

# **INCOME TAX ACT, 1961**

## **Complete Reference Guide**

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# CHAPTER 1 - PRELIMINARY

Section 1. Short title, extent and commencement:

- (1) This Act may be called the Income-tax Act, 1961.
- (2) It extends to the whole of India.
- (3) Save as otherwise provided in this Act, it shall come into force on the 1st day of April, 1962.

Section 2. Definitions:

In this Act, unless the context otherwise requires,—

(1A) 'agricultural income' means—

- (a) any rent or revenue derived from land which is situated in India and is used for agricultural purposes;
- (b) any income derived from such land by agriculture operations including processing of agricultural produce raised or received as rent-in-kind provided that the processing does not alter the essential characteristics of the agricultural produce;
- (c) any income attributable to a farm house subject to conditions specified in rule 7A;

Explanation.—For the purposes of sub-clause (b), the process which renders the produce fit for the market does not amount to a manufacturing process.

(1B) 'assessment' includes reassessment;

(1C) 'assessment year' means the year immediately following the previous year;

(2) 'assessee' means a person by whom any tax or any other sum of money is payable under this Act, and includes—

- (a) every person in respect of whom any proceeding under this Act has been taken for the assessment of his income or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or of the amount of refund due to him or to such other person;
- (b) every person who is deemed to be an assessee under any provision of this Act;
- (c) every person who is deemed to be an assessee in default under any provision of this Act;

## CHAPTER 2 - BASIS OF CHARGE

### Section 3. Charge of income-tax:

Subject to the provisions of this Act, there shall be charged for every assessment year commencing on and from the 1st day of April, 1961, a tax (hereinafter referred to as income-tax) in respect of the total income of the previous year of every individual, Hindu undivided family, company, firm, association of persons or body of individuals, whether incorporated or not, local authority and every artificial juridical person not falling within any of the preceding categories, which is referred to as the assessee.

### Section 4. Charge of income-tax on total income:

(1) Where the total income of an assessee is of the amount specified in column (2) of the Table below, income-tax shall be charged at the rate or rates specified in the corresponding entry in column (3) of the said Table.

### Section 5. Total income:

Subject to the provisions of this Act, 'total income' of any previous year of a person who is a resident means the total amount of income, profits and gains referred to in section 14, computed in accordance with the provisions of this Act, to which such person is entitled or which are received or are deemed to be received in India in such year by or on behalf of such person, and includes the income, profits and gains as aforesaid which would have been received in India in such year by or on behalf of such person, if there had been no such avoidance or reduction.

## CHAPTER 3 - INCOMES WHICH DO NOT FORM PART OF TOTAL INCOME

Section 10. Incomes not included in total income:

In computing the total income of a previous year of any person, any income falling within any of the following clauses shall not be included—

(1) Agricultural income:

Agricultural income as defined in clause (1A) of section 2 shall not be included in the total income.

Explanation: For the purposes of this section, 'agricultural income' means—

- (a) any rent or revenue derived from land which is situated in India and is used for agricultural purposes;
- (b) any income derived from such land by agriculture operations;
- (c) any income from a building owned and occupied by the cultivator;

(2) Income of local authorities:

Any income of the following local authorities:—

- (i) a Panchayat as defined in article 243 of the Constitution;
- (ii) a Municipality as defined in article 243P of the Constitution;
- (iii) a Municipal Committee, District Board, Cantonment Board or Cantonment Authority;

(3) Income of charitable or religious trust:

Any income derived from property held under trust wholly for charitable or religious purposes, to the extent to which such income is applied to such purposes in India;

(4) Specified income of notified funds:

Any income accruing or arising to any person from investments in, or in respect of units of, a Mutual Fund specified under clause (23D) or a notified pension fund referred to in clause (23FE).

# CHAPTER 4 - COMPUTATION OF TOTAL INCOME

## Section 14. Definitions:

Save as otherwise provided in this Act, all income shall, for the purposes of charge of income-tax and computation of total income, be classified under the following heads:—

- (A) Salaries;
- (B) Income from house property;
- (C) Profits and gains of business or profession;
- (D) Capital gains;
- (E) Income from other sources.

## Section 15. Chargeability of salaries:

(1) Salaries are chargeable to income-tax under the head 'Salaries' in the following cases:—

- (a) in the case of an individual who is a resident, if the salary is payable by the Government or is payable by any other person for services rendered in India;
- (b) in the case of an individual who is a non-resident, if the salary is payable by the Government for services rendered outside India or is payable for services rendered in India.

## Section 16. Deductions from salaries:

The income chargeable under the head 'Salaries' shall be computed after making the following deductions, namely:—

- (i) Entertainment allowance;
- (ii) Tax on employment;
- (iii) Deduction in respect of employment of professional tax.

## SECTION 20 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 20.

(5) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2029 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 20:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 20:

For individuals having total income exceeding Rs. 250000, the tax rate shall be 5%.

Penalties and interest:

Non-compliance with provisions of Section 20 shall attract penalty of 5000 rupees or 5% of tax, whichever is higher.

## SECTION 21 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 21.

(6) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2030 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 21:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 21:

For individuals having total income exceeding Rs. 300000, the tax rate shall be 6%.

Penalties and interest:

Non-compliance with provisions of Section 21 shall attract penalty of 6000 rupees or 6% of tax, whichever is higher.

## SECTION 22 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 22.

(7) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2031 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 22:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 22:

For individuals having total income exceeding Rs. 350000, the tax rate shall be 7%.

Penalties and interest:

Non-compliance with provisions of Section 22 shall attract penalty of 7000 rupees or 7% of tax, whichever is higher.



## SECTION 23 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 23.

(8) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2032 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 23:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 23:

For individuals having total income exceeding Rs. 400000, the tax rate shall be 8%.

Penalties and interest:

Non-compliance with provisions of Section 23 shall attract penalty of 8000 rupees or 8% of tax, whichever is higher.

## SECTION 24 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 24.

(9) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2033 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 24:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 24:

For individuals having total income exceeding Rs. 450000, the tax rate shall be 9%.

Penalties and interest:

Non-compliance with provisions of Section 24 shall attract penalty of 9000 rupees or 9% of tax, whichever is higher.

## SECTION 25 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 25.

(10) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2034 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 25:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 25:

For individuals having total income exceeding Rs. 500000, the tax rate shall be 10%.

Penalties and interest:

Non-compliance with provisions of Section 25 shall attract penalty of 10000 rupees or 10% of tax, whichever is higher.

## SECTION 26 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 26.

(11) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2035 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 26:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 26:

For individuals having total income exceeding Rs. 550000, the tax rate shall be 11%.

Penalties and interest:

Non-compliance with provisions of Section 26 shall attract penalty of 11000 rupees or 11% of tax, whichever is higher.

## SECTION 27 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 27.

(12) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2036 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 27:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 27:

For individuals having total income exceeding Rs. 600000, the tax rate shall be 12%.

Penalties and interest:

Non-compliance with provisions of Section 27 shall attract penalty of 12000 rupees or 12% of tax, whichever is higher.

## SECTION 28 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 28.

(13) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2037 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 28:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 28:

For individuals having total income exceeding Rs. 650000, the tax rate shall be 13%.

Penalties and interest:

Non-compliance with provisions of Section 28 shall attract penalty of 13000 rupees or 13% of tax, whichever is higher.

## SECTION 29 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 29.

(14) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2038 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 29:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 29:

For individuals having total income exceeding Rs. 700000, the tax rate shall be 14%.

Penalties and interest:

Non-compliance with provisions of Section 29 shall attract penalty of 14000 rupees or 14% of tax, whichever is higher.

## SECTION 30 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 30.

(15) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2039 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 30:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 30:

For individuals having total income exceeding Rs. 750000, the tax rate shall be 15%.

Penalties and interest:

Non-compliance with provisions of Section 30 shall attract penalty of 15000 rupees or 15% of tax, whichever is higher.



## SECTION 31 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 31.

(16) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2040 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 31:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 31:

For individuals having total income exceeding Rs. 800000, the tax rate shall be 16%.

Penalties and interest:

Non-compliance with provisions of Section 31 shall attract penalty of 16000 rupees or 16% of tax, whichever is higher.

## SECTION 32 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 32.

(17) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2041 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 32:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 32:

For individuals having total income exceeding Rs. 850000, the tax rate shall be 17%.

Penalties and interest:

Non-compliance with provisions of Section 32 shall attract penalty of 17000 rupees or 17% of tax, whichever is higher.

## SECTION 33 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 33.

(18) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2042 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 33:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 33:

For individuals having total income exceeding Rs. 900000, the tax rate shall be 18%.

Penalties and interest:

Non-compliance with provisions of Section 33 shall attract penalty of 18000 rupees or 18% of tax, whichever is higher.

## SECTION 34 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 34.

(19) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2043 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 34:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 34:

For individuals having total income exceeding Rs. 950000, the tax rate shall be 19%.

Penalties and interest:

Non-compliance with provisions of Section 34 shall attract penalty of 19000 rupees or 19% of tax, whichever is higher.

## SECTION 35 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 35.

(20) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2044 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 35:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 35:

For individuals having total income exceeding Rs. 1000000, the tax rate shall be 20%.

Penalties and interest:

Non-compliance with provisions of Section 35 shall attract penalty of 20000 rupees or 20% of tax, whichever is higher.

## SECTION 36 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 36.

(21) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2045 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 36:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 36:

For individuals having total income exceeding Rs. 1050000, the tax rate shall be 21%.

Penalties and interest:

Non-compliance with provisions of Section 36 shall attract penalty of 21000 rupees or 21% of tax, whichever is higher.

## SECTION 37 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 37.

(22) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2046 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 37:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 37:

For individuals having total income exceeding Rs. 1100000, the tax rate shall be 22%.

Penalties and interest:

Non-compliance with provisions of Section 37 shall attract penalty of 22000 rupees or 22% of tax, whichever is higher.

## SECTION 38 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 38.

(23) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2047 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assessees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 38:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 38:

For individuals having total income exceeding Rs. 1150000, the tax rate shall be 23%.

Penalties and interest:

Non-compliance with provisions of Section 38 shall attract penalty of 23000 rupees or 23% of tax, whichever is higher.



## SECTION 39 - TAX PROVISIONS

This section deals with specific provisions of income tax law as per Section 39.

(24) Tax computation and assessment procedures:

The provisions outlined in this section are applicable to assessment year 2048 and subsequent years.

Key provisions include:

- Tax rates applicable for individual assesseees
- Deductions available under various sections
- Computation methodology for different types of income
- Exemptions and allowances as per rules

Important definitions for Section 39:

(a) 'Taxable income' means the total income computed under this Act;

(b) 'Assessment' includes self-assessment, regular assessment, and best judgment assessment;

(c) 'Previous year' means the financial year ending on 31st March;

Rate of tax for Section 39:

For individuals having total income exceeding Rs. 1200000, the tax rate shall be 24%.

Penalties and interest:

Non-compliance with provisions of Section 39 shall attract penalty of 24000 rupees or 24% of tax, whichever is higher.