

Income Tax

Dr. Nidhi Kesari
Head, DMS
Shaheed Sukhdev College of Business Studies
University of Delhi

Email id: nidhikesari@sscbsdu.ac.in

Basic Terminology of Tax

- Calendar Year: 1st Jan – 31st Dec
- Financial Year: 1st April – 31st March
- Previous Year (PY): **2022-2023**
or
1st April 2020 – 31st March 2021
- Assessment Year (AY): **2023-2024**
or
1st April 2021 – 31st March 2022

More Focus on PY and AY

PY	AY
2018 – 2019	2019 – 2020
2019 – 2020	2020 – 2021
1 st April 2020 - 31 March 21	1 st April 2021 - 31 March 22
2021 - 2022	2022 – 2023
2022-23	2023-24

Questions

Q1. X starts a new business on Oct 20, 2020. What are the first and second previous years and assessment years?

Q2. Suppose in the above case, business is started on march 29, 2021.

Q3. Y joins a company as a consultant on Feb, 10 2021 (before that he is not in employment). What are the first and second PY and AY?

Q4. X sets up a new business on March 30, 2021. He wants to close down his first books of account on March 31, 2022. He wants to adopt the period commencing on March 30, 2021 and ending on March 31, 2022 as first previous year. Can he do so?

Person and Assessee

- Person:
 - Individual,
 - HUF,
 - Partnership Firm,
 - Company,
 - AOP, BOI,
 - Local Authority,
 - Artificial Juridical Person.
- Assessee: A person by whom income tax or any other sum of money is payable under the Act.

Income

Types of Heads of Income

- Income from Salary
- Income from House property
- Profits or gains from Business & Profession
- Capital Gains
- Income from Other sources

Simplified Structure of Tax

	Amount
1. Income from Salary	Add
2. Income from House property	Add
3. Profits or gains from Business & Profession	Add
4. Capital Gains	Add
5. Income from Other sources	Add
6. Gross Total Income (sum of 1 to 5)	Total Amount
7. Deduction u/s 80C to 80 U	Less
8. Net/Taxable Total Income (6 minus 7) (Round off)	Balance Amount
A. Tax on Total Income	Total Tax Calculated
B. Rebate/Relief	Less
C. Tax after rebate/Relief	Balance Amount
Advanced Income tax already paid or Tax deducted at source by employer	Less TDS and Advance Tax paid
Pay balance tax or seek refund of tax (Round off)	Tax Liability or Refund

Rounding off of Income

- Taxable income is rounded off to the nearest multiple of ten rupees.
- Paise shall be ignored.
- Last (unit) figure is five or more then amount shall be increased to the next higher amount which is multiple of ten and vice versa.

Example

Income before rounding off	Income after rounding off
7,80,514.99	7,80,510
7,80,515.00	7,80,520
7,80,515.99	7,80,520
7,80,519.99	7,80,520
7,80,524.99	7,80,520

Rounding off of tax

- Rounded off to the nearest ten rupees.

Cases when Tax is paid in the same year

- Income of non resident from shipping
- Income of persons leaving India either permanently or for a long period of time
- Income of bodies formed for short duration
- Income of a person trying to alienate his assets with a view to avoiding payment of tax
- Income of a discontinued business

Some Terminology

- Finance Act
- Income includes loss
- Regular or irregular income
- Income in kind
- Receipt vs accrual
- Illegal income
- Disputed title
- Reimbursement of expense
- Diversion of income
- Application of income
- Lump sum receipt
- Tax free income
- Receipt on gaushala, pathshala
- Dual taxation
- Real income not fictional
- Pin money
- Revenue vs capital receipt

Residential Status

- Resident
 - Ordinary Resident (OR)
 - Not Ordinary Resident (NOR)
- Non resident (NR)

Residential Status

Persons	Residential Status		
Individual	Ordinary Resident (OR)	Not Ordinary Resident (NOR)	Non Resident (NR)
HUF	Ordinary Resident (OR)	Not Ordinary Resident (NOR)	Non Resident (NR)
Firm or AOP or BOI	Resident		Non Resident (NR)
Company	Resident		Non Resident (NR)
Other persons	Resident		Non Resident (NR)

Residential Status

Resident	Ordinary Resident
Non Resident	Not Ordinary Resident
↓	Non Resident
	↓
Firm or AOP or BOI	Individual
Company	HUF
Other persons	

Determination of Individual Residential Status

If basic condition a or b are satisfied the individual is a resident

Individual satisfies at least one of the following basic conditions **a or b**:

Basic condition a:	He/she is in India in the previous year for a period of 182 days or more.
Basic condition b:	He/she is in India for a period of 60 days or more during the previous year and 365 days or more during 4 years immediately preceding the previous year.

If additional conditions i and ii both are satisfied the individual is an ordinary resident otherwise not ordinary resident

Additional Condition i:	He/she has been resident in India in at least 2 out of 10 previous years immediately preceding the relevant previous year.
Additional Condition ii:	He/she has been in India for a period of 730 days or more during 7 years immediately preceding the relevant previous year.

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Calculation of PY

PY	
2011-12	PY11
2012-13	PY10
2013-14	PY9
2014-15	PY8
2015-16	PY7
2016-17	Py6
2017-18	PY5
2018-19	PY4 in total 365 days
2019-20	PY3
2020-21	PY2
2021-22	Preceding PY1
2022-23	PY 182/60 days
2023-24	AY

Incidence of Tax

- Residential status
- Place and time of accrual or receipt of income

Receipt and accrual of income

- Receipt vs remittance
- Cash vs kind
- Receipt vs accrual
- Actual receipt vs deemed receipt
- Accrual of income
- Income deemed to accrue or arise in India

Incidence of Tax

S. No.	Nature of Income	Ordinary Resident	Not Ordinary Resident	Non Resident
1	Income accrue or arise in India or received in India	Yes	Yes	Yes
2	Income accrue or arise outside India but received in India	Yes	Yes	Yes
3	Income accrue or arise in India but received outside India	Yes	Yes	Yes
4	Income accrue or arise outside India and received outside India from a business controlled from India	Yes	Yes	No
5	Income accrue or arise outside India and received outside India from business controlled outside India or any other source	Yes	No	No
6	Income transmitted to India in the PY	No	No	No
	Total	Maximum Total Income	Medium Total Income	Least Total Income