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Tarun Rustagi Beginner's
MODULE

Contents covered-

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INTRODUCTION TO TAX

Concept - Why Govt. charges tax and constitutional background.
Govt. of India provides many kind of services to its resident people or to the non-residents such as infrastructure facility, security etc. and moreover a place where people can earn and live.

In providing these facilities govt. incurs a huge amount of expenditure and to meet those expenditures, Govt. needs funds and there is no specific source from which govt. can generate revenue. Therefore, we can say tax is a fees charged by the govt. against the services provided.
Govt. major source of revenue is tax (Direct tax and Indirect tax)

Before we proceed to the income tax, we must have knowledge about the constitutional background of taxes in India i.e. where it is written Govt. can charge tax, and powers related to make rule and laws.

Constitution of India is the supreme law i.e. all other law in India has to be consistent with the constitution and if it is not constitutionally valid, it can't be said a legal law.
Article 246 and 248 and schedule vii of the constitution distributes the power to impose and collect taxes between the central govt. and state govt.

For example- constitution specifically provides that agricultural income is not to be taxed and hence the central/state govt. has no power to tax agricultural income.

- Tax
  - **Direct tax**
    - Income Tax
    - Wealth Tax
  - **Indirect tax**
    - Tax on goods
      - Excise duty
      - Custom Duty (Import/Export duty)
      - Sales tax
      - Vat
    - Service tax

SYLLABUS COVERAGE

Particulars	Income Tax	Service Tax	Vat	Wealth Tax
Marks	50 to 60 marks	15 to 20 marks	10 to 15 marks	10 to 20 marks
Level of ques.	Analytical	Straight Forward	Straight forward	Straight Forward
Types of ques.	Computational Theoretical	Theoretical Computational	Theoretical Computational	Computational Theoretical
Act	Income tax Act 1961	Finance Act 1994	White Paper	Wealth tax Act 1956
Power to Levy	Central Govt.	Central Govt.	State Govt.	Central Govt.
Payment	Yearly	Monthly Quarterly	State to State	Yearly

WE INDIANS AND OUR CONSTITUTION

15th august 1947	Independence day	The date on which India achieved independence.
26th January 1950	Republic day	The date on which Constitution of India came into force as the governing document of India.

Constitution of India

Central structure → **Parliament**

Parliament can make laws for the whole or any part of the territory of India

state structure → **state legislative assembly**

Legislature of State may make laws for the whole or any part of the States.

Constitution of India → **Parliament (All parties)** —Approval→ **Rajya sabha + Lok sabha** → **Finance Act**

Central government (Ruling party- congress) —Finance bill→ **Parliament (All parties)**

CONSTITUTION OF INDIA

Seventh schedule (Article 246)

Union list	State list	Concurrent list
Income tax	Vat	No taxes
Service tax		
Wealth tax		
Excise duty		
Custom duty		

Article 270

(1) **All of the taxes and duties** referred to in **union list** (except surcharge and education cess)

- Shall be levied and collected by **Government of India** and
- Shall be distributed **between Union and States** in the manner provided in clause(2)

(2) **Such % as prescribed (69.5%)** referred to the net proceeds of any such tax or duty in the FY

- Shall **not** form part of the **consolidated fund of India**
- But shall be assigned to the states within which that tax or duty is leviable in that year,

And

- Shall be distributed among the states in such manner as may be prescribed in clause (3)

(3) In this article,

'PRESCRIBED' means prescribed by President by order after considering the recommendations of the finance commission.

Article 271

Parliament may at any time **increase any of duties and taxes by a surcharge** (including education cess) for purposes of Union and the whole proceeds of any such surcharge **shall form part of the consolidated fund of India.**

Indirect tax basics

	VAT	SERVICE TAX
Power to levy	State Govt.	Central Govt.
Taxable event	Sale	Provisioning Rendering
Tax is on	Goods vatable goods	Services taxable
Person liable to pay	Dealer Manufacturer Trader	Sr. provider (in some cases service receiver)
Registration	Person (11 digits)	Premises (15 digits)

Vat-

Vat is principally not a tax but a taxation system, what we pay to govt. is sales tax (same taxation system we also use in excise)

List 2- state list- Entry no. 54
Tax on sale of goods

Gross taxation system
(Under gross taxation system
Final sales value is taxable)

Stamp duty

vat taxation system
(Under vat taxation system tax
paid on earlier stage is allowed
as credit from output tax)

Sales tax, Excise duty

Parliament of India

FRAMEWORK OF CONSTITUTION IN REGARD TO TAXES

List 1
(Union list)
Power lies with the central govt.

- Income tax
- Custom duty
- Sales tax
- Service tax
- Excise duty

List 2
(State list)
Power lies with the state govt.

- Excise duty
- Vat

List 3
(Concurrent list)
Power lies with both the govt.

- presently no tax is covered in this list.

Short discussion on the above taxes-

Income Tax- Tax on income of a person
Wealth Tax- Tax on wealth of a person
Excise Duty- Tax on manufacturing of goods
Sales Tax- Tax on sale of goods from one state to another state
Vat- Tax on sale of goods with in a state
Service Tax- Tax on services
Import Duty- Tax on purchase of goods from outside India
Export Duty- Tax on sale of goods outside India.

Difference between Direct and Indirect tax-

Direct tax	Indirect tax
Direct tax means the tax where a person cannot transfer his tax burden on other person i.e. he himself needs to pay the tax on the income earned by him or the wealth earned by him.	Indirect tax means the tax where the burden of tax keeps on transfer from one person to another person and ultimately the consumer of goods and services bears the tax burden.

Income tax law in India- Generally, the income tax works on the following basis-
One person income is the other person expenditure.
For ex- Salary paid by the employer is expenditure and the same amount is income in the hands of employee.
Rent paid by one person is expenditure and it is income in the hands of receiver.
(However the above rule is to be read in a restricted way i.e. to be applied to make your understanding for the subject only)

Introduction to Income Tax

Constitution B.R. Ambedkar → Union list (entry-82)

↓

Act Parliament → Income tax act, 1961

↓

Rules Central govt

↓

Order/Instruction/Direction CBDT

Administrative set up

Ministry of Finance

↓

Department of Revenue

↓

CBDT

↓

Chief CIT

↓

CIT → CIT (Appeals)

Assessing Officers →

1. JCIT
2. ACIT/DCIT
3. ITO

SCHEME OF INCOME TAX

Every **person** whose **Total income** exceeds the amount which is not chargeable to tax (i.e. exceeds the basic exemption limit) is an **assessee** and he will be liable to pay tax on his total income of **previous year** into **assessment year** at the **rates** prescribed by Finance Act, 2012 and Income tax Act, 1961.

Income of a person is dependent upon his residential status in India

How to read

Definitions

- **Not defined with in the act**
  - Def. in Other acts
  - Common parlance
  - Judicial precedents
- **defined with in the act**
  - Exhaustive definition (Means)
  - Inclusive definition (Includes)
  - Exhaustive + Inclusive
    - (Means + Includes)

Interpretation rules

- **Rule of Literal interpretation**
- **Rule of purposive interpretation**

Rule of Literal interpretation

This is the primary rule of interpretation. It states that **words used in a statute must be given their ordinary, normal and grammatical meaning**. Their ordinary meaning neither be enlarged nor restricted.

Rule of purposive interpretation

If literal meaning **leads to absurdity, inconvenience, injustice or evasion, then court must modify the meaning to such an extent as would prevent such a consequence.**

Note- It is for judge to say whether literal interpretation is leading to absurd results.

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Section 1- Short title, Extent and commencement

Author comment-
Income tax act contains provisions for determination of taxable income, computation of tax liability, procedure for assessment (not in syllabus), appeals, penalties and prosecutions (not in syllabus).

Name of the Act- Income tax Act, 1961
Extent- Whole of the India
Commencement- w.e.f. from 1.4.1962

Section 2- definitions

Section 2(25A) – India

Author comment-
Territory means the land mass of India and Territorial waters/EEZ means the sea area.

India includes-
(i) The territory of India
(ii) Its **territorial waters** and an area of **exclusive economic zone.**

Section 2(31) – Person

Person includes seven kinds of persons:-

1. **Individual** (Individual means a natural person i.e. a male, female, minor, idiot or lunatic)
   Analysis-
   However the income of a minor is generally included in the income of parent.
   Assessment of Lunatic or idiot is done through representative assessee.
2. **Hindu undivided family (HUF)** - HUF has not been defined under the act however it means a family which consist of all persons lineally descended from a common ancestor. (for ex- joint family business)
3. **Company**- Company includes both Indian company as well as foreign company.
4. **Firm**- Firm means partnership firm (including limited liability partnership firm) but there must be a partnership deed to assess the income in the name of a firm.
5. **Association of persons(AOP) /Body of individuals(BOI)**- Discussed later
6. **Local authority**- Local authority means a authority which is responsible for the local maintenance of a place falls under his jurisdiction
   For example- Municipal committee of Delhi (MCD), Panchayat, and cantonment board etc.
7. **Artificial juridical person or a person not covered above**-
   Analysis-
   Artificial juridical person means a person which is not natural but is a legal person in the eyes of law (ICSI, Delhi University etc.)

Difference between AOP, BOI & Firm-

One thing is clear that the above three persons includes a group of persons. But the question is how to differentiate that whether a group of persons is AOP/BOI or FIRM.

Basis of difference	FIRM	AOP	BOI
Nature	If a group of **person's** works together **By formation of a partnership deed** then it will be called As firm.	If a group of **person's** Works together **voluntarily** without any partnership deed then it will be called As AOP.	If a group of **individuals** works together **By operation of law** without partnership Deed.

Example-

Father → Prepared a will according to which his all properties should be Transferred to his sons A and B **if** they works together = BOI

Father → Father died and his properties transferred to his sons after his Death and his sons A & B decided to work together **voluntarily**= AOP

Section 2(7) - Assessee

Assessee in simple words means a person who is liable to pay **Tax (Income tax)** or **any other sum (interest, penalty etc.)** under the income tax act, 1961.

However assessee also includes-

(i) Every person in respect of whom any **proceeding (filing of return etc.)** has been taken-
- For the assessment of his income or income of any other person (example- minor, lunatic etc.)
- For loss sustained by him or by such other person (Note- income includes loss also)
- To determine the amount of refund due to him or to such other person.

(ii) A person who is **deemed to be an assessee** under the act-
- Agent of non-resident (Agent of non-resident is liable to file return on behalf of non-resident hence he would be treated as deemed assessee.)

(iii) Every person who is **deemed to be an assessee in default** under any provisions of the income tax act-

Example-

Rent 500000 Rs.

Mr A (Payer) → Mr B (Payee)

However Mr A fails to deduct TDS from the above payment now as per the provisions of income tax he will be treated as Assessee in default and he would be liable to pay TDS from his own pocket.

Note- Every assessee is a person but every person may not be an assessee.

Section 2(34)- Previous year

Previous year means the previous year as defined in **section3.**

Section 2(9) – Assessment year

Author comment-
Assessment year means the year in which assessee pays tax on his income of P/Y.

Assessment year means the **period of 12 months** commencing on the first day of April every year (1st April to 31st march)

Can an assessment year be shorter than 12 months?

Never

Section 3 - Previous year

Previous year means the **financial year** immediately **preceding** the **assessment year**.

Difference between calendar year, financial year and previous year-

Calendar year	Financial year	Previous year
1st January to 31st December.	Financial year means the year for which Profit & loss a/c is prepared i.e. the year in Which assessee earns the income. It can be a period of less than 12 months, 12 months or more than 12 months but maximum up to 18 months as per companies act, 1956.	Previous year means the financial year in which assessee earns the income. For income tax purposes previous year means that financial year which starts from 1st April and ends on 31st march.

Can a previous year be shorter than 12 months?

Yes, in a case of newly established business or year in which new source of income comes into existence.

P/Y for newly established business-

Previous year **begins with the date of setting up business** and ends with 31st march of the said financial year.

P/Y for new source of income-

Previous year **begins with the date on which the new source comes into existence** and ends with 31st march of the said financial year.

However it is possible in the first year only i.e. in the year in which new business is started or new source of income came into existence, for subsequent year previous year will always be of 12 months.

Every year is an assessment year and previous year also.

Year 2012-13

Assessment year For P/Y 2011-12	previous year 2012-13 itself

Author note- INCOME TAX

Income tax in simple words means **tax on income** i.e. there must be an income in terms of income tax act on which income tax provisions is to be applied.

Definition of income is not provided under the act however we should not read it in a restricted sense.

Income should be real i.e. a person cannot earn income from himself and the person receiving it should have control over it. It should be earned from an activity or from another person.

Income has been divided into three parts which are as follows:-

Income

Gross total Income	Total Income	Income which do not form part of total income
GTI means income under the five heads of income **before** allowing any deduction under sec. 80C to 80U	Total Income means income under the five heads of income **after** allowing any deduction under sec. 80C to 80U	exempted income

Concept of Income

Income-

Author comment-

Golden rule of Income tax

All revenue receipts are taxable unless specifically exempted and All capital receipts are exempt unless specifically taxable.

Income tax act gives inclusive definition of Income. Income includes

(i) Profits and gains
(ii) Capital gains
(iii) Dividend income
(iv) Capital gains
(v) Winning from lotteries etc.
(vi) Allowances and perquisites etc.

How to differentiate between revenue income and capital income-

Generally, Income from transfer of the revenue generating asset (i.e. the right which generates income) will be capital receipt and income from the product arises out of that asset will be revenue receipt.

Example-

1. Income from sale of shares will be capital income and dividend income arises out of it will be revenue income.
2. Income from transfer of house property will be capital income and rental income arises out of it will be revenue income.
3. Income from transfer of machine will be capital income and sale of product arises out of machine will be revenue income.
4. Compensation on voluntary retirement compensation is capital income and salary income is revenue income.

Note-

As per golden rule of income tax we can conclude that all receipts are not assessable to tax. All receipts by an assessee can not necessarily be deemed to be the income of the assessee for the purpose of the income tax and the question whether any particular receipt is income or not depends on the nature of the receipt and scope read with residential status of person.

1. Income may be in cash or in kind.
2. Illegal incomes are also subject to tax.
3. Income must come from outside
4. Contingent income will not form part of income
5. Method of accounting is only applicable for PGBP and IOS income. For other heads of income act provides specific charging section.

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Five heads of Income

Income u/h "Salary"

Income u/h "House property"

Income u/h "Profit and gains From Business or Profession"

Income u/h "Capital gains"

Income u/h "Income From other sources"

Author comment
These four heads of income are specific heads of income i.e. what is written in these heads will only be taxable under these heads

Residual Head of income (If an income is not covered under the specific head of incomes then it will be taxable under this head)

Some examples on income and classification under the different heads-

S no.	Transaction	Head of income
1.	Between employer & employee	Salary
2.	Interest received on saving bank a/c	Income from other sources
3.	Rent received from house property	House property
4.	Sale of house property	Capital gain
5.	Sale of house property by builders	Business & profession
6.	Lottery income	Income from other sources
7.	Gift received	Income from other sources
8.	Gift received during the business	Business & profession

Section 4- Charging section

The total income of the previous year of every person shall be charged to the income tax in the assessment year.
In respect of income chargeable to tax, tax shall be deducted at source or paid in advance in accordance with the relevant provisions.

Exceptions to charging section-

There are certain circumstances under which the income of a p/y is chargeable to tax in the previous year itself-

(1) Person leaving India u/s 174
(2) Discontinued business or profession u/s 176
(3) Shipping business of non-resident
(4) Person likely to transfer property to avoid tax
(5) AOP/BOI/AJP formed for any particular purpose

Section 5- Scope of total income based on residential status

Scope of total income according to residential status is as under:

Particulars	R & OR	RNOR	NR
Indian Income-			
(a) Income **received or deemed to be received** in India during the relevant p/y.	Taxable	Taxable	Taxable
(b) Income **accrues/ arises or deemed to accrue/ arise in India** during the relevant p/y.	Taxable	Taxable	Taxable
(c) Income accrue/ arise outside India but the **first receipt** is in India	Taxable	Taxable*	Taxable*
Foreign income-			
(a) Income accrues/ arises outside India and the first receipt is also outside India.	Taxable	Not Taxable	Not Taxable
(b) Income accrue/ arise outside India **from business or profession** which is controlled from India	Taxable	Taxable	Not Taxable

*(with the amount received in India)

Notes-

(1) If the income is included in total income on accrual basis, the same shall not be once again taxed on receipt basis.
(2) The income should be related to the previous year.
(3) Income may be in cash or in kind.

Indian income

Foreign income

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SOURCES TO READ INCOME TAX LAW

- Income tax Act 1961
- Annual finance act
- Income tax rules 1962
- Circulars & notifications
- High court & Supreme court Judgements

Income tax act, 1961-

Income tax act covers basic provisions of income tax, Assessment procedures, Penalties & prosecutions i.e. computation of income, computation of tax liability etc.

Annual finance act-

Discussed later

Income tax rules, 1962-

Rules are made to carry out basic provisions of income tax effectively and efficiently. However in any case rules cannot override the basic provisions to income tax i.e. rules are sub-ordinate to the act.

Circulars & Notifications-

Circulars are issued for internal department workings i.e. circulars cannot bind assessee and notifications are issued for general public.

High court & Supreme Court judgements-

Decisions of High court/Supreme Court are final decisions i.e. neither the assessee nor the department can challenge the decision of Supreme Court.
Note- High court decision can be challenged in Supreme Court.

→ Income ←

The person for which Assessment* is to be made (**Assessee**)	The person who makes the assessment* (**Assessing officer**)

*Assessment- Assessment means determination of income, Computation of tax liability etc.

Author note- Tax rates

Tax rates

- Tax rates for Total income
  - Normal rates Of tax given by Finance Act every year (Rates of tax for Every person)
  - special rates of tax given under Income tax act itself (Tax on long/short Term Capital gain & Tax on lottery income)
- TDS/TCS rates (given under income tax itself)

Author note- 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**. Finance Bill contains **various amendments i.e. changes which are sought to be made in the area of Direct and Indirect taxes** levied by the Central Govt. The Finance Bill also mentions the rates of Income tax. When the bill is approved by both the Houses (Lok sabha & Rajya sabha) of Parliament and receives the consent of President. It becomes **Finance Act.**

In simple words, **Finance Act tells about the rates of tax in advance** i.e. rates of tax for the year in which assessee would earn the income.
Example- Finance act 2012 tells about the rates of tax for assessment year 2013-14 i.e. for the previous year 2012-13

Budget → Finance Bill (Contains amendments) → Approval (Lok sabha + Rajya sabha + Consent of President) → Finance Act

Author note- There is three methods to pay tax to Central Govt.

TAX

TDS
(There are 22 incomes/payments
On which TDS provisions
Are applicable)
TDS is a form of advance tax i.e.
On previous year income, Tax is
To be paid in previous year itself.

Advance Tax
(In the P/Y itself)

Self-Assessment
Tax
(Tax to be paid at the
time of submission
Of Return of income)

(Any tax paid earlier
Whether as TDS or Advance Tax
Will be allowed as credit from the
Tax on total income and if any
Short fall then pay tax otherwise Refund)

Residential status- (Read with section 5)

Income of a person is dependent upon his residential status. The residential status shall be determined for every person for each P/Y independently.

Residential status

Individual/HUF

Non
Resident

Resident

Ordinary
Resident

Not ordinary
Resident

Any other person
(Company/firm etc.)

Resident

Non
Resident

[Section 6(1)]- Individual

An individual can either be resident or non-resident. Further if he is resident he can either be ordinary resident or not ordinary resident.

Hence first we have to decide whether he is resident or non-resident (basic conditions)

Secondly ordinary resident or not (additional conditions)

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Basic conditions-

(a) If individual is in India for a period or periods amounting to **182 days(in aggregate) or more** during the relevant previous year*

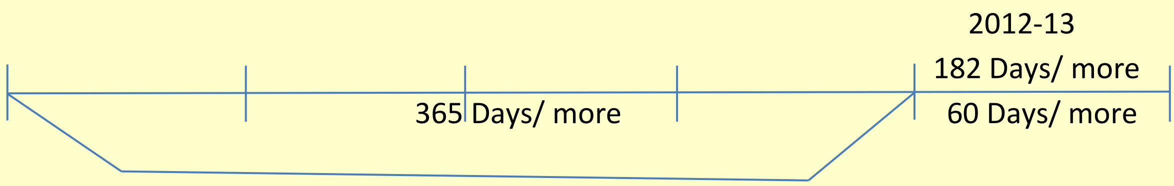
OR

(b) If he is in India for a period or periods amounting to **60 days or more(in aggregate)** during relevant previous year and **365 days or more(in aggregate)** during 4 previous years immediately preceding the relevant previous year*.

(*Relevant previous year means the year for which residential status is to be determined)

If he satisfies both the conditions i.e. a and b above	**Resident**
If he satisfies only one condition i.e. whether a or b above	**Resident**
If he does not satisfies any of the above condition	**Non-resident**

Note- If question does not provide hour of entry and departure then we should take both the day of entry and departure in India.



Exception to the basic condition (b)-

Condition of 60 days mentioned in (b) above shall not apply in the following cases

1. Individual, citizen of India, leaving India for the purpose of employment outside India, or
2. Individual, citizen of India, leaving India as a crew member of an Indian ship going outside India, or
3. Individual, citizen of India or person of Indian origin* comes to visit India.

(*Indian origin- Person of Indian origin means a person if he or his parents or grandparents was born in undivided India (i.e. before 15th august 1947) for example- Lahore, Karachi etc.)

[Section 6(6)]- Additional Conditions

1. Individual has been a resident in India in **any 2 out of the last 10 previous years** immediately preceding the relevant previous year

   AND

2. He was in India for **730 Days or more (in aggregate)** during 7 previous years immediately preceding the relevant previous year.

If he satisfies both the additional conditions	**Ordinary Resident(OR)**
If he satisfies only one condition	**Not ordinary Res.(NOR)**
If he does not satisfies any condition	**Not ordinary Res.(NOR)**

Note- The burden of proof lies on the department.

Section 6(2)- Hindu undivided family(HUF)

If control & management of its affairs is **wholly/partly situated in India**	**Resident**
If control & management of its affairs is **wholly situated outside India**	**Non-Resident**

[Section 6(6)]- Additional Conditions

1. Individual being **KARTA**, has been a resident in India in **any 2 out of the last 10 previous years** immediately preceding the relevant previous year
   AND
2. He was in India for **730 Days or more (in aggregate)** during 7 previous years immediately preceding the relevant previous year.

If **KARTA** satisfies both the additional conditions	**Ordinary Resident(OR)**
If **KARTA** satisfies only one additional condition	**Not ordinary Res.(NOR)**
If **KARTA** does not satisfies any additional condition	**Not ordinary Res.(NOR)**

Note-

Section 6(2) makes a presumption that a HUF has to be resident in India and the burden of proving that it is not resident is on the HUF

Section 6(3)- Company

Indian company	**Resident**
Company other than Indian company and control and management of its affairs is ➢ **Wholly situated in India** ➢ **Wholly/partly situated outside India**	 **Resident** **Non-Resident**

Note-

The burden of proving that a company is resident in India lies on the department.

Section 6(4)- Person other than Individual, HUF & Company

If control & management of its affairs is **wholly/partly situated in India**	**Resident**
If control & management of its affairs is **wholly situated outside India**	**Non-Resident**

Note-

Section 6(4) makes a presumption that a Firm or AOPs has to be a resident in India and the onus of proving that they are not residents is on them.

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Practical knowledge

Author comment-
It is very normal that an assessee can challenge orders (for income tax, interest & penalty) issued by assessing officer if he feels his part is right.

Aggrieved assessee i.e. assessee who does not agree with the **order** issued by **assessing officer** has been provided **two rights** in Income tax act (we can call it statutory remedies)

Assessee

→ **Revision application before CIT u/s 264**
(In revision CIT can decrease/increase the income or affirms the order of AO)

→ **First appeal with CIT (Appeals)**
(First appeal can only be made by the assessee Time limit is 30 days)

Flow of appeals

Assessing officer
↓ SCN
Assessee → CIT (Appeals) → ITAT → HIGH COURT
↓ Representation
Assessing officer

Assessee as well as dept. can file appeal (60 days)

HIGH COURT ↓ SUPREME COURT
(Decision of Supreme Court will Be binding on both the parties)

Rates of income tax for assessment year 2013-14

(A) INDIVIDUALS(except B & C below) , HUF, every AJP & AOP's & BOI's-

Total Income	Tax rates
Up to Rs. 200000 (i.e. on first 200000 rupees)	Nil
Rs. 200001 to Rs. 500000 (i.e. on next 300000 rupees)	10 %
Rs. 500001 to Rs. 1000000 (i.e. on next 500000 rupees)	20 %
Over and Above Rs. 1000000	30 %
Education cess (tax on tax)	3 %

(B) For **Resident senior citizen,** Age ≥ 60 years but less than 80 years **at any time** during the P/Y

Total Income	Tax rates
Up to Rs. 250000 (i.e. on first 250000 rupees)	Nil
Rs. 250001 to Rs. 500000 (i.e. on next 250000 rupees)	10 %
Rs. 500001 to Rs. 1000000 (i.e. on next 500000 rupees)	20 %
Over and Above Rs. 1000000	30 %
Education cess (tax on tax)	3 %

(C) For **Resident very senior citizen,** Age ≥ 80 years or more **at any time** during the P/Y

Total Income	Tax rates
Up to Rs. 500000 (i.e. on first 500000 rupees)	Nil
Rs. 500001 to Rs. 1000000 (i.e. on next 500000 rupees)	20 %
Over and Above Rs. 1000000	30 %
Education cess (tax on tax)	3 %

(D) Partnership and LLP firm

Partnership firm (including limited liability partnership firm)	30 %
Education cess	3 %

(E) Company

	Tax rates	surcharge
Domestic company	30 %	5 % if total income exceeds to Rs. 1 crore
Foreign company	40 %	2 % if total income exceeds to Rs. 1 crore

Note- Education cess is to be applied after permitting marginal relief

↓

(Increase in tax – Increase in income)

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Income tax returns

Author comment-
Practically return is the primary source by which income tax dept. verifies our income and accordingly he makes assessment if he founds some wrong information.

Every person-

(i) Being a **company or firm** (including LLP)

(ii) **Persons Other than company or firm** if his GTI or income of any other person in respect of which he is assessable exceeds the basic exemption limit

Is required to furnish a return of his income **on or Or before due date** prescribed u/s 139(1).

Due date means-

Assessee	Due date
Company	30th September
Person other than company whose accounts are subject to tax audit or under any other law.	30th September
Working partner of a firm whose accounts are subject to tax audit or under any other law	30th September
Any other assessee (means other than company and persons whose accounts are subject to tax audit)	31st July
Assessee required to follow the transfer pricing provisions	30th November

Section 139(1B) – Electronic filing of returns of income

It shall be **mandatory** for the following assessee to file the return electronically-

1. Company
2. Partnership firm whose accounts are subject to tax audit
3. Individual/ HUF whose accounts are subject to tax audit.

Section 139(4)- Belated returns

If a person has not furnished the return of income on or before due date or within time allowed under a notice issued under section 142(1), then he may furnish the return of income at any time **before the expiry of one year from the end of the relevant assessment year** or before the completion of assessment, whichever is earlier.

Section 139(5) – Revised return

If any person who has furnished his return of income on or before the due date or within the time allowed under a notice issued u/s 142(1) then he may furnish a revised return at any time **before the expiry of one year from the end of the relevant assessment year** or before the completion of assessment whichever is earlier.

Advance payment of income tax

Author comment-
Although charging sec. says income of previous year is taxable in assessment year but for collection purposes the assessee has to pay advance tax in the previous year itself.

Section 208 makes it **obligatory** to pay advance tax in every case where the **advance tax payable is Rs. 10000 or more** on the amount of estimated income for current financial year less tds.

Company assessee-

Due date	Payment
By 15^{th} June	15 % of advance tax
By 15^{th} September	45 % of advance tax less advance tax paid earlier
By 15^{th} December	75% of advance tax less advance tax paid earlier
By 15^{th} march	100 % of advance tax less advance tax paid earlier

Other assessee' S

Due date	Payment
15^{th} September	30 % of advance tax
15^{th} December	60 % of advance tax less advance tax paid earlier
15^{th} march	100 % of advance tax less advance tax paid earlier

Notes- Any amount deposited by 31^{st} march of the current financial year is to be treated as advance tax for that financial year.
If on the last day of payment bank is closed then assessee can make payment on the next working day.

Summary at a glance

Act = Income tax act, 1961
Power of levy and collection of tax = Central Govt.
Assessee= Person liable to pay tax
Assessment = Determination of income and computation of tax liability.
Assessing officer = who makes assessment for assessee.
Total sections = 1 to 298
Tax rates = Two types of rates i.e. Normal rates of tax and Special rates of tax.
Heads of income = 5 heads of income.
List of constitution = Union list (list-1)
Income tax syllabus = 50 marks.
Relevant finance Act = Finance Act 2012 applicable for Dec. 13 and June 14 attempt.
Previous year = 2012-13
Assessment year = 2013-14
Present finance minister = P. Chidambaram (chiddu)
Amendments in Income Tax = Through Finance Bill
Nature of tax = Direct tax
Methods of payment of tax = TDS, Advance tax and Self-assessment tax.
Types of persons under income tax = 7 kind of persons.
Income tax return forms = ITR 1 to ITR 7.