RAMA UNIVERSITY

www.ramauniversity.ac.in

FACULTY OF COMMERCE AND MANAGEMENT

COURSE: B.COM III SEM.

SUBJECT: Income Tax Laws and Practice

SUBJECT CODE: BCH 320

LECTURE: 11

NAME OF FACULTY: DR. PALASH BAIRAGI

LECTURE-11

Heads of Income

As per the Section 14 of the Income Tax Act of 1961, there can be several modes of income for an individual. The income tax computation is an important part and has to be calculated according to the income of a person. For a hassle-free computation, the income has to be classified properly so that there is zero confusion regarding the same. The government has classified the sources of income under separate heads and then the income tax is computed accordingly. The provisions and rules are according to the details mentioned in the Income Tax Act.

The five main heads of income according to the above-mentioned Section 14 for the computation of the Income Tax in India are:

- Income from Salary
- Income from House Property
- Income from Profits and Gains of Business or Profession
- Income from Capital Gains
- Income from Other Sources

Let us understand these one by one in detail.

1. Income from Salary

This head essentially includes any remuneration, which is received by an individual on terms of services provided by him based on a contract of employment. This amount qualifies to be considered for income tax only if there is an employer-employee relationship between the payer and the payee respectively. Salary also include the basic wages, advance salary, pension, commission, gratuity, perquisites as well as annual bonus.

The important point to note here is that salary is taxable on due basis or received basis whichever is earlier. Let me explain this with the help of an example. If you receive salary for the month of march 2020 in April 2020, it will still be taxable in previous year 2019-20. This is because it was due in march. Similarly if your employer has given you salary of April and May in advance in the month of March, then it will be taxable again in the month of march itself.

Therefore, salary income will be taxable on due basis or received basis whichever is earlier.

2. Income from House Property

According to the Income Tax Act 1961, Sections 22 to 27 is dedicated to the provisions for the income tax computation of the total standard income of a person from the house property or land that he or she owns.

In simple terms, this head includes rental income received from the properties. For tax computation purposes, the property in which you are staying and not earning any rental income can give you benefit. This benefit is in the form of deductions of interest paid on home loan.

However, if the property is utilized for letting out the normal course of business, then the income from the rent will be considered.