

JUNE & December 2022 Exams

INCOME TAX

Handwritten SUMMARY NOTES

Relevant for:

CS-EXECUTIVE/Professional and other Taxation students.

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Remarks

CHAPTER - 1BASIC CONCEPTS OF INCOME TAX AND CONSTITUTIONAL PROVISIONSTAX : MEANING AND NEED OF TAXES●> CONCEPT-1 Meaning of Tax

A **tax** (from the latin taxo) is **mandatory** financial **charge** / levy imposed upon a tax payer (an individual or a legal entity) by **Government** in order to fund various public expenditures.

ARTICLE 265: Tax not to be imposed saved by authority of law.

NO TAX shall be **levied** or **collected** except by **authority of law**.

- Considering above constitutional provisions tax can be as "**compulsory exaction**" of money under **force of an enactment**.

●> CONCEPT-2 Need of Taxes

- Primary aim is to raise revenue to fund governance of nation.
- Money raised by taxation to carry out many functions **such as**:
 - Infrastructure
 - Education
 - Health
 - Military

Remarks

→ Defence and other operation of govt. itself.

SECTION 4 : CHARGING SECTION OF INCOME TAX

Every Person whose total income of the previous year exceeds the maximum amount which is not chargeable to income tax is an assessee and chargeable to income tax at rates or rates prescribed in the Finance Act for the relevant Previous year. However, his total income shall be determined on the basis of his residential status in India.

o) CONCEPT - 1 : PERSON (Sec. 2(31))

Person includes, → Muslim & Christians family [Cant + Create HUF] an individual, HUF, a company, a firm (includes LLP), an *AOP, a *BOI, every local authorities and every artificial juridicial person

* AOP = individual and other than individual.
BOI = Only Individual

o) CONCEPT - 2 : TOTAL INCOME

Two Question arise in our mind related to TI

- * Q1. Meaning of TI (TI का मतलब क्या है ?)
Q2. How to compute TI (TI निकलती कैसे है ?)

* Refer Sec. 5 of I-Tax Act, 1961

How to Compute Total Income

5 Heads of Income (Sec. 15 to 59)	xxx
+ Clubbing of Income (Sec. 60 to 65)	xxx
- Set off and c/f of losses (Sec. 70 to 79)	xxx
Gross Total Income	<u>xxx</u>
- Deductions (Sec. 80C to 80U)	xxx
Total Income	<u><u>xxx</u></u>

o) CONCEPT - 3 PREVIOUS YEAR (Sec. 3)

"Previous Year" means the financial year immediately preceding the assessment year. The year in which income is earned is previous year.

o) CONCEPT- 4 ASSESSMENT YEAR (Sec. 2(a))

Assessment Year means period of 12 months commencing on the first day of April every year and ending on March 31 of next year income of the previous year of an assessee is taxable in the following assessment year.

FINANCE ACT, 2021
is Relevant **JUNE/DEC.**
2022 EXAMS

For JUNE/Dec-22

PY = 1/4/21 - 31/3/22 [21-22]

AY = 1/4/22 - 31/3/23 [22-23]

o) CONCEPT- 5 MAXIMUM AMOUNT WHICH IS NOT CHARGEABLE TO INCOME TAX.

The limit for assessment year 2019-20 for different assesseees is as under :

INCOME TAX RATES

[APPLICABLE FOR **MAY | JUNE 2022** EXAMS]

In case of an **INDIVIDUAL** (resident or non-resident) or **HUF** or Association of Person (**AOP**) or Body of Individual (**BOI**) or any other artificial juridical person (**AJP**)

EXISTING
TAX
RATES

In case **INDIVIDUALS [MALE / FEMALE]**
(Other than senior and super senior citizen)

Net Income Range	Rate of Income-tax	
	AY 2022-23 [MAY JUNE 2022 EXAMS]	AY 2020-21 [TILL DEC. 2020 EXAMS]
Up to Rs. 2,50,000	-	-
Rs. 2,50,010 to Rs. 5,00,000	5%	5%
Rs. 5,00,010 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

SENIOR CITIZEN

(who is 60 years or more at any time during the previous year)

Net Income Range	Rate of Income-tax	
	AY 2022-23 [MAY JUNE 2022 EXAMS]	AY 2020-21 [TILL DEC. 2020 EXAMS]
Up to Rs. 3,00,000	-	-
Rs. 3,00,010 to Rs. 5,00,000	5%	5%
Rs. 5,00,010 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,010	30%	30%

SUPER SENIOR CITIZEN

(who is **80 years or more at any time during the previous year**)

Net Income Range	Rate of Income-tax	
	AY 2021-22 [MAY / JUNE 2021 EXAMS]	AY 2020-21 [TILL DEC. 2020 EXAMS]
Up to Rs. 5,00,000	-	-
Rs. 5,00,010 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

HINDU UNDIVIDED FAMILY (INCLUDING AOP, BOI AND ARTIFICIAL JURIDICAL PERSON)

Net Income Range	Rate of Income-tax	
	AY 2021-22 [MAY / JUNE 2021 EXAMS]	AY 2020-21 [TILL DEC. 2020 EXAMS]
Up to Rs. 2,50,000	-	-
Rs. 2,50,000 to Rs. 5,00,000	5%	5%
Rs. 5,00,000 to Rs. 10,00,000	20%	20%
Above Rs. 10,00,000	30%	30%

CONCEPT OF SURCHARGE (LEVIED ON INCOME TAX)

Surcharge is levied on the amount of income-tax at following rates if total income of an assessee [Individual, HUF, AOP/BOI & AJP] exceeds specified limits:- (AY 21-22 i.e PY 20-21)

Particulars	Surcharge rate
Total income upto 50 lakhs	Nil
Total income more than 50 lakhs but upto 1 crore	10%
Total income more than 1 crore but upto 2 crore	15%

Total income more than 2 crore but upto 5 crore	25%
Total income more than 5 crore but upto 10 crore	37%
Total income more than 10 crore	37%

Note 1: Same rate was applicable in AY 20-22 (i.e. PY 20-21)

Note 2: The enhanced surcharge of 25% & 37%, as the case may be, **is not levied**, from income chargeable to tax as dividend income and income taxable under sections 111A, 112A and 115AD. Hence, the maximum rate of surcharge on tax payable on such incomes shall be 15%.

However, marginal relief is available from surcharge in following manner-

- i. in case where net income **exceeds Rs. 50 lakh but doesn't exceed Rs. 1 Crore**, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of Rs 50 Lakh by more than the amount of income that exceeds Rs 50 Lakhs.
- ii. in case where net income **exceeds Rs. 1 crore but doesn't exceed Rs. 2 crore**, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.
- iii. in case where net income **exceeds Rs. 2 crore but doesn't exceed Rs. 5 crore**, marginal relief shall be available from surcharge in such a manner that the amount payable as income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore.
- iv. in case where net **income exceeds Rs. 5 crore**, marginal relief shall be available from surcharge in such a manner that the amount payable as

income tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 5 crore by more than the amount of income that exceeds Rs. 5 crore.

Health and Education Cess : Health and Education Cess is levied at the rate of 4% on the amount of income-tax plus surcharge.

Note: A resident individual (whose net income does not exceed Rs. 5,00,000) can avail rebate under [section 87A](#). It is deductible from income-tax before calculating health & education cess. The amount of rebate is 100 per cent of income-tax or Rs. 12,500, whichever is less.

Special tax Rate for INDIVIDUAL AND HUF'S (NEWLY INSERTED SECTION 115BAC)

The Finance Act, 2020, has provided an OPTION TO INDIVIDUALS [ALL CATEGORY] AND HUF for payment of taxes at the following reduced rates from Assessment Year 2021-22 and onwards: * Resident well as Non-Resident
• ~~APR 10, 15%~~

Total Income (Rs)	Rate
Up to 2,50,000	Nil
From 2,50,010 to 5,00,000	5%
From 5,00,010 to 7,50,000	10%
From 7,50,010 to 10,00,000	15%
From 10,00,010 to 12,50,000	20%
From 12,50,010 to 15,00,000	25%
Above 15,00,000	30%

3 lakh and 5 lakh Slab rate is not Available

AMT Provisions N/A

Special Tax Rate will Apply [Ex: LTCG @ 10/20%, STCG u/s 111A @ 15% etc]