

## Unit – 1

### Topic 1: What is Banking?

- **Meaning**

Banking means managing money by accepting deposits from people and giving loans to those who need money.

- **Official Definition (Banking Regulation Act, 1949)**

Banking means accepting deposits of money from the public for the purpose of lending or investment, which can be withdrawn by cheque, draft, or order.

- **Explanation**

Banks act as financial institutions that collect money from people who want to save and provide that money as loans to people who want to borrow. They also offer services like ATM, cheque, fund transfer, UPI, and online banking. Banks keep money safe and help in the smooth functioning of business and the economy.

- **Example**

If a person deposits ₹20,000 in a bank, the bank uses that money to give loans to other people and earns interest from them.

### Topic 2: Indian Banking System – Introduction

- **Meaning of Indian Banking System**

The Indian banking system is the structure of banks operating in India to provide financial services like accepting deposits, giving loans, transferring money, and supporting economic development.

- **Explanation**

The Indian banking system consists of different types of banks such as commercial banks, cooperative banks, regional rural banks, development banks, and payment banks. All these banks work under the control and regulation of the **Reserve Bank of India (RBI)**, which acts as the central bank of the country. The main role of the banking system is to collect savings from the public and provide loans for agriculture, business, industries, housing, education, and personal needs.

- **Key Components of Indian Banking System**

- **Reserve Bank of India (RBI)** – Central bank of India

- **Scheduled Banks** – Registered under the RBI Act and allowed to borrow from RBI
  - **Commercial Banks** – Like SBI, HDFC, ICICI, PNB etc.
  - **Co-operative Banks** – Provide banking in rural and semi-urban areas
  - **Regional Rural Banks (RRBs)** – Support rural development
  - **Development Banks** – Provide long-term finance for industries
  - **Non-Banking Financial Companies (NBFCs)** – Provide loans but are not banks
- **Example**

SBI, HDFC Bank, and Bank of Baroda are commercial banks, while NABARD and SIDBI are development banks that help agriculture and small industries.

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### Topic 3: Reserve Bank of India (RBI)

- **Introduction**

The Reserve Bank of India (RBI) is the **central bank** of India. It was established on **1st April 1935** and was **nationalized in 1949**.
- **Functions of RBI**
  - **Monetary Authority** – Controls money supply and inflation
  - **Banker to Government** – Manages government accounts and transactions
  - **Banker's Bank** – Lends money to other banks
  - **Currency Issuer** – Issues paper currency in India
  - **Foreign Exchange Manager** – Manages foreign currency and promotes trade
  - **Regulator of Banks** – Controls and supervises banking operations
  - **Development Role** – Promotes financial inclusion
- **Example**

RBI controls inflation by increasing or decreasing the repo rate.

## Topic 4: Scheduled and Non-Scheduled Banks

- **Meaning of Scheduled Banks**

Scheduled banks are those banks which are included in the **Second Schedule of the Reserve Bank of India Act, 1934**. These banks follow the rules of RBI and maintain a minimum reserve (CRR) with RBI.

- **Features of Scheduled Banks**

- Eligible to borrow money from RBI
- Must maintain **Cash Reserve Ratio (CRR)** with RBI
- Can become a member of the **clearing house** (used for cheque settlement)
- More financially stable and trustworthy
- Examples: SBI, HDFC Bank, ICICI Bank, Bank of Baroda, Canara Bank

- **Meaning of Non-Scheduled Banks**

These banks are **not included** in the Second Schedule of the RBI Act. They are usually small local banks with limited banking operations.

- **Features of Non-Scheduled Banks**

- Not eligible to borrow from RBI normally (only in emergency)
- Do not maintain CRR with RBI
- Cannot be a member of the clearing house
- Comparatively riskier than scheduled banks
- Examples: Local cooperative banks like **Gondal Nagrik Sahakari Bank, Raj Bank**

- **Difference Between Scheduled and Non-Scheduled Banks**

Basis	Scheduled Banks	Non-Scheduled Banks
Regulation	Under RBI Schedule II	Not in Schedule II
Borrow from RBI	Yes	Only in emergency
CRR	Must maintain	Not required

Basis	Scheduled Banks	Non-Scheduled Banks
Clearing House	Member	Not eligible
Risk	Less risky	More risky

## Topic 5: Types of Banks in India

The Indian banking system is mainly divided into the following types:

### 1. Commercial Banks

These banks work to earn profit and provide services to individuals and businesses.

Examples: **SBI, HDFC, ICICI, PNB, Axis Bank**

#### Types of Commercial Banks:

- **Public Sector Banks** – Government holds more than 50% share  
✓ Examples: SBI, Bank of Baroda, Punjab National Bank
- **Private Sector Banks** – Owned by private companies or individuals  
✓ Examples: HDFC Bank, ICICI Bank, Axis Bank
- **Foreign Banks** – Head office outside India but branches in India  
✓ Examples: Citibank, HSBC, Standard Chartered
- **Regional Rural Banks (RRBs)** – Provide banking in rural areas  
✓ Example: Saurashtra Gramin Bank
- **Small Finance Banks** – Provide finance to small businesses and farmers  
✓ Example: AU Small Finance Bank, Jana Small Finance Bank
- **Payments Banks** – Provide small banking services but cannot give loans  
✓ Example: India Post Payments Bank, Paytm Payments Bank

### 2. Co-operative Banks

These banks are owned and operated by their members. They work mainly in rural and semi-urban areas to support farmers and small businesses.

✓ Example: Rajkot Nagrik Sahakari Bank

### 3. Development Banks

These banks provide **long-term loans** for the development of industries and agriculture.

✓ Examples:

- NABARD – Agriculture and Rural Development
- SIDBI – Small Industries
- EXIM Bank – Export and Import
- IFCI – Industrial Finance

#### **4. Non-Banking Financial Companies (NBFCs)**

These companies provide loans and finance services but are **not full banks**.

✓ Examples: Bajaj Finance, Shriram Transport Finance, Muthoot Finance

### **✓ Topic 6: Functions of Commercial Banks**

Commercial banks perform various functions to serve customers and support economic activities.

#### **1. Primary Functions**

- **Accepting Deposits** – Banks accept deposits from the public in forms like Savings Account, Current Account, Fixed Deposit (FD), and Recurring Deposit (RD).
- **Providing Loans and Advances** – Banks give loans for personal, business, agriculture, education, home etc. They also provide overdrafts and cash credit facilities.

#### **2. Secondary Functions**

These are services provided for convenience of customers:

- **Fund Transfer** – Transfer of money using cheque, NEFT, RTGS, IMPS.
- **Collection of Cheques and Bills** – Banks collect cheques, dividends, rents on behalf of customers.
- **Foreign Exchange Services** – Helps in foreign currency exchange for trade and travel.
- **Safe Custody** – Provides lockers to keep jewellery and valuables safe.
- **ATM & Card Services** – Offers debit card, credit card and ATM services.

- **Investment Services** – Helps customers invest in mutual funds, government bonds etc.

## **Topic 7: Types of Bank Accounts**

Banks offer different types of accounts to meet the needs of different customers. The main types are:

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### **1. Savings Account**

- Opened by individuals to save money safely.
  - Provides interest on deposits (2% to 6% per year depending on bank).
  - Limited withdrawals per month.
  - ATM card, cheque book and online banking facilities available.
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### **2. Current Account**

- Used by businesses, companies, and traders.
  - No limit on number of transactions.
  - No interest is given on deposited money.
  - Overdraft facility is available (withdraw more than the balance).
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### **3. Fixed Deposit (FD) Account**

- Money is deposited for a fixed period (7 days to 10 years).
  - Higher rate of interest compared to savings account.
  - No withdrawals allowed before maturity (penalty applies if withdrawn early).
  - Safe way to invest.
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### **4. Recurring Deposit (RD) Account**

- Fixed amount is deposited every month.

- Useful for salaried people to save regularly.
  - Interest is given on total amount.
  - RD period ranges from 6 months to 10 years.
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## 5. Salary Account

- For employees to receive monthly salary.
  - Linked with company and bank partnership.
  - Zero minimum balance facility.
  - Comes with ATM/debit card.
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## 6. NRI Accounts

- For Non-Resident Indians.
  - **NRE Account** – For income earned outside India.
  - **NRO Account** – For income earned in India.
  - **FCNR Account** – Fixed deposit in foreign currency.

### Topic 8: Cheque

- A cheque is a written order given by an account holder to a bank to pay a specific amount to a person or party.
- It is used to transfer money from one bank account to another.
- Parties of a cheque:
  - **Drawer** – Person who writes the cheque
  - **Drawee** – Bank
  - **Payee** – Person who receives payment
- Valid for **3 months** from date of issue.
- Can be encashed or deposited in bank.
- Important elements – Date, Amount, Signature, Cheque Number, IFSC, MICR.

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## **Types of Cheques**

- **Bearer Cheque** – Paid to the person holding the cheque.
  - **Order Cheque** – Paid only to the person whose name is written.
  - **Crossed Cheque** – Cannot be cashed; must be deposited in bank.
  - **Post-Dated Cheque** – Future date cheque.
  - **Stale Cheque** – Older than 3 months (invalid).
  - **Dishonoured Cheque** – Bounced cheque (insufficient funds or signature mismatch).
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## **Cheque Truncation System (CTS)**

- It is a process where cheque clearing happens using **scanned images** instead of physical movement.
  - Makes cheque clearing **faster and safer**.
  - Introduced by RBI.
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## **Topic 9: Demand Draft (DD)**

- A Demand Draft is a **prepaid negotiable instrument** issued by a bank.
  - Used for **safe money transfer**.
  - Cannot bounce because it is prepaid.
  - Used for **college fees, exam fees, government payments** etc.
  - Types:
    - **Sight DD** – Payable immediately.
    - **Time DD** – Payable after a specific future date.
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## **Topic 10: Debit Card**

- A debit card is issued by banks to withdraw money from ATMs and make digital payments.
  - Money is deducted directly from the bank account.
  - Used for:
    - Cash withdrawal
    - Online shopping
    - POS swiping in stores
    - UPI linking
  - Comes with a **PIN and CVV** for security.
  - Charges: ATM withdrawal limit, annual fee.
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#### **Topic 11: Forex Card**

- A Forex (Foreign Exchange) Card is used for **international travel**.
  - It is a **prepaid card** loaded with foreign currency like USD, EUR.
  - Safer than carrying foreign cash.
  - Can be used at **ATMs and shops** abroad.
  - Helps avoid currency conversion charges.
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#### **Topic 12: Credit Card**

- A credit card allows you to **buy now and pay later**.
- Bank gives a **credit limit** based on income and credit score.
- Useful for:
  - Shopping
  - Online payments
  - Travel booking
- Benefits:

- Reward points
  - EMI facility
  - Cashback offers
  - Disadvantages:
    - High interest if payment delayed
    - Risk of overspending
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### Topic 13: Loans – Introduction

- A loan is money borrowed from a bank which must be repaid with interest.
  - Used for personal, business, home, education purposes.
  - Types:
    - **Secured Loans** – Require security (house, gold) – Example: Home loan, Car loan
    - **Unsecured Loans** – No security – Example: Personal loan, Education loan
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### Topic 14: Personal Loan

- A personal loan is given for personal needs like medical expense, marriage, or travel.
  - No security required.
  - Short repayment period (1–5 years).
  - Higher interest rate.
  - Based on **salary, bank statement, and CIBIL score**.
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### Topic 15: Home Loan

- Loan given for buying or constructing a house.

- Long repayment period (up to 25 years).
  - Lower interest rate compared to personal loan.
  - Property is kept as **mortgage** with bank.
  - EMI repayment system used.
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#### Topic 16: NPA (Non-Performing Asset)

- NPA means **loan not repaid on time**.
  - A loan becomes NPA if **payment is overdue for more than 90 days**.
  - Types of NPA:
    - **Substandard Assets** – NPA for up to 12 months
    - **Doubtful Assets** – More than 12 months
    - **Loss Assets** – Bank considers loan impossible to recover
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#### Topic 17: CIBIL Score

- CIBIL Score shows **credit history** of a person.
- It is a **3-digit number between 300 to 900**.
- Score above 750 = good.
- Affects loan approval.
- Factors affecting CIBIL score:
  - Timely EMI payment
  - Low credit card usage
  - Fewer loans at a time
  - No cheque bounce
- Good CIBIL score helps get loans easily.

## Unit – 2

### Topic 1: Risk Management and Insurance

- **Meaning of Risk**

Risk means **uncertainty of loss**. It refers to a situation where the result is not known, and there is a chance of loss (financial or physical).

- **What is Risk Management?**

Risk management means **identifying, analyzing and reducing risks** to protect individuals or businesses from losses.

- **Role of Insurance in Risk Management**

Insurance helps people and businesses **transfer their risk** to an insurance company. They pay a small amount called **premium**, and in return, the insurance company promises to **compensate for financial loss**.

- **Example**

If a shop catches fire, the owner may lose lakhs of rupees. But if the shop is insured, the insurance company will pay for the loss.

- **Principle**

Insurance works on **risk pooling** – many people pay premium and the collected amount is used to help the unfortunate few who suffer losses.

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### Topic 2: Role of Insurance

- **Provides Financial Security**

Insurance gives financial protection against risks like accident, death, theft, fire and illness.

- **Encourages Savings**

Life insurance policies also work as long-term savings and investment tools.

- **Supports Business and Trade**

Businesses get insurance for factories, machines, goods etc. This protects them from sudden losses.

- **Promotes Economic Growth**

Insurance companies collect large funds as premium and invest them in national development like roads, railways, power projects.

- **Reduces Tension and Builds Confidence**

People and businesses feel safe and secure as insurance supports them during emergencies.

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### **Topic 3: IRDAI (Insurance Regulatory and Development Authority of India)**

- IRDAI is the **regulatory body for insurance** in India.
- It was established in **1999** under the **IRDA Act, 1999**.
- **Headquarters:** Hyderabad, India
- **Purpose:** To regulate and promote the insurance industry and protect policyholders.

#### **Functions of IRDAI**

- Issues license/certificates to insurance companies.
  - Protects policyholders' interests.
  - Regulates premium rates and policy terms.
  - Approves insurance products.
  - Handles complaints through **IGMS – grievance system**.
  - Controls agents and insurance intermediaries.
  - Ensures fair claim settlement.
  - Promotes insurance awareness.
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### **Topic 4: Classification of Insurance**

Insurance is mainly divided into two types:

Type	Meaning	Example
<b>Life Insurance</b>	Covers human life	Term plan, endowment plan
<b>General Insurance</b>	Covers assets/property	Car, health, fire insurance

### **Topic 5: Life Insurance**

- Life insurance provides **financial protection to family** after the death of the policyholder.
- Premium can be paid monthly, quarterly, or yearly.
- Life Insurance Corporation (LIC) is India's largest life insurer.

### **Types of Life Insurance**

- **Term Insurance** – Pure life cover, low premium.
- **Whole Life Policy** – Covers entire life.
- **Endowment Policy** – Life cover + savings.
- **Money Back Policy** – Periodic payments + maturity benefit.
- **ULIP** – Insurance + market investment.
- **Child Plan** – For child education/marriage.
- **Pension/Retirement Plan** – Income after retirement.

### **Benefits of Life Insurance**

- Financial security for family.
- Tax benefits under Section 80C.
- Loan facility available.
- Helps in long-term savings.

## **Topic 6: General Insurance**

- **Meaning**

General insurance provides protection against **financial loss due to damage to property, assets, health, or liability**. It does **not cover human life** and policies are usually for **one year**.

- **Examples of General Insurance**

- Motor Insurance
- Health Insurance
- Fire Insurance
- Marine Insurance
- Travel Insurance
- Home Insurance

- **Features**

- Short-term policy (usually 1 year)
- Covers financial losses
- Premium is low to medium
- No maturity value or savings

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## **Topic 7: Health Insurance**

- **Meaning**

Health insurance covers **medical expenses** due to illness, accident,

surgery, or hospitalization. It helps reduce the financial burden of high medical costs.

- **Types**

- Individual Health Insurance
- Family Floater Plan
- Senior Citizen Plan
- Critical Illness Plan
- Mediclaim Policy

- **Benefits**

- Cashless treatment in network hospitals
  - Covers hospital bills and surgery
  - Tax benefits under **Section 80D**
  - Financial protection during medical emergency
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## Topic 8: Motor Insurance

- **Meaning**

Motor insurance provides protection against **loss or damage to vehicles** like cars, bikes, or commercial vehicles.

- **Types**

- **Third Party Insurance** – Mandatory by law in India
- **Comprehensive Insurance** – Covers both third-party and own damage
- **Own Damage Insurance** – Covers damage to own vehicle only

- **Covers**

- Accident damage
  - Theft
  - Fire
  - Natural calamities (flood, earthquake)
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## Topic 9: Fire Insurance

- **Meaning**

Fire insurance provides protection against **loss or damage caused by fire** to buildings, shops, factories, warehouses etc.

- **Features**

- Indemnity-based policy (compensation for loss)

- One-year policy
  - Covers fire from accidents, lightning, explosion
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## Topic 10: Marine Insurance

- **Meaning**

Marine insurance covers **goods transported by sea, air, road, or rail**. It is used in import and export business.

- **Types**

- Cargo Insurance
  - Hull Insurance (ship)
  - Freight Insurance
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## Topic 11: Reinsurance

- **Meaning**

Reinsurance is **insurance of insurance companies**. When an insurance company has too much risk, it transfers some risk to another insurance company.

- **Purpose**

- Reduces risk
  - Protects insurer from large financial loss
  - Increases financial stability
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## Topic 12: Microinsurance

- **Meaning**

Microinsurance is **small and low-cost insurance** designed for **low-income people** like farmers, laborers, small shopkeepers.

- **Features**

- Low premium
  - Easy terms and conditions
  - Helps poor people manage risks
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## Topic 13: Bancassurance

- **Meaning**

Bancassurance means selling **insurance products through banks**.

- **Benefits**

- Convenient for customers
  - Extra income source for banks
  - Wider reach for insurance companies
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 **Topic 14: Online Insurance**

- **Meaning**

Buying insurance policy online through a website or mobile app is called online insurance.

- **Advantages**

- Low premium
- Easy comparison
- Instant policy
- Time saving and paperless

**Unit – 3**

 **Topic 1: Introduction to Direct Tax**

- **Meaning**

Direct tax is a tax paid **directly by individuals or organizations to the government**. The burden of this tax **cannot be shifted** to others.

- **Examples**

- Income Tax
- Corporate Tax
- Wealth Tax (earlier)
- Capital Gains Tax

- **Features**

- Based on ability to pay
- Progressive in nature (higher income = higher tax)
- Paid directly to government

- **Difference from Indirect Tax**

- Direct tax is paid directly (e.g. income tax)
  - Indirect tax is paid indirectly (e.g. GST)
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 **Topic 2: Introduction to Income Tax Act, 1961**

- Income Tax is a direct tax charged on the **income of individuals and businesses**.
  - It is governed by the **Income Tax Act, 1961**.
  - Income tax is collected by the **Central Board of Direct Taxes (CBDT)**, Government of India.
  - The Act defines tax rules, tax rates, exemptions, and penalties.
  - **Components of Income Tax Law**
    - **Income Tax Act, 1961** – Main law
    - **Annual Finance Act** – Decides tax rates every year
    - **Income Tax Rules** – Procedures
    - **CBDT Circulars & Notifications** – Clarifications
    - **Court Judgements** – Legal interpretation
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### Topic 3: Important Definitions

#### **1. Assessee**

- A person who is **liable to pay tax** under the Income Tax Act.
- Includes:
  - Person who has to pay tax
  - Person who has refund due
  - Person who has defaulted in tax

#### **2. Person**

According to the Income Tax Act, "Person" includes **7 categories**:

- Individual
- Hindu Undivided Family (HUF)
- Company
- Firm or LLP
- Association of Persons (AOP)
- Local Authority
- Artificial Juridical Person

#### **3. Assessment**

- Assessment means **calculation of total income and tax liability** by Income Tax Department.

#### **4. Income**

- Income means money earned by a person from **salary, rent, business, capital gain, interest, etc.**
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#### Topic 4: Previous Year and Assessment Year

Term	Meaning
Previous Year	Financial year in which income is earned (1 April – 31 March)
Assessment Year	Year after previous year, in which income is taxed

#### **Example:**

If income is earned between **1 April 2023 to 31 March 2024**

→ That is **Previous Year 2023–24**

→ It will be taxed in **Assessment Year 2024–25**

#### Topic 5: Heads of Income (5 Heads)

Under the Income Tax Act 1961, income is divided into **five heads**:

No.	Head of Income	Meaning
1	Income from Salary	Salary received from employer
2	Income from House Property	Rent income from building/house
3	Profit & Gains of Business or Profession	Income from business or professional work
4	Capital Gains	Profit from selling capital assets (land, shares etc.)
5	Income from Other Sources	Income not covered in above heads

#### Example:

A person earns:

- Salary = ₹5,00,000
- House Rent = ₹1,20,000
- Business Profit = ₹50,000
- Profit on sale of land = ₹1,00,000
- Bank interest = ₹10,000

These will be taxed under 5 different heads.

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## Topic 6: Income Tax Slab Rates

Income tax is charged based on **income slabs**. There are **two tax regimes**:

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### Old Tax Regime (with deductions and exemptions)

For individuals **below 60 years**:

Income Slab	Tax Rate
Up to ₹2,50,000	Nil
₹2,50,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

For **Senior Citizens (60–80 years)**, basic exemption limit = ₹3,00,000

For **Super Senior Citizens (80+ years)**, basic exemption limit = ₹5,00,000

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### New Tax Regime (No major deductions)

Income Slab	Tax Rate
Up to ₹3,00,000	Nil
₹3,00,001 – ₹6,00,000	5%
₹6,00,001 – ₹9,00,000	10%
₹9,00,001 – ₹12,00,000	15%
₹12,00,001 – ₹15,00,000	20%
Above ₹15,00,000	30%

#### Example:

If taxable income = ₹8,00,000

Tax as per new regime = 5% on ₹3 lakh + 10% on next ₹2 lakh = ₹35,000  
+ cess

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## Topic 7: Rebate under Section 87A

- Rebate means **tax discount**.
- Available **only to resident individuals** (not HUF, company).
- Under **Old Regime**: No tax if income  $\leq$  ₹5,00,000 (rebate up to ₹12,500)
- Under **New Regime**: No tax if income  $\leq$  ₹7,00,000 (rebate up to ₹25,000)

 Example:

If taxable income = ₹6,80,000 (new regime), tax will be **ZERO** due to rebate.

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## Topic 8: Health and Education Cess

- Cess is **extra tax** charged by the government for health and education.
- Cess rate = **4%** on income tax (plus surcharge if any).

 Example:

If tax = ₹10,000, then cess = 4% = ₹400  $\rightarrow$  total tax = ₹10,400

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## Topic 9: Surcharge

- Surcharge = **extra tax** applicable on **high-income individuals**.
- Applied when income is:
  - Above ₹50 lakh  $\rightarrow$  10%
  - Above ₹1 crore  $\rightarrow$  15%
  - Above ₹2 crore  $\rightarrow$  25%
  - Above ₹5 crore  $\rightarrow$  37%

## Topic 10: Residential Status (Very Important – 5 marks)

- Residential status decides **how much income of a person will be taxed in India**.
- It is based on **number of days stayed in India** during the **previous year**.
- Residential status is calculated **every year separately**.

## Types of Residential Status (For Individuals)

Type	Meaning
Resident and Ordinary Resident (ROR)	Stays in India for long time
Resident but Not Ordinary Resident (RNOR)	Stays partly in India
Non-Resident (NR)	Lives mostly outside India

### Basic Conditions to Decide Residential Status

A person is **Resident** if **any one** of these is true:

- Stayed in India **182 days or more** in the previous year  
**OR**
- Stayed in India **60 days or more in previous year AND 365 days or more during last 4 years**

If both conditions are **not** satisfied → Person is **Non-Resident (NR)**.

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### Additional Conditions (to check ROR or RNOR)

A **Resident** is ROR if:

- Stayed **2 years or more** in India during last 10 years  
**AND**
- Stayed **730 days or more** in last 7 years

If these are **not** satisfied → Resident but **Not Ordinarily Resident (RNOR)**.

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#### Example 1:

Ravi stayed in India for **200 days** in FY 2024–25 → Resident

Also stayed here more than 2 years in last 10 years → **ROR**

#### Example 2:

Deepak is working in Dubai and stayed in India only **50 days** last year → **Non-Resident (NR)**

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### Topic 11: Scope of Total Income (Based on Residential Status)

Type	Taxed in India	Income from India	Foreign Income
ROR	Yes	Yes	Yes
RNOR	Yes	Yes	Limited
NR	Yes	No	No

Conclusion:

- **NR pays tax only on Indian income**
  - **ROR pays tax on global income**
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## Topic 12: Heads of Income – Detailed

### 1. Income from Salary

- Salary from employer
- Includes: Basic Pay, HRA, DA, Bonus, Commission

Example:

Salary ₹5,00,000 + HRA ₹1,00,000 → Taxable under Salary Head

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### 2. Income from House Property

- Income from renting property (house/shop)
- Taxable only if you are the **owner**

Example:

Rent received per year = ₹1,80,000

Municipal Tax = ₹20,000

Net Income = ₹1,60,000

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### 3. Profits and Gains from Business or Profession

- Income from business or profession like doctor, lawyer, shopkeeper
- Business expenses allowed as deduction

Example:

Business Income = ₹10,00,000

Expenses = ₹4,00,000

Net Taxable Income = ₹6,00,000

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## 4. Capital Gains

- Profit from selling capital assets like **land, building, shares**

Formula:

Capital Gain = Sale Price – Purchase Price – Expenses

Example:

Land sold for ₹7,00,000

Bought for ₹5,00,000 → Gain = ₹2,00,000

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## 5. Income from Other Sources

- Income not covered above
  - Includes:
    - Bank interest
    - Lottery income
    - Gifts received more than ₹50,000
    - Dividends
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### Topic 13: Compulsory Filing of Return of Income (ITR)

You must file ITR if:

- Income **exceeds basic exemption limit**
- Deposit more than ₹1 crore in bank
- Spent more than ₹2 lakh on foreign travel
- Electricity bill more than ₹1 lakh yearly
- Business turnover above ₹60 lakh
- Professional income above ₹10 lakh
- TDS/TCS above ₹25,000

### Topic 14: Computation of Total Income (Steps)

To calculate total income and tax payable, follow these steps:

#### 1. Calculate income from each head

- Salary Income
- House Property
- Business/Profession
- Capital Gains
- Other Sources

2. Add all incomes → Gross Total Income (GTI)
3. Deduct Chapter VI-A deductions  
(Section 80C, 80D, 80G, etc.)
4. Result = Total Taxable Income

Example:

Particular	Amount
Salary Income	₹5,00,000
House Property Income	₹50,000
Business Income	₹1,50,000
Bank Interest	₹10,000
<b>Gross Total Income</b>	<b>₹7,10,000</b>
Less: 80C (LIC + PPF)	₹1,00,000
<b>Total Income</b>	<b>₹6,10,000</b>

#### Topic 15: Deductions under Chapter VI-A (Important)

Section	Deduction Allowed	Example
80C	Max ₹1,50,000	LIC, PPF, ELSS
80D	₹25,000–₹50,000	Health insurance
80G	Donation	PM Relief Fund
80TTA	₹10,000	Interest in Savings Bank
80E	Education loan interest	Student loan

#### Topic 16: Income Tax Return (ITR)

- ITR is a **form to report income to the Income Tax Department.**
  - Filed **every year** by taxpayers.
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#### Topic 17: Types of ITR Forms

<b>Form</b>	<b>Who Can File</b>	<b>Income Type</b>
<b>ITR-1 (Sahaj)</b>	Individual	Salary + 1 house + other income
<b>ITR-2</b>	Individual/HUF	If capital gains or more than 1 property
<b>ITR-3</b>	Individual/HUF	Income from business/profession
<b>ITR-4 (Sugam)</b>	For Presumptive Business	Income under 44AD, 44AE

#### **Topic 18: Due Dates for Filing ITR**

<b>Type of Taxpayer</b>	<b>Due Date</b>
Individual	<b>31st July</b>
Audit cases	<b>31st October</b>
Revised Return	<b>Before 31st Dec</b>

#### **Topic 19: Belated & Revised Return**

<b>Type</b>	<b>Meaning</b>
Belated Return (u/s 139(4))	Filed after due date with penalty
Revised Return (u/s 139(5))	Correction allowed after original return filed

#### **Topic 20: Examples of Tax Calculation**

##### **Example 1 (New Regime)**

Salary Income = ₹6,80,000

No deduction allowed

Tax = **Zero** (rebate u/s 87A)

##### **Example 2 (Old Regime)**

Salary = ₹7,50,000

Less: 80C deduction = ₹1,00,000

Taxable Income = ₹6,50,000

Tax = ₹22,500 + cess