CA. Arvind Tuli

Concept of Total Income

***NOTE**: Since a student has never read the Income Tax of GST at either +2 or foundation level , we need to build a foundation before the classes start. Thus the first few lecture are like learning a,b,c,d of the legal world. We do not need notes for the same but these are pdfs used in class for your reference only*

CONCEPT OF INCOME – 2(24)
GROSS TOTAL INCOME
&
Total income – 2(45)

We pay tax on Total Income

Learning how to compute Total Income

STEP I

- **Every receipt is not income**
- **Income is defined u/s 2(24)**

STEP II

Every receipt is either earned
in India
or outside India

Sec 5 (1) defines Indian receipt

and

Sec 5 (2) defines Foreign receipt

Indian receipt is one

- Which accrues in India whether received in India or not
- Which is received in India whether accrues in India or not
- Which is deemed to be received in India (Sec 7)
- Which is deemed to accrues or arise in India (Sec 9)

Foreign receipt is one

Which neither accrues in India nor is received in India & is not deemed to be received or accrue in India

Then ***based on residential status*** we decide which ***receipts*** are ***assessable*** in India

	Indian Receipt	Foreign Receipt
Individual & HUF:		
R + OR	✓	✓
R +NOR	✓	✗ note
NR	✓	✗
Other person :		
R	✓	✓
NR	✓	✗

Note: **only 1 foreign income is taxable in India in the hands of a R + NOR**: the **business** income of a *foreign branch* where the *head office is in India*

STEP III

All receipt are either revenue or capital

Rule

- All revenue receipts are always taxable unless specifically exempt.

- Exempted revenue receipt are given u/s 10 of the Income Tax Act, 1961.

- All capital receipts are always exempt Unless specifically taxed.

Taxable Capital receipts are -

17(3)(i) : Compensation for termination of employment.

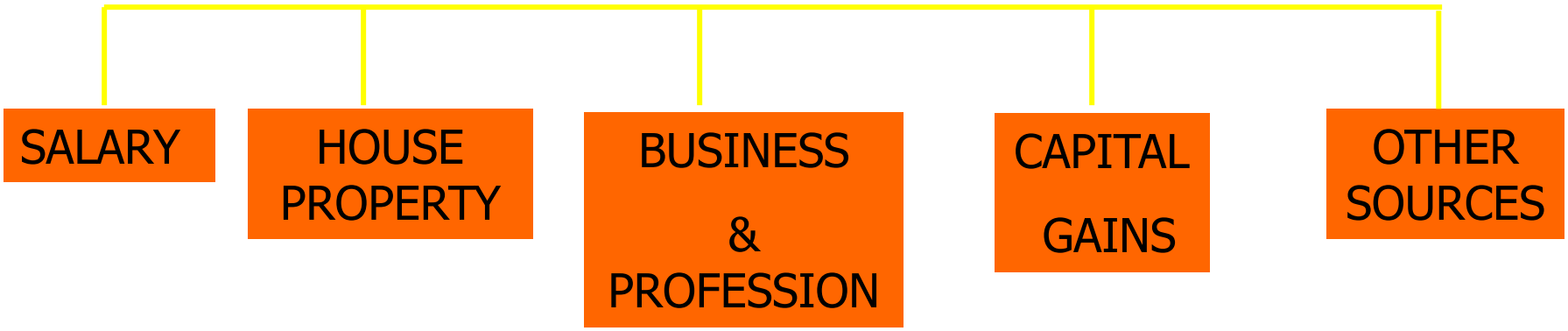
28(ii) : Compensation for termination of agency

28(va) : Non compete fees

45 : Profits/loss on the transfer of a capital asset

STEP IV

If a *receipt is assessable* to Indian tax as per rules stated in Step I to III then **the receipt** has to be **bifurcated** into one of the 5 heads or Income



Receipts under a particular head less allowable expenditure under that head

= Income from that head.

Rule for computing income under each head are different

Rules of one head cannot be applied while computing income under another head.

Income from five heads

Salary:

Basic Rule : Salary income is taxable on due or receipt basis, whichever is earlier

Receipts – Sec 15 & Sec 17 आय Receipt

Deductions allowed – Sec 16 खर्चे

House Property:

Basic Rule : Annual Value of building and land appurtenant thereto shall be chargeable to tax in the hands of the owner except where the building is used for the assessee's own business [Sec 22]

Receipts –Gross Annual Value – Sec 23

Deductions allowed – Sec 24(a) & Sec 24(b)

Restriction on deduction – Sec 25

Business & Profession:

Basic Rule: income under this head is computed as per the method of accounting followed by the assessee

Receipts – Sec 28

Deductions allowed – Sec 30 to 37

Restrictions on deductions – Sec 40 to 44

Capital Gains:

Basic Rule: profits or losses on the transfer of a capital asset are chargeable to tax in the previous year of transfer[Sec 45]

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Receipts– Sec 48 , 50(1) & 50(2)

Deductions allowed – COA & COI

Exemptions - Sec 54, 54B,54EC, 54F 54G, 54GA, 54GB, 54D

Other Sources:

Basic Rule –

Sec 56(1) *any income not chargeable under the other four heads is chargeable to tax under the head other sources as per the method of accounting followed by the assessee. However* ***Sec 56(2)*** *describes certain incomes which are always taxable under this head*

Receipts – Sec 56

Deductions allowed – Sec 57

Restrictions on deductions – Sec 58 & 59

Income from 5 heads

ADD: Clubbing u/s 60 to 64

(The clubbed income will be added under respective heads)

LESS: losses u/s 70 to 80

Gross Total Income (GTI)

LESS: Deductions u/s 80 C to 80 U

NTI/Total Taxable Income

Tax on total Income at rates as applicable

ADD: Surcharge as applicable

ADD: Education cess & SHEC

Total Tax liability

Add: Interest u/s 234A, 234B and 234C

TOTAL tax plus interest liability

LESS: Advance tax paid

LESS: Tax Deducted/collected at Source

LESS: credit for MAT

LESS: Any tax relief claimed u/s 89(1), 90 or 90A

LESS: Deduction claimed u/s 91(unilateral relief)

Total tax payable at the time of filing of return/self assessment tax u/s 140A

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He is much-loved and appreciated by the students for his conceptual yet exam-oriented teaching methodology. His handwritten summary charts are a treasure that CA students can fight tooth and nail for. These charts are known for summarizing the deepest and the most difficult concepts of taxation into minimum possible content effectively.

Apart from being a successful educator, he is also an entrepreneur and a 'socialpreneur'. He is a founding member and Treasurer of Sahayata Trust, an organization working to fight cancer.

CA IPCC - TAXATION PAST YEAR RESULTS

November 2019		May 2019		November 2018		May 2018		November 2017		May 2017		November 2016	
* Ishita Mehta	81	Venkat	85	Romi Gambhir	89	Rittik Singla	82	Nikhil	75	Dilpreet	77	ARCHIT	77
(Highest Amongst Our Students)		(Highest Amongst Our Students)		(Highest Amongst Our Students)		(Highest in Tricity)		Anmol	75	(Highest Amongst Our Students)		(Highest in Tricity)	
Paras Arora	77	Saarthak	81	Neeti Sood	87	Anchit Agg	74	(Highest Amongst Our Students)		Anmol	75	Dilpreet	77
Harshita	77	Shubham	78	Satvik	81	Neelesh	73	Pranav	73	Rajat	70	Pankaj	69
Tanish Arora	75	Shubhangi	74	Arjun	80	Neha	73	Bhavya Jain	64	Prayanshu	67	Radhika	68
Shivang	72	Nitin Jain	73	Manav	76	Nilesh Jain	73	Jagdeep	64	Ridhima	66	Beenu	67
Harsh Verma	70	Khushmita	71	Usheer	74	Nidhi	72	Himanshu	64	Prikshit	66	Suriti	67

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#1

Little by Little
an hour goes by
Little by little
a day
little by little you reach your goal
or let it slip away

One step everyday!
Lage Raho !!

A WINNER NEVER QUITS & A QUITTER NEVER WINS