01/05/2024
Wednesday

Chapter - 01

Basic concepts

Tax

Cost of living in a society.

Types of taxes

1. Direct tax - Income tax
2. Indirect tax - GST, customs duty

Why are taxes levied

Basic source of revenue to the government to meet the expenses of gvt like defence, provision of education, Health care, Infrastructure facilities like roads, dams etc..

"Constitution" of india gives the power to levy & collect taxes.

Seventh schedule to article 246 contains 3 lists

1. Union list - Parliment has power to make laws except agricultural income
2. State list - State legislatures ——"——
3. Concurrent list - Both parliment & state legislatures has power to make laws

Components of income tax law

Income tax act

Income tax rules

Annual finance act

Legal decisions of court

Circulars | Notifications

Income tax act 1961

Income tax rules 1962

Came into force on 1st April, 1962

It contains section 298 & XIV [14] schedules

The finance act

Every year finance minister will introduce finance bill in the parliaments budget session-

First schedule of finance act contains 4 parts

part I - It specifies the rates of tax applicable to current AY

part II - It specifies the rates at TDS for current FY

part III - It specifies the computation of advance tax for current FY & specifies TDS under the head salaries.

part IV - It specifies the rules for computing net agricultural income.

Charge of income tax

1. Determination of Residential Status
   - Classification of income under different heads
   - Computation of income under each head
   - Clubbing of income of spouse, minor child etc.
   - Set-off or Carry forward & set-off of losses
   - Computation of gross total income
   - Deductions from gross total income
   - Computation of total income
   - Application of rates of tax on the total income
   - Surcharge / Rebate
   - Health & education Cess
   - Alternative minimum tax [AMT]
   - Examine 115BAC or optional tax
   - Advance tax, TDS, TCS
   - Tax Payable / Refundable
   - Return

Advance tax

On or before 15th June,
15th September
15th December
15th march

Imp
5 marks

Assessee [Sec 2(7)]

~~Assessee~~ As per Section 2(7), assessee means a person by whom any tax is payable under the income tax act 1961.

- Every person in respect of whom any proceedings taken for the assessment of
  - his income or
  - income of any other person
  - the loss sustained by him
  - the amount of refund due to him
- Every assessee is a person, but every person need not to be an assessee
- Every person who is deemed to be an assessee under any provision of this act.
- Every person who is deemed to be an assessee in-default under any provision of this act.

person [Sec 2(31)]

Individual
HUF
Company
Firm
Aop /BOI
Local authority
Artificial Juridical person

Imp marks

HUF

- under the income tax act 1961, a Hindu undevided family [HUF] is treated as separate entity
- It included in the definition of the term person ~~u/s 2(31)~~
- Head of the family is called karta
- Some members of HUF are called co-parceners
  Co-parceners are first Four degrees

HUF

- Karta → Head of the family
- Co-perceners → Same blood relation of karta upto 4 generation
  exc: Son, daughter, grand Son of karta, grand daughter — " —
- members → Other members of family

School of hindu law

Dayabaga School	Mitakshra School
- in west bengal & assam	- Rest of India except WB & assam
- Nobody acquires a right, share in the property ~~as long~~ by birth as long as head of the family is living. Only on death of a father, children acquire right in property - Father & his brother would be co-perceners	- Every child born in the family acquires right (share in the families property by birth.

Company

1. Foreign company
2. Domestic company

↓

To call Indian co should satisfied following conditions
* co. should registered under the co act 1956, or 2013
* registered or principal office should be in India

Firm

partnership act 1932
limited liability partnership act 2008

Association of person & Body of individuals

AOP	BOI
- when person combine together for promotion of joint enterprise	-
- Any person can be its members	- only individuals can be its members

India (sec 2 (25A))

- the territory of india
- its territorial water, seabed, subsoil,
- continental shelf,
- exclusive economic zone
- air space above its territory & territorial water.

Imp
5 marks

Agricultural income [Sec 2 [1A]]

- Sec 2[1A] of income tax act 1961
- ~~A~~ it may be rent or revenue derived from land situated in india & used for agricultural purpose.

following conditions have to be satisfied

* Rent or revenue should be derived from land
* land has to be situated in india
* land should be used for agricultural purposes

- Income derived from such land by
  * agriculture or
  * process ordinarily employed to render the produce fit to be taken to the market. or
  * Sale of such agricultural produce in the market
- Income derived from Farm building.
- Apportionment of income b/w business income & agricultural income

Rule	apportionment	Agricul Incom	Business income
7 A	Income from sale of rubber	65%.	35%.
7B	Income from sale of coffee		
	- grown & cured	75%.	25%.
	- grown, cured, roasted, & grounded	60%.	40%.
7B	Income from sale of tea	60%.	40%.

Imp

Inp | Income derived from sapling or Seedlings grown in a nursery is agricultural income.

1

Q.NO-1, P.NO-1.39, SM

Computation of agricultural & business income of mr B

Particulars	agricultural income	Business income
Sale of sugarcane		
Sale proceeds 30% of sugarcane	10,00,000	
Less: cultivation of sugarcane	[5,00,000]	
	5,00,000	
Sale of sugar		
* Agricultural income		
Market value of sugarcane	22,00,000	
Less: cultivation of sugarcane	[14,00,000]	
	8,00,000	
* Business income		
Sale proceeds of sugar		25,00,000
Less: market value		[22,00,000]
Less: Manufacturing process		[1,50,000]
	13,00,000	1,50,000

2 Q.NO - 2, P.NO - 1.40, SM

Computation of total income of mr C

profits from sale of rubber = 30L - 10L - 8L = 12L

Agricultural income = 12L × 65% = ₹ 7,80,000
Business income = 12L × 35% = ₹ 4,20,000

Previous year → 2023-24

1/4 to 31/3

Assessment year → 2024-25

Certain income of PY assessed in the PY itself

- Shipping Business of non-resident
- person leaving india
- Discontinued business
- person likely to transfer avoid tax

undisclosed Source of income

- Cash credit
- unexplained money
- —"— expenditure
- —"— investment
- investment not fully disclosed

Health & education cess 4% plus Surcharge

Rates applicable to optional tax regime

* Individual | HUF | AOP | BOI | Artificial Juridical person

upto 60 years — If 60 years or 80 years comes on 1st April considered higher exemption limit of 3L & 5L

~~From 2.50~~ upto ~~upto~~ 2,50,000 - Nil

2,50,000 - 5,00,000 - 5%

5,00,000 - 10,00,000 - 20%

above 10,00,000 - 30%

From 60 years to 80 years

upto ~~upto~~ 3,00,000 - Nil

3,00,000 - 5,00,000 - 5%

5,00,000 - 10,00,000 - 20%

above 10,00,000 - 30%

above 80 years

upto ~~upto~~ 5,00,000 - Nil

5,00,000 - 10,00,000 - 20%

above 10,00,000 - 30%

* Firm | LLP | Local authority → 30%

* Co-operative Society

upto 10,000	10%
10,000 - 20,000	20%
above 20,000	30%

Company

Domestic Co		Foreign Co	
Total turnover or gross receipt in the py 21-22 is ≤ 400 Cr	Other domestic Co		Royalty recevd from gvt
25%	30%	40%	50%

Rates applicable to default tax regime | 115BAC

upto 3,00,000		Nil	
₹ 3,00,001	- 6,00,000	- ~~10%~~ 5%	
₹ 6,00,001	- 9,00,000	- 10%	
₹ 9,00,001	- ₹ 12,00,000	- 15%	
₹ 12,00,001	- ₹ 15,00,000	- 20%	
above ₹ 15,00,000		- 30%	

Co-operative Society

22%

Certain exemptions | Deductions are not allowed

- Leave travel Concession
- HRA
- Entertainment allowance
- Professional tax
- Exemptions in respect of Special allowances
- Daily allowances
- exemption in respect of minor child income included in the income of parent

- Tax holiday for units established in SEZ
- Interest on loan in respect of self-occupied property
- Additional depreciation or depreciation
- Deductions except NPS, agnipath scheme
- exemptions or deduction for allowance or perquisites
- Certain losses not allowed to be set-off like House property.

3 Q.NO - 3, P.NO - 1.56, SM

Computation of tax liability for AY 24-25 of mr. X

Total income ₹ 16,00,000

upto 3,00,000		- Nil	- Nil
₹3,00,001	- 6,00,000	- 5%	- ₹15,000
₹6,00,001	- 9,00,000	- 10%	₹30,000
₹9,00,001	- 12,00,000	- 15%	- ₹45,000
₹12,00,001	- 15,00,000	- 20%	- ₹60,000
₹Remaining	100,000	- 30%	- ₹30,000
			₹1,80,000
Add: health & edu cess 4%			₹7,200
			₹1,87,200

Imp Other important ~~Notes~~ Sections & rates

Section	Income	Rate of tax
112	LTCG [other than sec 112A]	20%

112A	LTCG on transfer of - Equity share in a company - unit of an equity oriented fund - unit of business trust If security transaction tax [STT] is paid	10% [> 1L]

	STT paid
ESIC	at acquisition & transfer
UEOF & UBT	at the time of transfer

LTCG upto ₹ 1L is exempt.
> LTCG is 10%.

111A	STCG on transfer of - Equity shares in a company - unit of an equity oriented fund - unit of business trust transaction on or after 1/10/2004	15%
115BB	winning from lotteries, crossword puzzles, horse races, card games gambling & betting	30%
115BBJ	winnings from online games	30%
115BBE	undisclosed source of income [60% + 25% Surcharge + 4% Cess]	60%

4 Q.NO - 4, P.NO - 1.60, SM

(a) computation of tax liability of mr X [45 years]

Total income ₹ 16,00,000

~~Less than~~ ₹ 2,50,000		Nil	-	Nil
₹ 2,50,000	- ₹ 5,00,000	5%	-	₹ 12,500
₹ 5,00,000	- ₹ 10,00,000	20%	-	₹ 1,00,000
Remaining ₹ 6,00,000		30%	-	₹ 1,80,000
				₹ 2,92,500
(+) Cess 4%				₹ 11,700
				₹ 3,04,200

(b) computation of tax liability of mr x [63 years]

First ₹ 3,00,000		Nil	-	Nil
₹ 3,00,000	- ₹ 5,00,000	5%	-	₹ 10,000
₹ 5,00,000	- ₹ 10,00,000	20%	-	₹ 1,00,000
Remaining ₹ 6,00,000		30%	-	₹ 1,80,000
				₹ 2,90,000
(+) Cess 4%				₹ 11,600
				₹ 3,01,600

(c) computation of tax liability of mr x [83 years]

First ₹ 5,00,000		Nil	-	Nil
₹ 5,00,000	- ₹ 10,00,000	20%	-	₹ 1,00,000
remaining ₹ 6,00,000		30%	-	₹ 1,80,000
				₹ 2,80,000
(+) Cess 4%				₹ 11,200
				₹ 2,91,200

Surcharge [optional tax regime]

~~Individual | HUF | BOI | AOP | AJP~~

~~Total turnover is~~

~~≤ 50L - Nil~~
~~> ₹50L ≤ 1Cr - 10%~~
~~> ₹1Cr ≤ ₹2Cr - 15%~~
~~₹2Cr to ₹5Cr - 25%~~

Individual | HUF | BOI | AOP | AJP

Including & excluding dividend & Capital gain [112, 112A, 111A

Total income	percentage
* Total income is ≤ ₹ 50L	Nil
* ₹ 50L to 1Cr [including]	10%
* ₹ 1Cr to ₹ 2Cr [including]	15%
* ₹ 2Cr to ₹ 5Cr [excluding]	25%
* > ₹ 5Cr	37%
[If excluding dividend & capital gain comes, consider 15% for 112, 112A, 111A. For others prescribed rates]	

Firm | Local authority | LLP

* Total income is ≤ 1Cr	Nil
* > ₹ 1Cr	12%

Domestic co | co-operative Society

Total income	percentage
* Total income is ≤ ₹ 1Cr	Nil
* ₹ 1Cr to ~~to~~ ₹ 10 Cr.	7%
* > ₹ 10 Cr	12%

Foreign co

Total income	percentage
* Total income is ≤ ₹ 1Cr	Nil
* ₹ 1Cr to ₹ 10 Cr	2%
* > ₹ 10 Cr	5%

Surcharge [default tax regime] [IISBAC]

Total income	percentage
Individual | HUF | AOI | BOP | AJP	
upto ₹ 50 L	Nil
₹ 50L - ₹ 1Cr [including]	10%
₹ 1Cr - ₹ 2Cr [including]	15%
> ₹ 2Cr [excluding]	25%
[Consider 15% if excluding dividend & CG otherwise same prescribed rates]	
Co-operative Society | Domestic co ↓ No threshold limit	10%

Marginal relief

Increase in amount of tax payable [including surcharge]

5 Q.NO - 5, P.NO - 1.69, SM

Computation of tax liability of Mr A [42 years] for AY 24-25
[optional tax regime]

Total income ₹ 51 L

upto	₹ 2,50,000	- Nil	- Nil
	₹ 2,50,000 - ₹ 5,00,000	- 5%	- ₹ 12,500
	₹ 5,00,000 - ₹ 10,00,000	- 20%	- ₹ 1,00,000
	Remaining ₹ 41,00,000	- 30%	- ₹ 12,30,000
			₹ 13,42,500
	(+) Surcharge [10%]		₹ 1,34,250
			₹ 14,76,750

Total income ₹ 50L

upto	₹ 2,50,000	- Nil	- ₹ Nil
	₹ 2,50,000 - ₹ 5,00,000	- 5%	- ₹ 12,500
	₹ 500,000 - ₹ 10,00,000	- 20%	- ₹ 1,00,000
	Remaining ₹ 40,00,000	- 30%	- ₹ 12,00,000
			₹ 13,12,500

excess tax payable [₹14,76,750 - ₹ 13,12,500] = ₹ 1,64,2

Marginal relief [₹1,64,250 - ₹ 1,00,000 (51L - 50L)] = ₹ 64,250

Tax liability

[14,76,750 - 64250]	₹ 14,12,500
(+) cess 4%	₹ 56,500
Tax liability	₹ 14,69,000

6 Q.NO - 6, P.NO - 1.70, SM

Computation of tax liability of Mr B [51 years] [default tax

Total income ₹ 1,01,00,000

upto ₹ 3,00,000		- Nil	- Nil
₹ 3,00,000	- 6,00,000	- 5%	- 15,000
₹ 6,00,000	- 9,00,000	- 10%	- ₹ 30,000
₹ 9,00,000	- ₹ 12,00,000	- 15%	- ₹ 45,000
₹ 12,00,000	- ₹ 15,00,000	- 20%	- ₹ 60,000
~~₹ remaing ₹ 15,00,000~~			
remaining ₹ 86,00,000		- 30%	- ₹ 25,80,000
			₹ 27,30,000
(+) Surcharge 15%			₹ 4,09,500
			₹ 31,39,500

Total income ₹ 1,00,00,000

upto ₹ 3,00,000		- Nil	- Nil
₹ 3,00,000	- ₹ 6,00,000	- 5%	- ₹ 15,000
₹ 6,00,000	- ₹ 9,00,000	- 10%	- ₹ 30,000
₹ 9,00,000	- ₹ 12,00,000	- 15%	- ₹ 45,000
₹ 12,00,000	- ₹ 15,00,000	- 20%	- ₹ 60,000
remaining ₹ 85,00,000		- 30%	- ₹ 25,50,000
			₹ 27,00,000
(+) Surcharge 10%			₹ 2,70,000
			₹ 29,70,000

excess payable [31,39,500 - 29,70,000] = ₹ 1,69,500

Marginal relief [₹ 1,69,500 - 1,00,000] = ₹ 69,500

Tax liability [31,39,500 - 69500]	₹ 30,70,000
(+) cess 4%	₹ 1,22,800
Tax liability	₹ 31,92,800

7 Q.NO - 768, P.NO - 1.72 to 1.75
Same as 5th & 6th Questions
Only amount & surcharge will differ.

Imp **Rebate [Section 87A]** rebate not applicable to LTCG U/S [112A]

Rebate under optional tax regime

Income doesn't exceed ₹ 5,00,000

Total tax payable or ₹ 12,500 } WEL

Rebate under default tax regime

Income doesn't exceed ₹ 7,00,000

Total tax payable or ₹ 25,000 } WEL

If total income exceeds ₹ 7,00,000

* Total income - ₹ 7,00,000 —> A
* Compute tax liability on total income —> B
* If B > A rebate is B - A = XXX - B = XXX
* Add : cess 4%
* Finally rebate

9 Q.NO - 9, P.NO - 1.81, SM

Computation of tax liability of mr raghav for AY 24-25

Default tax regime

Particulars	₹
Total income of ₹ 6,50,000	
Tax on ₹ 6,50,000	20,000
upto 3,00,000 - - - Nil	
₹ 3,00,000 - ₹ 6,00,000 - 5% - ₹ 15,000	
remaining ₹ 50,000 - 10% - ₹ 5000	
Less: Rebate u/s 87A	20,000
	Nil

10 Q.NO - 10, P.NO - 1.81, SM

Computation of tax liability of mr pawan (35 years) for AY 24-25 [default tax regime]

Particulars	₹
a) Total income is ₹ 7,15,000 - ₹ 7,00,000	15,000
b) Tax on ₹ 7,15,000	26,500
upto 3,00,000 - - - Nil	
₹ 3,00,000 - ₹ 6,00,000 - 5% - ₹ 15,000	
Remaining ₹ 1,15,000 - 10% - ₹ 11,500	
c) Rebate B > A [26,500 - 15,000 = 11,500] [26,500 - 11,500]	11,500
	15,000
Add: Health & education cess 4%	600
Tax liability	15,600

11 Q.NO - 11, P.NO - 1.82, SM

Computation of tax liability of mr piyush [optional tax regime]:

Particulars	₹
Total income ₹ 4,15,000	
Tax, upto 2,50,000 - - - Nil	
₹ 2,50,000 - ₹ 5,00,000 - 5% [remaining ₹ 1,65,000] → ₹ 8250	8250
Less: Rebate u/s 87A [Lower of tax pay or 12,500	8250
	Nil

partial integration of agricultural income with non-agricultural income

Agricultural income is exempt but this is an indirect way to levy tax on agricultural income with non-agricultural income.

Conditions should satisfy for partial integration

* net agriculture income should exceed ₹ 5000 pa
* non-agricultural income should be basic exemption limit exceeds ₹ 2,50,000, 3,00,000, 5,00,000, [300000 u/s 115BAC]

12 Q.No - 12, P.NO - 1.84, SM

a] computation of tax liability [default tax regime]

* Net agri income should excede ₹ 5000 pa
* non-agricultural income basic exemption exceeds ₹ 3,00,000

Particulars		₹
Income from salary		4,80,000
Income from House property		2,50,000
Agricultural income [4,80,000 - 1,70,000]	3,10,000	
(–) exempt u/s 10 (1)	[3,10,000]	–
Gross total income		7,3000
(–) deductions		–
Total income		7,30,0

① ₹7,30,000 + ₹3,10,000 = ₹10,40,000

Tax on ₹10,40,000 = ₹66,000

② ₹3,10,000 + ₹3,00,000 (slab rate) = ₹6,10,000

Tax on ₹6,10,000 = ₹16,000

③ ₹66,000 – ₹16,000 = ₹50,000

④ Add: Cess 4% ₹2,000

₹52,000

b] Same as above but slab rate changes in normal provision | optional also same but slab rates varies.