

BASIC CONCEPTS & DEFINITION UNDER IT ACT

Unit 1: Basic Concepts and Definitions

- **Assessee-** A Person who is liable to pay tax on his or her own income. A Person who is liable to pay any other sum of money under Income Tax Act,1961.
- **Previous Year-** Previous year refers to that financial year when the assessee will earn income. Previous year starts from 1st April of a year and ends on 31st March of the next year i.e. for the financial year 2021-22, it starts from 1.4.2021 and ends on 31.03.2022.
- **Previous year may be less than 12 months in some exceptional situations:**
 - a) New establishment of a business or profession during first financial year. Example: A chartered Accountant has started his profession on 1.7.2021. So, the previous year 2021-22 consists of 9 months (i.e. 1.7.2021 to 31.3.22), which is less than 12 months.
 - b) Newly arising source of income during a first financial year. Example: For an employee employed in a company on 1.8.2021, his previous year shall be from 1.8.2021 to 31.3.2022. So, the income from salary of the employee computed for 8 months not for 12 months.
- **The income of the previous year is charged to tax in the assessment year. Exception to the rule-**
 - a) Income of non-resident assessee arising from Shipping business .
 - b) Income of Persons leaving India either permanently or for a long period.
 - c) Income of a Person who is likely to transfer property to avoid tax
 - d) Income of a discontinued business
- **Assessment Year-** Assessment Year refers to that year when the income of the previous year of an assessee is assessed. The income of the previous year is charged to tax in the assessment year. Assessment Year is a period of 12 months which starts from 1st April of a year and ends on 31st March of the next year. Example: If the

previous year is 2022-23, then the Assessment year shall be 2023-24.

- **Person-** Person includes the following-
 - a) An Individual- Mr. Saha, an employee of Tata Motors; Mr. Jhindal, a partner of a firm.
 - b) A Hindu Undivided Family- Joint family of Mr. Laha, Mrs. Laha and their children
 - c) A Company- LIC, ITC Ltd.
 - d) A Firm- Ray and Ray, a partnership firm
 - e) An Association of persons (AOP)- Khardah Co-operative Society.
 - f) A Body of Individuals(BOI)- Tarun Sangha
 - g) A Local Authority- Kolkata Municipal Corporation (KMC)
 - h) Artificial Judiciary Person- University of Calcutta

Case Study 1:

Mention the status of the following persons:

i) University of Calcutta ii) Kolkata Municipal Corporation (iii) ABCD, an alumni association of students (iv) Sonarpur Municipality

- **Answer.** i) Artificial Judiciary Person ii) Local Authority iii) Body of Individuals(BOI) (iv) Local Authority
- **Sources of Income-**It is the origin of income from where it is generated. For example, dividend from foreign company, rent from let out property, interest on bank deposits
- **Heads of Income-** It is the destination of classifying different source of income. Heads of Incomes are-
 - a) Income from Salaries (Ex. Salary received by Mr. S. Sen from his employer; Pension received by a retired person.)
 - b) Income from House Property (Ex. Sumana received rent of ₹6000 p.m. by letting out one of her flat to a tenant.)
 - c) Profits and Gains from Business or Profession (Ex. Professional receipts of a doctor or lawyer)
 - d) Capital Gains (Ex. Akash made a gain on sale of shares, Piusha made a gain on sale of building)

e) Income from other sources (Ex. Interest on bank fixed deposit, Remuneration received for examining C.U. answerscripts)

Case Study 2:

State under which head the following incomes will be taxable:

- i) Tarun received ₹7,200 as interest on fixed deposit with SBI.
- ii) Bikash made a gain of ₹35,000 on sale of shares held by him.
- iii) ₹2,700 was received by Atul as remuneration as an examiner from University of Calcutta.
- iv) Barnali, a lawyer, earned an income of ₹1,45,000 from her profession.
- v) Swarnali received rent of ₹86000 by letting out one of her flat to a tenant.

- **Answer.** i) Income from other sources.
- ii) Capital Gains
- iii) Income from other sources.
- iv) Profits and gains of business or profession.
- v) Income from House Property.

- **Computation of Gross Total Income and Total Income-**

Particulars	Amount(₹)
Income from Salaries	***
Income from House Property	***
Profits and Gains from Business or Profession	***
Capital Gains	***
Income from other sources	***
Gross Total Income	***
Less: Deduction as per Chapter VI	**
Total Income/ Taxable Income	***

- **Tax Planning-** Tax planning is a way to reduce tax liability by taking the full benefit of the exemptions, deductions, rebates and reliefs as

provided in the Income Tax Act. It is both legal and ethical and so permissible.

Example. Mrs. Priya Bose deposited ₹50,000 to Public Provident Fund so as to reduce her total income from ₹5,00,000 to ₹4,50,000 by means of availing deduction u/s 80C. It is an example of tax planning.

- **Tax Evasion-** Tax Evasion is the illegal way to reduce tax liability by deliberately suppressing income, or by increasing expenses, making falsification in the accounts which results in reduction of total income of the assessee. It is both unethical and illegal.

Example. Mr. Agarwal did not show his interest on bank deposit amounting to ₹8,000 and thereby reduced his tax liability. It is an example of Tax Evasion.

- **Tax Avoidance-** Tax Avoidance is an exercise by which the assessee legally takes the advantages of the loopholes or lacuna of the income tax laws. It is considered unethical but not illegal.

Case Study 3:

Mr. Basu deposited ₹25,000 into PPF account and purchased NSC for ₹15,000 to reduce his tax liability. On the other hand, Mr. Mitra did not show his income from royalty amounting to ₹6,000 and thereby reduced his tax liability. Comment on the nature of tax saving policies adopted by Mr. Basu and Mr. Mitra.

Answer. Mr. Basu deposited ₹25,000 to Public Provident Fund and purchased NSC for ₹15,000 so as to reduce his total income by means of availing deduction u/s 80C. It is an example of tax planning. On the other hand, Mr. Mitra did not show his income from royalty amounting to ₹6,000 and thereby reduced his tax liability. It is an example of Tax Evasion.

Exercise

Question 1 : State the heads of income under which the following incomes of an assessee are to be assessed:

- i) Family Pension received of ₹25,000.**
- ii) Amount received from T.V. games show ₹6,000.**
- iii) Pension received by a retired person ₹80,000.**
- iv) Income received from sale of house property ₹1,50,000.**
- v) Dividend received from a foreign company ₹10,000.**

- **Answer.** i) Income from Other sources ii) Income from Other sources iii) Income from Salaries iv) Capital Gains v) Income from Other sources.

Question 2 : Mr. Supratim donated ₹50,000 to the Prime Minister's Relief Fund so as to reduce his total income from ₹5,00,000 to ₹4,50,000 by means availing deduction u/s 80G. On the other hand, Mr. Sukanta did not show his interest on NSC amounting ₹7,500 and thereby reduced his tax liability.

Answer. Tax Planning, Tax Evasion.

Residential Status and Incidence of Tax

- **Determination of Residential Status of an Individual, being a citizen of India or a person of Indian Origin, who is outside India and comes on a visit to India in any Previous year, having total income (other than incomes from foreign sources) exceeding ₹15 lakh during the previous year [Sec. 6(1), Explanation 1(b) to section 6(1) and section 6(6)(c)]**

A. Resident in India [Sec.6(1) and Explanation 1(b) to section 6(1)]:

Such individual is said to be resident in India in any Previous year if he satisfies one of the following basic conditions:

An individual is said to be a resident of India in any previous year if he satisfies one of the basic conditions: [Sec.6(1)(a)]- he is in India in the previous year for a period of 182 days or more **Or** [Sec.6(1)(c) and Explanation 1(b) to Sec.6(1)]- he is in India for a period of 120 days or more during the previous year **and** 365 days (in aggregate) or more during 4 previous years immediately preceding the relevant previous year.

B. Resident and Ordinarily Resident [Sec.6(6)(c)]:

Such resident individual shall be resident and ordinarily resident in India in any previous year if he satisfies the following additional conditions :

(i) He is resident in India in that previous year satisfying the basic conditions laid down in section 6(1)(a) or 6(1)(c) with Explanation 1(b) to Sec.6(1) **and** (ii) He has been in India for a period of 120 days (in aggregate) or more but less than 182 days during the relevant previous year.

Resident but not Ordinarily Resident :

Such resident individual shall be resident but not ordinarily resident in India in any previous year if he satisfies at least one or none of the above additional conditions.

C. Non Resident :

If an individual does not satisfy any one of the basic condition either Sec.6(1)(a) or Sec.6(1)(c) with Explanation 1(b) to Sec.6(1) , he will be **Non Resident (NR)** in India.

- **Determination of Residential Status of an Individual who is deemed resident in India as per section 6(1A):**

The provisions of section 6(1A) are applicable in the following conditions are fulfilled:

- (a) The person is an individual.
- (b) The individual is a citizen of India.
- (c) Total income of such individual (other than incomes from foreign sources) exceeding ₹15 lakh during the previous year.
- (d) He is not liable to tax in any other country or territory by reason of his domicile or residence or any other criteria of similar nature.
- (e) He is not resident in India in that previous year as per section 6(1) i.e. he does not satisfy any one of the following two basic conditions:

An individual is said to be a resident of India in any previous year if he satisfies one of the basic conditions: Sec.6(1)(a)- he is in India in the previous year for a period of 182 days or more **Or** Sec.6(1)(c)- he is in India for a period of 60 days or more during the previous year **and** 365 days (in aggregate) or more during 4 previous years immediately preceding the relevant previous year.

According to section 6(1A) such individual (defined above) shall be deemed to be resident in India in that previous year in which he fulfils the above mentioned conditions. Such deemed resident individual shall always be resident but not ordinarily resident in India as per section 6(6)(d).

- **Other Individuals:**

Determination of Residential Status of an Individual, being a citizen of India, leaves India in any previous year as a member of the crew of an Indian ship or for the purpose of employment outside India or an Individual, being a citizen of India or a person of Indian Origin who being outside India and comes on a visit to India in any Previous year or individuals other than above mentioned:

A. Basic Condition [Sec.6(1)]

An individual is said to be a resident of India in any previous year if he satisfies one of the basic conditions: Sec.6(1)(a)- he is in India in the previous year for a period of 182 days or more **Or** Sec.6(2)(c)- he is in India for a period of 60 days or more during the previous year **and** 365 days (in aggregate) or more during 4 previous years immediately preceding the relevant previous year.

B. Compulsory or Additional condition [Sec.6(6)(a)]

A resident individual is said to be ordinarily resident in India in any previous year if he satisfies both the following compulsory/ additional conditions: (i) He has been resident in India [Sec.6(1)] at least 2 out of 10 previous years immediately preceding the relevant previous year **and** (ii) He has been in India for a period of 730 days (in aggregate) or more during 7 previous years immediately preceding the relevant previous year.

- If an individual satisfies any one basic condition either Sec.6(1)(a) or Sec.6(1)(c) and satisfies both compulsory conditions u/s 6(6)(a), he will be **Resident and Ordinarily Resident(ROR)** in India.
- If an individual satisfies any one basic condition either Sec.6(1)(a) or Sec.6(2)(c) and satisfies at least one or none of the compulsory conditions u/s 6(6)(a), he will be **Resident and but not Ordinarily Resident(RNOR)** in India.
- If an individual does not satisfy any one of the basic condition either Sec.6(1)(a) or Sec.6(1)(c), he will be **Non Resident (NR)** in India.

Case Study 1: Mr. S.K. Roy, a foreign citizen, comes to India for the first time on 30th June 2022. Determine his residential status for the assessment year 2023-24 in each of the following cases: he left India on (i) 31st January 2023 (ii) 30th October, 2022.

- (i) Mr. S.K. Roy stays in India for $(1+31+31+30+31+30+31+31)=216$ days during the previous year 2022-23 which is more than 182 days i.e. he satisfies the basic condition of sec.6(1)(a). Since he came to India for the first time during 2022-23, he does not fulfil the compulsory conditions u/s 6(6)(a). So, he is resident but not ordinarily resident in India for the assessment year 2023-24.
- (ii) Mr. S.K. Roy stays in India for $(1+31+31+30+30)=123$ days during the previous year 2022-23 which is less than 182 days i.e. he does not satisfy the basic condition of sec.6(1)(a). As per sec.6(1)(c), he stays in India for 123 days during the previous year 2022-23 which is more than 60 days but does not fulfil 365 days within 4 previous years preceding the P.Y.2022-23 as because he came to India for the first time during 2022-23. So, he is non resident in India for the assessment year 2023-24.

Case Study 2: Determine the residential status of Ms. Sharmistha Mallick (an Indian Citizen) for the assessment year 2023-24 under the following situations: she left India for the first time for Personal purpose (i) on 25th May 2022 (ii) on 23rd July 2022.

- (i) She stays in India for $(30+25) = 55$ days during the previous year 2022-23 which is less than 182 days i.e. he does not satisfy the basic condition of sec.6(1)(a). As per sec.6(1)(c), she stays in India for 55 days during the previous year 2022-23 which is less than 60 days but she fulfils 365 days within 4 previous years preceding the P.Y.2022-23 as because she left India for the first time during 2022-23. So, she is non resident in India for the assessment year 2023-24.
- (ii) She stays in India for $(30+31+30+23)=114$ days during the previous year 2022-23 which is less than 182 days i.e. she does not

satisfy the basic condition of sec.6(1)(a). As per sec.6(1)(c), she stays in India for 114 days during the previous year 2020-21 which is more than 60 days and she also fulfils 365 days within 4 previous years as because she left India for the first time during 2022-23.

- As because she left India for the first time during 2022-23, she is resident in India [Sec.6(1)] at least 2 out of 10 previous years immediately preceding the relevant previous year(2022-23) and (ii) she stays in India for a period of 730 days (in aggregate) or more during 7 previous years immediately preceding the relevant previous year(2022-23). So she satisfies both the compulsory conditions. So, she is resident and ordinarily resident in India for the assessment year 2023-24.

Case Study 3: Mr. Paul, a foreign national (not being a person of Indian Origin), came to India for the first time on 17th April 2018. During the financial years 2018-19, 2019-20, 2020-21, 2021-22 and 2022-23 he was in India for 150 days, 75 days, 21 days, 190 days and 72 days respectively. Determine residential status of Mr. Paul for the assessment year 2023-24.

- Mr. Paul stayed in India for 72 days which is more than 60 days during relevant P.Y. 2022-23 and stayed an aggregate of $(150+75+21+190) = 436$ days which is more than 365 days during 4 previous years preceding the relevant P.Y. 2022-23. So, he satisfied one of the basic conditions. But he stayed less than 730 days during 7 previous years preceding the relevant P.Y. 2022-23. So he did not satisfy the Compulsory condition. So, he will be treated as resident but not ordinarily resident.

- **Incidence of Tax-**

Cases	ROR	RNOR	NR
Income received in India or deemed to be received in India, whether accrued in India or outside India	Taxable	Taxable	Taxable

Income accruing or arising in India or deemed to accrue or arise in India, whether received in India or Outside India.	Taxable	Taxable	Taxable
Income (not being from a business or profession) received and accrued outside India.	Taxable	Not Taxable	Not Taxable
Income received or accrued outside India from a business wholly or partly controlled in India or a profession set up in India.	Taxable	Taxable	Not Taxable
Income received or accrued outside India from a business controlled from outside India or a profession set up outside India.	Taxable	Not Taxable	Not Taxable

Case Study 4: Compute Gross Total Income of Smt. Saha from the following particulars of income as furnished by her for the previous year 2022-23 if she is a (a) resident but not ordinarily resident (RNOR) and (b) Non resident (NR) for the given previous year:

- i) Dividend from Australian company received therein ₹50,000.
- ii) Agricultural income from Nepal but received in India ₹1,20,000.
- iii) Pension from a former employer in India received in Bangladesh ₹2,00,000.
- iv) Profit from a business in Thailand ₹2,50,000 and 40% received in India. The business is controlled from India.
- v) Interest from deposits with an African Company but received in India ₹75,000.

- Computation of Gross Total Income of Smt. Saha for the previous year 2022-23

Particulars	RNOR	NR
Dividend from Australian company	Nil	Nil

received therein		
Agricultural income from Nepal but received in India	1,20,000	1,20,000
Pension from a former employer in India received in Bangladesh	2,00,000	2,00,000
Profit from a business in Thailand, controlled from India	2,50,000	(40% of 2,50,000) =1,00,000
Interest from deposits with an African Company but received in India	75,000	75,000
Gross Total Income	6,45,000	4,95,000

Case Study 5: Mr. R. Roy, an Indian Citizen, left India for the purpose of employment in the USA for the first time on 1st October 2021. He came back to India on 30th March 2023 for visit and returned back to the USA after staying 20 days in India. During the previous year 2022-23 he earned the following income: (i) Salary earned in the USA ₹5,00,000 and credited in the USA. (ii) Interest received in India out of fixed deposit in bank ₹1,20,000.

Determine his residential status and tax incidence in India for the A.Y. 2023-24.

- Mr. R. Roy stays in India for $(30+31+30+31+31+30+1+2) = 186$ days during the previous year 2022-23 which is more than 182 days i.e. he satisfies the basic condition of sec.6(1)(a). He stays in India for a period of more than 730 days during 7 previous years preceding the P.Y. 2022-23 and also he is resident in India in 10 out of 10 previous year which is more than 2 out of 10 previous year preceding the P.Y. 2022-23 i.e. he fulfils both condition as per sec.6(6)(a). So, he is resident and ordinary resident in India for the P.Y. 2022-23.
- Gross Total Income = ₹5,00,000 + ₹1,20,000 = ₹ 6,20,000

Exercise

Question 1: Brown, a citizen of Bahama, came to India for the first time on 10th August, 2017 and stayed up to 5th March, 2018. Subsequently, he stayed in India during 2018-19, 2019-20, 2020-21, 2021-22, 2022-23 for 120 days, 110 days, 100 days, 85 days and 62 days respectively. Determine his residential status for the A.Y. 2023-24.

Answer. Resident but not ordinarily resident

Question 2: Sri Sen went to UK from India for higher education on 1st December, 2019. So long he was in UK, he had a residence in India. In Winter Vacations, he came twice to India. First time he came on 1st January, 2021 and stayed 20 days and second time he came on 15th December, 2021 and stayed for 25 days. After completing the education, he came back to India forever on 30th December, 2022. Determine his residential status for the A.Y. 2023-24.

Answer. Resident and ordinarily resident

Question 3: Compute Gross Total Income of Mr. Das from the following particulars of income as furnished by him for the previous year 2022-23 if she is a (a) resident but not ordinarily resident (RNOR) and (b) Non resident (NR) for the given previous year:

- i) Income from house property in Colombo received in India ₹30,000
- ii) Profit from a business in Bangladesh controlled from India and received in Bangladesh ₹15,000
- iii) Agricultural income from land situated in Bangladesh ₹26,000
- iv) Income from profession in India but received in Iran ₹30,000
- v) Salary received in India for service rendered in Bangladesh ₹72,000.

Answer. RNOR: ₹1,47,000; NR: ₹1,32,000

Question 4: Mr. Das has received the following amounts during the previous year ending on March 31, 2023:

- (a) Income from house property in Sri Lanka received therein Rs. 22,500.
- (b) Income from salary in India Rs. 1,20,000.

- (c) Dividend from an Indian company received in China Rs.25,000 (gross).
(d) Income from business controlled from Bangladesh Rs.37,500.
(e) Rs.10,000 earned in England during the previous year 2021-22 was brought to India.

Compute the Gross Total Income of Mr. Das if he is:

- (i) Ordinarily resident
(ii) Not ordinarily resident and
(iii) Non-resident

Incomes which do not form part of Total Income/ Exempted Income

Incomes which are fully exempted from tax u/s 10 of the I.T. Act-

- Agricultural Income in India
- Share of profit of member in a Hindu Undivided Family
- Share of profit in a partnership firm
- Interest on saving certificate specified by Central Govt. In official Gazette.
- Interest income of non-resident.
- Payment on Provident Fund
- Sum received(including bonus) under a life insurance policy
- Long term capital gain on transfer of equity shares or certain units.

Case Study 1:

Mr. R. Sen earned the following income during the previous year 2022-23. Compute his taxable income for the assessment year 2023-24.

i) Agricultural Income received from agricultural operation in Nepal ₹25,000.

- It is not exempted income as because the land is not situated in India. It is taxable income under the head ' Income from other Sources'.

ii) Share of Profit received from Partnership Firm where he is a partner.

- Share of profit received from partnership firm is exempted income.

iii) Interim dividend received from Tata Steel Ltd. (Indian Company) ₹35,000.

- Dividend received from Indian Company is fully taxable under the head income from other sources.

iv) Dividend received ₹10,000 from a foreign company.

- Dividend received from a foreign company is taxable income under the head 'Income from other Sources'.

v) Amount received from Unorganised Provident Fund ₹1,21,000 (Own contribution ₹50,000, interest thereon ₹5,000, employer contribution ₹60,000 and interest thereon ₹6,000)

- Amount received from Unorganised Provident Fund is taxable as under:

Employer's contribution and interest thereon is taxable under the head salaries as profits in lieu of salary. Employee's own contribution is exempt, but interest thereon is taxable as Income from other sources.

Exercise

Question 1: Are the following incomes taxable? If they are taxable what should be the head of income under which will be taxed?

- Agricultural Income received from agricultural operation in Bangladesh ₹15,000.
- Dividend received ₹20,000 from a foreign company.
- Dividend received from Indian Company ₹23,000.
- Broti, a member of a Hindu Undivided Family, received his shares ₹1,00,000 out of family income.

Answer. i) Taxable/ Income from other sources, ii) Taxable/ Income from other sources, iii) Taxable/ Income from other sources, iv) Exempted income.

Agricultural Income

- **Definition of Agricultural Income-** Agricultural income means
 - i) Any rent or revenue derived from land (the land which is situated in India and is directly or indirectly used for agricultural activities or purposes).
 - ii) Income from Agricultural Activity from Land in India.
 - iii) Income from processing Activity or Sale.
 - iv) Income from firm building
 - v) Income from Saplings or Seedlings.
- **Instances of Agricultural Income-**
 - i) Income from growing trade or commercial products like jute, cotton etc
 - ii) Income from growing flowers and creepers
 - iii) Any remuneration (salary, commission etc) received by a partner from a firm engaged in agricultural operation.
 - iv) Income from sale of coffee after being dried and cured.
 - v) Share of profit received by a partner from a firm engaged in agricultural operation.
- **Instances of Non Agricultural Income-**
 - i) Profit earned from sale of agricultural land.
 - ii) Income from fisheries.
 - iii) Income from poultry farming.
 - iv) Income from dairy farming, butter and cheese making.
 - v) Income from sale of trees and grasses grown spontaneously.
 - vi) Dividend received from a company engaged in agricultural operation.
 - vii) Income by way of purchasing paddy, hulling it and selling the resultant rice.
- **Partly Agricultural and Partly Non- Agricultural Income-**

Particulars	Agricultural Income	Business Income
Growing and manufacturing of tea sold in India	60%	40%
Growing and manufacturing of rubber sold in India	65%	35%
Sale of coffee grown and cured by seller in India	75%	25%
Sale of coffee grown, cured, roasted and grounded by the seller with or without mixing chicory in India	60%	40%

- **Computation of Tax liability-**

Step 1: Add agricultural income (if it exceeds ₹5,000) with non agricultural income and calculate the tax on the aggregate i.e. tax on (Agricultural Income+ Non agricultural Income)

Step 2: Add agricultural income to the maximum exemption limit available in the case of assessee and compute tax i.e. tax on (Agricultural Income+ maximum exemption limit)

Step 3: Tax of step 1- Tax of step 2

Step 4: Step 3+ Health and Education cess @4%

Case Study 1: State whether the following incomes are treated as agricultural income for the purpose of Income Tax:

i) Compensation received from the Government for the requisition of land which has been used for agricultural purposes.

➤ Agricultural Income

ii) Dividend received from a company whose major income constitutes agricultural income.

➤ Non Agricultural Income

iii) Profit earned from the sale of wild grass of spontaneous growth.

- Non Agricultural Income

iv) Income earned from the sale of tea grown and manufactured by the assessee.

- Agricultural Income- 60% and Non Agricultural Income- 40%

v) Income by way of selling rice produced from the paddy purchased by the assessee.

- Non Agricultural Income

vi) Profit earned from the sale of agricultural land.

- Non Agricultural Income

vii) Income from agriculture from a land situated in Bangladesh.

- Non Agricultural Income

viii) Income from growing flowers and creepers.

- Agricultural Income

Case Study 2: Mr. Ranojit Halder furnished the following information for the previous year 2022-23. Compute his taxable income for the assessment year 2023-24.

Income from growing and manufacturing tea ₹1,20,000

Income from growing and manufacturing rubber ₹2,00,000

- **Computation of Taxable Income of Mr. Ranojit Halder for the assessment year 2023-24**

Particulars	Amount(₹)
Income from growing and manufacturing tea (1,20,000×40%)	48,000
Income from growing and manufacturing rubber (2,00,000×35%)	70,000
Taxable Income	1,18,000

Case Study 3: Mr. A. Nandy, aged 55 years, a resident individual, has agricultural income of ₹6,500 and non agricultural income of ₹6,58,500 for the previous year 2022-23. Calculate his tax liability for the relevant assessment year.

- Computation of Tax Liability of Mr. A. Nandy for the A.Y. 2023-24 relating to the P.Y. 2022-23

Step 1:

Tax on (Agricultural Income+ Non agricultural Income) = (6,500+ 6,58,500)= ₹6,65,000	
Upto ₹2,50,000	Nil
2,50,001 to 5,00,000 @ 5%	12,500
5,00,001 to 6,65,000 @20%	33,000
Total	45,500

Step 2:

Tax on (Agricultural Income+ Maximum Exemption limit) = (6,500+ 2,50,000)= ₹2,56,500	
Upto ₹2,50,000	Nil
2,50,001 to 2,56,500 @ 5%	325
Total	325

Step 3: ₹45,500-₹325= ₹45,175

Step 4: ₹45,175+ 4% of ₹45,175= ₹45,175+ ₹1,807= ₹46980
(rounded off u/s 288B)

Exercise

Question 1: Can the following incomes be treated as agricultural income?

- i) Remuneration received ₹24,000 by a partner from a firm engaged in agricultural operation.
- ii) Dividend received ₹6,500 from a company engaged in agricultural operation.

iii) Agricultural Income of ₹1,15,000 from land situated in Nepal.

iv) Rent received ₹ 800 p.m. by way of leasing of a land for grazing of cattle.

Answer. i) Agricultural Income , ii) Non Agricultural Income, iii) Non Agricultural Income, iv) Agricultural Income.

Question 2: Mr. Senapati (50 years) furnished the following information for the previous year 2022-23. Compute his taxable income for the assessment year 2023-24.

Income from growing and manufacturing tea ₹3,00,000

Income from growing and manufacturing rubber ₹2,00,000

Answer. Taxable Income ₹1,90,000.

Question 3: Mr. Jiban Saha (aged 54 years) furnished the following information for the previous year 2022-23. Compute his tax liability for the relevant assessment year.

Agricultural Income ₹70,000 and Non Agricultural Income ₹3,30,000

Answer. Step 1: 7,500; Step 2: 3,500; Step 3: 4,000; Step4: Nil (Rebate u/s 87A will be 4,000)