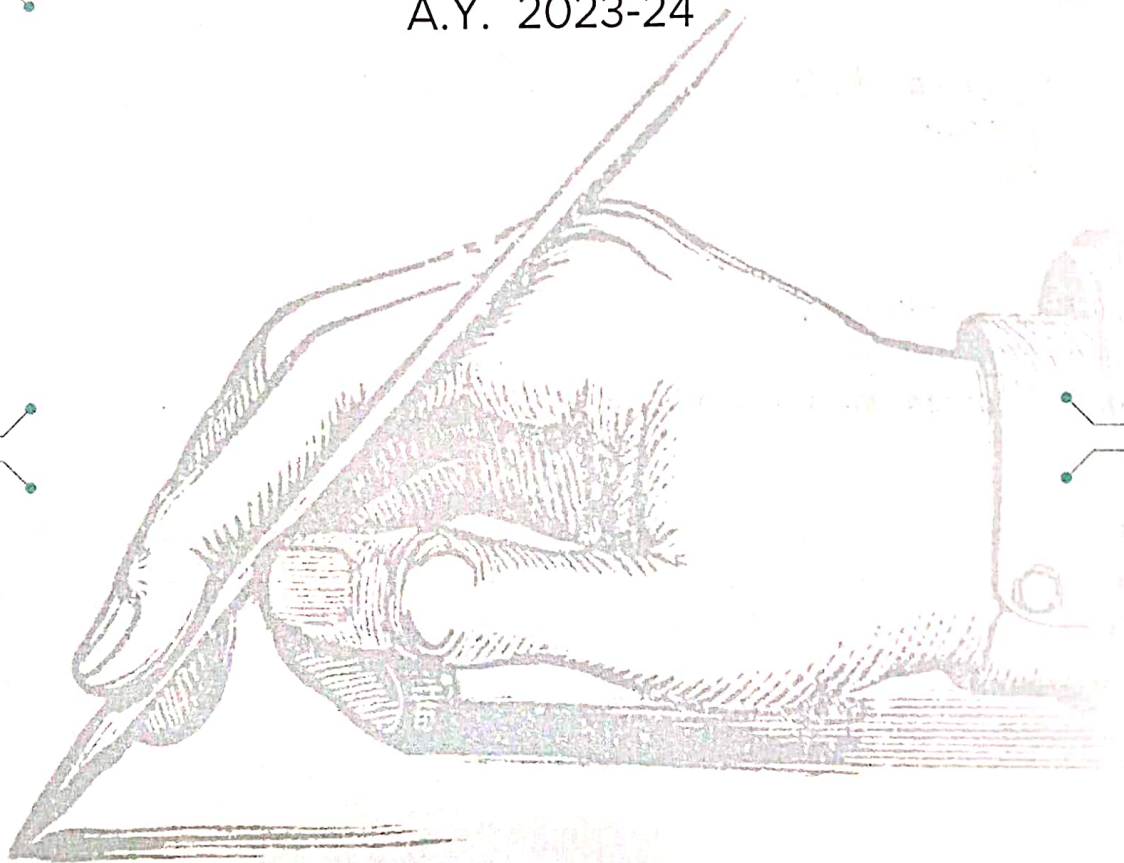


**CA BHANWAR
BORANA**

Handwritten Notes

CA | CMA INTERMEDIATE DIRECT TAX
May | June & Nov | Dec 2023

All New Revised Edition
A.Y. 2023-24



CA BHANWAR BORANA

INTERMEDIATE COMPACT

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All the Best!

Do the Well
God will do the Rest

1

Basic Concept

Power to levy Tax:

Income-tax is the most significant direct tax. **Entry 82 of the Union List** i.e., List I in the Seventh Schedule to Article 246 of the Constitution of India has given the power to the Parliament to make laws on taxes on income other than agricultural income. Entry No. 46 of state list has gives power to State Govt. to levy tax on Agriculture Income.

Sources of Income Tax Law

1. Income Tax Act, 1961

IT Act is the main source of Income tax law. It's provide determination of Total Income, Tax Liability & Procedure of assessment etc.

2. Income Tax Rules, 1962

IT Act empowered Central Board of Direct Tax (CBDT) to make rules. All Forms, procedure, principles of Valuation of perquisites are provided in the Rules.

3. Finance Act

a) Presenting the Bill: Every year, the Finance Minister presents a Finance Bill in the parliament, which contents various amendments proposed to be made in the direct and indirect taxes. Finance Bill 2022 presented by Nirmala Sitharaman on 1st Feb. 2022.

b) Approval & Assent of Bill: As soon as the Bill passed by both the houses of the parliament and thereafter receives the assent of President, in becomes the Finance Act. Finance Bill 2022 became Finance Act 2022 on 30th March 2022 after receive assent of president.

c) Amendments: The amendments proposed therein are then incorporated in the Income Tax Act. The FA brings amendments to Direct Tax Laws & it provides Tax rates also.

d) The First Schedule to the Finance Act contains four parts which specify the rates of tax -

→ Part I of the First Schedule to the Finance Act specifies the rates of tax applicable for the current Assessment Year.

- 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.

4. Circulars/Notifications from CBDT

Circulars are issued by the CBDT to clarify the meaning & scope of certain provisions contained in the Act. Notifications are issued by Central Govt./CBDT to give effect to the provision of The Act.

Circulars are binding to Assessing officer but not on Assessee and Courts. However Assessee can take advantage of Circulars which are beneficial to them.

5. Supreme Court & High Court Decisions

Various issues which arise out of the provisions of the Act are decided by HC/SC.

Charge of Income Tax Sec: 4

-Income Tax is charged for every **Assessment Year**

-It is charge on **every person** as define u/s 2(31).

-It is charge on the total income earned by the person during **Previous Year**.

-The tax is levied at the rates prescribed by Finance Act.

Assessment Year Sec: 2(9)

A.Y. means the period of twelve months commencing on the 1st day of April every year.

Income earned in Previous year is taxed in Assessment year. The A.Y. 2023-24 is a period of 12 months commencing from the 1st April 2023 and ending on 31st March 2024.

Previous Year Sec: 3

P.Y. means the financial year immediately preceding the assessment year.

For A.Y. 23-24, the PY shall be period from 1st April 2022 to 31st March 2023 & the total income earned in PY 22-23 is assessed in the AY 23-24