



RAMA UNIVERSITY

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FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM VI SEM.

SUBJECT: Corporate Tax Planning

SUBJECT CODE: BCH 403

LECTURE: 03

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LECTURE-03



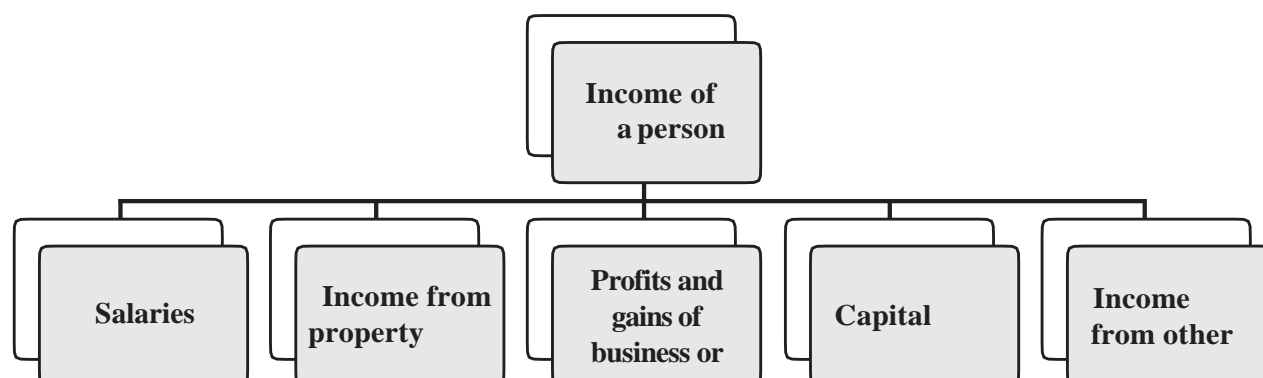
COVERAGE UNDER INCOME

The aggregate income under these heads is termed as “gross total income”. In other words, gross total income means total income computed in accordance with the provisions of the Act before making any deduction under Chapter VI A (Section 80 CCC to 80 U).

- Further Section 14 A provides that no deduction shall be made in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income under the Act.

- As per Section 14, income of a person is computed under the following five heads:

Fig:2 Total income of a person for computation



Computation of Total Income

The steps in which the total income for any assessment year is determined as follows:

Determine the residential status of the assessee to find out which income is to be included in the computation of his total income (residential status and need for determining residential status are given in the next chapter). Classify the income under each of the following five heads. Compute the income under each head after allowing deductions prescribed for each head of income are illustrated in the figure.

Income from salaries	Salary/ Bonus/ Commission etc _____ Taxable Allowance _____ Value of Taxable perquisites _____ Gross salary _____ Less: Deductions u/s 16 _____ Net taxable income from salary _____
Income from House Property	Net annual value of house property _____ Less: Deduction under section 24 _____ Income from house property _____
Profits and gains of business and profession	Net profit as per P & L A/c _____ Less/Add: Adjustments required to be made to the profit as per provisions of Income Tax Act _____ Net profit and gains of business and profession _____
Capital gains	Capital gains as computed _____ Less exemptions u/s 54/54B/54D etc. _____ Income from capital gains _____
Income from other sources:	Gross income _____ Less: Deductions _____ Net income from other sources _____ Gross Total Income [(a)+(b)+(c)+(d)+(e)] _____ Less: Deductions available under chapter VI A Sections 80 CCC to 80 U) _____

Fig. 1.3 Income computations for each income head

Computation of Tax Liability on Total Income

On the total income, tax is to be calculated according to the rates prescribed under the relevant Finance Act. Certain rebates are allowed from the tax payable on account of:

- Certain eligible savings covered under section 88 in the case of individuals and HUF. No deduction to be allowed w.e.f. A.Y beginning on 1st April 2006 onwards.
- Rebate for senior citizens when they satisfy certain conditions u/s 88B
- Rebate for women who are less than 65 years of age under sec. 88 C.
- For assessee having total income upto Rs. 100,000 u/s/ 88D.

- Rebate in respect of securities transaction tax u/s 88E.

Charging Section:

Section 4 of the Income Tax Act is the charging section. It provides that:

- Income tax shall be charged at the rate prescribed for the year by the Annual Finance Act.
- The charge is on every person including the assessable entities specified in Section 2 (31).
- The income taxed is that of the previous year and not of assessment (subject to exceptions provided by sec. 172, 174, 174A, 175 and 176) year.
- The levy of tax shall be made on the total income of the assessable entity. Computed in accordance with and subject to the various provisions for the levy of additional income tax contained in the Act.
- It also provides that in respect of income chargeable under the above proviso, the income tax shall be deducted at source or paid in advance, where it is so deductible or payable under any provision of the Act.

This charging section is the backbone of the law of income tax. By this section, tax is imposed on every person on total income. Section 5 of the Act provides the meaning of total income in relation to resident status of the assessee since the incidence of tax depends upon its residential status.
