STUDENT SEMINAR ON DIRECT TAXES

BY

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OBJECTIVES

- To Understand How to Approach the subject?
- Focus on Critical Areas of various Topics
- Tips For Answering Questions In The Exams
- Solving Student Doubts Or Queries

HOW TO APPROACH THE SUBJECT?

- Income Tax Is An Adaptive Law
- First reading: Focus On Concepts, Details Irrelevant
- Second Reading: Identification Of Key Areas; Cognizance of Details
- Final Reading: Revise Details; Practice Recollection; Identify Trouble Areas

Finally – Believe In Yourself

TYPES OF QUESTIONS

- Objective Questions
- Theory Questions
- Practical Questions

THEORY QUESTIONS

- Decide the Flow Of Your Answer before answering
- Answer what is asked in the question not what you know about the subject
- Answer In Point form as far as possible
- Focus On Language is Important
- Do Not Bluff or Repeat the same point
- Answer should be precise and crisp, it is the quality and not quantity that is important
- Cover all aspects of the answer as if you are advising your client

PRACTICAL QUESTIONS – TYPES

- Computational Questions
- Opinion Based Questions
- Tax Planning – Suggestive Questions
- Tax Planning – Evaluative Questions
- Post facto Questions

PRACTICAL QUESTIONS

- Read the question thoroughly
- No Standard Form Of Presentation Of Solution
- Do not mess the main answer with detailed workings, instead prepare working notes
- Ensure each and every item is dealt with
- Write Your Assumptions clearly
- Give Your Final Conclusion

CRITICAL AREAS

BASIC CONCEPTS

LEVY CHARGE & COLLECTION

- LEVY – Establishes the right to tax
- CHARGE – It is exercise of the right to Tax
- COLLECTION – Defines the point of time of enforcement of payment of Tax

ANALYSIS OF DEFINITIONS

- MEANS – Literal Interpretation
- INCLUDES – Illustrative not exhaustive broader interpretation
- MEANS & INCLUDES – Broad interpretation with specific inclusions

ACCELERATED ASSESSMENT

- Non-resident engaged in shipping business *[Section 172]*
- Assessment of Persons leaving India *[Section 174]*
- Assessment of Association of Persons or Body of Individuals or artificial juridical person formed for a particular event or purpose *[Section 174A]*
- Person likely to transfer property to avoid tax *[Section 175]*
- Discontinued business *[Section 176]*

Income Tax vs. Surcharge vs. Education Cess

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Income tax is levied on total income. Surcharge is levied on income tax. Education cess is charged on the aggregate of income tax and surchage.

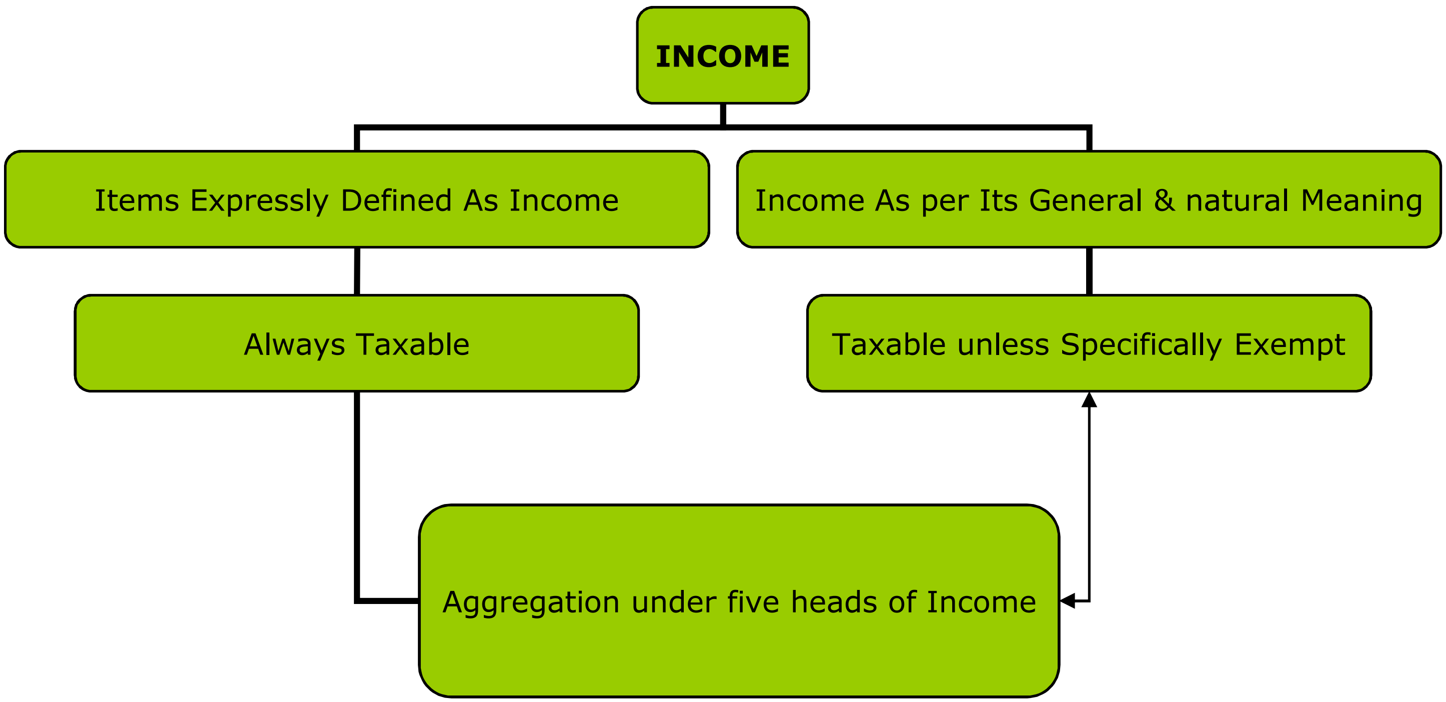
Average Rate Of Tax [Sec. 2(10)]

It means the rate arrived at by dividing the amount of tax calculated on *Total Income,* by such *Total Income.* For eg if Total Income is Rs 2,50,000 and tax payable on it is Rs 10,300 then average rate of tax works out to 4.12%.

Maximum Marginal Rate Of Tax [Sec. 2(29C)]

It is the highest rate at which the income of an individual can be taxed including surcharge and cess. Thus the MMR for AY 2009-10 is 33.99% [30% Tax + 10% Surcharge + 3% Cess]

CONCEPT OF TOTAL INCOME



CAPITAL Vs REVENUE

- All Capital Receipts By default are not taxable unless specifically taxed. Eg Capital gains
- All Capital Expenditure by default is not allowed unless specifically provided for eg Preliminary Expenditure u/s 35D
- All Revenue Receipts by default are taxable unless specifically exempted eg Agricultural Income
- All Revenue Expenses by default are allowable unless specifically disallowed eg 40A disallowances

GROSS TOTAL INCOME AND TOTAL INCOME :

The aggregate of taxable income under all the five heads of income, together with clubbed income/deemed income and after giving effect to set off of current year and brought forward losses shall be known as "Gross Total Income". From these definitions, one should be able to infer that Gross Total Income as reduced by Chapter VIA deductions results in "Total Income". It needs mention that though the tax liability shall be computed on the total income, for the purpose of filing of return of income the relevant figure shall be amount of gross total income computed.

Spouses governed by Portuguese Civil Code [Section 5A]

The section provides that income under each head of income (other than under the head 'Salaries') should be apportioned equally between the husband and wife and such income shall not be assessed as that of the community of property. In view of the amendment even the income from profession will be apportioned equally between the husband and wife. However, in the case of salary income, it will be assessed in the hands of the spouse who has actually earned it. After the income has been apportioned in the aforesaid manner, it will be included separately in the total income of the husband and of the wife respectively and the remaining provisions of the Income Tax Act shall apply accordingly.