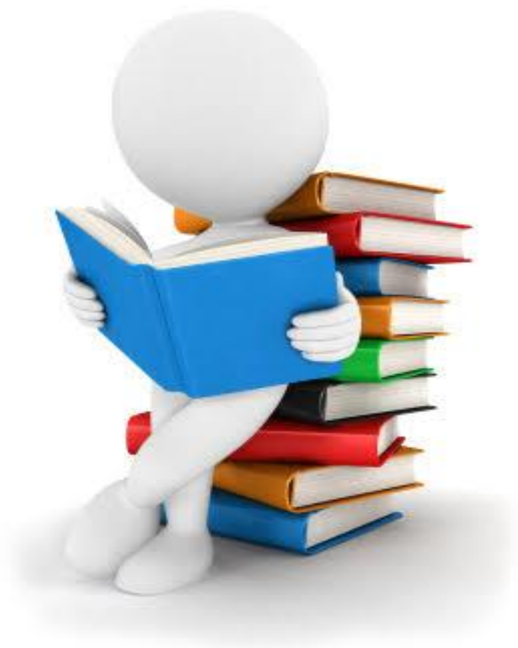
# INCOME TAX

(As amended by the Finance Act, 2017)

Short Notes on Basic Concepts

(A.Y. 2018-19)



By

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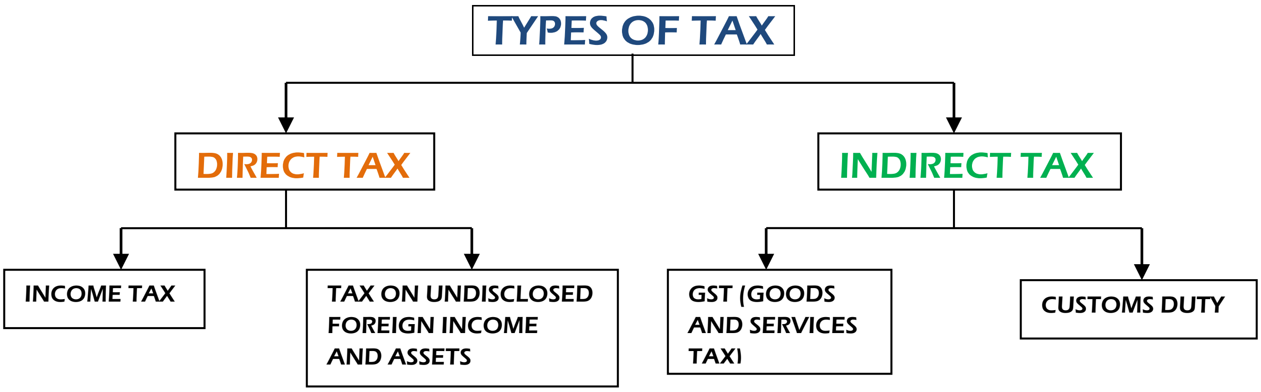
**TAX** –Tax is a fee charged by a Government on a product, income or activity.
There are TWO types of taxes – Direct Taxes and Indirect Taxes.




**INCOME TAX:** It is a tax on Income.

**CHARGING (SEC.4):** Every PERSON whose TOTAL INCOME of the PREVIOUS YEAR exceeds the BASIC EXEMPTION LIMIT is an ASSESSEE and chargeable to income tax at the RATES prescribed in the FINANCE ACT for the relevant ASSESSMENT YEAR.

## *IMPORTANT CONCEPTS:

**1. Assessee:**
"Assessee" means a person by whom any tax or any other sum of money is payable under Income Tax Act, 1961, is called an Assessee.
In addition, it includes –

- Every person in respect of whom any proceeding under this Act has been taken for the assessment of
  - his income; or
  - Assessment of fringe benefits; or
  - the income of any other person in respect of which he is assessable; or
  - the loss sustained by him or by such other person; or
  - the amount of refund due to him or by such other person.
- Every person who is deemed to be an assessee under any provision of this Act;
- Every person who is deemed to be an assessee-in-default under any provision of this Act.

**2. Person:** A person includes–
An Individual, (HUF), (AOP), Body of Individuals (BOI), a Firm &LLP, a Company , Local Authorities and Artificial Juridical Person etc.

**3. Previous year (P.Y.):** Previous year is the Financial Year immediately preceding the assessment year i.e., it is the financial year ending on 31st March, in which the income has accrued/received.

**4. Assessment Year (A.Y.):** means the Period of 12 months commencing on the 1st April every year. F.Y. in which you pay the tax is called A.Y.

**5. Financial Year (F.Y.):** commences on 1st April and ends on 31st March- (12 Months).

**STEPS for computation of TOTAL INCOME and TAX LIABILITY**

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Determination of Residential Status

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Classification of income under 5 heads

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Computation of income under each head

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Clubbing of income of spouse, minor child etc.

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Set off or carry forward & Set off of losses

↓

Computation of Gross Total Income (GTI)

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Deductions from GTI

↓

Computation of Tax Liability

## Computation of TOTAL INCOME

| | |
|---|---|
| Income from Salaries (Sec.15-17) | *** |
| Income from House Property (Sec.22-27) | *** |
| Income from PGBP (Sec.28-44AE) | *** |
| Income from Capital Gains (Sec.45-55A) | *** |
| Income from Other Sources (Sec.56-59) | *** |
| LESS/ADD: Clubbing provisions (Sec.60-64) | *** |
| Deemed Income (Sec.66-69D) | *** |
| Set off & C/F of losses (Sec.70-74A) | *** |
| GROSS TOTAL INCOME | *** |
| LESS: Chapter VI A Deductions (80A-80U) | *** |
| NET TOTAL INCOME/ TAXABLE INCOME | *** |

## Computation of TAX PAYABLE

| | |
|---|---|
| Tax on Total Income | *** |
| LESS/ADD: Rebate/Surcharge | *** |
| LESS: Marginal Relief (if applicable) | *** |
| ADD: Education cess & SHEC@3% | *** |
| Total Tax | *** |
| LESS: Tax Deducted at Source (TDS) | *** |
| LESS: Advance tax paid | *** |
| Net TAX PAYABLE | *** |

## Computation of MARGINAL RELIEF

| | |
|---|---|
| Tax on Total Income (TI) including Surcharge | ** |
| LESS :[( TI – ##) + (Tax on ## excluding Surcharge)] | ** |
| MARGINAL RELIEF | ** |

## Limit on which Surcharge Applicable to the Assessee.

(50 lakh /1 Cr. /10 Cr.)

## Slab Rates applicable for A.Y.2018-19 are as follows:

### I. Individual/HUF/AOP/BOI/Artificial Juridical Person:

| TAXABLE INCOME (Rs.) | Individual (M/F) Resident (<60Yrs.) **(Non-Resident) | HUF/ AOP/BOI/ Artificial Juridical Person |
|---|---|---|
| UPTO 250000 | NIL | |
| 2,50,001–5,00,000 | 5% | |
| 5,00,001–10,00,000 | 20% | |
| ABOVE 10,00,000 | 30% | |

| TAXABLE INCOME (Rs.) | Resident Senior Citizen (>=60& <80Yrs.) | Resident Very Senior Citizen (>=80Yrs.) |
|---|---|---|
| UPTO 300000 | NIL | NIL |
| 3,00,001–5,00,000 | 5% | |
| 5,00,001–10,00,000 | 20% | 20% |
| ABOVE 10,00,000 | 30% | 30% |

** NO AGE LIMIT for all Non-resident Individuals.

### II. Firm/LLP/Local Authority: on the Whole of the TOTAL INCOME– 30%

### III. Co-operative society:

| Total Income | Rate of tax |
|---|---|
| UPTO Rs.10,000 | 10% |
| Rs.10,001–Rs.20,000 | 20% |
| ABOVE Rs.20,000 | 30% |

### IV. Company:

| Domestic Company | Turnover Or Gross Receipt | RATE |
|---|---|---|
| | In the P.Y.2015-16 → <=Rs.50cr. | 25% of Total Income |
| | In other case → | 30% of Total Income |
| Company other than Domestic Company | **NOTE | 40% of Total Income |

**However, Specified royalties and fees for rendering technical services (FTS) received from Govt. or an Indian concern in pursuance of an approved agreement made by the Co. with the Govt. or Indian concern between 1.4.1961 and 31.3.1976 (in case of royalties) and between 1.3.1964 and 31.3.1976 (in case of FTS) would be chargeable to tax @50%.

## SPECIAL RATES: *Rates are same for all assesses.

| Section | Income | Flat Rate* |
|---|---|---|
| 112 | LTCGs | 20% |
| 111A | STCGs | 15% |
| 115BB | Winnings from lotteries, Crossword puzzles, Race including horse races, Card game, Gambling or betting etc. | 30% |
| 115BBDA | Dividend >10 lakhs (in aggregate) | 10% |
| 115BBE | Unexplained money, investment, expenditure, etc Deemed as income sec.68-69D | 60% |

## SURCHARGE: It is Tax on Tax.

| Assessee | Applicable Surcharge | | | |
|---|---|---|---|---|
| | TI >50lakhs &<=Rs.1 Cr. | TI >Rs.1 Cr. | TI >Rs.1 Cr., but<=Rs.10Cr. | TI>Rs.10 Cr. |
| Individual/HUF/AOP/BOI/AJP | 10% | 15% | | |
| Firm/LLP, Local Authorities, Co-operative societies & Others | Nil | 12% | | |
| Domestic Companies | Nil | ➔ | 7% | 12% |
| Foreign Companies | Nil | ➔ | 2% | 5% |

## Rebate under Section 87A:

Rebate of up to Rs. 2,500 for Resident Individuals having Total Income of Up to Rs.3.5 lakh.

## "Education Cess &Secondary &Higher Education Cess "on Income tax:

| | |
|---|---|
| Education cess (EC) | 2% of income-tax and surcharge, if applicable |
| Secondary and Higher Education Cess (SHEC) | 1% of income-tax and surcharge, if applicable |

**ROUNDING OFF TOTAL INCOME-SEC.288A:** The Total Income shall be rounded off to the NEAREST MULTIPLE OF TEN RUPEES.

**ROUNDING OFF OF TAX-SEC.288B:** Aggregate of tax, surcharge and education cess payable shall be rounded off to NEAREST MULTIPLE OF TEN RUPEES.

## Average Rate of tax: SEC.2 (10)

Average Rate of tax = Tax payable/Total Income *100

**Maximum marginal rate** mean the rate of income-tax (including surcharge on the income-tax, if any) applicable in relation to the highest slab of income in the case of an individual, AOP or BOI, as the case may be, as specified in Finance Act of the relevant year.

# THANK YOU