

Date

Tax Procedure and Practice

Unit - I

- + Rebates & Relief of Tax.
- + Computation of Total income and Tax liability of individuals
- + E-filing ITR-I and II

+ Rebate of tax

When in the total income of an assessee such income is included on which tax had already been paid, then from the amount of tax on total income some deduction is allowed to him. In this connection the provisions of the Income Tax Act are as under:-

→ Rebate of tax to a member of an Association of Persons or Body of individuals.

When AOP or BOI has paid tax on its total income at normal rates, the share of members in the total [member] income of the AOP or BOI shall be included in the total income of the members. On such share the member shall be entitled to a rebate of income-tax at an average rate of tax.

Note:-

When the total income of any member of the AOP or BOI does not exceed exemption limit but the total income of AOP or BOI exceeds exemption limit, it is liable to pay tax at normal rates on its total income.

○ Rebate of Income-tax in case of certain individuals

In case of an individual resident in India, whose total income does not exceed ₹ 500,000 shall be entitled to a deduction from the amount of income tax on his total income (for the Assessment Year 2020-21) up to 12,500.

Rebate under section 87A is not available in the case of non-resident individual, resident or non-resident HUF/AOP/BOI or any taxpayer other than resident individual.

Relief of tax

Where an assessee receives in a financial year (i) arrears of salary or advance salary; or (ii) salary of more than twelve months; or (iii) profit in lieu of salary; or (iv) arrears of family pension and thereby his income is taxed at a higher rate than at which it would have or otherwise been taxed.

* In ^{such} a case, the assessing officer shall, on an application received from the assessee, grant such relief as prescribed by Rule 21A.

Relief in respect of salary paid in

arrears is to be computed in the following manner:

- (i) Find out the tax on the total income (including arrears) of the previous year.
- (ii) Find out the tax on the total income as reduced by the arrears.
- (iii) From the amount arrived at in (i) deduct the amount arrived at in (ii).
- (iv) The resultant figure arrived at in (iii) is the tax on arrears.
- (v) Ascertain the previous years to which the arrears relate and add the respective amount of arrears in respective previous year.
- (vi) Find out the tax on the total income as arrived at in (v) in respect of each of such previous years.
- (vii) Find out the tax on total income (without adding the arrears) of each of the said previous years.
- (viii) From the amount arrived at in (vi) deduct the amount arrived at in (vii).
- (ix) The resultant figure arrived at in (viii) is

the tax on arrears.

(x) Find out the different between (v) and (ix). This will be the relief of s 89.

② Securities transaction tax.

1. Where income from the securities transaction has been computed (after) under the head "Profits and Gains of Business or Profession", the amount paid as securities transaction tax (STT) is deductible in computing income from business or profession.
2. Where income from the securities transaction has been computed under the head "Capital Gains" the amount paid as securities transaction tax (STT) is not deductible in computing capital gains.

* Computation of total income of individuals

Under the Income tax act the assesses are of the following types:

- (1) Individual
- (2) Hindu Undivided family.
- (3) Firm.
- (4) Association of Persons or Body of individuals
- (5) Company.
- (6) Local authority and
- (7) Artificial juridical person.

+ Individuals

An Individual means a woman, man, minor child or any human being. An individual has to pay ~~human~~ income tax on his total income at a graded scale of tax rates ruling during the concerned assessment year.

#(1) As a member of Hindu undivided family

Share of income received by an individual as a member of a Hindu undivided family out of the income of the family is neither taxable nor it is included in his total income, whether or not the family has paid tax on its income; but if a member of the family makes some incomes of others personal earnings of his own, they are ~~tax~~ taxable in the hands

of that member as an individual.

But, under section 64(2), where an individual converts his separate individual property into the property of the Hindu Undivided Family, of which he is a member, then the income derived from such converted property is to be included in the individual's total income and not in the family's total income.

- ◆ (2) As a member of an Association of Persons or Body of Individuals.

The income received by its members from the Association of Persons or Body of Individuals shall be dealt with as under:

- (a) Where the Association of Person [of] or Body of Individual is taxed at the maximum marginal rate or any higher rate, the share of a member shall not be included in his total income at all.
- (b) Where no income tax is chargeable on the total income of the Association or Body, the share of a member in that shall be chargeable to tax as part of his total income.
- (c) Where tax has been paid of the Association or Body at normal rates, income tax shall not be payable in respect of such share.

although it shall form part of the total income of the member. It means on such share income tax rebate shall be allowed at an ~~average~~ average rate of tax.

▼ (3) As a member (shareholder) of a company

The dividend [discussed u/s 2(22) (a) to (e)] received as a shareholder from a domestic company is taxable.

Income of others to be included in his Total Income or clubbing of Income: -

The income of others is included in the total income of an individual in the following circumstances:

- (a) Where a person transfers his income from an asset to another person without transferring the asset itself, such income shall be included in the total income of the transferor.
- (b) Where there is a revocable transfer of assets the income from such assets shall be included in the total income of the transferor.
- (c) Under certain circumstances, the income of the spouse of an individual is included in his (individual) total income.

(d) The income of a minor child is included in the total income of his or her parent either mother or father, as the case may be.

(e) Income from assets transferred to other persons is included in the total income of the transferor if such a transfer results directly or indirectly in a benefit to the spouse of the transferor.

+ Computation of tax

Liability of individuals

Rates of Income tax

The following are the rates of income tax for the assessment year 2021-22.

In the case of every individual or Inc [Hindu] Hindu Undivided family or association of persons or Body of individual.

(a) Individual - Senior citizen (resident in India, who is of the age of 60 years or more but less than 80 years during the [prev^{us} prev] previous year):

On 3,00,000	Nil
Next on ₹ 2,00,000	5%
[Next] Next on ₹ 5,00,000	20%
Next - Balance	30%

(b) Individual - Super senior citizen (resident in India, who is of the age of 80 years or more during the previous year)

On ₹ 500,000	Nil
Next on ₹ 5,00,000	20%
Next - Balance	30%

(C) Other individuals, HUF, AOP or BOI

On ₹ 2,50,000	Nil
Next on ₹ 2,50,000	5%
Next on ₹ 5,00,000	20%
Next Balance	30%

o Rebate of income tax :-

In this case of individual resident in India, whose total income does not exceed ₹ 5,00,000 shall be entitled to a deduction from the amount of income tax payable up to ₹ 12,500

Sr No.	Particulars	Rate of surcharge of Income tax
(a)	Where the total income (including income by way of dividend or income under sections 111A and 112A of the Income tax Act) exceeds ₹ 50 lakh but does not exceed ₹ 1 crore.	10%
(b)	Where the total income exceeds ₹ 1 crore but does not exceed ₹ 2 crore	15%
(c)	Where the total income exceeds ₹ 2 crores but does not exceed ₹ 5 crore	25%
(d)	Where the total income exceeds ₹ 5 crore	37%
(e)	Where the total income exceeds ₹ 2 crore but is not covered under clauses (c) and (d) above.	15%

Audit report

Every person who is liable to AMT shall obtain a report in the form prescribed from C.A. certifying that the Adjusted Total Income and the AMT have been computed in accordance with the above provisions and furnish such report electronically w. e. f 1.01.2021 within the due date as specified in sec. 44AB.