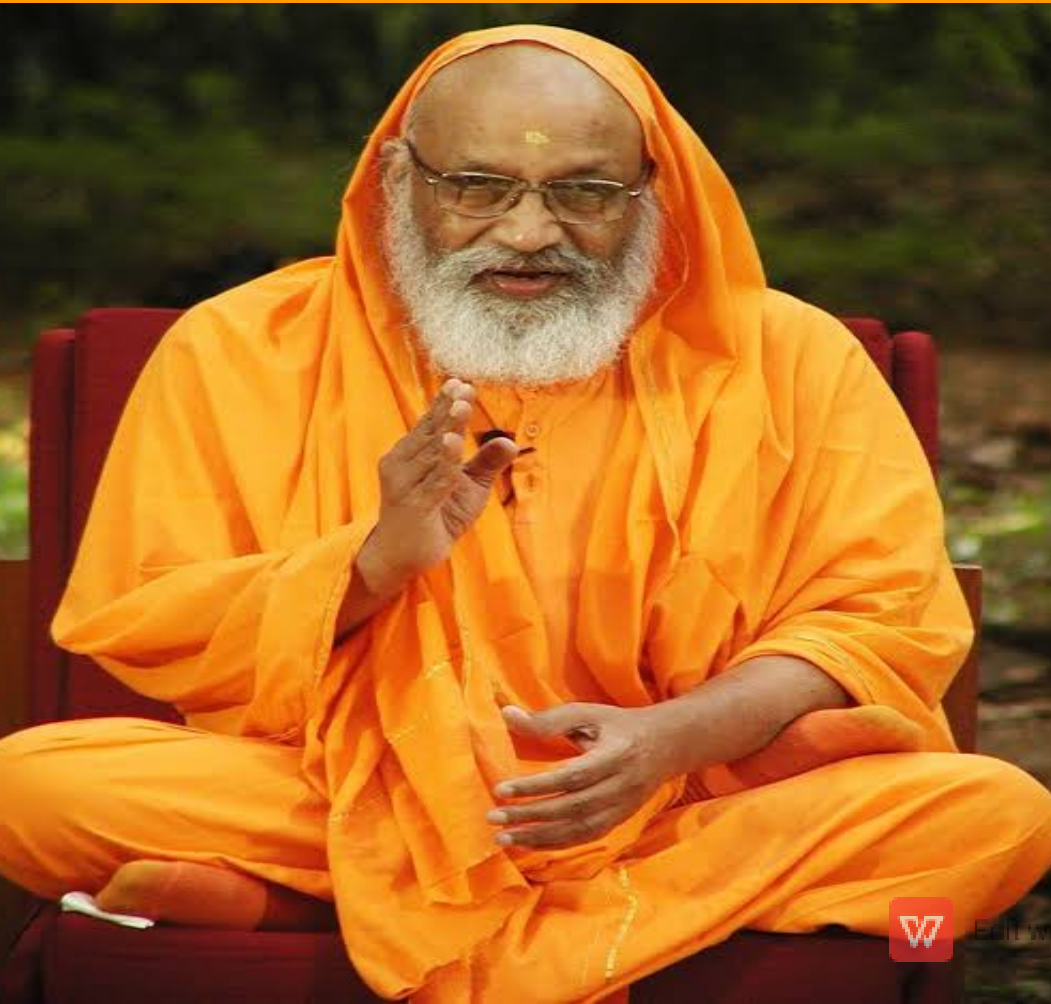


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Knowledge, the greatest wealth



INCOME TAX THEORY, LAW AND PRACTICE

UNIT-1

UNIT -1 Content

Basic concepts – Definition - previous year –assessment year – person, assessee, income, total income, casual income, capital and revenue - residential status and incidence of tax, incomes exempt under section 10.

Basic concepts:-

Tax is a collection of money from the public for the public purpose enforceable by law and it is not for payment of any other reconsideration. It is one of the major source of revenue of the government. It plays an important role in the growth and development of the country economy infrastructure and other facilities.

Definition of Income Tax:

An Income Tax is a tax imposed on individuals or entities (Tax payers) that varies with respective Income or Profits. (Taxable Income).

Income -Tax Act of 1961

*on the basis of the recommendations made by the various committees, a new act of Income-tax had been passed during the year 1961 termed as "Income-Tax Act, 1961". This Act came into force from 1st April, 1962. This Act contains 298 sections and a number of Sub-sections and 14 schedules. The Income -Tax department framed 125 rules for the effective application of this Act. These rules are termed as " Income-Tax Rules of 1962". It also includes a number of sub-rules.



Previous Year- section 3

*Previous year refers to twelve months immediately preceding the particular assessment year.

*If the assessment year is 2019-2020, Previous year will be 2018-2019 starting from 1st April 2018 and 31st March of 2019.

Types of Tax

Direct Tax

It is levied directly on personal or corporate income.

Indirect Tax

It is levied on the price of a goods or services.

Assessment Year-Section 2(9)

* Assessment year refers to twelve months starting from 1st day of every April of a particular year and ending on 31st day of every March of the next year.

*The current assessment year starts from 1st April 2019 and 31st March of 2020.

Person-Section 2(31)

- *Individuals
- *Hindu undivided family
- *Firm
- *Company
- *Association of person(AOP) or Body of Individuals (BOI)
- *Local authority or Municipal Corporation and
- *Artificial juridical person.

Assessee-Section 2(7)

- * Any person who is liable to pay tax, or
- * Any person who is liable to pay interest or Penalty, or
- * Any person who is deemed to be an assessee as per the Act, or
- * Any person who is entitled to refund of tax.

Income-Section 14

* Income is a periodical monetary return with some sort of regularity. It may be recurring in nature. The amount comes fixed period of time.

Total Income- Section 2(45)

* It is the income arrived at after making deductions described under section-80 from the Gross Total Income.

Casual Income- Section 10(3)

* Casual incomes are those incomes which are winning from card Games, Horse Race, Crossword Puzzles, Lotteries, Gambling and Betting.

Capital and Revenue

*The distinction between capital and revenue is important because the revenue receipts and expenditures alone will be considered for tax purposes.

Capital and Revenue Receipts

Capital Receipt

1. Receipts from fixed capital. e. g: Receipt from Plant and machinery.
2. Receipt on sale of properties, held as investment.
3. Receipts for the surrender of rights.

Revenue Receipt

1. Receipts from circulating capital. e. g: stock in trade.
2. Receipt on sale of properties held for the purpose of selling them at a profit.
3. Receipt as a compensation for loss of future profits.



Capital And Revenue Expenditure

Capital Expenditure

- 1.Amount spent on the capital assets.
- 2.Expenses incurred for acquiring a source of income. e. g:Purchase of goodwill.
- 3.Expenses incurred for increasing the efficiency of business.

Revenue Expenditure

- 1.Amount spent for the day-to-day affairs and purchase of goods.
- 2.Expenses incurred for earning income. e. g: Agent's commission to purchase business.
- 3.Expenses incurred for maintaining the expert.



Residential status of individual

Resident(R) -who is satisfies any one of the basic conditions.

Ordinary Resident(OR) -who satisfies any one of the basic conditions and both the additional condition.

Not Ordinary Resident (NOR) -who does not satisfy basic condition itself.

Non-Resident(NR) -who does not satisfy basic condition itself.

Residential Status of individuals

Basic condition

A stay of 182 days or more during the current previous year 2018-2019.

OR

A staystay of 60 days or more during the current previous year 2018-19 and a total stay of 365 days or more in the 4 years immediately preceding current year.

Additional condition

He should be resident in India in at least 2 out of 10 years immediately preceding current previous year 2018-2019

AND

A stay of 730 days or more during the 7 years immediately preceding current previous year 2018-19.



**Note

1. In case an Indian citizen who goes abroad in the previous year for employment or as a member of the crew of an Indian ship 60 days should be taken as 182 days.

2. In case an Indian citizen who stays abroad comes on a visit to India during the previous year 60 days should be taken as 182 days.

Exempted Income-Under Section 10

*Exempted incomes are those incomes, which do not form part of total income.

1. Agricultural income
2. Receipt from Hindu undivided family
3. partner's share in the firm
4. Interest on securities
5. Interest on specific savings certificates
6. value of leave travel concession

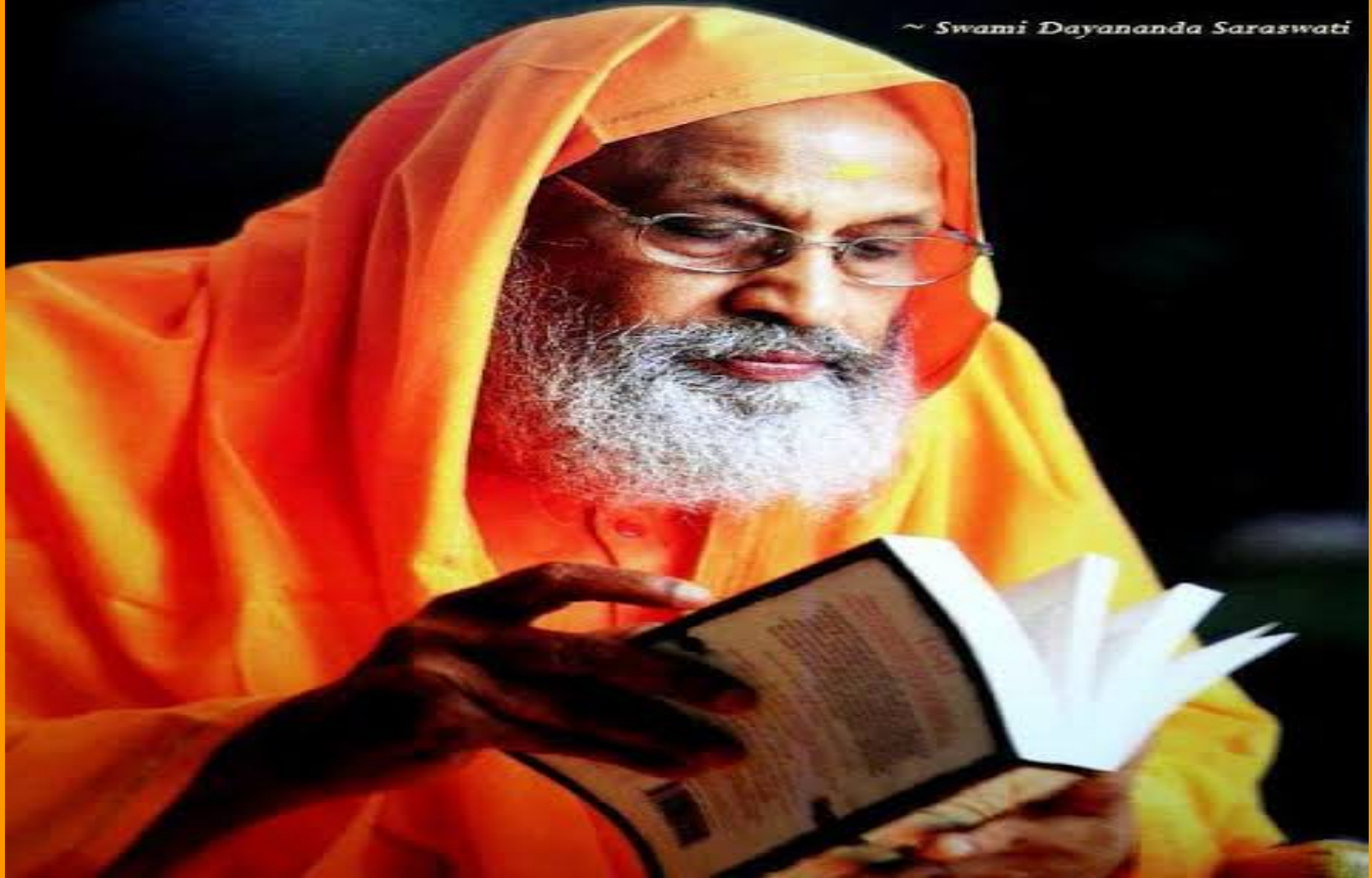
Exempted Income-Under Section 10

- 7. Tax paid on behalf of a foreign company
- 8. Tax paid on behalf of non-resident
- 9. Gratuity
- 10. Commuted pension
- 11. Leave encashment
- 12. Any compensation to an employee.



“Give the world the best you have, the best will come back to you .”

~ Swami Dayananda Saraswati



THANKING YOU