

# INCOME TAX



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## History of Income Tax

The Income Tax was introduced in India for the first time in 1860 by Sir James Wilson .The period of 1860 to 1886 was a period of experiments in the context of income tax, this period ended in 1886 when first Income Tax Act came into existence. The pattern paid down in it for levying of tax continues to operate even today though in some changed form. In 1918 another Act. Income Tax Act 1918 replaced by Income Tax Act 1922 and it remained in existence and operation till 31/03/1961. It applies to the whole of India including Jammu and Kashmir

Income tax is levied by the Central Government and administrated by CBDT ( Central Board of Direct Taxes)

# Constitution Provisions Governing Taxation in India

Articles 246 ( 7<sup>th</sup> schedule) of Indian Constitution contains the legislative power of two Union Government and the State Government. It contains the following 3 list covering the various subjects.

List- I : Central List

List- II : State List

List- III : Concurrent List

## Meaning of Tax

A tax is a compulsory financial charge or some other type of levy imposed on a tax payer by a governmental organization in order to fund government spending and various public expenditure.

Types of Taxes

1. Direct Tax
2. Indirect Tax

## 1. Direct Tax

Direct tax, as the name suggests, are taxes that are directly paid to the government by the tax payer it is a tax applied on individuals and organization directly by the government

Example: Income tax, Wealth Tax, Property Tax etc...

## 2. Indirect tax

Indirect tax is paid indirectly by people to the government through registered government representatives

Example: GST, Custom duty

### Income tax

It is a tax on the income earned by an assessee during the previous year and the tax is payable in the assessment year at the rates described by relevant Financial Act. It is a tax levied by the central government on the income earned by an assessee every year

## **Heads of Income**

- Income from Salary
- Income from House Property
- Income from Business or Profession
- Income from Capital Gain
- Income from Other Sources

## Person

According to the sec 2(31) the word person includes the following

- An individual
- A HUF ( Hindu Undivided Family)
- A Company
- As association
- A local authority
- Every artificial juridical person

## Assesse u/s 2(7)

Assesse is a person who is liable to pay any tax, fees, fine, penalty and interest under the Income Tax Act 1962 for the income earned by him or by one else

### Deemed Assesse

A person who is liable to pay any tax or fine return on income for the income earned by minor or by any other person is called Deemed Assesse

Example : After death of a person is legal representative will be treated as an assesse for the income tax purpose

## **Assessment Year u\s 2(9)**

It means the period of 12 months commencing on the 01 April every year and ending on 31 March of the next year

The Current assessment year is 2020-2021 that is 01/04/2020 to 31/03/2021

## **Previous year u/s 03**

It means the financial year immediately preceding the assessment year. It is a period of 12 months or less.

The current previous year is 2019-2020 that is 01/04/2019 to 31/03/2020

## Income u/s 2(24)

The term income means as includes

- Profit and gains
- Dividend and interest
- City compensatory allowance
- Dearness allowance
- Perquisites to director and representative assessee
- Capital gain
- Insurance profit
- Banking income of co-operative society
- Winning from lottery
- Employees contribution towards Provident Fund
- Consideration received for issues of shares



## **Gross total income**

It refers to the aggregate of taxable income of all the 5 heads of income after setting off losses but before allowing permissible deduction u/s 80C to 80U

## **Total income**

The total income derived after subtracting the various deduction u/s 80 from the gross total income so we first calculate the gross total income and then subtract the deduction to arrive at the total income

# Exempted income u/s 10

Exempted income are those income which are either totally or personally exempted from part of taxable income, these income are excluded from where computing the taxable income of an assessee u/s 10 of Income Tax Act 1962

The exemption are given by the government for various reasons like promoting a particular sector, avoidances of double taxation, etc...

The exempted income are as follows

- Agricultural income u/s 10(1)
- Money received by an individual has a member of HUF u/s 10(2)
- Share of profit from the partnership firm sec 10(2A)
- Interest paid to non-resident sec 10(4)(I)
- Interest paid to a person of India origin and who is non-resident sec 10(4B)
- Allowances paid by government to its employees serving outside India sec 10(8)
- Amount received as leave encashment on retirement sec 10 (10AA)
- Payment received under Bhopal Gas Leak Disaster sec 10 (10BB)

- Payment from statutory provident fund sec 10 (11)
- Payment from recognized fund sec 10 (12)
- House rent allowance sec 10 (13A)
- Any allowance given for meeting business expenditure sec 10(14)
- Interest incomes sec 10(15)
- Scholarship sec 10(16)
- Allowance of M.P/ M.L.A or M.L.C sec 10(17)
- Awards instituted by government sec 10(17A)
- Family pension sec 10(19)
- Income of a local authority sec 10(20)
- Income of scientific research association sec 10(21)
- Income of a new agency sec 10(22B)
- Income of mutual fund sec 10(23D)
- Income by way of dividend from Indian company sec 10(34)



Thank You!

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