

GOVERNMENT ARTS AND SCIENCE COLLEGE (WOMEN) SATHANKULAM

B.COM COURSE

STUDY MATERIAL

INCOME TAX LAW AND PRACTICE – I

CLASS : III B.COM

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UNIT-I

BASIC CONCEPTS

INTRODUCTION

In India, Income Tax was introduced by Sir. James Wilson. This Act was passed in the year 1961.

CLASSIFICATION

Modern Tax system comprises of many types of taxes. Proper classification is essential to understand the Nature and Significance of different tax.

Usually taxes are classified on the basis of Form nature aim method taxation.

The following classification are common in all modern tax system,

- a) Direct and Indirect Taxes,
- b) Specific Duties and Ad valorem Duties,
- c) Progressive Proportional, Regressive and Degressive Taxes,

d) Single Tax and Multiple Taxes.

OBJECTIVES OF TAXATION

- 1) Objectives of raising revenue
- 2) Regulatory objectives
 - a) Regulatory consumption
 - b) Regulatory Production
 - c) Regulatory Import, Export
 - d) Regulatory the effects of inflation, depression etc.,
- 3) Developmental Objectives
 - a) Economic development
 - b) Capital formation
 - c) Increasing employment opportunities
- 4) Objectives of reducing inequalities
 - a) Reduction of economic Development
 - b) Reduction of regional imbalances

IMPORTANT TAX DEFINITIONS

1) ASSESSMENT

It is the process by which the income of an assessee is determined by the assessing officer. It may be “normal assesment” (or) it may also be re-assessment of income already assessed.

2) ASSESSEE[Sec 2(7)]

Assessee means a person by whom any tax (or) other given sum of money is payable under this act and includes,

A.

- i. Every person in respect of whom any proceedings under this act has been taken for the assessment of his income(or)
- ii. Of the Income of any other person in respect of which he is assessable (or)
- iii. Of the loss sustained by him(or) by sum of the person(or)
- iv. Of the amount of refund due to him or 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 of any provision of this act.

3) PERSON [Sec (30)]

- An Individual
- An Hindu undivided family
- A company
- A firm
- An AOP
- Body of Individuals

4) INCOME [Sec 2(24)]

Income includes not only those things which the interpretation clause declares that it shall include but also such things the word signifies according to its natural import.

5) ASSESSMENT YEAR [Sec 2]

Assessment year means the period of twelve months, beginning from 1st april every year ending on 31st march of the immediately following year. The current Assessment year is 2020-21.

6) PREVIOUS YEAR [Sec 3]

Income earned in a year is taxable in the next year in which income is earned is known as previous year.

It means the Financial year immediately preceeding the Assessment year.

7) TOTAL INCOME

It means the amount left after making the deduction under sec 80c to 80u from the gross total income. Total income is computed on the basis of residential status of an assessee.

It is classified into 5 heads,

- Income from salary
- Income from house property
- Income from Business (or) Profession
- Capital gains
- Income from other sources

8) GROSS TOTAL INCOME

The aggregate of income under the for heads is known as 'Gross total income'.

- Income from Salary
- Income from House property
- Income from Business (or) Profession
- Capital gain
- Income from other sources