

Lectures on Income Tax

Definitions & Basis of charge

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Sec 2(31) Person

Person includes

- An Individual
- A HuF
- A company
- A Firm
- An Association of Persons or Body of Individuals
- A local authority
- Every artificial juridical person not covered earlier

Sec 2(7) Assessee

- A person by whom any tax or any other sum of money is payable
- A person against whom any proceedings are taken
- ✓ To determine his income or loss
- ✓ To determine tax payable or refundable
- ✓ To determine his income or loss of another person on whose behalf he is liable for tax
- ✓ To determine tax payable or refundable of another person on whose behalf he is liable for tax
- Deemed assessee
- Assessee in default

Sec 2(9) Assessment Year

- Period of twelve months commencing on 1st Day of April every year
- A frame of reference for
 - ✓ Amendments or changes in tax laws
 - ✓ Tax rates
 - ✓ Determination of income & tax payable

Sec 2(34)/Sec 3 Previous Year

- Financial year immediately preceding the assessment year
- Exceptions
 - ✓ Commencement of new business
 - ✓ Income of non-resident shipping companies (Sec 172)
 - ✓ Income of persons leaving India permanently or for long period (Sec 174)
 - ✓ Income of an AoP or artificial juridical person formed for a particular purpose or event (Sec 174A)
 - ✓ Income of a person trying to alienate his assets for tax evasion (Sec 175)
 - ✓ Income from discontinued business (Sec 176)

Sec 2(8) Assessment

- Assessment includes reassessment
- ✓ Assessment of income or loss
- ✓ Assessment of tax liability
- ✓ Assessment of tax payable or refundable
- Reassessment u/s 148

Sec 2(24) Income

- Inclusive definition
- Profits & gains
- Dividends
- Voluntary contributions
- Salary including perquisites & benefits
- Income referred to in Sec 28
- Capital gains u/s 45
- Winning from lotteries , crossword puzzles , card games ,other games ,gambling ,betting etc
- Revenue receipts & capital receipts

Basis of Charge Sec 4 to 9

- Sec 4 Charge of income tax
- Sec 5 Scope of Total income
- Sec 6 Residential status of the assessee
- Sec 7 Income deemed to be received in India
- Sec 8 Dividend
- Sec 9 Income deemed to accrue or arise in India

Sec 6 Residential status of assessee

- Sec 2(42) Person resident in India
- Sec 2(30) Non-resident person
- Sec 6(1) & 6(6)(a) Residential status of individual
- Sec 6 (2) Residential status of HuF
- Sec 6(3) Residential status of company
- Sec 6(4) Residential status of firm etc.
- Sec 6(5) Residential status & source of income

Residential status of an individual

- Sec 6(1) Basic conditions
- Any one condition to be satisfied to become resident
 - Stay in India for 182 days or more in PY or
 - Stay in India for 60 days or more in PY and 365 days or more in 4 immediately PPYs

Exceptions

- Indian citizen leaving India during PY for employment or as crew member of a ship
- Indian citizen/PIO on visit to India in PY

Residential status of an individual contd.

- Sec 6(6)(a) Additional conditions
- Resident in India at least for 2 years out of 10 PPYs and
- Stay in India for 730 days or more during 7 PPYs

Summary

Residential status	Conditions u/s 6(1)	Conditions u/s 6(6)(a)
R & OR	Any one	Both
R but NOR	Any one	One or none
NR	None	NA

Residential status – other assessees

Type of person	Control and management of affairs situated wholly in India	Control and management of affairs situated partly in India	Control and management of affairs situated wholly outside India
Hindu Undivided Family	R&OR	R&OR	NR
Firm, AoP , BoI	R&OR	R&OR	NR
Indian company	R&OR	R&OR	R&OR
Foreign company	R&OR	NR	NR

Sec 7 Income deemed to be recd in India

- Contribution to RPF in excess of 12% of salary
- Interest credited to RPF in excess of 9.5% pa SI
- Transfer of bal from URPF to RPF excluding employee's contribution & interest thereon
- Contribution by CG to pension scheme u/s 80CCD

Sec 8 Taxability of dividend

Final , interim , deemed dividend u/s 2(22)

Sec 9 Income deemed to accrue or arise in India

- Income related to business connection in India
- Property in India
- Asset or source of income in India
- Transfer of capital asset situated in India

Exceptions :-

Partial operations in India ,

Export of goods purchased by NR ,

News agency by NR ,

Income from shooting of film in India by NR

Sec 9 ... continued

Expln from AY 2004-2005 in case of agent of NR principal

- Salary for services rendered in India
- Salary by Govt for services rendered outside India
- Dividend by Indian companies
- Royalty , fees for tech services or interest payable by Govt , a resident person , a NR person

Sec 5 Scope of Total Income

R & OR

- Income recd in India
- Income deemed to be recd in India
- Income accrued in India
- Income deemed to accrue or arise in India
- Income accrued / recd outside India

Sec 5 Scope of Total Income

R but NOR

- Income recd in India
- Income deemed to be recd in India
- Income accrued in India
- Income deemed to accrue or arise in India
- Income accrued / recd outside India related to business controlled from India or profession set up in India

Sec 5 Scope of Total Income

Non resident

- Income recd in India
- Income deemed to be recd in India
- Income accrued in India
- Income deemed to accrue or arise in India

Thank You