



IMPORTANT DEFINITIONS & OTHER CONCEPTS

Tax

- A **tax** is a financial charge or other levy **imposed** upon a an individual or legal entity by a state. Tax is a fee charged by a government on a product, income or activity. A failure to pay, or evasion of or resistance to taxation, is usually punishable by law.

Direct taxes

- If tax is levied directly on the income or wealth of a person, then it is a direct tax e.g. income-tax. Payer of tax = bearer of tax

Indirect taxes

- If tax is levied on the price of a good or service, then it is called an indirect tax e.g. excise duty, Custom, CST, VAT. In the case of indirect taxes, the person paying the tax passes on the incidence to another person. Payer of tax = bearer of tax

Assessment [Section 2(8)]

- It is the procedure by which the income of an assessee is determined by the Assessing Officer. It may be by way of a normal assessment or by way of reassessment of an income previously assessed.

Assessment Year [Section 2(9)]

- Assessment Year means the **period of twelve months commencing on the 1st day of April every year, immediately preceding the previous year, in which the income earned by the assessee during the previous year is to be assessed.**

Previous Year [Section 3]

- Previous Year means Financial Year immediately preceding the assessment year. It is the year in respect of the income of which tax is levied is called Previous Year.

PERSON (Section 2(31))



- Person **includes**

An Individual
(Natural person i.e.
human being,
including minor or
unsound person)

A Hindu
Undivided Family

A Company

A Firm

An Association of
Persons or Body of
Individuals whether
incorporated or not

A Local Authority

Any other
Artificial Juridical
person

ASSEESSEE (Section 2 (7))



Assessee includes

Any person who is liable to pay taxes under the act.

Any person against whom any income tax proceedings is initiated.

Representative Assessee.

Any person who has defaulted any of the provisions of the act.

Income :- Section 2(24)



- Section 2(24) of the Act gives a statutory definition of income. This definition is **inclusive and not exhaustive**. Thus, it gives scope to include more items in the definition of income as circumstances may warrant. At present, the following items of receipts are included in income:-

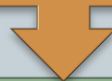
(1) Profits and gains.



(2) Dividends.



(3) Voluntary contributions received by a trust/institution/AOP



(4) Perquisites and allowances



(5) Profits and gains of business and profession deemed profit

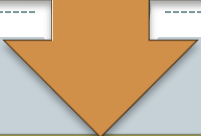


(6) Capital gain



(7) The profits and gains of any insurance business carried on by Mutual Insurance

(8) The profits and gains of any business of banking (including providing credit facilities) carried on by a co-operative society with its members.



(9) Any winnings from lotteries, cross-word puzzles, races including horse races, card games and other games of any sort or from gambling, or betting of any form or nature whatsoever.



(10) Any sum received by the assessee from his employees as contributions to any provident fund (PF) or superannuation fund or Employees State Insurance Fund (ESI) or any other fund for the welfare of such employees.



(11) Sum received under a Keyman insurance policy



OTHER POINTS

Cases when income of a previous year will be assessed in the previous year itself:-

Income earned during the P.Y. is assessed in same A.Y.

**Shipping
business of
Non
Resident
[S.172]**

**Persons
leaving India
[S. 174]**

**Bodies formed
for short
duration
[S.174A]**

**Persons
likely to
transfer
properties
to avoid tax
liability
[S.175]**

**Discontinued
business
[S. 176]**

Tax rates

Tax rates

In case of any other individual, HUF, AOP & BOI

Resident senior citizen

Resident super senior citizen

NIL

10%

20%

30%

Upto Rs. 2.5L

Above 2.5L
Upto 5L

Above 5L
Upto 10L

Above Rs. 10L

Upto Rs. 3L

Above 3L
Upto 5L

Above 5L
Upto 10L

Above Rs. 10L

Upto Rs. 5L

N.A.

Above 5L
Upto 10L

Above Rs. 10L

Add Surcharge @ 15% if TI exceeds Rs. 1 crore and education cess @ 3%.

In case of resident individual, If NTI (Total income after deduction) is not more than Rs. 5,00,000 than Rebate up to Rs. 5,000 is available u/s 87A.

Special rates of tax

20%

LTCG on
Equity shares or
EOMF

15%

STCG on
Equity shares or
EOMF

30%

Winnings from
lottery, crossword
puzzles, card
games, horse
races, gambling or
betting.

No deduction under chapter VI is available from above income which is taxed at special rates

Rounding off income Section 288A



- As per this section, Total amount of taxable income calculated as per various provisions of this **act** **shall be rounded off to nearest Rupees 10 (ten)** and avoid any fraction thereto.
- ***For example***, if taxable amount computed is Rs. 999995/- then it shall be rounded off as Rs.1,00,000/- and where taxable amount computed is Rs.9,99,994.50, it shall be rounded off as Rs.9,99,990/-.

Rounding off Tax Section 288B



- As per this section final tax liability, calculated on taxable income as per provisions of this act, shall be **Rounded off to nearest Rupees 10(ten)** and avoid any fraction thereto. (Same as per rounding off income.)

Steps for computing the total income and tax liability:-

Step 1 – Determination of residential status



Step 2 – Classification & Computation of income under each head of income, Exclusion of income not chargeable to tax:



Step 3 – Clubbing of income of spouse, minor child etc.:



Step 4 – Set-off or carry forward and set-off of losses:

Step 5 – Computation of Gross Total Income:

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graph TD; A[Step 5 – Computation of Gross Total Income:] --> B[Step 6 – Deductions from Gross Total Income:]; B --> C[Step 7 – Computation of total income:]; C --> D[Step 8 – Application of the rates of tax on the total income, Surcharge / Rebate under section 87A, Education cess and secondary and higher education cess on income-tax:]; D --> E[Step 9 – Advance tax and tax deducted at source:];
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Step 6 – Deductions from Gross Total Income:

Step 7 – Computation of total income:

Step 8 – Application of the rates of tax on the total income, Surcharge / Rebate under section 87A, Education cess and secondary and higher education cess on income-tax:

Step 9 – Advance tax and tax deducted at source: