

GOVERNMENT COLLEGE FOR GIRLS  
LUDHIANA

INCOME-TAX LAW AND ACCOUNTS      P.Y. 2022-23 A.Y. 2023-24      Dec 2023

Unit 1

**Introduction**, Important Definitions: Assessee, Person, Income, Total Income, Assessment Year & Previous Year, Agricultural Income & Its assessment, Residence & Tax Liability (Basis of Charge), Capital and Revenue, Exempted Incomes, Income from Salaries, Income from House Property

Unit 2

Profit and Gains of Business and Profession including Depreciation, Capital Gains, Income from other Sources.

**CHAPTER- 1**  
**INTRODUCTION**

**Q -- What is tax?**

**Answer**—Taxes are considered to be the “cost of living in a society”. Taxes are levied by the Govt. to meet the common welfare expenditure of the society. There are two types of taxes—direct taxes and indirect taxes.

Income tax is a very important direct tax. Every person, whose taxable income is **more than the minimum taxable limit, is required to pay Income tax** to Central Government as per rates prescribed in that financial year i.e. previous year.

In India, **I. tax was firstly introduced in 1860 by SIR JAMES WILSON** in order to meet the financial crises of British Govt. after the Military Mutiny of 1857.

**In 1886, a separate I. tax Act** was passed.

**In 1918, a new Income Tax Act was passed and replaced by another New Act, 1922.**

This Act remained in force up to **assessment year 1961-62** with numerous amendments.

Therefore, this Act **became very complicated** on account of numerous amendments. So that, in **September 1958**, Indian Govt. **appointed the Direct Taxes Administrative Inquiry Committee** to suggest measures to minimize inconveniences to assessee and to prevent evasion of tax.

**This committee submitted its report in 1959.**

And after that Income Tax Act, 1961, was passed and **come into force w.e.f. April 1962.**

It applies to **whole of India & Sikkim (including Jammu & Kashmir)** with several amendments.

Income Tax has **298 Sections**, numerous sub-sections, clauses, sub-clauses and **14 Schedules (VI and IX omitted).**

## Scope of Income-tax Act

The Income-tax Act **contains provisions for determination of taxable income**, determination of **tax liability**, procedure for assessment, appeals, penalties and prosecutions. It also lays down the powers and duties of various Income-tax authorities. Since the Income-tax Act, 1961 is a **revenue law, there are bound to be amended from time to time** in this law. These amendments are generally brought in annually along with the Union Budget.

## Finance Act

Every year a **Budget is presented** before the Parliament **by the Finance Minister**. One of the most important components of the Budget is the Finance Bill, which declares the financial proposals of the Central Government for the next financial year. The **Bill contains various amendments** which are sought to be made in the areas of direct and indirect taxes levied by the Central Govt. The Finance Bill **also mentions the rates of Income tax and other taxes**, which are given in the **First Schedule** attached to such Finance Bill. **When the Finance Bill is approved by both the House of Parliament and receives the assent of the President**, then it **becomes the Finance Act**. The provisions of such Finance Act are thereafter incorporated in the Income-tax Act.

## Rates of Income Tax For Assessment Year 2023-24

For Resident individual, any non-resident individual, every H.U.F., Certain A.O.P and B.O./Artificial juridical persons

Total Income	Income Tax rates	Surcharge	Health and Education cess
Up to Rs 2,50,000	NIL	NIL	NIL
250010 to 5,00,000 (i.e. next Rs 250000)	(Total Income—Rs 250000) X 5%	NIL	4% of income tax plus surcharge
500010 to 1000000 (i.e. next Rs 500000)	Rs 12500 + (Total Income— Rs 500000) X 20%	NIL	4% of income tax plus surcharge
10,00,000 to 50,00,000	112500+ (Total Income—Rs 1000000) X 30%	NIL	4% of income tax plus surcharge
Rs 50,00,000 to 1,00,00,000	13,12,500+30% of (Total income minus Rs 50,00,000)	<b>10% of Income Tax</b>	4% of income tax plus surcharge
Above Rs 1,00,00,000	28,12,500 + (Total Income— Rs 1000000) X 30%	<b>15% of income tax</b>	4% of income tax plus surcharge

**Note 1—Rebate u/s 87A**—A resident individual (**whose net income does not exceed Rs 5,00,000**) can avail **rebate u/s 87A**. It is deductible from income tax before calculating education cess. The amount of rebate is 100% of income tax or Rs 12500, whichever is less. However, rebate u/s 87A is not available in respect of tax payable **@ 10%** on long term capital gains **taxable u/s 112A**.

**Resident Senior Citizen (who is 60 years or more at any time during the previous year but less 80 years on the last day of the previous year) :**

Total Income	Income Tax rates	Surcharge	Health and Education cess
Up to Rs 3,00,000	NIL	NIL	NIL
3,00,010 to 5,00,000 (i.e. next Rs 200000)	(Total Income—Rs 3,00,000) X 5%	NIL	4% of income tax plus surcharge
500010 to 10,00,000 (i.e. next Rs 500000)	Rs 10,000 + (Total Income—Rs 5,00,000) X 20%	NIL	4% of income tax plus surcharge
10,00,000 to 50,00,000	110000+ (Total Income—Rs 10,00,000) X 30%	NIL	4% of income tax plus surcharge
50,00,000 to 1,00,00,000	13,10,000+(Total Income—50,00,000)	10% of income tax	4% of income tax plus surcharge
Above Rs 1,00,00,000	2810000 + (Total Income—Rs 1,00,00,000) X 30%	15% of income tax	4% of income tax plus surcharge

**Resident Super Senior citizen (who is 80 years or more at any time during the previous year):**

Total Income	Income Tax rates	Surcharge	Health and education cess
Up to Rs 5,00,000	NIL	NIL	NIL
500010 to 1000000 (i.e. next Rs 500000)	(Total Income—Rs 500000) X 20%	NIL	4% of income tax plus surcharge
10,00,000 to 50,00,000	100000+ (Total Income—Rs 10,00,000) X 30%	NIL	4% of income tax plus surcharge
50,00,000 to 1,00,00,000	13,00,000+ (Total Income—Rs 50,00,000) X 30%	10% of Income Tax	4% of income tax plus surcharge
Above Rs 1,00,00,000	2800000 + (Total Income—Rs 1000000) X 30%	15% of income tax	4% of income tax plus surcharge

**Rebate u/s 87A**—A resident individual (whose net income does not exceed Rs 5,00,000) can avail rebate u/s 87A. It is deductible from income tax before calculating education cess. The amount of rebate is 100% of income tax or Rs 12,500, whichever is less. However, rebate u/s 87A is not available in respect of tax payable @ 10% on long term capital gains taxable u/s 112A.

**Surcharge**—Surcharge is an additional tax payable over and above the income-tax. Surcharge is levied as a percentage of income-tax. In case where the total income of individual/HUF/AOPs/BOIs/Artificial Juridical Person is above Rs 50 lakhs, the rate of surcharge applicable would be as indicated in column (2).

Total Income (1)	Surcharge (2)
>Rs 50 Lakh ≤ Rs 1 crore	10% of income tax
>Rs 1 crore ≤ Rs 2 crore	15% of Income Tax
>Rs 2 crore ≤ Rs 5 crore	25% of Income Tax
>Rs 5 crore	37% of Income Tax

### Other Assesseees:

Assessee	Rate of Tax
For Firms	Total Income X 30%
Local authority	Total Income X 30%
Company In the case of a domestic company <ul style="list-style-type: none"> <li>If the total turnover or gross receipt in the P.Y. 2016-17 equal to or less than Rs 250 crore: 25% of the total income.</li> <li>In other case: 30% of the total income.</li> </ul> In the case of company other than a domestic company	40% on the total income

### Surcharge—

For Firms—Surcharge is 12% of the income tax if net income exceeds Rs 1 crore.

### Special rate of income tax for all assesseees:-

Section	Income	Rate of Tax						
111A	STCG on transfer of – <ul style="list-style-type: none"> <li>Equity shares of a company</li> <li>Unit of an equity-oriented fund</li> <li>Unit of business trust</li> </ul>	15%						
112	Long term capital gains (other than LTCG taxable u/s 112A)	20%						
112A	Long term capital gains on transfer of— <ul style="list-style-type: none"> <li>Equity shares in a company</li> <li>Unit of an equity-oriented fund</li> <li>Unit of business trust</li> </ul> Condition for availing the benefit of this concessional rate is Securities Transaction tax should have been paid— <table border="1" style="width: 100%; margin-top: 10px;"> <thead> <tr> <th>In case of (Capital Asset)</th> <th>Time of payment of STT</th> </tr> </thead> <tbody> <tr> <td>Equity shares in a company</td> <td>Both at the time of acquisition and transfer</td> </tr> <tr> <td>Unit of equity-oriented fund or unit of business trust</td> <td>At the time of transfer</td> </tr> </tbody> </table>	In case of (Capital Asset)	Time of payment of STT	Equity shares in a company	Both at the time of acquisition and transfer	Unit of equity-oriented fund or unit of business trust	At the time of transfer	10% (on LTCG > Rs 1 lakh)
In case of (Capital Asset)	Time of payment of STT							
Equity shares in a company	Both at the time of acquisition and transfer							
Unit of equity-oriented fund or unit of business trust	At the time of transfer							
	<b>Note:</b> LTCG upto Rs 1 lakh is exempt. LTCG exceeding Rs 1 lakh is taxable @ 10%.							

<b>115BB</b>	Winning from lotteries, cross word puzzles or races including horse races (not being the income from the activity of owning and maintaining race horse) or card game and other game of any kind or from gambling or betting of any form	<b>30%</b>
<b>115BBE</b>	Unexplained expenditure, unaccounted money etc. covered u/s 68, 69, 69A, 69B, 69C and 69D <b>Surcharge @ 25% of tax and cess @ 4% of tax and surcharge</b>	<b>60%</b>

### Income on which no income tax has been charged or Exempted Income

1	<b>Agricultural income</b> from India
2	<b>Share of profit</b> from partnership firm
3	<b>Share of income from HUF</b> (Hindu Undivided Family)
4	<b>Gifts from relatives</b> (spouse, parents, brother, sisters, brother and sisters of parents, grandparents, great grand parents, children AND parents, brother, sister and brother, sister of parents of spouse)
5	<b>LTCG on the sale of listed shares</b> through recognized stock exchange exempted upto 1 lakh.

### **Question – Write a short note on rounding off of Total Income and Tax.**

**Answer-**

- 1. Rounding-Off of Income (Section 288A):** The Total Income computed under this Act, shall be rounded off to the nearest **multiple of Rs 10.**
- 2. Rounding –off of Tax (Section 288B):** The amount of tax including Tax Deducted at Source (TDS) and advance tax, interest, penalty, fine or any other sum payable, and the amount of refund due under the Income Tax Act, shall be **rounded off to the nearest Ten Rupees.**

**Time is uncontrollable, we can only manage ourselves and our use of time.....**