INCOME TAX

INTRODUCTION

WHAT IS TAX ? & WHY IT IS REQUIRED?

TAX IS A PART OF AN INDIVIDUAL'S EARNING WHICH IS REQUIRED TO BE PAID TO THE GOVERNMENT IN ORDER TO GENERATE REVENUE. IT IS A MANDATORY LIABILITY FOR EVERY CITIZEN OF THE COUNTRY. THERE ARE TWO TYPES OF TAX IN INDIA I.E. DIRECT AND INDIRECT TAX. INCOME TAX IS DIRECT TAX.

WHY TAX IS REQUIRED?

INCOME TAX IS THE MAIN SOURCE OF INCOME FOR THE GOVT. TAX MONEY IS USED IN INITIATING VARIOUS WELFARE AND OTHE ACTIVITIES SUCH AS

INTRODUCTION

- > PROVIDING HEALTHCARE FACILITIES
- >PROVIDING EDUCATION THROUGH GOVT SCHOOLS WHER FEE IS NEGLIGIBLE
- SUBSIDY ON COOKING GAS, FERTILIZERS AND OTHER ESSENTIAL COMMODITIES.
- >SALARY AND PENSION TO LAKHS OF GOVT EMPLOYEES.
- >NATIONAL SECURITY AND INFRASTRUCTURE DEVELOPMENT

BRIEF HISTORY OF INCOME TAX

IN MODERN INDIA, TAX WAS INTRODUCED FOR THE FIRST TIME IN 1860 BY SIR JAMES WILSON IN ORDER TO MEET THE LOSSES SUSTAINED ON ACCOUNT OF MILITARY MUTINY OF 1857. THIS WAS THE FIRST INCOME TAX ACT OF MODERN INDIA.

SUBSEQUENTLY ANOTHER INCOME TAX ACTS WERE PASSED DURING 1886, 1918 AND 1922.

INCOME TAX ACT 1922 WAS THE LAST INCOME TAX OF BRITISH INDIA AND REMAINED IN FORCE TILL 1962.

BRIEF HISTORY OF INCOME TAX

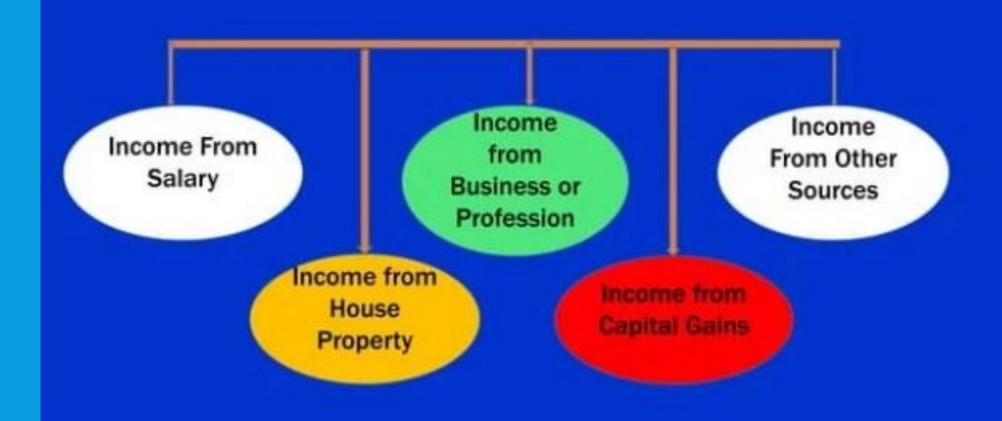
- FOUND MENTIONED IN ANCIENT BOOKS SUCH AS ARTHA SHASTRA AND MANUSMRITI.
- PACCORDING TO MANUSMRITI ARTISANS USED TO PAY 1/5TH OF THEIR PROFITS AS TAX WHEREAS AGRICULTURIST WERE REQUIRED TO PAY 1/6TH, 1/8TH OR 1/10TH OF THEIR PRODUCE DEPENDING UPON THE CIRCUMSTANCES.

BRIEF HISTORY OF INCOME TAX

IN INDEPENDENT INDIA THE INCOME TAX ACT 1922 WAS REPLACED WITH INCOME TAX ACT 1961 WHICH WAS IMPLEMENTED WEF. 01 APR 1962 AND IT IS STILL IN FORCE.

SINCE 1962 SEVERAL AMENDMENTS OF FAR REACHING NATURE
 HAVE BEEN MADE IN INCOME TAX ACT BY THE UNION BUDGET
 EVERY YEAR

HEADS OF INCOME



IMPORTANT TERMS

- ASSESSEE MEANS A PERSON BY WHOM ANY TAX OR ANY OTHER SUM OF MONEY IS PAYABLE UNDER THIS ACT. IN SIMPLE TERM THE ASSESSE MEANS "TAX PAYERS
- ASSESSMENT YEAR & PREVIOUS YEAR:-

ASSESSMENT YEAR MEANS THE PERIOD STARTING FROM APRIL 1 AND ENDING ON MARCH 31 OF THE NEXT YEAR AND PREVIOUS YEAR MEANS THE FINANCIAL YEAR IMMEDIATELY BEFORE THE ASSESSMENT YEAR.



<u>IMPORTANT TERMS</u>

- ASSESSEE
- □ ASSESSMENT YEAR & PREVIOUS YEAR
- RESIDENTIAL STATUS
- ☐ GROSS TOTAL INCOME
- □ DEDUCTIONS
- TOTAL INCOME

IMPORTANT TERMS Cont....,

• RESIDENTIAL STATUS:- THERE ARE THREE TYPES OF RESIDENTIAL STATUS OF ASSESSES AS PER INCOME TAX ACT 1961.

RESIDENT MEANS A CITIZEN OF INDIA WHO RESIDED IN INDIA FOR A PERIOD OF 182DAYS OR MORE IN DURING PREVIOUS YEAR. HIS INCOME EARNED ANY WHERE IN THE WORLD WILL BE TAXABLE IN INDIA.

NON RESIDENT(NRI)— INCOME EARNED IN INDIA ONLY WILL BE SUBJECT TO INCOME TAX IN INDIA.

RESIDENT BUT NOT RESIDING IN INDIA— CITIZEN OF INDIA WHO STAYED IN INDIA FOR LESS THAN 182 DAYS DURING PREVIOUS YEAR. HIS/HER INCOME ARISING OUTSIDE INDIA MAY ALSO BE TAXABLE IN INDIA.

IMPORTANT TERMS Cont....,

GROSS TOTAL INCOME IT COMPRISES SUM OF THE INCOME EARNED THROUGH ALL THE FIVE HEADS OF INCOME WITHOUT ANY DEDUCTION

DEDUCTIOS – THE AMOUNT WHICH IS ALLOWED TO BE DEDUCTED FROM GROSS TOTAL INCOME BEFORE DETERMINING TAX LIABILITY OF AN ASSESSE SUCH AS CERTAIN SAVINGS, DONATIONS ETC.

TOTAL INCOME IT IS GROSS TOTAL INCOME (MINUS) DEDUCTIONS.
THIS IS THE NET TAXABLE INCOME OF ASSESSEE.

THANKS

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