



# RAMA UNIVERSITY

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**FACULTY OF COMMERCE AND MANAGEMENT**

**COURSE: B.COM III SEM.**

**SUBJECT: Income Tax Laws and Practice**

**SUBJECT CODE: BCH 320**

**LECTURE: 2**

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## LECTURE-2



## **SOURCES OF INCOME TAX LAW IN INDIA.**

### **1. Income tax Act, 1961 (Amended up to date)**

The provisions of income tax extends to the whole of India and became effective from 1/4/1962 (Sec. 1). The Act contains provisions for -

- (a) determination of taxable income;
- (b) determination of tax liability;
- (c) procedure for assessment, appeals, penalties and prosecutions; and
- (d) powers and duties of Income tax authorities.

### **2. Annual Amendments**

(a) Income tax Act has undergone several amendments from the time it was originally enacted through the Union Budget. Every year, a Finance Bill is presented before the Parliament by the Finance Minister. The Bill contains various amendments which are sought to be made in the areas of direct and indirect taxes levied by the Central Government.

(b) When the Finance Bill is approved by both the Houses of Parliament and receives the assent of the President, it becomes the Finance Act. The provisions of such Finance Act are thereafter incorporated in the Income Tax Act.

(c) If on the 1st day of April of the Assessment Year, the new Finance Act has not been enacted, the provisions in force in the preceding Assessment Year or the provisions proposed in the Finance Bill before the Parliament, whichever is more beneficial to the assessee, will apply until the new provisions become effective [Sec. 294]

Note: Besides these amendments, whenever it is found necessary, the Government introduces amendments in the form of various Amendment Acts and Ordinances.

### **3. Income tax Rules, 1962 (Amended up to date)**

(a) As per Sec. 295, the Board may, subject to the control of the Central Government, make rules for the whole or any part of India for carrying out the purposes of the Act.

(b) Such rules are made applicable by notification in the Gazette of India.

(c) These rules were first made in 1962 and are known as Income tax Rules, 1962.

Since then, many new rules have been framed or existing rules have been amended from time to time and the same has been incorporated in the aforesaid rules.

### **4. Circulars and Clarifications by CBDT**

(a) U/s 119, the Board may issue certain circulars and clarifications from time to time, which have to be followed and applied by the Income tax authorities.

**(b) Effect of circulars:** These circulars or clarifications are binding upon the Income tax authorities, but the same are not binding on the assessee. However, assessee can claim benefit under such circulars.

## **5. Judicial decision**

**(a) Decision of the Supreme Court:** Any decision given by the Supreme Court shall be applicable as law till there is any change in law by the Parliament. Such decision shall be binding on all the Courts, Tribunals, Income tax authorities, assessee, etc.

**(b) Contradiction in the decisions of the Supreme Court:** In case, there is apparently contradiction in two decisions, the decision of larger bench, whether earlier or later, shall always prevail. However, where decisions are given by benches having equal number of judges, the decision of the recent case shall be applicable.

**(c) Decisions given by a High Court or ITAT:** Decisions given by a High Court or ITAT are binding on all assesseees and Income tax authorities, which fall under their jurisdiction, unless it is over ruled by a higher authority.