

HEADS OF INCOME (SEC. 14)

- ❖ Following are the **5** heads of Income in which the total Income is classified –
1. Income from Salaries
 2. Income from House property
 3. Profits and Gains from Business or Profession
 4. Capital gains
 5. Income from Other sources

INCOME FROM SALARIES [Sec. 15]

- ❖ Income from salary is any income earned by a person through an “Employer – Employee” relationship

- ❖ It includes –
 1. Salary due from an employer / former employer in the P.Y.
 2. Salary paid or allowed by an employer / former employer though not due.
 3. Any arrears received which are not taxed in any previous year.

INCOME FROM HOUSE PROPERTY [Sec. 22]

- ❖ Income from house property is rental income earned by letting out his / her house property. (Can also be deemed to be let out)
- ❖ It includes - The annual value of property consisting of any buildings or land appurtenant thereto of which assessee is the owner.
- ❖ It DOES NOT include - Portions of such property which is used for business or profession carried out by the assessee and which is chargeable to I-Tax.

PROFITS AND GAINS FROM BUSINESS AND PROFESSION [Sec. 28]

- ❖ Income earned by the assessee from any business or professional activity
- ❖ Business – Trade of goods or providers of services.
- ❖ Profession – Activity of providing which requires a certain level of skill and academic qualification
Examples: Doctors, Practicing CAs, Lawyers, etc.

CAPITAL GAINS [Sec. 45]

- ❖ Profits earned from the transfer (generally sale) of Capital Assets.
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- ❖ Such capital gains can be short term or long term in nature

INCOME FROM OTHER SOURCES [Sec. 56]

- ❖ This is a residuary head of income i.e. it is that income that is not taxed under any of the previously discussed Heads of Income.
- ❖ Following are few examples of incomes taxed under this head –
 1. Dividends, Interests
 2. Winning from lotteries, gambling
 3. Rental income from letting out machinery, plant, furniture, etc.
 4. Gifts

EXEMPTIONS V/S DEDUCTIONS

| EXEMPTIONS | DEDUCTIONS |
|---|---|
| Exemptions are certain sources of incomes which are not taxed either partially or fully | Deductions are some sort of expenses, savings or investments which can reduce the tax liability |
| Exemptions do not form part of the Gross Total Income (GTI) | This is the amount which can be deducted from the Gross Taxable Income (GTI) |
| It is Unconditional and involuntary in nature | It is Conditional and voluntary in nature |
| Exemptions are covered under Section 10 of the act | Deductions are covered under Chapter VI-A (Sec. 80) of the act |

INCOME TAX SLABS FOR A.Y. 2020-21 (P.Y. 2019-20)

Latest Income Tax Slab Rates for FY 2019-20 (AY 2020-21)

| Income Slab | Individuals (Aged below 60 Yrs) | Senior Citizens (Aged 60 Yrs and above but below 80 Yrs) | Super Senior Citizens (Aged 80 Yrs and above) |
|-----------------------------|---------------------------------|--|---|
| Up to Rs.2,50,000 | Nil | Nil | Nil |
| Rs.2,50,001 to Rs.3,00,000 | 5% | Nil | Nil |
| Rs.3,00,001 to Rs.5,00,000 | 5% | 5% | Nil |
| Rs.5,00,001 to Rs.10,00,000 | 20% | 20% | 20% |
| Rs.10,00,0001 and above | 30% | 30% | 30% |