

Department of Commerce (CA)

CORE PAPER-X-DIRECT TAX

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**UNIT1: Income tax-definitions-residential status-
scope of total income-exempted income-income tax
authorities-power and duties-filing of returns-E filing**

REFERENCE BOOK:

- INCOME TAX LAW AND PRACTICE- GAUR AND NARANG
- DIRECT TAXES-B.B.LAL
- INCOME TAX LAW AND PRACTICE-DINKAR PAGARE
- INCOME TAX LAW AND PRACTICE -MALHOTRA

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INCOME TAX IN INDIA

AN INTRODUCTION BRIEF HISTORY OF INCOME TAX IN INDIA

In India, Income tax was introduced for the first time in 1860, by Sir James Wilson in order to meet the losses sustained by the Government on account of the Military Mutiny of 1857. Thereafter; several amendments were made in it from time to time. In 1886, a separate Income tax act was passed. This act remained in force up to, with various amendments from time to time. In 1918, a new income tax was passed and again it was replaced by another new act which was passed in 1922. This Act remained in force up to the assessment year 1961-62 with numerous amendments. The Income Tax Act of 1922 had become very complicated on account of innumerable amendments. The Government of India therefore referred it to the law commission in 1956 with a view to simplify and prevent the evasion of tax. The law commission submitted its report in September 1958, but in the meantime the Government of India had appointed the Direct Taxes Administration Enquiry Committee which submitted its report in 1956. In consultation with the Ministry of Law finally the Income Tax Act, 1961 was passed. The Income Tax Act 1961 has been brought into force with 1 April 1962. It applies to the whole of India including Jammu and Kashmir.

Income-tax law in India

- The income tax law in India consists of the following components:
 - 1. Income tax Acts
 - 2. Income tax rules
 - 3. Finance Act
 - 4. Circulars, notifications etc
 - 5. Legal decision of courts.

Important Definitions

Assessment Year :

- Section 2(9) "Assessment year" means the period starting from April 1 and ending on March 31 of the next year.
- Eg: Assessment year 2013-14 which commences on April 1, 2013 and ends on March 31, 2014. Income of previous year of an assessee is taxed during the assessment year at the rates prescribed by the relevant Finance Act for tax rates.

Previous year :

- section 3 Income earned in a particular year is taxable in the next year. The year in which income is earned is known as previous year and the next year in which income is taxable is known as assessment year. In other words, previous year is the financial year immediately preceding the assessment year.

Person :

- Section 2(31) The term “person” includes: 1. an individual; 2. a Hindu undivided family; 3. a company; 4. a firm; 5. an association of persons or a body of individuals , whether incorporated or not; 6. a local authority; and 7. every artificial juridical person not falling with in any of the preceding categories.

Assessee :

- Section 2(7) Every person in respect of whom, any proceeding under the 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 the amount of refund due to him or to such other person may be called an assessee.

- Deemed Assessee: A person who is deemed to be an assessee for some other person is called “Deemed Assessee”.
- Assessee In Default: When a person is responsible for doing any work under the Income Tax Act and he fails to do it, he is called an “Assessee in default”.
- Assessment [Section 2(8)] This is the procedure by which the income of an assessee is determined by the Assessing Officer.

Types of Residential Status

The different types of residential status are:-



Residential Status of Individual

The residential status of individual will be determined as under-

Assessee	Basic Condition	Additional Condition
Resident	He must satisfy at one of the basic conditions.	Not required.
Not Ordinarily Resident	He must satisfy at least one of the basic conditions.	He must satisfy either one or both the additional conditions given u/s 6(6).
Non-Resident	Should not satisfy any of the basic conditions.	Not required.

Contd...

Basic Conditions u/s 6(1):

- ii. He must be in India for a period of 182 days or more during the previous year; or
- iii. He must be in India for a period of 60 days or more during the previous year and 365 days or more during the four years immediately preceding the previous year.

Additional Conditions u/s 6(6):

- v. He must be a non-resident in India in nine out of the ten previous years preceding that year; or
- vi. He must be in India during 7 preceding previous years for aggregate period of 729 days or less.

Incidence of Tax

Particulars	Tax Incidence		
	R	NOR	NR
Income received in India by or on behalf of assessee	Yes	Yes	Yes
Income deemed to received in India by or on behalf of assessee	Yes	Yes	Yes
Income accruing or arising in India	Yes	Yes	Yes
Income deemed to accrue or arise in India	Yes	Yes	Yes
Income which accrues or arise outside India	Yes	No	No



The process of computation of Total Income.

Determination of residential Status.

Classification of Income under five heads.

Salary + income from + profit and gains + capital gain + other sources

house property of business or profession

aggregation of income

Clubbing of income

Set off/ carry forward of losses Gross total income

Deductions from Gross total income

Total income.

EXEMPTIONS & EXCLUSIONS U/S. 10:

1. Agricultural Income u/s. 10(1)
2. Receipts by a member, from a HUF u/s. 10(2)
3. Share of Profit from partnership firm u./s. 10(2A)
4. Leave Travel Concession in India u/s. 10(5)
5. Gratuity u/s. 10(10)

EXEMPTIONS & EXCLUSIONS U/S. 10

6. Compensation received at the time of Voluntary Retirement u/s. 10(10C)
7. Amount received under Life Insurance Policy u/s 10(10D)
8. Payment received from Provident Fund u/s. 10 (11), (12)
9. Payment received from an Approved Superannuation Fund u/s. 10(13)
10. House Rent Allowance u/s. 10 (13A).

EXEMPTIONS & EXCLUSIONS U/S. 10

11. Special Allowance u/s. 10 (14): Transport Allowance, Conveyance Allowance, Daily Allowance, Uniform Allowance, Helper Allowance, Research Allowance, Children Education Allowance, Children's Hostel Expenditure Allowance.
12. Interest on Securities u/s. 10(15)
13. Educational Scholarships u/s. 10(16)
14. Income of a minor child u/s 10 (32) [including basic provisions of sec 64(1A)]
15. Dividends and Interest on Units u/s. 10(34) (35).

Income not included in total income (U/s 10)

- The income tax Act 1961 enumerates in section 10, the items of income which are totally exempt from tax .
- While computing the total income of a previous year of any person, any income which falls within any of the following clause shall not be included in the total income.

Gratuity u/s. 10(10)

- Gratuity is paid for long and meritorious services rendered by an employee.
- With the enactment of the payment of Gratuity Act, 1972, gratuity payment has become legally compulsory.
- Where the payment of Gratuity Act, 1972 is inapplicable, an employee can claim gratuity under the terms of contract of employment .

Tax treatment of Gratuity

- For Govt. employees – fully exempt from tax
- For Non-Govt. employee covered by payment of Gratuity Act 1972. –
- **Least of the following three is exempt from tax**
 1. 15 days salary (7days salary in case of seasonal establishment) based on salary last drawn for each year of service
 2. Rs. 10,00,000 (Rs 3,50,000 up to 23rd may 2010)
 3. Gratuity actually received

Non- Govt. employee not covered by the payment of Gratuity Act 1972

- Least of the following three is exempt from tax

1. Rs 10,00,000
2. Half months average salary for each completed year of service
3. Gratuity actually received

Agricultural Income u/s. 10(1)

Agriculture income is exempted from tax if it comes from within the definition of "agricultural income"

TAX

A fee charged (“levied”) by a Government on –

☞ income,

☞ product (or)

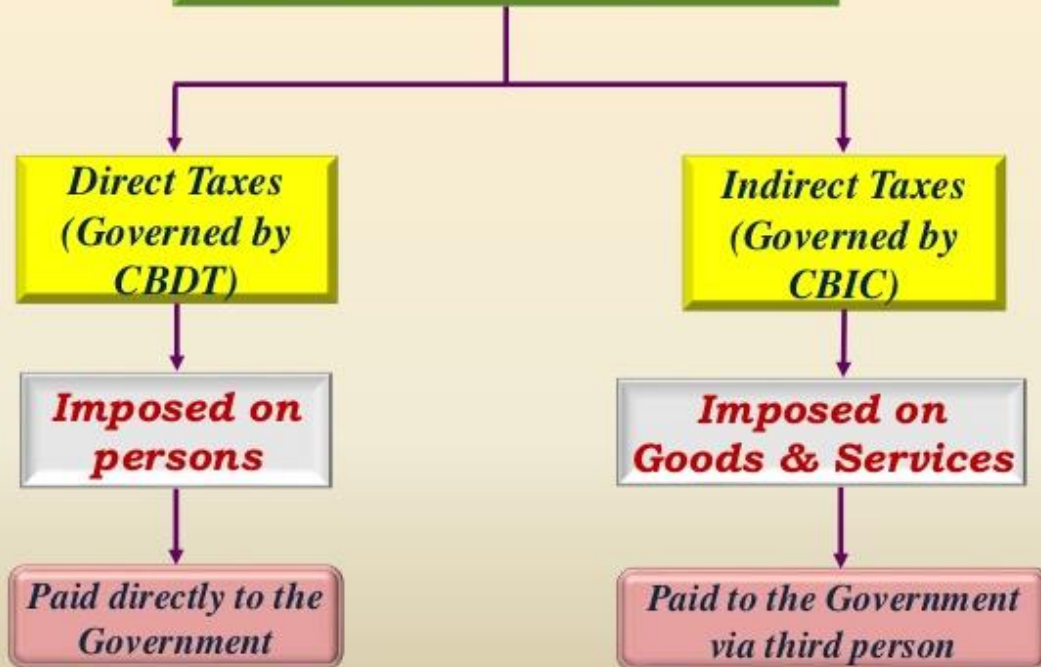
☞ activity.



Types of Taxes



TYPES OF TAXES



☞ *If tax is levied directly on the income (or) wealth of a person, then it is a direct tax.*

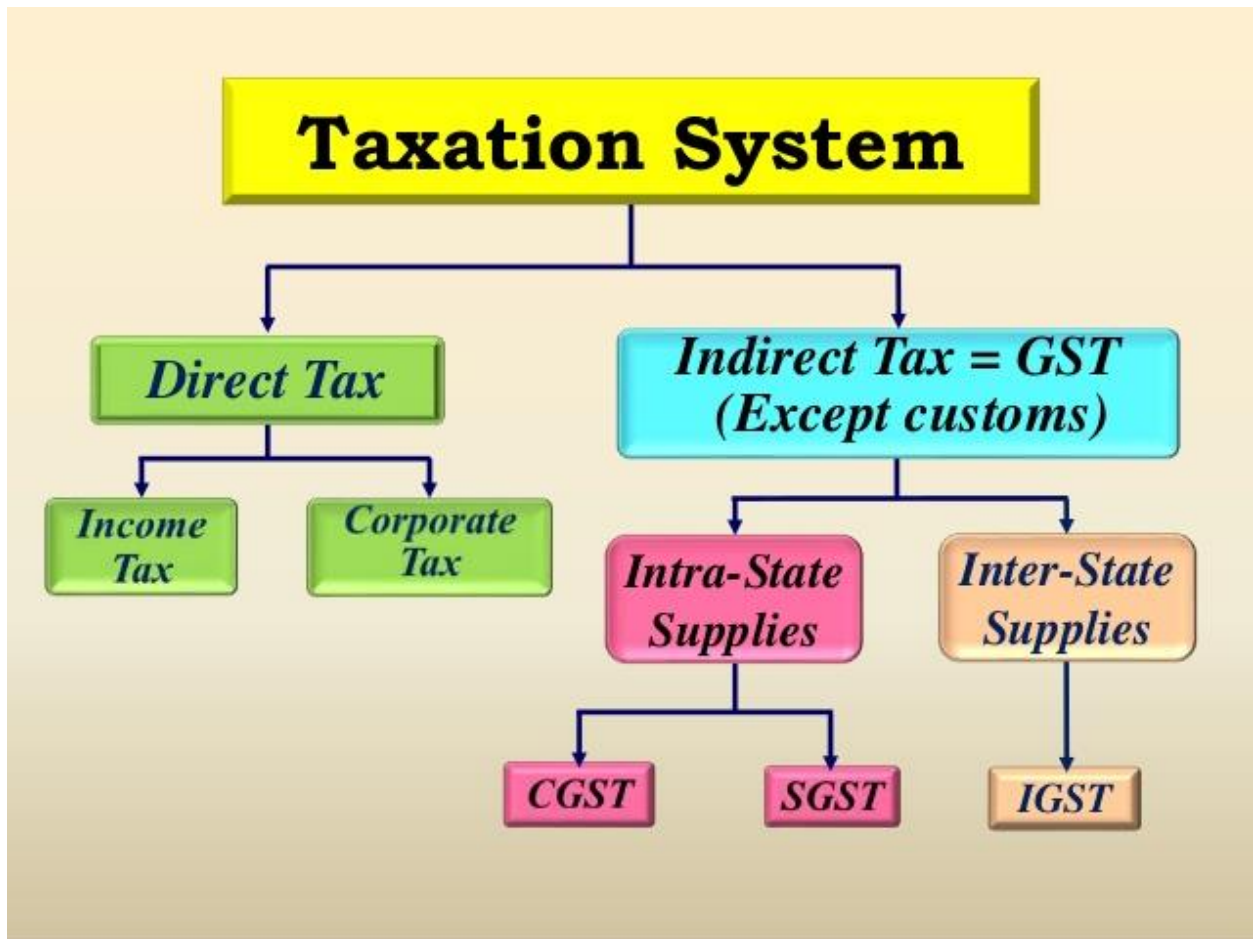
➔ *e.g. Income-tax, Wealth tax.*

☞ *If tax is levied on the price of a good (or) service, then it is called an indirect tax.*

➔ *e.g. Excise duty, Customs duty, Service tax and Sales tax (or) Value Added Tax.*

Tax – Duty – Cess - Surcharge

- ☞ Tax – is a payment made to the Government of a country without any return.
- ☞ Duty – is a levy on goods.
- ☞ Cess – is a tax levied for a specific purpose.
- ☞ Surcharge – is an additional tax burden to those, whose income exceeds the specified limit.
- ☞ Income tax – a levy on the income earned.
- ‘Levy’ is not a tax – it means ‘the act of charging the tax’.

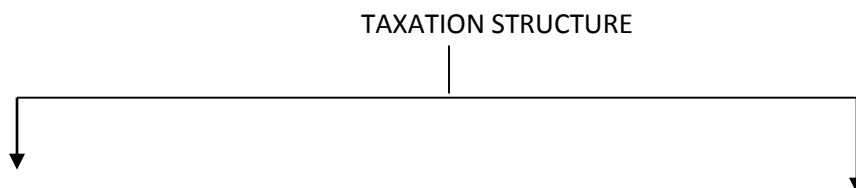


INCOME TAX ACT AND IMPORTANT DEFINITIONS

1.1 INTRODUCTION

The taxes levied by the Government form a pool of resources to be used for the collective benefit of the public. The taxation is an exercise in the collective solution of industrial problems. As the taxation structure of the country can play a very important role in the working of our economy, it is necessary to see that it is in conformity with our economic and social objectives. It should not impair the incentives to personal savings and investment flow and it should not result into decrease in revenue for the state.

In our present day of economic structure Income tax plays a vital role as a source of revenue and a measure of removal of economic disparity. The taxation structure in our country is



Direct taxes

1. Income tax
2. Wealth tax
3. Gift tax

Indirect taxes

1. Sales tax
2. Excise duty

HISTORY

The tax act was introduced in India for the first time in 1860 by British rulers. The period between 1860 to 1896 was a period of experiment in the context of income tax. The act legally came into existence in 1886 only. In 1918, another tax Act was passed but it was short lived. This act was replaced by income tax act 1922 and this act was in existence till 31st march 1961.

PRESENT ACT

On the recommendation of law commission and direct taxes enquiry commission and in consultation with law ministry a bill was framed. The bill was referred to the committee and finally passed in September 1961. The act was passed and came in force from 1st April 1962. It is a comprehensive act and consists of 298 sections, sub sections running to thousands, schedules, rules, sub rules etc. The act has been amended several times since 1961. The annual finance bills presented to Parliament along with budget make amendments in this Act every year.

1.2 DEFINITION

1. INCOME (Section 2(24))

Income includes

1. Profits and gains.
2. Dividend
3. Any voluntary contribution received by a charitable or religious trust or other institution (except in case where such contributions have been received with a specific direction that these sums would form part of the corpus of the trust or institution.
4. The value of any perquisite or profit in lieu of salary taxable under clauses 2 and 3 of section 17.
 - a. any special allowance of benefit, other than perquisite included under sub clause (iii) specially granted to the assessee to meet expenses wholly, necessarily and exclusively for the performance of the duties of an office or employment of profit.
 - b. Any allowance given to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at a place where he ordinarily resides to compensate him for the increased cost of living.
5. Value of any benefit or amenity where convertible into money or not obtained by a representative assessee or by any person on whose behalf such benefit is received by

representative assessee and sum paid by representative assessee in respect of any obligation which but for such payment would have been payable by the person on whose behalf representative assessee has made such payment.

The value of any benefit or perquisites whether convertible into money or not obtained from a company either by a director or by a person, who has a substantial interest in the company or by a person any sum paid by such company in respect of any obligation but for which such payment would have been payable by the director or other person aforesaid.

6. Any sum chargeable to Income Tax under clauses (ii) and (iii) of section 28 or under section 41 or section 59.
 - a. Any sum chargeable to tax under section 28 (iii a).
 - b. Any sum chargeable to tax under section 28 (iii b).
 - c. Any sum chargeable to tax under section 28(iii c).
 - d. Value of any benefit or perquisite taxable under clause (iv) of section 28.
7. Any capital gain taxable under section 45.
8. Profits and gains of any business of Insurance carried on by a mutual Insurance company or by a co-operative society, computed in accordance with section 44 or any surplus taken to be such profits and gains by virtue of provisions contained in the first schedule.
9. Any annuity due or commuted value or any annuity paid under the provisions of section 280 D.
10. Any winnings from lotteries, cross word puzzles, races including horse races, card games, other games of any sort or from gambling or betting of any form or nature whatsoever.
11. Any sum received by the assessee as his employers contribution to any provident fund or any fund setup under the provisions of Employees State Insurance Act 1948 or any other fund for the welfare of such employee.
12. Any sum received under a keyman Insurance Policy including the sum allocated as comes on such policy.

The above definition is inclusive and not exhaustive.

The term income simply means something, which comes in. It is a periodical return with regularity income not only includes monetary but it also includes value of benefits and perquisites.

Any thing which can be reasonably and properly be described as Taxable Income unless specifically exempted under the various provisions of this act.

FEATURES OF INCOME

1. *Definite Source*: Income has been compared with a fruit or tree and crops from field. The source of Income is definite in both cases. The existence of source for Income is essential to bring a receipt under the charge of tax.
2. *Income must come from outside*: No one can earn Income from himself. There can be no Income from transaction between Head office and branch office. Contribution made by members for their mutual benefit and found surplus cannot be termed as Income of such group. It should come from outside person.

3. *Tainted Income*: Income earned legally or illegally remains as income and the illegal income is also taxable under this act. Assessment of illegal income of a person does not grant him immunity from the applicability of the provision of other act. Any expenditure incurred to earn illegal income is to be deducted out of this income.
4. *Diversion of Income (vs) Application of Income*: Diversion of income means that a part of the income or whole of such income does not reaches the assessee it is diverted to some other person due to some legal obligation.
Application of money means after receiving the income, spending it.

Example: Amount paid by a person to his step mother out of rent of property which he has inherited under the provisions of will from his father is diversion of income but if there is no provision but he promises to pay some amount to his step mother, it is application of income.

5. *Temporary or Permanent*: Whether the income is temporary or permanent, it is immaterial from the tax point of view.
6. *Voluntary Receipts*: The receipt which do not arise from the exercise of a profession or business or do not amount to remuneration and are made for reasons purely of personal nature are not included in the scope of total income.
7. *Dispute regarding the title*: In case of a person is receiving some income but his title to such receipts is disputed it will not free from tax liability. The receipt of such income has to pay tax.
8. *Income in money or money's worth*: The income may be in cash or kind. It is taxable in both cases.
9. *Income of an assessee* i.e., priest from offerings made by the devotees from time to time has been held as Income but any spontaneous offering made out of love, affection is of personal nature hence not included in income.

TAX TREATMENT OF INCOME

1. **TAXABLE INCOME**: These income form part of total income and are fully taxable. These are under section 14 to 69 of the act.
2. **EXEMPTED INCOME**: These incomes do not form part of total income and are fully or partially. No tax is payable on such income.
3. **REBATEABLE (TAX FREE) INCOMES**: These income do not form part of total income and are fully taxable. Tax is calculated on total income out of which a rebate of tax at average rate is allowed.

CONCEPT OF TOTAL INCOME

Under Section 2(45) total income means the total amount of income referred to in section 5 and computed in the manner laid down in this act. According to this act, Income of a person is computed in five parts and each part is known as Head of Income. These heads are Income under the head salaries, Income from house property, Income from business or profession, Income from capital gains and Income from other sources. The incomes computed under these heads is called gross total income and out of this, deductions under section 80 are allowed. The resultant figure is called total income on which rates of taxes are applied.

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY

PARTICULARS	SEC	RS.	RS.	RS.
I . INCOME FROM SALARY				
Salary	17(1)	xxx		
Perquisites	17(2)	xxx		
Profit in lieu of salary		17(3)	xxx	

Gross salary		xxx		
Less: Deduction u/s 16				
Standard deduction	16(ia)	xxx		
Entertainment allowance			16(ii)	xxx
Tax on Employment	16(iii)	xxx		
		-----	xxx	

SALARY INCOME				XXX
II. INCOME FROM HOUSE PROPERTY				
Annual rental value		xxx		
Less: Municipal taxes			xxx	

NET ANNUAL VALUE				XXX
Less: Deductions u/s 24				xxx

INCOME FROM HOUSE PROPERTY				XXX
III. PROFITS AND GAINS OF BUSINESS OR PROFESSION				
Profits and gains of business or profession				
Net profit as per P&L account			xxx	
Add: expenses debited but not Allowed under the Act				xxx
Business or Profession income not already included				xxx

				XXX

Less: Expenses allowed but not Debited		xxx	
Income credited but not taxable Under this head			xxx

xxx			

BUSINESS PROFIT		XXX	
IV. CAPITAL GAINS			
Short term capital gain		xxx	
Long term capital gain		xxx	

Total capital gain		xxx	
Less: Short term capital loss	xxx		
Long term capital loss		xxx	
	-----	xxx	

CAPITAL GAINS		XXX	
V. INCOME FROM OTHER SOURCES			
General Income u/s 56(1)		xxx	
Specific Income u/s 56(2)		xxx	

		xxx	
Less: expenses allowed u/s 57		xxx	

Income from other sources		xxx	
Add: Income of other persons		xxx	

GROSS TOTAL INCOME		XXX	
VI. DEDUCTION U/S 80C TO 80U		XXX	

TOTAL INCOME

XXX

1.3 ASSESSMENT YEAR: SECTION 2(9) (2019-2020)

Assessment year means the period of 12 months commencing on the 1st April of every year. Government maintain its accounts for a period of 12 months from 1st April to 31st March every year. It is known as financial year.

The assessment year is the financial year of the government of India during which income of a person relating to the relevant previous year is assessed to tax. Every person who is liable to pay tax under this act files the return of income by prescribed date. These returns are processed by the Income tax department officials. This processing is called assessment. The year in which whole of this process is undertaken is called assessment year.

1.4 PREVIOUS YEAR (SECTION 2(34) r w 3) (2018-2019)

The term previous year is very important because it is the income earned during the previous year which is to be assessed to tax in the assessment year. In simple words, previous year is the financial year preceding the assessment year.

- a. Previous year in case of a continuing business: It is the financial year preceding the assessment year. As such for the assessment year 2019 –2020, the previous year for the continuing business is 2018 –2019. i.e. 1.4.2018 to 31.3.2019.
- b. In case of newly set up business: The previous year in case of newly started business shall be the period between commencement of business and 31st March next following. Example: If a new business is started on Diwali 2018, the previous year relating to assessment year 2002-2003 shall be the period from Diwali 2018 to 31st March 2019. In this case, the assessment year will not be for one year.
- c. In case of newly created source of Income: In such a case, the previous year shall be the period between the day on which such source comes into existence and 31st March next following. Example: a person completes a new house on 1.7.2018 and let it out. The previous year for this newly created source shall be the period between 1.7.2018 to 31.3.2019.

EXCEPTION

The general rule is that income earned during a previous year is taxed in its relevant assessment year. But there are certain exceptions to this general rule. In these cases, Income is taxed in the same year in which it is earned. The exceptions are :

1. Shipping business Income of non – resident ship owners (Section 172)
In case of non resident company which has not representative in India, earns income by carrying passengers, live stock, mail etc loaded from an Indian port, such ship will not be allowed to leave the port till the tax on such income has been paid. Such income is assessed to tax at current years rate.
2. In case of persons leaving India (section 174)

In case Income tax officer has the reason to believe that an individual will leave India with no intention to return during the current assessment year, the total income of such individual for the period between the expiry of last previous year and till the date of departure will be taxable in the current assessment year.

3. In case of persons who are likely to transfer their assets to avoid tax (Section 175):

If it appears to the Income tax officer that any person is likely to sell or transfer or dispose of or to part with any of his assets with the intention to avoid payment of any tax liability, he may commence proceeding to assess the income for the period between the expiry of last previous year and the date of commencement of such proceedings.

4. In case of discontinued business (section 176)

In case any business or profession is discontinued during an assessment year, the income of the period from the expiry of last previous year till the date of discontinuation will be assessed to tax in the current assessment year.

1.5 ASSESSEE: 2(7)

Assessee means a person by whom any tax or any other sum of money is payable under this act and included:

- a. Every person in respect of whom any proceedings under this act have been taken for the assessment of his income or of the income of any other person in respect of which he is assessable or loss sustained by him or by such other person or of the amount of refund due to him or to such 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 assessee in default under any provisions of this act.

TYPES OF ASSESSEE

A. ORDINARY ASSESSEE: This includes

1. any person against whom some proceedings under this act are going on.
2. any person who has sustained loss and has filed return of loss under section 139(3).
3. Any person by whom some amount of interest, tax or penalty is payable under this act.
4. Any person who is entitled to refund of tax under this act.

B. REPRESENTATIVE ASSESSEE OR DEEMED ASSESSEE

A person may not be liable only for his own income or loss but also on the income or loss of other person. Example guardian or minor, lunatic, agent of non resident etc. In such a case the person responsible for the assessment of income of such persons are called representative assessee, such a person is deemed to be an assessee.

DEEMED ASSESSEE

- a. In case of a deceased person who dies after writing his will the executor of the property of deceased are deemed as assessee.

- b. In case of a person dies intestate (without writing will) his eldest son or other legal heirs are deemed as assessee.
- c. In case of a minor, lunatic or idiot having Income taxable under income tax act, their guardian is deemed as assessee.
- d. In case of a non resident having income in India, any person acting on his behalf is deemed as assessee.

C. ASSESSEE IN DEFAULT

A person is deemed to be an assessee in default if he fails to fulfill his statutory obligations. In case of an employers paying salary or a person who is paying interest it is their duty to deduct tax at source and deposit the amount of tax so collect in government treasury. If he fails to deduct tax at source or deduct tax but does not deposit it in the treasury, he is known as assessee in default.

AGRICULTURAL INCOME: u/s 2(1A)

Agriculture is a main part of the Indian economy. 70% of Indian population is based upon agriculture & derives their Income from agricultural operations. Sec 10(1) of the Act, says that the agricultural income is fully exempt from tax. As a result, agricultural income does not form part of total Income.

Definition:-

Under sec 2(1A) of Act, the expression 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 agricultural operations including processing of the agricultural produce raised or received as rent in kind so as to render it fit for the market or sale of such produce.
- c) Income attributable to a farm house subject to certain conditions.

Rent or revenue derived from land sec 2(1A)(a) :-

If the following three conditions are satisfied Income derived from land can be termed as "Agricultural Income".

- a. Rent or revenue should be derived from land.
- b. The land is one situated in India
- c. The land is used for agricultural purposes.

Types of Agricultural Income:-

a) Any Income received as rent or revenue from agricultural land:-

Rent can be very simply be defined as a payment in cash or in kind which the owner of the land receives from another person in consideration of a grant of a right to use land when the owner of land is not performing agricultural operations himself but gives his land on contract bases, any amount received from the actual cultivator by the owner of the land shall be agricultural Income such rent may be in cash or in kind.

b) Income derived from agriculture:-

Income derived from land situated in India applying agricultural operations shall be agricultural Income. If all the basic operations like preparation of land for sowing , planting, watering etc., any Income resulting from such operations shall be agricultural Income.

On the other hand, if grass, trees etc, have grown spontaneously or without the aid of human skill any Income resulting from the sale of such grass, trees, or lease rent of such land shall not be agricultural income.

c).Any Income accruing to the person by the performance of any process to render the produce marketable.

A process is to be employed by the cultivator himself or the land lord who receives the produce

as rent in kind any Income derived from such a process shall be agricultural Income. Such a process must be employed to render the produce fit for marketing. The process any be manual or mechanical. It should be noted that the produce would not change its original character in spits of processing.

Conditions:-

- a) The process must be one which is ordinarily employed by the cultivator.
- b) The process is employed to render the product fit to be taken to the market.
- c) The produce must retain its original character in spite of process.

Examples:-

Unginned cotton can be sold in its original form & if any profit is attributable to the ginning operation, such a profit shall not be agricultural income as ginning operation is not a must to render the produce fit to be taken to the market

d).Any income received by the person by the sale of produce raised to received as rent in kind:-

Any income derived by any person by the sale of agricultural produce raised by gim or received as rent in kind shall also be agricultural income. Sometimes such person puts some extra effort by selling the produce through his own shop, any extra profit raised due to shopping activities shall not be agricultural income.

e). Income from buildings used for agriculture:

Any income derived from a buildings used for agricultural operations shall be agricultural income provided:

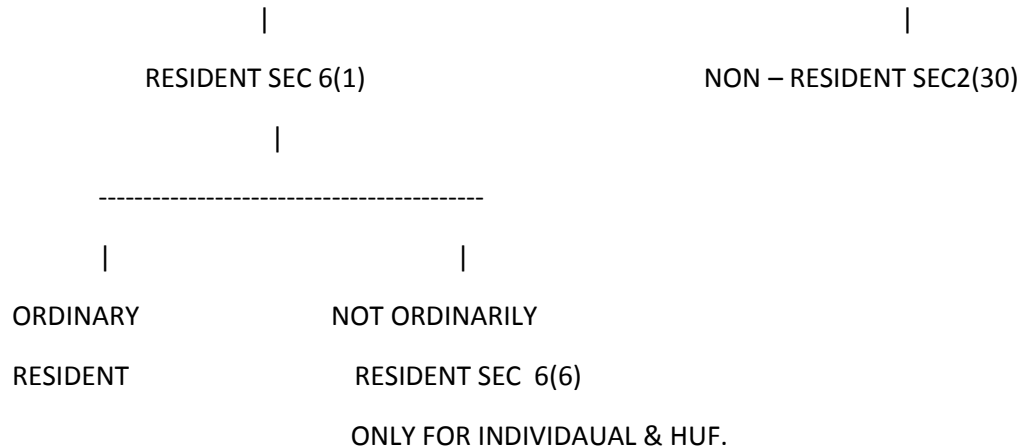
- 1.The buildings from where the income is received is in the immediate vicinity of the land and is occupied by the owner or by the cultivator or by the receiver of rent in kind.
- 2.The land if assessed to land revenue in India or subject to a local rate assessed and collected by officers of the government and in case the land is not assessed to land revenue, it should not be situated within the urban areas.
- 3.Building is used as a dwelling house or store house or other out buildings.

LESSON II

RESIDENTIAL STATUS AND SCOPE OF TOTAL INCOME

RESIDENTIAL STATUS

|



2.1 RESIDENT

An individual who fulfils any one of the following two tests is called Resident. These tests are

CONDITION . I

- A) If he is in India during the relevant previous year for a period amounting in all 182 days or more.
 (OR)
- B) If he was in India for a period or periods in all to 365 days or more during the four years preceding the relevant previous year and he was in India for a period or periods amounting in all to 60 days or more in that relevant previous year.

Note:- 1

1.For an Indian citizen who is going outside India for a job & his contract for such employment has been approved by the central government (or) he is a member of crew of an India.

Rule (a) is same as given above

Rule (b) instead of 60 days, it will be 182 days.

2. For Indian citizen and persons of Indian origin living outside India & visit India

Rule (a) is same as given

Rule (b) instead of 60 days, it will be 182 days

3. A person is deemed to be of Indian origin if he or either of parents or any of their grand parents was born in India or undivided India.

2.2 NON – RESIDENT

An assessee who does not fulfill any of the two conditions, he would be regarded as Non – Resident

Condition. II

2.3 RESIDENT BUT ORDINARILY RESIDENT

An individual who has been resident in India for 9 out of 10 yrs preceding the previous year.
 &

An individual who has been in India for 7 years preceding that year amounting to 730 days or more.

Note :-

Resident in a year means completing 182 days in a year

Note:-

Satisfies one condition of I & both rule of II he is resident & ordinarily resident .

Satisfies one condition of I & any one rule of II he is resident but not ordinarily resident does not satisfies any one condition of I he is non Resident.

2.4 SCOPE OF TOTAL INCOME

The tax is levied on total Income of a person. The total Income is based upon the residential status of an assessee Sec.5 provides the scope of total income which varies on the basis of status. Sec 5 provides

2. Subject to the provisions of this Act, the total income for any previous year of a person who is resident includes all incomes from whatever source derived which

- a) is received or is deemed to be received in India in such year by or on behalf of such person (or)
- b) accrues or arises or is deemed to accrue or arise to him In India during such year or
- c) accrues or arises to him outside India during such year.

Provided that, in the case of a person not ordinarily resident in India within

the meaning of sub- sec (6) of sec 6 the Income which accrues or arises him outside India shall not be included unless it is derived from business controlled in or a profession set up in India.

3. Subject to the provisions of the Act,

The total Income of any previous years of a person who is a non- resident includes all incomes from whatever sources derived, which

- a) is received or is deemed to be received in India in such year by or on behalf of such person (or)
- b) accrues or arises or is deemed to accrue or arise to him in India.

2.5 INCIDENCE OF TAX: Sec 5(1)

In this case, he is not liable to tax in India, unless (a) Income is received or deemed to be received in India (b) Income is accrued or deemed to be accrued in India (or) (c) business is controlled from place where business is set up in India

In this case, Income is not chargeable to tax if he satisfies all the following conditions:-

- i). Income is neither received nor deemed to be received in India
- ii). It is neither accrued nor deemed to be accrued in India &
- iii). It is derived from Business or profession controlled or profession controlled or set up outside India.

Tax incidence in Brief:

Different kinds of Incomes	Different types of status		
	R	R & Not OR	NR

1.Income received or deemed to be received in India. It is immaterial whether it is earned in India or in a foreign country	T	T	T
2.Income earned in India whether received, paid in India or outside India.	T	T	T
3.Income earned and received outside India from a business or profession, controlled or operated in India. Income may or may not be remitted to India.	T	T	NT
4.Income earned or received outside India from a business or profession, controlled or operated outside India	T	NT	NT
5.Income earned and received outside India from any other source. (Except income under point 3)	T	NT	NT
6.Income earned and received outside India in the years preceding the previous year in question and if the same is remitted to India during the current previous year	NT	NT	NT

LESSON III

EXEMPTED INCOME

INTRODUCTION

Section 10 of Income Tax Act has given a long list of incomes which are totally exempt from tax and so these incomes are not included in the gross total income of the assessee. In other words, such incomes are totally tax free.

In computing the total income of any previous year of any person, any income falling within any of the following classes shall be exempted.

1. Agricultural Income Section 10(1)

Agricultural income received in India is fully exempted.

2. Any sum received from HUF Section 10(2)

Any sum received by an individual as a member of HUF where such sum has been paid out of the income of the family or in the case of impartible estate, where such sum has been paid out of the income of the estate belonging to the family is fully exempted.

3. Casual Income section 10 (3)

Casual Income means something obtained by chance, accident etc. Any receipt which is of casual nature and exempt from tax up to Rs. 5,000 (for race winning Rs.2,500) should satisfy the following conditions:

1. It is purely casual.
 2. Not chargeable to tax under capital gain.
 3. Receipt is not raising from business or exercise of profession.
 4. Receipt is not in the nature of additions to remuneration of an employee.
 5. Winning from races including horse race.
4. Share of Income from Firm section 10(2)
- In case of a person being a partner of a firm which is separately assessed as such, his share in the total income of the firm shall be fully exempted. The share of partner in the total income of the firm shall be in same proportion as is given in partnership deed.
5. Interest paid to Non Resident Section 10(4) (I)
- The amount of interest payable to non resident for such securities as the central government may by notification in the official gazettee specify in the behalf including income by way of premium on redemption of such bonds shall be exempt from tax.
6. Interest to Non resident on Non resident (external account) section 10(4)
- Any income by way of interest on moneys standing to his credit in a non resident external account in any bank in India shall be exempt from tax in case of an individual who is a person resident outside India or is a person whom has been permitted by RBI to maintain the aforesaid amount.
7. Interest paid to a person of India Origin and who is non resident Section 10(4B)
- In case of an individual, being a citizen of India or person of Indian origin, who is not resident, any income from interest on saving certificate issued by Central government, as government specify in this behalf by notification in the official gazettee, shall be fully exempt.
8. Travel Concession to an Indian Citizen Employees Section 10(5)
- a. Value of any travel concession or assistance received by or due to an individual from his employer himself or himself and family in connection with his proceeding on leave to any place in India
- OR
- b. Value of any travel concessions or assistance received by or due to an individual from his employer for himself and his family in connection with his proceedings to any place in India after retirement from service or after the termination of service shall be completely exempt from tax.

CONDITIONS: 1. Concession must have been allowed having regard to the travel concession granted to central government employees.

2. In no case the exempted amount shall exceed the amount of expenses actually incurred for travel.
9. Perquisites and allowances paid by government to its employees serving outside India Section 10(7)
- All the perquisites and allowances paid by the government to its employees for services rendered outside India are exempt from tax. This exemption is allowed only to such employees of the government who are citizens of India.
10. Employees of foreign countries working in India under co-operative technical assistance programme section 10(8)

The person who are working in India under co-operative technical assistance programme in accordance with an agreement entered into by the Central government and Government of a foreign state, the following incomes of such individuals shall be exempt.

1. Remuneration received by him directly or indirectly from the government of foreign state for duties rendered in India and
2. Any other income of such individual which accrue or arise outside India and is not deemed to accrue or arise in India, in respect of which individual is required to pay any income or social security tax to the government of that foreign state.

11. Income of a consultant sec 10(8A):-

Any remuneration or fee received by a consultant from an international organization who derives its fund under technical assistance grant agreement between such organization & foreign government, and any other income accruing or arising to him outside India & which is subject to Information Technology or social security tax in foreign country shall be fully exempted.

Consultant means an individual who is not a citizen of India or citizen but not ordinarily resident or non resident.

12. Income of employees of consultant Sec 10(8B):-

Incase of an individual who is assigned duties in India under technical assistance programme

- i). The remuneration, received by him directly or indirectly as referred in Sec 10 (8(A)) and
- ii). Any other income accruing or arising to him outside India & subject to income tax or social security tax in foreign country shall be fully exempted.

13. Income of any member of the family of individuals working in India under co-operative technical assistance programmes Sec 10(9).

The Income of any member of the family of any such individuals as referred is sec 10(8) or (8A) or as the case in 8(B) accompanying him to India which accrues or arises outside India is not deemed to accrue or arise India in respect of which such member is required to pay income or social security tax to government of that foreign state or as the case may be is fully exempted.

14. Commuted value of pension received Sec 10 (10A) :-

- a). The full amount of commuted value of pension received is exempted if it is received from government, local authority or statutory corporation.
- b). Any payment in commutation of pension received under any scheme from any other employer to the extent if does not exceed.

- i). In case where the employee receives any gratuity, the commuted value of 1/3 of pension which he is normally entitled to receive &
- ii). In any other case, the commuted value of ½ of such pension.

15. Any sum received under a life Insurance policy Sec 10(10D):-

Any sum received under a life insurance policy, including the sum allocated by way of bonus on such policy. This provision shall not be applicable on any sum received U/S 80 DDA (B)

16. Payment from statutory P.F. Sec 10(11):-

Any amount withdrawn from statutory P.F is exempt from tax. This provision is applicable on public P.F also

17. Payment from recognized P.F Sec 10(12):-

The accumulated balance due & becoming payable to and an employee participating in a R.P.F is exempt to the extent provided in rule 8 of part A of 4th schedule.

18. Income from exchange risk premium Sec 10(14A):-

Any Income received by a public financial institution as exchange risk premium from any person borrowing foreign currency form such institution shall be exempted provided the amount of such premium is credited by such institution to a fund specified u/sec 10(23E).

19. Scholarship Sec 10(16):-

The full amount of scholarship granted to meet the cost of education is exempted.

20. Awards Instituted by Government sec 10(17A)

i). Any payment made either in cash or kind under any awards institution in the public interest by the Central or State Government or by any other body instituted & approved by central Government is fully exempt.

ii) Any other reward given by central or stare govt for such purposes as may be approved y the central govt in this behalf in public interest shall also be fully exempted.

21. Pension received by the winners of Vir chakra etc Sec 10(18):-

Any amount received by the winners of Vir Chakra etc as pension as the Central Govt may notify shall be fully exempted. Any amount received as family pension by any member of the family of an individual referred above shall also be fully exempted.

22. Income of a local authority sec 10(20):-

The following types of incomes in the hands of a local authority are exempt from tax.

- a). Income from house property
- b) Capital gains
- c). Income from other sources or
- d). From a trade or business carried on by it which accrues or arises from the supply of a commodity or service [not being water or electricity] within its Jurisdictional area.

23. Income of a housing authority or housing boards sec10(20A):-

Any income of authority constituted in India by or under any law enacted either for the purpose of dealing with & satisfy the needs of housing accommodation or for the purpose of planning, development or improvement of cities, towns & villages or both.

24. Income of scientific research association Sec 10(21)

Any income of an approved scientific research association & if the same income is applied solely for the purposes of that association (ie) for carrying scientific research.

25. Income of news agency sec 10(22B)

In case there is any income of a news agency setup solely in India for collection & distribution of news & which is so notified in this behalf shall be fully exempted provided such income or accumulated income is used solely for collection & distribution of news & not be distributed in any manner among its members.

26. Exemption of income received by regimental fund (Sec 23AA)

Any income received by any person on behalf of any regimental fund or non -public fund established by the armed forces of India for the welfare of the past & present members of such forces or their dependents shall be exempted from tax.

27. Income of a fund set up for the welfare of employees or their dependents Sec 10 (23 AAA)

Any income of such fund, which is approved by Commissioner of Information Income Tax shall be fully exempted provided its income is applied wholly & exclusively for this objects for which it is established.

28. Income of a pension fund setup by LIC Sec 10(23AAB)

Any fund set up by LIC of India on or after 1.8.96 under pension scheme shall be fully exempted if contribution to such fund is made by any person for receiving pension from such fund which is approved by the Controller of Insurance.

29. Income of state level khadi & village Industries Board Sec 10 (23BB)

Any income from an authority established in a state or under a State or Provincial Act for the development of Khadi or village industries in the state shall be exempted from tax.

30. Income of Provident & Superannuation funds Sec10(25)

Interest on securities which are held by or are the property of any P.F. to which P.F Act 1925 applies & any capital gains of the fund arising from the sale, exchange or transfer of such securities

- a) Any income received by the trustees on behalf of a R.P.F.
- b) Any income received by the trustees on behalf of an approved super annuation fund.



1. Functions and Organization

The Central Board of Direct Taxes is a statutory authority functioning under the Central Board of Revenue Act, 1963. The officials of the Board in their ex-officio capacity also function as a Division of the Ministry dealing with matters relating to levy and collection of direct taxes.

2. Historical Background of C.B.D.T.

The Central Board of Revenue as the apex body of the Department, charged with the administration of taxes, came into existence as a result of the Central Board of Revenue Act, 1924. Initially the Board was in charge of both direct and indirect taxes. However, when the administration of taxes became too unwieldy for one Board to handle, the Board was split up into two, namely the Central Board of Direct Taxes and Central Board of Excise and Customs with effect from 1.1.1964. This bifurcation was brought about by constitution of two Boards u/s 3 of the Central Board of Revenue Act, 1963.

3. Composition and Functions of CBDT

The Central Board of Direct Taxes consists of a Chairman and following six Members: -

- 1. Chairman
- 2. Member (Income Tax & Revenue)
- 3. Member (Legislation)

4. Member (Admn.)
5. Member (investigation)
6. Member (TPS & system)
7. Member (Audit & Judicial)

4. **Jurisdiction (Zonal)**

- Chairman
- Member (IT&C) Chennai, Hyderabad, Bengaluru, Kochi & Pr. CCIT (Exemptions)
- Member (L) NWR, Delhi, UP (East), UP (West) & Uttarakhand
- Member (Admn.) Mumbai, Pune, Nagpur, Pr. DGIT (Vig.), Pr. DGIT (HRD) & Pr. DGIT (Trg.)
- Member (Inv.) All DGsIT (Inv.), all CCsIT (Central) and DGIT (I&CI)
- Member (R&TPS) Kolkata, Guwahati, Patna, Bhubaneshwar, Pr. DGIT (Admn. & TPS)
- Member (A&J) Ahmedabad, Jaipur, Bhopal, Pr. DGIT (L&R) & Pr. DGIT (Logistics).

5. **Allocation of Work**

Cases or Classes of Cases, which Shall be Considered Jointly by the Board

1. Policy regarding discharge of statutory functions of the Board and of the Union Govt. under the various laws relating to direct taxes.
2. General Policy relating to:-
 - a. Organization of the set-up and structure of Income-tax Department.
 - b. Methods and procedures of work of the Board.
 - c. Measures for disposal of assessments, collection of taxes, prevention and detection of tax evasion and tax avoidance.
 - d. Recruitment, training and all other matters relating to service conditions and career prospects of the personnel of the Income-tax Department.
3. Laying down of targets and fixing of priorities for disposal of assessments and collection of taxes and other related matters.
4. Write off of tax demands exceeding Rs. 25 lakhs in each case.
5. Policy regarding grant of rewards and appreciation certificates.
6. Any other matter which the Chairman or any Member of the Board, with the approval of the Chairman, may refer for joint consideration of the Board.

i. Cases or Classes of Cases which shall be Considered by Chairman, Central Board of Direct Taxes

1. Administrative planning.
2. Transfers and postings of officers in the cadre of Chief Commissioner of Income-Tax and Commissioner of Income-tax.
3. All matters relating to foreign training.
4. Work relating to Grievance Cell and Inspection Division.
5. All matters relating to tax planning and legislation relating to direct taxes referred to Chairman by Member (Legislation).
6. All matters relating to Central and Regional Direct Taxes Advisory Committees and Consultative Committee of the Parliament.

7. Any other matter which the Chairman or any other Member of the Board may consider necessary to be referred to the Chairman.
 8. Coordination and overall supervision of Board's work.
- ii. **Cases or Classes of Cases, which shall be Considered by Member (Income-tax & Revenue)**
1. All matters relating to Income-tax Act, Super Profit-tax Act, Companies Profit (Sur-tax) Act, and Hotel Receipts Tax Act, except matters which have been specifically allotted to the Chairman or to any other Member.
 2. All matters relating to Interest Tax Act, 1974, Compulsory Deposit Act, 1974.
 3. All Matters relating to Revenue budget including assigning of Revenue Budgetary targets amongst Chief Commissioners of Income-tax throughout the country.
 4. Recovery of taxes (Chapter XVII of Income Tax), sections 179, 281, 281B, 289, Second Schedule and Third Schedule of the Income-tax Act, 1961.
 5. Supervision and control over the work of Pr. CCIT (Exemptions) and all policy matters related to Exemption [Sections 10, 11, 12 & 13].
- iii. **Cases or Classes of Cases which shall be considered by Member (Legislation)**
1. All work connected with the reports of various commissions and committees relating to Direct Taxes Administration.
 2. All matters of tax policy and legislation relating to direct taxes and the Benami Transactions (Prohibition) Act, 1988 and/or the Prohibition of Benami Property Transactions Act, 1988.
 3. Monitoring of tax avoidance devices suggesting legislative remedial action.
- iv. **Cases or Classes of Cases, which shall be considered by Member (TPS & System)**
1. All matters relating to taxpayer services.
 2. All matters concerning Wealth-tax Act, Expenditure-tax Act, Estate Duty Act and Gift Tax Act, excluding those relating to prevention and detection of tax avoidance.
 3. All matters falling under Chapter XXA and XXC of the Income-tax Act, 1961.
 4. General coordination of the work in the Board.
 5. Supervision and control over the work of Chief Commissioners of Income-tax situated in Eastern Zone - Bihar, Odisha, North East, Jharkhand, West Bengal.
 6. Work relating to Pr. DGIT (Admin.), Pr. DGIT (Systems), and DGIT (Risk Assessment).
 7. Supervision and control over the work of Chief Engineers (Valuation Cell).
 8. All matters relating to widening of tax base.
- v. **Cases or Classes of Cases which shall be considered by member (administration)**
1. All Administrative matters relating to Income-tax establishments. Transfers and posting at the level of Assistant/Deputy Commissioners, Joint/Addl. Commissioners, Commissioners & Chief Commissioners will be routed through Member (Admn.) and shall be made with the approval of the Competent Authority as per Transfer and Posting guidelines, 2010.
 2. All matters relating to deputation of officers of the Department to ex-cadre posts.
 3. All matters relating to training except foreign training.
 4. All matters relating to expenditure budget.
 5. All matters relating to implementation of official language policy.
 6. Office equipments.
 7. Office and residential accommodation for the Income-tax Department.
 8. Supervision & control over work of Pr. DGIT (HRD), Pr. DGIT (Trg.), Pr. DGIT (Vig).

9. Vigilance, Disciplinary proceedings and complaints against all officers and members of staff (both gazetted and non-gazetted).
- vi. **Cases or Classes of Cases, which shall be considered by Member (Investigation)**
1. Technical and administrative matters relating to prevention and detection of tax evasion particularly those falling under Chapter XIIB in so far as they are relevant to the functioning of Directors General of Income-tax (Inv.) and Chief Commissioners of Income-tax (Central), all matters falling under Chapter XIIC, Chapter XIXA, Chapter XXB, Chapter XXI, Chapter XXII, Sections 285 B, 287,291, 292 and 292 A of Chapter XXIII of the Income-tax Act, 1961 and corresponding provision of other Direct Tax Acts.
 2. Processing of complaints regarding evasion of tax.
 3. All matters relating to administrative approval for filing, dropping or withdrawing of prosecution cases in respect of offences mentioned in Chapter XXII of the Income-tax Act and corresponding provisions in other Acts relating to Direct Taxes.
 4. All technical and administrative matters relating to provisions of sections 147 to 153 (both inclusive) of the Income-tax Act, 1961.
 5. Searches, seizures and reward to informants.
 6. Survey.
 7. Voluntary disclosures.
 8. Matters relating to the Smugglers and Foreign Exchange Manipulators (Forfeiture of Property) Act, 1976.
 9. Work connected with High Denomination Bank Notes (Demonetizations) Act, 1978.
 10. Supervision and control over the work of all DGIT (Investigation), all Chief Commissioners of Income Tax (Central) and DGIT (I&CI).
 11. All matters relating to Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
 12. All matter and cases or classes of cases relating to the Benami Transactions (Prohibition) Act, 1988 and/or the Prohibition of Benami Property Transactions Act, 1988, other than those considered by Member (Legislation), CBDT and by Member (A&J), CBDT.
 13. Verification of Global Entry Program (GEP) applications.
- vii. **Cases or Classes of Cases, which shall be Considered by Member (Audit & Judicial)**
1. All judicial matters under Chapter XX and section 288 of the Income-tax Act, 1961.
 2. All matters relating to writ and appeals to the High Courts and Supreme Court and all matters relating to civil suits under the code of Civil Procedure, 1908.
 3. Matters relating to appointment of Standing Counsels, Prosecution Counsels and Special Counsels for the Income tax Department before the High Courts and Supreme Court.
 4. All matters relating to Audit & Public Accounts Committee.
 5. All matters falling u/s 72A and 80-O of the Income Tax Act, 1961.
 6. Supervision and control over the work of Pr. DGIT (L&R) and Pr. DGIT (Logistics).
 7. All matters and cases or classes of cases relating to the Audit & Public Account Committee, Court Cases before High Courts and Supreme Court and appointment of counsels in respect of the Benami Transactions (Prohibition) Act, 1988 and/or the Prohibition of Benami Property Transactions Act, 1988.

[B. work allocation among commissioners of income-tax, C.B.D.T](#)

1. **CIT (Audit & Judicial)**

1. All files related to Audit & Judicial.
2. Chairman of the Circular group
2. **CIT (Coordination & Systems)**
 1. All policy matters relating to establishment and cadre management, on behalf of CBDT.
 2. Financial Management relating to expenditure budget for which ADG (Expenditure Budget) is the nodal agency, shall be supervised by him on behalf of CBDT.
 3. Policy relating to infrastructure requirement of the Department.
 4. Serious cases of Grievances and all VIP references in this regard wherever urgent attention is needed.
 5. All PMO references, Supervision of Implementation of Cabinet decisions, decisions of Cabinet Committee.
 6. Any other matter of Coordination on behalf of CBDT as assigned by Revenue Secretary.
 7. Coordinating the work of various members in the CBDT and maintaining liaison with outside agencies.
 8. Matters relating to Data Base Cell (DBC).
 9. Any other work assigned by Chairman and other higher authorities.
3. **CIT (ITA)**
 1. All sections working under Member (IT & R) will report through CIT (ITA) & CIT (ITA) will perform the works as assigned by Member (IT & R).
 2. Complaints, Representations relating to above.
 3. Zonal work pertaining to collection of revenue, coordination with Chief Commissioners of the Zone, and developing strategy for Revenue enhancement of the Zone.
 4. Parliament questions and matters relating to PAC and Consultative and Advisory Committees of Parliament relating to the above.
4. **CIT (Inv.)**
 1. All sections working under Member (Inv.) will report through CIT (Inv.).
 2. All tax evasion complaints including those received from M.Ps. and others.
 3. Inter-departmental coordination relating to investigation and enforcement agencies.
 4. All complaints/representations, Parliament Questions, PAC work, Consultative and Advisory Committee work relating to the above.
 5. All matters relating to search and seizure including statistics and cases relating to Sections 132, 132A and 132B of the Income tax Act, Survey operations and CIB work.
 6. Monitoring the review of the work of the Directorate of Investigation under the Directors General of Income tax (Investigation).
 7. Co-ordination with other enforcement Agencies.
 8. All matters relating to Black Money (Undisclosed Foreign Income and Assets) and Imposition of Tax Act, 2015.
 9. All matter and cases or classes of cases relating to the Benami Transactions (Prohibition) Act, 1988 and/or the Prohibition of Benami Property Transaction Act, 1988, other than those considered by Member (Legislation), CBDT and by Member (A&J), CBDT.
 10. Verification of Global Entry Program (GEP) applications.
5. **CIT (IT&CT)**
 1. All sections working under Member (TPS & Systems) will report through CIT (IT&CT).

2. Work connected with constitution and meetings of the Central Direct Taxes Advisory Committee and the Regional Direct Taxes Advisory Committee.
 3. Work connected with the meeting of Parliamentary Standing and Consultative Committees.
 4. All complaints/representations, Parliament Questions, Consultative and Advisory Committee work relating to the above.
 5. Zonal work of Member (TPS & Systems).
 6. Matters relating to interpretation of Right to Information Act and its implementation in CBDT.
6. **CIT (Vig.)**
1. All files dealt with by Director (V&L) shall be submitted to the Member (Admn.) through Commissioner (Vig.), CBDT.
 2. CIT (Vig.) shall assist Member (Admn.) in work relating to
 - (i) Vigilance and disciplinary proceedings/complaints against Group A Officers.
 - (ii) Zonal matters falling under Member (Admn.)
 - (iii) Any other work assigned by member (Admn.)
 3. Monitoring and review of work of Pr. CCsIT in zone assigned to Member (Admn.).
 4. References from the Members of Parliament/VIPs/Ministries and Parliament Questions pertaining to the above subject.
 5. Nodal Authority for Training Matters (NADT).

7. **CIT (Media & Technical Policy)**

There is a Media Cell in Central Board of Direct Taxes(CBDT) which is headed by an officer of the level of Commissioner of Income Tax who is designated as the Media Coordinator for CBDT. The Media Coordinator also functions as the Official Spokesperson for CBDT and reports directly to Chairman/Chairperson, CBDT.

functions of media cell

1. The Media Cell handles all matters including dealing with the media on issues pertaining to CBDT (print, electronic & digital etc.).
2. It is the nodal point for dissemination of information relating to Direct Taxes and of public value to the media.
3. It seeks information from the divisions/desks in CBDT, attached offices and field formations of CBDT for responding to queries raised in the media.
4. It acts as office of the Spokesperson, CBDT, and organizes press conferences/briefings of senior functionaries of CBDT, besides maintaining record of the same.
5. It closely coordinates with the Media Coordinator of Finance Ministry.
6. It conveys the factual/official position on action taken by the Department against individuals/institutions reported in the media.
7. It gives periodic feedback about public opinion expressed through the media.
8. It acts as resource centre for keeping record of information, both paper and electronic, appearing in the media.
9. It looks after the work of social media, at present, through the Twitter account of the Department, maintained and operated by the Media Cell. Dissemination of information relating to Direct Taxes is being done regularly through the Twitter handle @IncomeTaxIndia. The media cell also

responds to Tweets including grievances received from the public as part of Response Management and Online Reputation Management of CBDT/ITD.

10. Handles any other work assigned by Chairman, CBDT and other higher authorities.

What is Return Of Income



Section 139(1): - Obligation to File Return Of Income.

Every Person-

- a) Being a company or a firm; or
- b) Being a person other than a company or a firm, if his total income or the total income of any other person in respect to which he is assessable under the income tax act during the previous year exceeded the maximum limit not chargeable to tax.

shall on or before the due date, furnish a return of his income in the prescribed form and verified in prescribed manner.

Provided that a person, other than not ordinarily resident in India who is not required to furnish the return of income and who during the previous year has any asset(including any financial interest) located outside India or signing authority in any account located outside India, shall furnish on or before due date a return in respect to his Income.



Due Dates For E-Filing



(a) Where the assessee is [other than refer in clause (b)]-

- i. A company; or
- ii. A person (other than a company) whose accounts are required to be audited under the income tax act or under any other law.
- iii. A working partner of a firm whose accounts are required to be audited under the income tax act or under any other law.

- Due Date shall be 30th September of Assessment Year.

(b) In case of an assessee who is required to furnish report of transfer pricing under section 92E.

- Due Date shall be 30th November of the Assessment Year.

(c) In case of any other assessee- Due date shall be 31st July of Assessment Year.



Mandatory E-Filing !

Electronic Filing of Return: - It is mandatory for the following assesses to file the return electronically.

- i. All companies(with digital signature*).
- ii. Partnership Firms, Individual and HUFs subject to tax audit under 44AB(with digital signature).
- iii. An individual or HUF whose total income exceed Rs 5 lakhs(Digital signature are optional).

Section 271 E: -Penalty for not filing return of income by stipulated time.

If a person who is required to furnish the return fails to furnish the return before the end of relevant assessment year the assessing officer shall direct that such person shall pay by way of penalty.

*A digital signature (not to be confused with a digital certificate) is a mathematical technique used to validate the authenticity and integrity of a message, software or digital document.





- i. Association Of Person: - AOP denotes Association of Persons i.e. it is a association of two or more persons who join together with a common goal of earning Income. These person may be an Individual like u & me or it may be a firm/HUF/Company.
- ii. Body of Individual: - Whereas BOI denotes Body of Individual i.e. It is also association of two or more Individuals who carry on some activity to earn some Income

The thin line of difference between these two entities is as under:-

AOP can consist of any Person (Like Individual/HUF/Firm) however- A BOI can only consist of Individuals like you & me(i.e. A Company/Firm/HUF cannot become member of a BOI).

- iii Artificial Judicial Person: - Entity (such as a firm) other than a natural person (human being) created by law and recognized as a legal entity having distinct identity, legal personality, and duties and rights.



Sometime you may see a Ganesh Mandal formed for some specific motive & a short span of time & it is not registered as a trust ,then it may be assessed as an Artificial Juridical Person (which is a residuary entry in the definition of Person).

How to identify An Assesse that it is an AOP/BOI ?

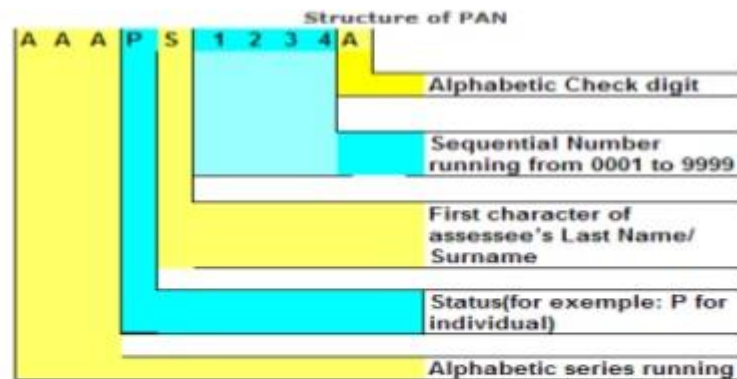
If do you have PAN(PEARMANENT ACCOUNT NUMBER) of any person, you may check 4th Character of that PAN If it is "A"-then assesse is registered as an AOP & if it is "B", then Assesse is registered as BOI.



UNDERSTANDING PAN

Permanent Account Number(PAN) is a code that acts as identifications of Indians, especially for those who pay income tax. It is 10-character alpha numeric identifier issued to all judicial entities identifiable under the income tax act 1961.

Take a look at image below for better understanding: -



The fourth character of the PAN must be one of the following, depending on the type of assessee:-

<u>Code</u>	<u>Type of Assessee</u>
C	Company
P	Person
H	HUF(Hindu Undivided Family)
F	Firm
A	Association of Person(AOP)
T	AOP(Trust)
B	Body of Individual(BOI)
L	Local Authority
J	Artificial Judicial Person
G	Government



Filing of income tax returns is a legal obligation of every person whose total income for the previous year has exceeded the maximum amounts that is not chargeable for the income tax under the provisions of the Income Tax Act 1961. Income tax departments has introduced a convenient way to file these returns online using the internet.

- ❖ The process of electronically filing income tax returns through the internet is known as e-filing.
- ❖ It is mandatory for the companies and firms requiring statutory audit u/s 44AB to submit the income tax returns electronically.
- ❖ E-Filing is Possible with or without digital signature.

Electronically submitting tax returns to the IRS is faster, more convenient, & more secure than paper filing. One of the foremost benefits of electronic filing is the facility of anytime/anywhere filing.

These are the benefits of e-filing:

- ❖ **Convenience.** One can electronically file return 24 hours a day, 7 days a week.
- ❖ **Security.** Tax return information is encrypted and transmitted over secure lines to ensure confidentiality.
- ❖ **Accuracy.** Electronic filed returns have 13% fewer errors than paper returns.
- ❖ **Direct Deposit.** One can have refund direct deposited into his/her bank account.
- ❖ **Proof of Filing.** An acknowledgment is issued when returns is received and accepted.

E-Filing is having many limitations and its not for everyone. The tax returns must be filed on paper is some one is-

- ❖ Married, but filing a separate return, and live in a community property state,
- ❖ Claiming a dependents who has already been claimed by someone else,
- ❖ Submitting a tax form that cannot be electronically filed (such as multiple support agreement),
- ❖ Filing before e-file begins (January 15) or after e-file ends (October 15).

- ❖ Type I: In case you are using digital signature, no further action is required.
- ❖ Type II: In case you are filing the return without digital signature, ITR-V form is to be filed with the department. This is a single page receipt-cum-verification form.
- ❖ Type III: You can also file your return through an e-return intermediary who would do e-filing and also assist you file the ITR -V Form





S.NO	For	Individual	Individual, HUF			
		ITR-1	ITR-2	ITR-3	ITR-4	ITR-4S
1	Income From Salary/Pension	●	●	●	●	●
2	Income From Other Sources (Only Interest Income or Family Pension)	●	●	●	●	●
3	Income/Loss From Other Sources		●	●	●	●
4	Income/Loss From House property		●	●	●	●
5	Capital Gains/Loss on Sale of Investments/Property		●	●	●	
6	Partner in a partnership Firm			●	●	
7	Income From Proprietary Business/Profession				●	
8	Income From Presumptive Business					●



S.NO	Sources Of Income	Firms, AOP, BOI, Local Authority	Companies	Trusts	Only FBT
		ITR-5	ITR-6	ITR-7	ITR-8 (SEE #NOTE)
1	Income/Loss From Other Sources	●	●	●	
2	Income/Loss From House Property	●	●	●	
3	Capital gain/loss on sale of investments/Property	●	●	●	
4	Income/Loss From Business	●	●	●	
5	Fringe Benefit Tax	●	●	●	●

#Note: - ITR-8 is discontinued for e-Filing from AY2010-11 onwards, still continued for AY2007-08,2008-09,2009-10.