



Chhatrapati Shahu Ji Maharaj University, Kanpur

ARMAPORE P.G. COLLEGE, KANPUR

INCOME TAX

GROUP-B: PAPER-1

Content Developer

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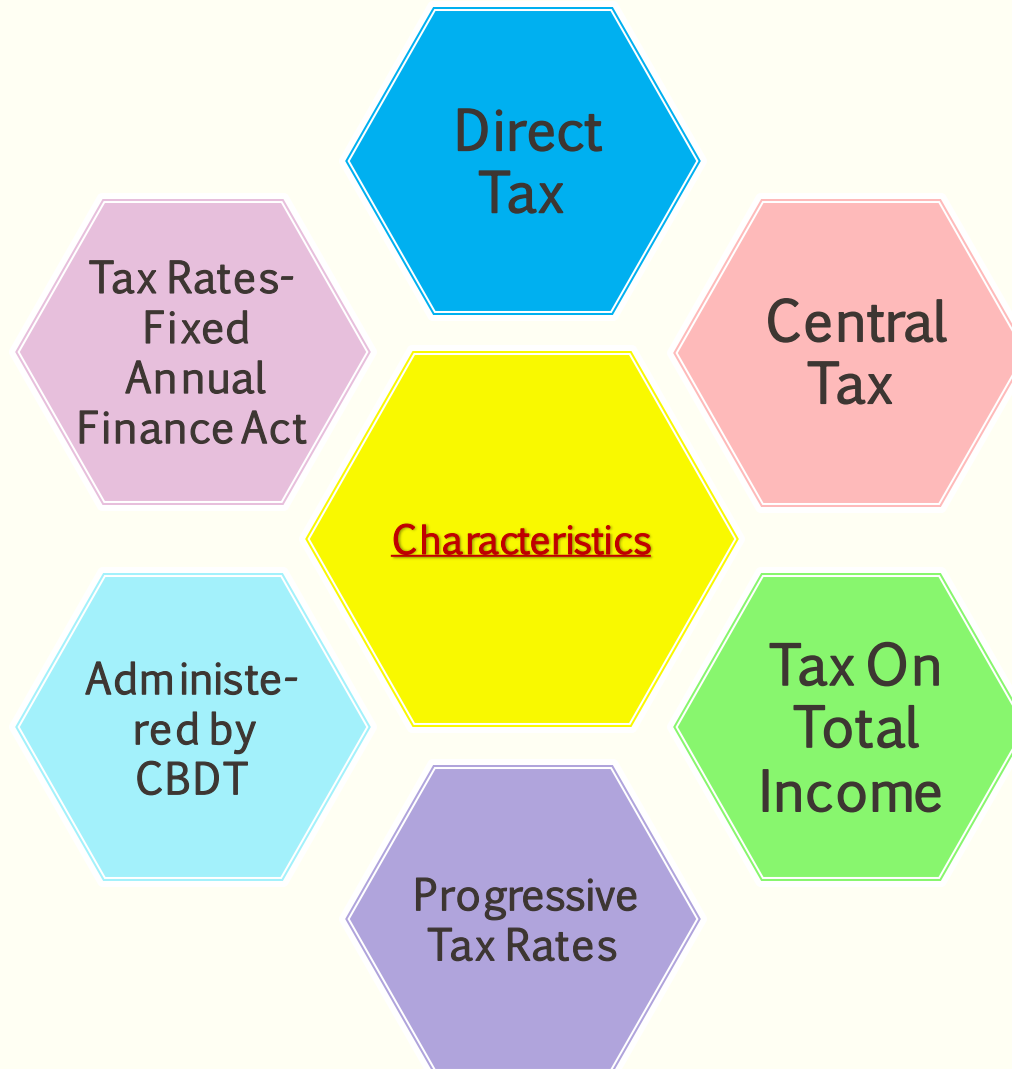
UNIT-I

- **Introduction And Definitions**
- **Important terms in Income Tax**
- **Major Heads of Income**
- **Tax slabs for FINANCIAL YEAR 2021-22**
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Introduction and Definitions

- ❖ Tax is a mandatory fee or financial charge by any government on an individual or any organization to collect revenue for public work providing the best facilities and infrastructure.
- ❖ **THERE ARE TWO TYPES OF TAXES**
 - Direct Tax
 - Indirect Tax
- ❖ **DIRECT TAX IS IMPOSED ON INCOME AND PROFIT IT IS NON-TRANSFERABLE AND PROGRESSIVE**
- ❖ **INDIRECT TAX IS IMPOSED ON GOODS AND SERVICES IT IS TRANSFERABLE AND REGRESSIVE**

Characteristics of Income Tax



Important Terms in Income Tax

FINANCIAL YEAR

Period of 12 months used by government business and other organization in order to calculate their budget profit and losses.

PREVIOUS YEAR

Year in which the income incurred is called previous year.
The year which immediately preceded the Assessment Year.

ASSESSMENT YEAR

Period of 12 month commencing on the 1st day of April every year and ending on the 31st march of the next year.

Important Terms in Income Tax

ASSESSEE

A person who is liable to pay tax.

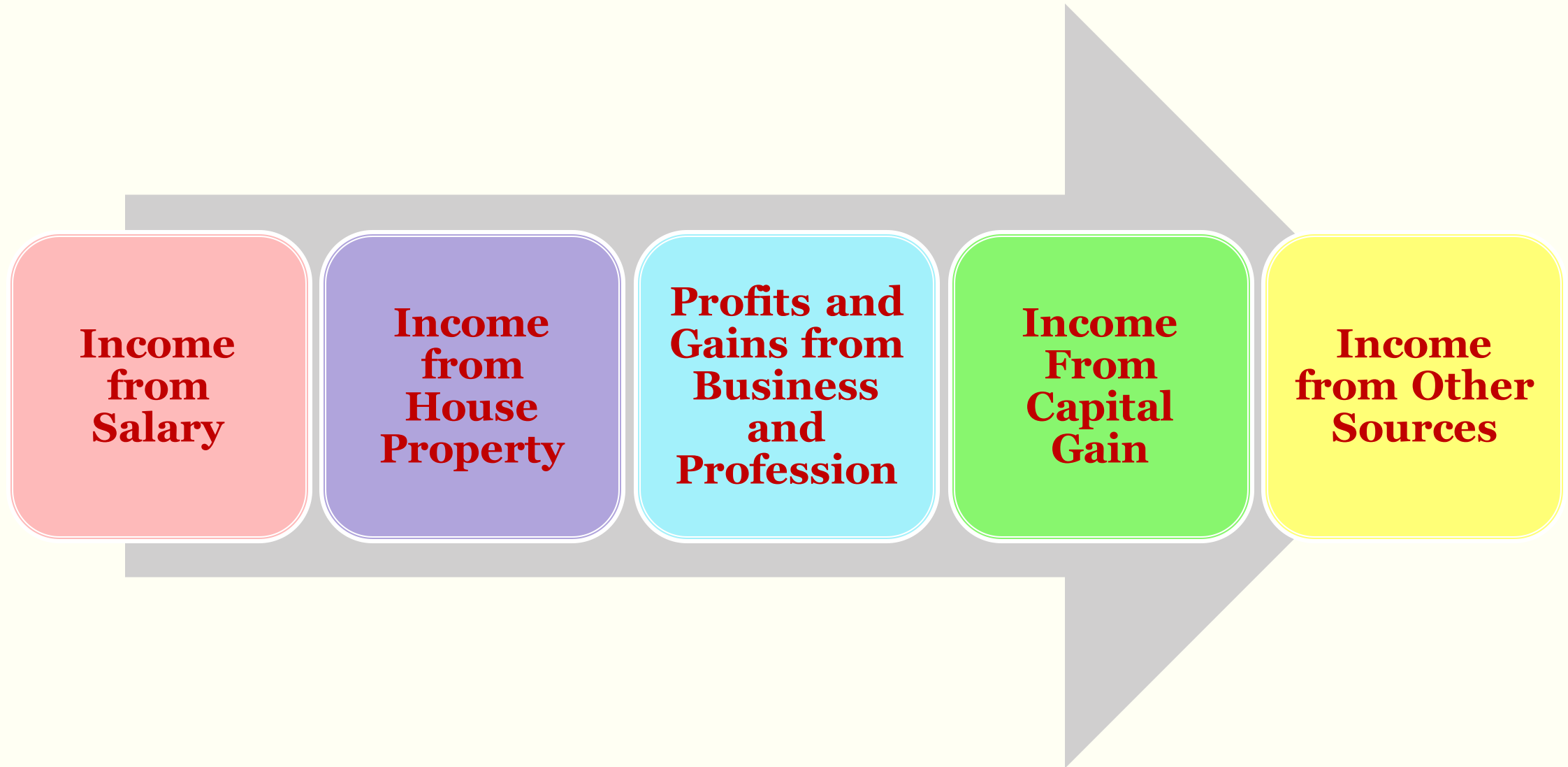
HEALTH AND EDUCATION CESS

All assessee are liable to pay Health and Education Cess at the rate of 4% on the total amount of income tax including surcharge.

SURCHARGE

It is imposed on the amount of income tax.

Heads of The Income



Explanation of Five Heads of Income

- ❖ **Salary (Section 15-17)**: *The Source Of Income Is Generated When Two Persons Are Having A Relationship Of Employee And Employer*
- ❖ **House Property (Section 22-27)**: *Income From House Property Is Generated When A Person Gives His House On Rent Or Sale To Another*
- ❖ **Profit And Gains From Business And Profession (Section 28-44)**: *Income Is Generated When A Person Is Indulged In A Business Or In A Profession Like CA, CS , Doctor , etc.*
- ❖ **Capital Gain (Section 45-55)**: *If A Person Is Selling His Assets Or Ancestral Property At That Time Income Is Generated From Capital Gain.*
- ❖ **Income From Other Sources (Section 56-59)**: *Sources Of Income Which Is Not Permanent That Is Casual Income Reality Shows Income Lottery, etc.*

Different Types of Allowances in Income From Salary Head

TAXABLE ALLOWANCES

Dearness Allowance,
Medical Allowance,
Servant Allowance
Warden Allowance ,
Family Allowance ,
City Compensatory
Allowance, etc.

ALLOWANCES EXEMPT UPTO SPECIFIED LIMIT

House rent
allowance,
Entertainment
allowance, Certain
special allowance.

FULLY EXEMPTED ALLOWANCES

Foreign allowance,
Allowances from
UNO, Sumptuary
allowance to high
court /supreme court
judges.

Different Types of Perquisites In Income from Salary Head

TAXABLE PERQUISITES FOR ALL EMPLOYEES

the facility of rent free house or house at concessional rent, payment of employees obligations, payment of life insurance premium of the employee, etc

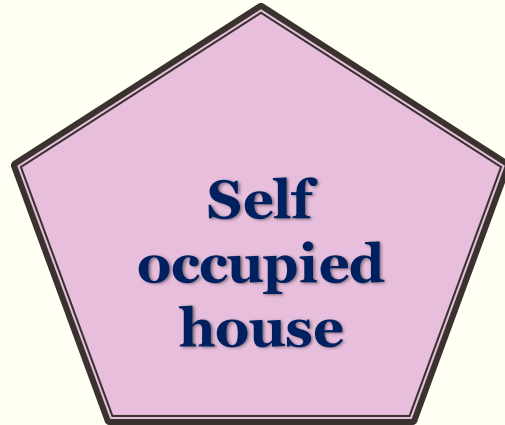
PERQUISITES TAXABLE IN SPECIFIED CASES ONLY

the facility of servant, gardener, gas, electricity, water, education, etc

TAX FREE PERQUISITES

free medical facility for reimbursement of medical expenses, free facility of refreshment, entertainment, telephone, family planning scholarship, leave travel concession, etc

Income From House Property: Types of House Property



DETERMINATION OF GROSS ANNUAL VALUE

STEP 1: Fair rent or municipal value (whichever is higher)

STEP 2: Result of step 1 for standard rent (whichever is lower) expected rent

STEP 3: Expected rent or actual rent (higher)

Income From Capital Gains

- ❑ *Gain or loss arising on transfer of any capital asset,*
- ❑ *Where , CAPITAL ASSETS : ALL ASSETS EXCLUDING Rural agricultural land , stock in trade, items of personal affect (except jewellery)*
- ❑ **CAPITAL ASSET ON THE BASIS OF HOLDING PERIOD**
1/2/3 YEARS : long term capital asset & short term capital asset

Items Under Income From Other Sources

DIVIDEND INCOME
INTEREST INCOME

AGRICULTURAL
INCOME

RENT FROM
SUBLETING
COMPOSITE RENT

DIRECTORS SITTING
FEE
LOTTERY INCOME

INCOME FROM CARD
GAMES
INCOME FROM
REALITY SHOWS

OTHER CAUSAL
INCOMES
WINNING FROM CROSS
WORD PUZZLES

Specimen of 'Computation of Taxable Income'

Particulars	Amt
Income From Salary Head	xxx
Income from House Property	xxx
Profits & Gains From Business and Profession	xxx
Income from Capital Gains	xxx
Income From Other Sources	xxx
Gross Total Income	xxx
Less: Deductions(u/s 80C to 80U)	(xxx)
Total Income	xxx
<i>Tax due</i>	xxx
<i>Less: Rebates and relief</i>	(xxx)
Tax Payable	xxx

Tax Slab For Financial Year 2021-22

{New regime income tax slab rates for individual}

INCOME TAX SLAB	TAX RATE
Up to rupees 2.5 lacs	NIL
Above rupees 2.50 to rupees 5 lacs	5% of total income that is more than rupees 2.5 lacs
Above rupees 5 lacs to rupees 7.50 lacs	10% of total income that is more than rupees 5 lacs plus rupees 12500 15% of total income that is more than rupees 7.5 lacs plus rupees 37500
Above rupees 10 lacs rupees 12.50 lacs	20% of total income that is more than rupees 10 lakh plus rupees 75000
Above rupees 12.50 lacs to rupees 15 lacs	25% of total income that is more than rupees 12.5 Lacs plus rupees 125000
Above rupees 15 lacs	30% of total income that is more than rupees 15 lakh plus rupees 187500

Deemed Incomes

- ❖ **IN CERTAIN CASES SOME AMOUNTS ARE DEEMED AS INCOME IN THE HANDS OF THE ASSESSEE DO THEY ACTUALLY NOT IN THE NATURE OF INCOME,**
- ❖ **THE OBJECT OF DEEMING THE AMOUNT IS TO CHECK TAX EVASION**
- ❖ **THE FOLLOWING ARE THE DEEMED INCOMES**
 - **Cash credits**
 - **Unrecorded and unexplained investment**
 - **Amount of investment not fully disclosed in the books of accounts**
 - **Unexplained expenditure**
 - **Unrecorded and unexplained money**
 - **Amount borrowed or repaid on hundi**

Deductions in Income Tax For Financial Year 2021-22

- ❑ **INCOME FROM HOUSE PROPERTY:** *under section 24b deduction from income from house property on interest paid on housing loan and housing improvement loan is allowed the upper limit for deduction of interest paid on housing loan is 200000 in the case of self occupied property*
- ❑ **PAYMENTS FOR LIC PREMIUM PROVIDENT FUND PPF PENSION SCHEMES:** *under section 80c deduction can be claimed on investment for Life insurance premium provident fund PPF subscription to certain equity shares tuition fees national saving certificate housing loan principal, etc*
- ❑ *Under section 80ccc deduction towards payments made to annuity plan of LIC or other insurance towards the pension scheme can be claimed*
- ❑ **NOTE :** *THE TOTAL COMBINED DEDUCTION OF ONLY RUPEES 1.5 LAKH UNDER SECTION 80C SECTION 80CCC SECTION 80CCD 1 CAN BE CLAIMED*
- ❑ **PAYMENT FOR CENTRAL GOVERNMENT PENSIONERS PENSION SCHEME :** *under section 80ccd 1B a detection of rupees 50000 towards payment made to the pension scheme of the central government excluding deduction claimed under 80ccd 1 can be claimed.*

- ❑ In case the employee is central government , the deduction limit is 14% of salary
- ❑ In case the government is a PSU State government Or others the deduction limit is 10% of salary
- ❑ **PAYMENT FOR HEALTH INSURANCE PREMIUM** : under section 80d deduction towards health insurance premium can be claimed , for self, spouse or dependent children or patients deduction of rupees 25000 can be Claimed . This limit is rupees 50000 in case any person is a senior citizen , also rupees 5000 deduction for preventive health checkups is allowed.
- ❑ **PAYMENT FOR MAINTENANCE TREATMENT OF DISABLED DEPENDENT**: a deduction upto rupees 75000 can be claimed in Lieu of payments made for maintenance on medical treatment of a disabled dependent or paid deposited an amount under the relevant approved scheme
- ❑ **IN CASE OF PERSON WITH SEVERE disability THE DEDUCTION LIMIT IS 1.25 LACS**

- ❑ **PAYMENT FOR MEDICAL TREATMENT**: under section 80DD 1B adduction to 40000 can be claimed towards medical treatment, in case a person is senior citizen , limit is 1 lacs
- ❑ **EDUCATION LOAN INTEREST PAYMENT**: under Section 80E Deduction of total amount paid towards interest payments higher education loan of self or relative can be made
- ❑ **HOME LOAN INTEREST PAYMENT**: under section 80EE, a deduction Upto rupees 50,000 can be Claimed towards interest payment made against the loan taken for the acquisition of a residential house property
- ❑ **ELECTRIC VEHICLE LOAN INTEREST PAYMENT**: under section 80EEB , deduction upto rupees 1.5 lakh can be claimed on interest payment of loan for the purchase of an electric vehicle
- ❑ **HOUSE RENT PAYMENT FOR THOSE NOT GETTING HRA** : if h r a is not a part of your salary deduction towards rent paid for house can be claimed under section 80GG

Frequently Asked Questions (FAQs)

- 1) Differentiate between direct and indirect taxes?**
- 2) What is the gross total income?**
- 3) What are the heads of the incomes? Name them.**
- 4) What do you mean by Deemed incomes**
- 5) What are the major deductions in income tax**
- 6) Name the different types of allowances and perquisites in income From salary head?**
- 7) Explain the process of calculation of GAV?**