

~:DIRECT TAX:~

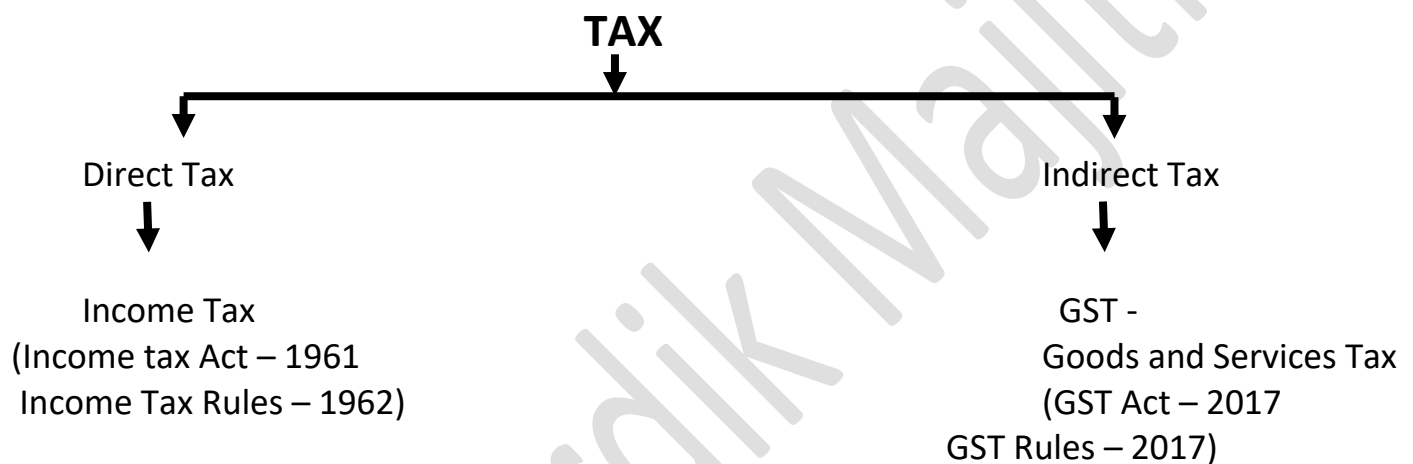
WHAT IS TAX ?

A Tax is a compulsory financial charge or some other type of levy imposed upon a taxpayer by a governmental organization in order to fund various public expenditure.

Types of TAX

There are mainly 2 types of Taxes

1. Direct Tax
2. Indirect Tax



Distinguish between Direct and Indirect Tax

Direct Tax	Indirect Tax
<ul style="list-style-type: none">• It is levied on Income of a person and activities conducted.	<ul style="list-style-type: none">• It is levied on Goods or Services.
<ul style="list-style-type: none">• It is paid directly by person concerned.	<ul style="list-style-type: none">• It is paid by one person but he recovers the same from another person.
<ul style="list-style-type: none">• It is paid after the income reaches in the hands of the taxpayer.	<ul style="list-style-type: none">• It is paid before goods/services reaches the taxpayer.
<ul style="list-style-type: none">• Tax collection is difficult.	<ul style="list-style-type: none">• Tax collection is relatively easier.
<ul style="list-style-type: none">• Direct tax are collected only from the people in respective tax brackets.	<ul style="list-style-type: none">• Indirect tax have wide coverage as all members of the society are taxed.
<ul style="list-style-type: none">• Tax evasion is possible.	<ul style="list-style-type: none">• Tax evasion is more difficult.

Direct Tax / Income Tax

Direct Tax is a Tax, such as Income Tax, which is levied on the Income or Profit of the person who pays it, rather than on Goods or Services.

Syllabus of Direct Tax.

- Basic Concept
- Residential Status and Scope Of Total Income
- Heads Of Income
- Deductions from gross Total Income
- Computation Of Total Income

Residential Status

- A Person is further classified on the basis of Residential Status.
 - A. Resident in India (Ordinary & Non-Ordinary)
 - B. Non-Resident in India
- Section 6 which defines the Residential Status of a Person.
- For an Individual Sec 6(1) & Sec 6(6) is applicable.

Scope Of Total Income

- “Scope of Income” means which item of income are included and excluded while computing tax liability.
- The scope of Income depends upon the Residential Status of a person.
- Section 5 lays down that what type of income would be taxable in case of assessee belong to each of these categories.

HEADS OF INCOME

- Income From **SALARY**
- Income From **HOUSE PROPERTY**
- Income From **CAPITAL GAIN**
- Income From **BUSINESS & PROFESSION**
- Income From **OTHER SOURCES**

Deduction From GTI

Under chapter 6A of Income Tax Act. 1961

- Sec 80A
- Sec 80C
- Sec 80CCC
- Sec 80D
- Sec 80DD

- Sec 80E
- Sec 80U
- Sec 80TTA

Definitions

Sec 2 of the Income Tax Act, 1961 defines some words like “ASSESSMENT YEAR, PREVIOUS YEAR, PERSON, INCOME, ASSESSMENT, ASSESSEE ETC.”

1. Assessment year sec 2(9)

Section 2(9) of the Act stipulates, "assessment year" means the period of twelve months commencing on the 1st day of April every year

2. Financial year sec 3

Section 3 of Income Tax Act 1961-2017 defines the term Previous Year. For the purposes of Income-tax Act, 1961, “previous year” means the financial year immediately preceding the assessment year.

3. Assessment sec 2(8)

Under Sec.2(8), the word 'assessment' is defined to include reassessment.

4. Person sec 2(31)

As per Section 2(31) of Income Tax Act, 1961, unless the context otherwise requires, the term “person” includes:

- (i) an individual,
- (ii) a Hindu undivided family,
- (iii) a company,
- (iv) a firm,
- (v) an association of persons or a body of individuals, whether incorporated or not,
- (vi) a local authority, and
- (vii) every artificial juridical person, not falling within any of the preceding sub-clauses

5. Income sec 2(24)

As per S.2(24) of the Income Tax Act, 1961, unless the context otherwise requires, the term “income” includes profits, dividend, voluntary contributions, perquisite, special allowance, profits and gains of any business of insurance/banking, any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting etc, Keyman insurance policy, movable or immovable property, advance money, compensation, subsidies or any grants, income from services, refund of custom or excise duties.
and many more...

6. Assessee sec 2(7)

As per S. 2(7) of the Income Tax Act, 1961, unless the context otherwise requires, the term “assessee” means a person by whom any tax or any other sum of money is payable under this Act, and includes,-
(a) every person in respect of whom any proceeding under this Act has been taken for the assessment of his income or assessment of fringe benefits or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or of the amount of refund due to him or to such other person;
(b) every person who is deemed to be an assessee under any provision of this Act;
(c) every person who is deemed to be an assessee in default under any provision of this Act.