

LAW OF TAXATION STUDY MATERIAL
(LAW 806)

UNIT II

(INCOME TAX ACT 1961)

BY

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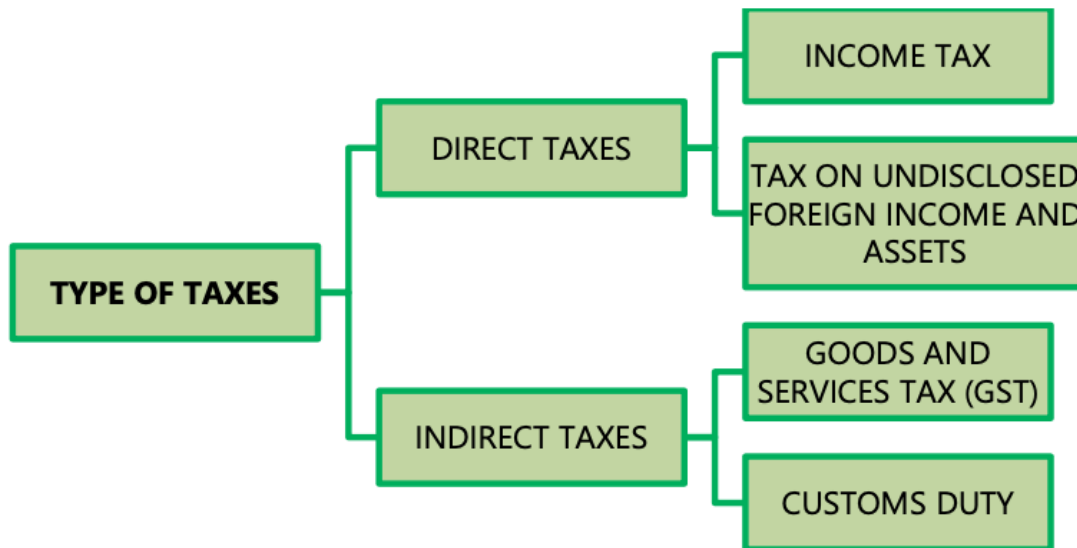
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INTRODUCTIONS

Taxes are considered to be the “cost of living in a society”. Taxes are levied by the Governments to meet the common welfare expenditure of the society. There are two types of taxes -direct taxes and indirect taxes.

Direct Taxes: If tax is levied directly on the income or wealth of a person, then, it is a direct tax. The person who pays the tax to the Government cannot recover it from somebody else i.e. the burden of a direct tax cannot be shifted. e.g. Income-tax.

Indirect Taxes: If tax is levied on the price of a good or service, then, it is an indirect tax e.g. Goods and Services Tax (GST) or Custom Duty. In the case of indirect taxes, the person paying the tax passes on the incidence to another person.



Why are taxes levied?

The reason for levy of taxes is that they constitute the basic source of revenue to the Government. Revenue so raised is utilized for meeting the expenses of Government like defence, provision of education, health-care, infrastructure facilities like roads, dams etc.

Power to levy taxes

The Constitution of India, in Article 265 lays down that “No tax shall be levied or collected except by authority of law.” Accordingly for levy of any tax, a law needs to be framed by the government.

Constitution of India gives the power to levy and collect taxes, whether direct or indirect, to the Central and State Government. The Parliament and State Legislatures are empowered to make laws on the matters enumerated in the Seventh Schedule by virtue of Article 246 of the Constitution of India.

Seventh Schedule to Article 246 contains three lists which enumerate the matters under which the Parliament and the State Legislatures have the authority to make laws for the purpose of levy of taxes.

The following are the lists:

(i) **Union List:** Parliament has the exclusive power to make laws on the matters contained in Union List.

(ii) **State List:** The Legislatures of any State has the exclusive power to make laws on the matters contained in the State List.

(iii) **Concurrent List:** Both Parliament and State Legislatures have the power to make laws on the matters contained in the Concurrent list.

IMPORTANT DEFINITIONS

- 1. Assessee** Assessee means a person liable for payment of taxes or any other sum of money under the Income-tax Act. It also includes the person for whom any proceeding has been initiated under the Income-tax Act. The term 'assessee' also includes 'deemed assessee' and 'assessee-in-default'.

An assessee is a person who is liable to pay any tax or any sum of the amount payable or has any obligation to pay tax as per Section 2(7) of the Income Tax Act 1961.

Also, an assessee can be termed as each and every person for whom

- Any proceedings have been taken under the act for the assessment of his income
- Fringe benefits,
- The income of any other person for whom he is considered accessible
- Any loss sustained by him or by such other person or
- A person is entitled to any tax refund.

Assessment [Section2(8)]

This is the procedure by which the income of an assessee is determined by the Assessing Officer. It may be by way of a normal assessment or by way of reassessment of an income previously assessed.

- 2. Assessment Year** Assessment Year means the period of twelve months commencing on the 1st day of April every year.

What is Financial Year?

The Financial Year can be simply defined as a period of 12 months in which income is earned.

Any revenue generated between April 1, 2022, and March 31, 2023, will be assessed for the current Fiscal Year (FY) 2022-23. The primary goal of the fiscal year is to compute income statements.

Just like all other businesses, a financial year in insurance companies starts on April 1 and ends on March 31. This is the time when revenue is generated through insurance policies. Throughout a fiscal year, insurance businesses apply for financial reporting and budgeting. A fiscal year is commonly used in accounting to calculate the financial statement.

What is Assessment Year?

The Assessment Year is the 12 month-period that comes right after the financial year. It is the period from April 1 to March 31, during which revenue produced during the fiscal year is taxed.

For example, the Assessment Year for any revenue produced between April 1, 2022, and March 31, 2023, would be 2023-24.

In layman terms, the assessment year is the year in which income is taxed and all taxes are paid and tax returns are filed. Always remember to file your income tax return within the relevant AY.

What is the difference between AY and FY?

Several differences exist between an Assessment Year and a financial year, which include the following:

A Financial Year is a 12-month period in which a person obtains income for tax purposes. An Assessment Year is a period when the previous year's earnings are assessed, taxes are due, and the filing of Income Tax Returns (ITRs) is done.

Both the Assessment Year and the Financial Year beginning on April 1 of a year and end on March 31 of the following year. For example, Financial Year 2022-23 refers to the fiscal year that runs from April 1, 2022, to March 31, 2023. The AY starts right after the FY ends. Therefore the assessment year for FY 2022-23 will be AY 2023-24.

As a result, the Financial Year is when corporations, salaried professions, and the elderly earn their money, while the next year, the accounting year, or AY, is when the income produced in the previous year is assessed.

Why does an ITR form have AY?

Income is not taxable until it is received. Negative occurrences may occur at any point of the year, whether it is the beginning, middle, or end of the year. An assessment year is included in the income tax forms because revenue for any fiscal year is computed and taxed in the following year. As a result, while filing income tax returns, you must select the Assessment year.

FAQs on Assessment Year and Financial Year

Q: What is the assessment year (AY) and financial year (FY)?

A. The financial year is a period of 12 months starting from 1st April of the same year & ending 31st March, the accounting year in which income is earned. The assessment year is the year succeeding the financial year, in which the income earned in the financial year is taxed, assessed & return is filed.

Q: What is the meaning of previous year (PY) and assessment year ?

A. Previous year or PY refers to the financial year in which income is earned and expenses are incurred. The previous year starts on 1st April of the year and ends on 31st March of the next year. The assessment year is a 12-month period that succeeds the financial year or the previous year. The income earned in the previous year is taxed and return is filed in the assessment year.

Q: What is the difference between AY and FY?

A. Following are the key differences between AY and FY:

Q: What is the financial year of 2024?

A. Financial year is considered to start on 1st April of the current year & ends on 31st March of the following year. The financial year of 2024 is from 1st April 2024 to 31st March 2025 or FY 2024-25.

Q: What is the financial year and assessment year in India?

A. The financial year in India starts on 1st April of the current year & ends on 31st March of the following year. The assessment year in India is the year right after the financial year. It is also a period of 12 months from 1st April to 31st March.

Q: What is the financial year for a company in India?

A. As per Section 2(41) of the Companies Act, 2013, the financial year in relation to any company or corporate body is the period ending on 31st March every year. If the company is incorporated on or after 1st January of a year, the financial year will be the period ending on the 31st March of the following year.

3. Previous Year Previous Year means the financial year immediately preceding the assessment year. In the case of a business or profession newly set up or a source of income newly coming into existence in a financial year, the previous year shall be the period beginning with the date of setting up of the business or profession or the date on which

the source of income newly comes into existence and ending with the said financial year.

The term has been defined under section 3. It means the financial year immediately preceding the assessment year. As mentioned earlier, the income earned during the previous year is taxable in the assessment year.

Business or profession newly set up during the financial year -In such a case, the previous year shall be the period beginning on the date of setting up of the business or profession and ending with 31st March of the said financial year.

If a source of income comes into existence in the said financial year, then, the previous year will commence from the date on which the source of income newly comes into existence and will end with 31st March of the financial year.

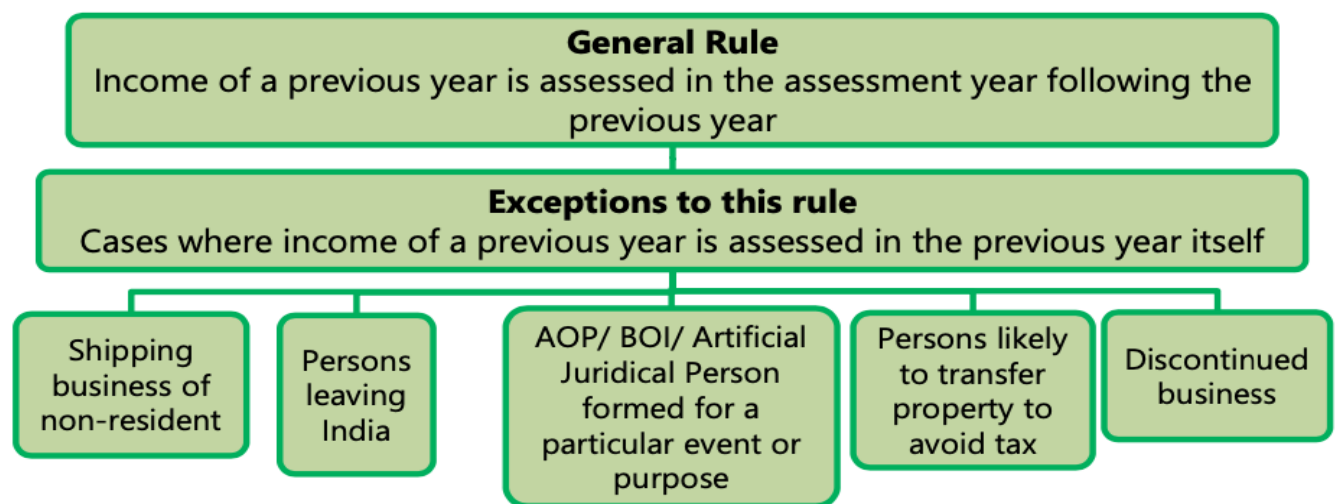
Income earned in a year is taxable in the next year. The year in which income is earned is known as previous year and the next year in which income is taxable is known as assessment year. In other words, previous year is the financial year immediately preceding the assessment year.

Illustration 1.1: For the assessment year 2009-10, the immediately preceding financial year (i.e., 2008-09) is the previous year.

Income earned by an individual during the previous year 2008-09 is taxable in the immediately following assessment year 2009-10 at the rates applicable for the assessment year 2009-10.

Similarly, income earned during the previous year 2009-10 by a company will be taxable in the assessment year 2010-11 at the rates applicable for the assessment year 2010-11.

CERTAIN CASES WHEN INCOME OF A PREVIOUS YEAR WILL BE ASSESSED IN THE PREVIOUS YEAR ITSELF



1. Agriculture Income Agricultural income refers to income earned by a person from agricultural land situated in India.

Section 2 (1A) of the Income tax Act, details out the conditions wherein sources can be considered to be generating agricultural income. The section's definitions basically point out the following as the sources of agricultural income –

1. Renting/leasing agricultural land for agriculture, storeroom, residential place and outhouse.
2. Money earned from trees growing in nurseries as seedlings or saplings.
3. Renting/leasing agricultural land for by cultivator or farmer.
4. Any income due to commercial use of agricultural land
5. The agricultural land or the land where the building is located, is being assessed for land revenue or subject to a local rate assessed .

A few exclusions to this income will be as follows:

- Revenue from sale of processed produce of agricultural nature without actual agricultural activity
- Revenue from extremely processed produce
- Revenue from trees that have been sold as timber

Key points to remember while considering if an income is actually a valid agricultural income:

1. Income should be from an existent piece of land
2. Income should be from a piece of land that is used for agricultural operations
3. Income should stem from produce achieved after cultivation of the land
4. Income can be from a land that is not under the assessee's ownership

Agricultural Income examples	Non-agricultural income examples
Income from seed sales	Income from raising poultry
Sales of trees that have been planted again	Agricultural land income is held as stock-in-trade

Agricultural Income examples	Non-agricultural income examples
Interest on funds received by a partner from a business operating in agriculture.	Any dividend received from a company's agricultural earnings
Earnings from growing creepers and flowers	Income from the dairy industry.
Rent earned from agricultural land	Earnings from bee hives.
Gains a partner receives from a company that engages in agricultural activities or production	Income from selling and cutting trees for lumber.
-	Income from producing cheese and butter
-	Receipts from the farmhouse's use as the set for a TV series

FAQs on Agricultural Income Tax

1. Are farmers exempted from income tax?

Currently, farmers in India are exempted from paying income tax to the government.

2. Will earnings from raising animals to be regarded as agricultural earnings?

Income from animal husbandry is not regarded as income from agriculture.

3. I grow tea for a living; is this considered agricultural income?

When growing tea, 40% of income is subject to taxation as business income, while the remaining 60% is exempt as agricultural income.

4. What does India not consider to be agricultural income?

If you earn money from raising poultry, selling trees/fruits that grow naturally, bee hive farming, from the dairy industry such as milk, butter, and cheese, receipts from the farm house where a TV series was filmed, from royalties received from mining, from salt production (after the land has been flooded by the sea), acquisition of a standing crop.

5. What if the agricultural activity takes place on urban land?

Taxes are not applied to agricultural income from operations conducted on either urban or rural land.

6. How should agricultural income be reported in ITR 1?

In ITR 1, agricultural income should be reported in the Agriculture Income column. However, ITR 1 must only be used if agricultural income is up to Rs.5,000. If the stated income goes over this limit, form ITR-2 must be filed.

7. What is partly agricultural income?

Partial agricultural income is income earned by an assessee who grows agricultural products and uses them as raw materials in the manufacture of products. In this case, income from product sales is split between agriculture and non-agriculture.

8. Will animal husbandry income be regarded as agricultural income?

No, animal husbandry income will not be regarded as agricultural income.

9. I am a resident of India, and I have agricultural income from the land in Nepal. Is this tax-free?

No, only agricultural income from the land in India will be tax-free.

- 5. Total Income** The total income of a person shall include all income which is received or is deemed to be received in India or which accrues or arises or is deemed to accrue or arise in India to the assessee in a particular year. Further, income accruing or arising outside India shall also be included in the total income but only in case of a person resident in India. However, if the person is not ordinarily resident in India, income accruing or arising outside India shall be included in the total income only if it is derived from a business controlled in or a profession set up in India.

What is Gross Total Income (GTI)?

GTI is the aggregate of all the income a person has earned during a financial year before any deductions are applied. It includes income from all sources such as salary, house property, business or profession, capital gains, and other sources. It's important to note that GTI is not necessarily the amount of money that a person has received in hand. It's the total income earned, irrespective of whether it has been spent, saved, or invested.

Features of Gross Total Income (GTI)

The following are the features of GTI:

- **Comprehensive Income:** GTI includes all forms of income, regardless of their source. This could be salary, income from house property, profits from business or profession, capital gains, and income from other sources.
- **Pre-Deduction Income:** GTI is the total income before any deductions or exemptions are applied. It does not take into account any tax-saving investments or deductions under sections 80C to 80U of the Income Tax Act.
- **Basis for Tax Calculation:** GTI serves as the starting point for calculating tax liability. Deductions and exemptions are subtracted from the GTI to arrive at the Total Income, which is the taxable income.

- **Indicator of Earning:** GTI is a comprehensive measure of an individual's or entity's total earnings. It provides a broad picture of the total income generated by an individual or entity in a financial year.

What is Total Income (TI)?

Total Income, on the other hand, is the amount of income that is subject to tax. It is calculated by subtracting the deductions and exemptions allowed under the Income Tax Act from the GTI. The resulting figure is the amount of income on which a person is required to pay tax.

Features of Total Income (TI)

The following are the features of GTI:

- **Post-Deduction Income:** TI is the income that remains after all eligible deductions and exemptions have been subtracted from the GTI. These deductions could be under sections 80C to 80U, section 24(b) (home loan interest), and others.
- **Taxable Income:** TI is essentially the taxable income. It is the income on which an individual or entity is required to pay tax. The tax slabs are applied to this income to calculate the tax liability.
- **Derived from GTI:** TI is calculated by subtracting eligible deductions and exemptions from the GTI. It is a derived income, as it is based on the GTI.
- **Indicator of Net Income:** TI provides a more accurate measure of an individual's or entity's net income. It reflects the income that is actually available to the individual or entity for use after accounting for tax-saving investments and deductions.

Difference between Gross Total Income and Total Income

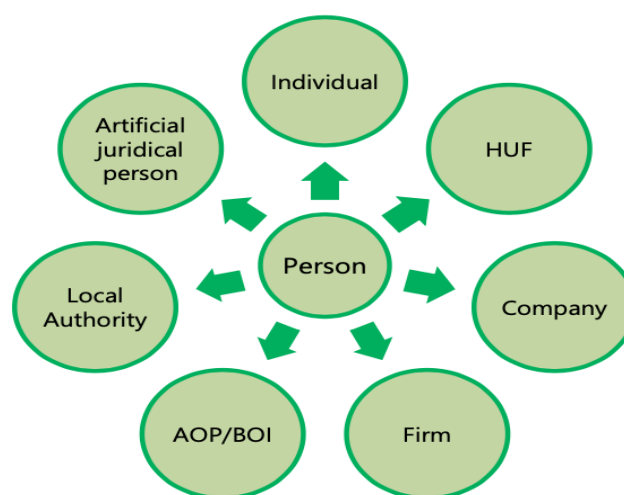
Here is the tabular difference between Gross Total Income and Total Income

Parameters	Gross Total Income (GTI)	Total Income (TI)
Definition	GTI is the total income earned by an individual or organization before deductions like <u>tax</u> and other allowances. It includes income from all sources such as salary, business profits, <u>capital gains</u> , and other incomes.	TI is the income that remains after all permissible deductions under the Income Tax Act have been accounted for. It is essentially the GTI minus the deductions.
Taxation	Tax is calculated on the total income, not on the gross total income. However, GTI is the	Tax is directly calculated on the total income.

	starting point for calculating tax.	
Components	GTI includes all types of income – salary, house property, business or profession, capital gains, and other sources.	TI is derived by subtracting permissible deductions and exemptions from the GTI.
Purpose	GTI gives a holistic view of an individual’s or organization’s earnings.	TI gives a clear picture of the taxable income of an individual or organization.

6. Person Person includes an individual, a Hindu undivided family, a company, a firm, an association of persons or a body of individuals, whether incorporated or not, a local authority, and every artificial juridical person, not falling within any of the preceding sub-clauses.

The definition of ‘assessee’ leads us to the definition of ‘person’ as the former is closely connected with the latter. The term ‘person’ is important from another point of view also *viz.*, the charge of income-tax is on every ‘person’.



The term person is defined under section 2(31) of the Income Tax Act. There are seven categories covered under the term “Person”. This means -

- An Individual (Salaried Person, Person who is a sole proprietor, Teacher etc.)
- HUF(Hindu Undivided Family)
- A Company (Winiin Taxscope Private Limited, Infosys Ltd.)
- A Firm
- An Association of persons(AOP) / Body of Individuals(BOI) , even without registration
- A Local Authority (Jaipur Development Authority)

- Every Artificial Judicial Person, not covered above

In the above section, it can be noted that man includes not only a natural person but also a person of the artificial judicial person. The types of people mentioned under the categories are described below.

- **Individuals:** Individuals refer to natural persons whether male or female or transgender, minor or major, resident or non-resident. It also includes a minor or a person of unsound mind. But the assessment in such a case may be made on the guardian or manager of the minor or lunatic who is entitled to receive his income. In the case of deceased person, assessment would be made on the legal representative.
- A partnership firm is a contractual relationship between two or more persons who have agreed to conduct business on behalf of all or any of them on behalf of all to share the profits made by the business. LLP is also considered to be a corporation under the Income-tax act of 1961.
- **HUF:** Hindu Undivided Family (HUF) is a family business covered by Hindu law rules that include all people in a lineage from the same family as Karta and members as coparceners. Jain and Sikh families are also considered HUF under this act. Under the Income-tax Act, 1961, a Hindu undivided family (HUF) is treated as a separate entity for the purpose of assessment. It is included in the definition of the term "person" under section 2(31). The levy of income-tax is on "every person". Therefore, income-tax is payable by a HUF. Hindu undivided family" has not been defined under the Income-tax Act. The expression is, however, defined under the Hindu Law as a family, which consists of all males lineally descended from a common ancestor and includes their wives and daughters.

Some members of the HUF are called **co-parceners**. They are related to each other and to the head of the family. HUF may contain many members, but members within four degrees including the head of the family (Karta) are called co-parceners. A Hindu Coparcenary includes those persons who acquire an interest in joint family property by birth. Earlier, only male descendants were considered as coparceners. With effect from 6th September, 2005, daughters have also been accorded coparcenary status. It may be noted that only the coparceners have a right to partition.

A daughter of coparcener by birth shall become a coparcener in her own right in the same manner as the son. Being a coparcener, she can claim partition of assets of the family. The rights of a daughter in coparcenary property are equal to that of a son. However, other female members of the family, for example, wife or daughter-in-law of a coparcener are not eligible for such coparcenary rights. The relation of a HUF does not arise from a contract but arises from status. There need not be more than one male member or one female coparcener w.e.f. 6th September, 2005 to form a HUF. The Income-tax Act, 1961 also does not indicate that a HUF as an assessable entity must consist of at least two male members or two coparceners.

Under the Income-tax Act, 1961, Jain undivided families and Sikh undivided families would also be assessed as a HUF.

- Company [SECTION 2 (17)]: A company is a legal entity established under the Companies Act, 2013 or any other previous act. Companies include Any Indian Company Foreign Company Parent, Partner or Subsidiary Legal Company Public Company, any other type of company,
- An association or individual body: A group of people means a group of people united to achieve the same goal by operating the same principle. AOP members can be natural persons or judges.
- Local authorities: Local authorities are a legally responsible organization of public services designed to provide services in a particular area. The term means a municipal committee, district board, body of port commissioners or other authority legally entitled to or entrusted by the Government with the control or management of a municipal or local fund.

Note: A local authority is taxable in respect of that part of its income which arises from any business carried on by it in so far as that income does not arise from the supply of a commodity or service within its own jurisdictional area. However, income arising from the supply of water and electricity even outside the local authority's own jurisdictional area is exempt from tax.

- *Artificial Juridical Persons:- This category could cover every artificial juridical person not falling under other heads. An idol, or deity would be assessable in the status of an artificial juridical person.*

Every Assessee is a Person but every person is not an assessee

It is very important. An assessee is a person who is responsible for paying taxes, either on his or her income or with others. But that does not mean that everyone should pay taxes.

If you are an individual and your total income is below the income limit as per income tax, then you have no obligation to pay taxes.

If your income is not available then you are not responsible for remittances and refunds. If so, you are not an assessee but he is a person.

7. PERQUISITES

What are perquisites in salary?

Perquisites are profits that come in addition to an employee's regular salary. Perquisites in salary can be as simple as company-sponsored accommodation, fuel reimbursement, etc., or may include interest-free loans, medical facilities, etc.

Differences between Allowances and Perquisites

Basis	Allowances	Perquisites
Definition	A fixed amount paid to the employee to meet certain special expenses.	Benefits are provided to the employee due to their professional service.
Mode of payment	It is generally paid out in cash.	It is primarily paid in consideration other than cash. Only in case of reimbursement is it paid in cash.
Tax liability	It is taxable when paid along with salary, and hence it increases tax liability.	It may or may not be taxed depending on its type, and hence it may not increase tax liability.
Impact on take-home salary	It increases take-home salary.	It doesn't impact the take-home salary.
Example	HRA (House Rent Allowance), medical allowance, etc.	Company car, rent-free accommodation provided by the company, refreshments in offices, etc.

What are the different types of perquisites?

These are classified into the following three major heads based on the tax levy:

Taxable Perquisites

Some of the fringe benefits are taxable in nature, such as the supply of gas, water & electricity, rent-free accommodation, professional tax, reimbursement of medical expenses, etc. This category also includes other fringe benefits extended by employers, such as free meals, gift value exceeding Rs.5,000, club & gym membership, etc.

Tax-exempted Perquisites

There are many non-taxable fringe benefits, such as travel allowance, reimbursement for company-sponsored computer/laptop provided for official use, provision for medical aid, use of

health club & sports club, refreshment offered during office hours, telephone lines, interest-free loans, employer's contribution to provident fund, free medical facilities, etc.

Perquisites taxable only by employee

This category includes education facility for children, car owned by the employer but used by the employee, etc.

Perquisites Benefits

Some surveys show that 50% of employees would leave their job for better employee benefits. In today's time, employees want more than just a salary. Offering these benefits helps you,

1. Improve employee productivity
2. Increase employee loyalty
3. Increase employee retention
4. Attract top talent

VARIOUS CONCEPTS OF INCOME

SECTION 5:- Scope of total income

(1) Subject to the provisions of this Act, the total income of any previous year of a person who is a resident includes all income from whatever source derived which—

(a) is received or is deemed to be received in India in such year by or on behalf of such person;
or

(b) accrues or arises or is deemed to accrue or arise to him in India during such year; or

(c) accrues or arises to him outside India during such year:

Provided that, in the case of a person not ordinarily resident in India within the meaning of sub-section (6) of [section-6](#), the income which accrues or arises to him outside India shall not be so included unless it is derived from a business controlled in or a profession set up in India.

(2) Subject to the provisions of this Act, the total income of any previous year of a person who is a non-resident includes all income from whatever source derived which—

(a) is received or is deemed to be received in India in such year by or on behalf of such person;
or

(b) accrues or arises or is deemed to accrue or arise to him in India during such year.

Explanation 1.—Income accruing or arising outside India shall not be deemed to be received in India within the meaning of this section by reason only of the fact that it is taken into account in a balance sheet prepared in India.

Explanation 2.—For the removal of doubts, it is hereby declared that income which has been included in the total income of a person on the basis that it has accrued or arisen or is deemed to have accrued or arisen to him shall not again be so included on the basis that it is received or deemed to be received by him in India.

Section 5 of the Income-tax Act, 1961 states the provisions relating to income that is taxable in the hands of the person during the PY,

S. No.	Particulars	Resident and Ordinarily Resident (ROR)	Resident but not-Ordinarily Resident (RNOR)
1	Income received or is deemed to be received in India	Taxable	Taxable
2	Income accrues or arises or is deemed to accrue or arise in India	Taxable	Taxable
3	Income accrues or arises outside India but business & profession controlled or set up in India	Taxable	Taxable
4	Income accrues or arises outside India and business & profession controlled or set up outside India	Taxable	Not Taxable

S. No.	Particulars	Resident and Ordinarily Resident (ROR)	Resident but not- Ordinarily Resident (RNOR)
5	The past foreign (un-taxed) income brought into India	Not Taxable	Not Taxable

Section -5 of Income Tax Act, 1961 provides Scope of total Income in case of of person who is a resident, in the case of a person not ordinarily resident in India and person who is a non-resident which includes. Income can be Income from any source which (a) is received or is deemed to be received in India in such year by or on behalf of such person ; or (b) accrues or arises or is deemed to accrue or arise to him in India during such year ; or (c) accrues or arises to him outside India during such year .

SECTION 6:- RESIDENCE IN INDIA

It is critical for the Income Tax Department to establish a taxable individual’s or company’s residence status. It is especially important during the tax filing season. In reality, this is one of the variables used to determine a person’s taxability.

Residential Status for Income Tax

An individual’s taxability in India is determined by his residential status under the income tax act in India for any given fiscal year. The phrase “residential status” was coined by India’s income [tax](#) rules and should not be confused with an individual’s citizenship in India.

An individual may be an Indian citizen but become a non-resident for a certain year. Similarly, a foreign citizen may become a resident of India for [income tax](#) purposes in a given year.

It is also worth noting that the residential status as per income tax differs to sorts of people, such as an individual, a corporation, a company, and so on, decided differently.

Resident Status Classifications

Income Tax Law has divided the residence status of an individual in India into three categories based on the length of time he or she has lived in India. An individual's residential status will include his or her current fiscal year as well as previous years of stay.

The following categories are used to classify an individual's residence status.

- Resident (ROR)
- Resident but Not Ordinarily Resident (RNOR)
- Non-Resident (NR)

Resident and Ordinarily Resident

Individuals are deemed to be residents of India under Section 6(1) of the Income Tax Act if they meet the following conditions: If he/she stays in India for 182 days or more in a fiscal year, or if he/she stays in India for 60 days or more in a fiscal year, and if he/she stays in India for 365 days or more in the four years immediately before the previous year and comes under ordinary resident in income tax.

According to section 6(6) of the [Income Tax Act of 1961](#), there are two criteria under which an individual will be considered a "Resident and Ordinarily Resident" (ROR) in India.

- If he or she spends 730 days or more in India in the seven years preceding the current year.
- If he/she has resided in India for at least two of the ten prior fiscal years before the current year.

Resident but Not Ordinarily Resident

When an assessee meets the following fundamental requirements, he or she will be regarded as RNOR: If an individual stays in India for a time of 182 days or more in a fiscal year; or if he/she stays in India for a period of 60 days in a fiscal year and 365 days or more in the four preceding fiscal years.

An Assessee, on the other hand, will be classified as a Resident but Not Ordinarily Resident (RNOR) if they meet one of the following fundamental conditions:

- If he/she stays in India for 730 days or more in the previous fiscal year.
- If he/she was a resident of India for at least 2 out of 10 days in the previous fiscal year.

Non Resident

An individual will be eligible for Non-Resident (NR) status if he or she meets the following criteria:

- If an individual spends less than 181 days in India within a fiscal year.
- If an individual stays in India for no more than 60 days in a fiscal year.
- If an individual stays in India for more than 60 days in a fiscal year but does not remain for 365 days or more in the preceding four fiscal years.

Section 7: Income Deemed To Be Received

The following incomes shall be deemed to be received in the previous year:

1. the annual accretion in the previous year to the balance at the credit of an employee participating in a recognised provident fund, to the extent provided in rule 6 of Part A of the Fourth Schedule;

2. the transferred balance in a recognised provident fund, to the extent provided in sub-rule (4) of rule 11 of Part A of the Fourth Schedule;
3. the contribution made, by the Central Government or any other employer in the previous year, to the account of an employee under a pension scheme referred to in section 80CCD.

Scope of Section 9

Section 9 of the Income Tax Act 1961 outlines the tax implications for income earned by non-residents or foreign entities in India. As per the provisions of this section, all income received or accrued in India, whether directly or indirectly, is taxable under the Income Tax Act.

The section is important for foreign entities that have business operations or investments in India.

The scope of Section 9 is extensive and applies to various types of income earned by non-residents or foreign entities in India. This includes:

1. Income from any business or profession that is carried on in India
2. Income from any property that is situated in India
3. Income from any asset or source of income that is situated in India
4. Income from any salary earned in India
5. Income from any dividend paid by an Indian company
6. Income from any interest earned on securities issued by the Indian government or Indian company
7. Royalties or fees for technical services rendered in India
8. Capital gains arising from the transfer of any asset situated in India

Provisions of Section 9

Section 9 has three main provisions that determine the tax implications of income earned by non-residents or foreign entities in India.

1. **Territorial Nexus Rule:** According to this provision, any income that arises or is deemed to arise in India is taxable in India. This applies to all types of income, including business income, capital gains, interest income, etc.
2. **Residence Rule:** The provision of this rule states that any income that accrues or arises outside India is not taxable in India if the recipient of such income is not a resident of India. In other words, if a non-resident earns income outside India, that income is not taxable in India.
3. **Specific Inclusions Rule:** This provision applies to certain types of income, such as interest, royalties, or fees for technical services that are received from India or for services rendered in India. Under this rule, the income is deemed to arise in India, and hence it is taxable in India.

Implications of Section 9

Section 9 has several implications for non-residents or foreign entities doing business in India. The following are some of the key implications:

1. **Taxation of Income:** Any income earned by a non-resident or foreign entity from a business or asset situated in India is taxable in India. The tax rate for such income is determined based on the income tax slab rates applicable for the financial year.
2. **Withholding Tax:** Under Section 195 of the Income Tax Act, any person responsible for making payment to a non-resident is required to deduct tax at source. The tax rate is determined based on the type of income and the provisions of the Double Taxation Avoidance Agreement (DTAA), if applicable.
3. **Permanent Establishment:** If a non-resident or foreign entity has a permanent establishment (PE) in India, then the income earned from that establishment is taxable in India. A PE is a fixed place of business, such as an office or factory, where the non-resident carries on business in India.

Conclusion

Section 9 of the Income Tax Act 1961 is a crucial provision that determines the tax implications of income earned by non-residents or foreign entities in India. The scope of the section is extensive and covers various types of income. Non-residents or foreign entities must be aware of the provisions of Section 9 and the tax implications to ensure compliance with the law.

Frequently Asked Questions (FAQs)

Q:1 What is Section 9 of the Income Tax Act, 1961?

A: Section 9 of the Income Tax Act, 1961, outlines the tax implications for income earned by non-residents or foreign entities in India. It specifies that all income received or accrued in India, whether directly or indirectly, is taxable under the Income Tax Act.

Q:2 What types of income are covered under Section 9 of the Income Tax Act?

A: Section 9 covers various types of income earned by non-residents or foreign entities in India, including income from any business or profession that is carried on in India, income from any property situated in India, income from any asset or source of income situated in India, income from any salary earned in India, income from any dividend paid by an Indian company, income from any interest earned on securities issued by the Indian government or Indian company, royalties or fees for technical services rendered in India, and capital gains arising from the transfer of any asset situated in India.

Q:3 What is the Territorial Nexus Rule under Section 9 of the Income Tax Act?

A: The Territorial Nexus Rule states that any income that arises or is deemed to arise in India is taxable in India. This applies to all types of income, including business income, capital gains, interest income, etc.

Q:4 What is the Residence Rule under Section 9 of the Income Tax Act?

A: The Residence Rule under Section 9 states that any income that accrues or arises outside India is not taxable in India if the recipient of such income is not a resident of India.

Q:5 What is the Specific Inclusions Rule under Section 9 of the Income Tax Act?

A: The Specific Inclusions Rule applies to certain types of income, such as interest, royalties, or fees for technical services that are received from India or for services rendered in India. Under this rule, the income is deemed to arise in India, and hence it is taxable in India.

Q:6 Are non-residents or foreign entities required to pay tax on their income earned in India?

A: Yes, non-residents or foreign entities are required to pay tax on their income earned in India as per the provisions of Section 9 of the Income Tax Act.

Q:7 What is the tax rate for income earned by non-residents or foreign entities in India?

A: The tax rate for income earned by non-residents or foreign entities in India is determined based on the income tax slab rates applicable for the financial year.

Q:8 What is Withholding Tax under Section 9 of the Income Tax Act?

A: Under Section 195 of the Income Tax Act, any person responsible for making payment to a non-resident is required to deduct tax at source. The tax rate is determined based on the type of income and the provisions of the Double Taxation Avoidance Agreement (DTAA), if applicable.

Q:9 What is Permanent Establishment under Section 9 of the Income Tax Act?

A: If a non-resident or foreign entity has a permanent establishment (PE) in India, then the income earned from that establishment is taxable in India. A PE is a fixed place of business, such as an office or factory, where the non-resident carries on business in India.

➤ **HEADS OF INCOME: WHAT ARE 5 HEADS OF INCOME TAX?**

As per the Income Tax Act, there are 5 heads of income under which a taxpayer's income can be classified: *Income from Salaries*, Income from House Property, Income from Profits and Gains from Business and Profession, Income from Capital Gains, and Income from Other Sources. Correct tax calculation is important, and earnings have to be correctly classified under these heads. It becomes important to understand which earnings belong to which heads of income.

As per Section 14 of 'Heads of Income' of the Income Tax Act, 1961, all income for the purpose of charging it under the Income Tax and for computing the total income, should be classified under the following 5 heads:

- Income from Salaries
- *Income from House Property*
- Income from Profits and Gains from Business and Profession
- Income from Capital Gains
- Income from Other Sources

1. INCOME FROM SALARIES

➤ **SECTION 17(1) – DEFINITION OF SALARY UNDER THE INCOME TAX ACT**

Section 17 under the Income Tax Act includes the detail of the benefits provided by the employer to the employees. While filing income Tax Return, the most prominent income head is considered salary. Sub-Section (1) of Section 17 covers the explanation of salary. Let us discuss this more.

What is Salary under Section 17(1)?

Salary is a much broader term than what we understood. Salary is used when there is an employer-employee relationship between the payee and the payer. While calculating the income under the head salaries, the total amount of salary, perquisites, and profits provided in place of a salary received in a financial year must be calculated. Salary is used most frequently while filing the income tax return. All salaried individuals with income above the exemption limit must file the [ITR](#).

Incomes Classified as “Salary” Under Section 17(1) are:-

- **Wages-** Wages refer to the payment or remuneration given to an employee in exchange for their work or services rendered. It is typically paid hourly for blue-collar jobs, such as factory workers, mechanics, or construction workers. It is fully taxable under Section 15 if received during the relevant previous year.
- **Annuity or pension-** An annuity or pension is amount received by an individual that provides a fixed stream of payments over a certain period, typically after retirement. It is designed to provide a steady income to help individuals meet their financial needs in retirement. Annuity received from a present employer is taxed as ‘Salary while the Annuity received from a previous employer is taxed as ‘Profits in lieu of Salary’.
- **Advance of salary-** An advance of salary is a payment made by an employer to an employee before the employee's regular salary payment date. This payment is usually made in anticipation of an employee's financial need or emergency. It is fully taxable under Section 15.
- **Gratuity-** [Gratuity](#) is a lump-sum payment made by an employer to an employee as a token of appreciation for the employee's long and meritorious service. It is a type of retirement benefit and is usually paid when an employee completes a certain period of service with the employer, such as 5 or 10 years. Taxed as per Section 10(10) and is exempted up to certain limits.
- **Fees, commissions, perquisites-** Fees, commissions, and perquisites are types of income that an individual may receive as part of their employment or business activities.
 - An amount received as fees to the employee from the employer for the services rendered is included in the definition of salary.
 - Any amount of commissions given to the employee for the services provided shall form part of the salary. If the employee receives a fixed commission as a percentage of the sales or profits, it shall be considered a salary.
 - Perquisites, also known as perks, are benefits or privileges provided to an employee in addition to their regular salary or wages. This is explained more under Section 17 (2).
- **Profits in lieu of salary-** Profits in lieu of salary refer to any payment or benefit received by an employee in connection with their employment, other than salary or wages. This

can include bonuses, commissions, incentives, allowances, or any other form of compensation not classified as salary. This is explained more under Section 17(3).

- Leave encashment- **Leave encashment** is a payment made to an employee in lieu of the employee taking their entitled leave. In other words, it is the amount paid to an employee for the unutilized leave days they are entitled to.
- EPF- **EPF** stands for Employees' Provident Fund, a retirement savings scheme for salaried employees in India. The scheme is managed and regulated by the Employees' Provident Fund Organization (EPFO), a statutory body under the Ministry of Labour and Employment.
- NPS- A contribution made by the Central Government or any other employer in a financial year in an employee's account under National Pension Scheme (**NPS**) will form part of the salary.
- Transferred PF balance- The taxable portion of the transferred balance from an unrecognized provident fund to a recognized provident fund will be considered salary.

What is the basis of salary income being charged?

The salary income is charged on the basis of Section 15 of the Income Tax Act. It is charged on a 'receipt basis' or 'due basis,' whichever is earlier. A salary received in a particular financial year comprises of:-

- Any advance amount paid to the employee before it became due or payable.
- Any salary due to the employee during the year.
- Arrears of salary paid to the employee during the year and not charged to tax in any earlier years

What are the conditions under which the salary is taxable in India?

- If the services are rendered in India, it is taxable, no matter whether the payment is made outside the country.
- Salary paid by the Government of the foreign country to their employees serving in India.
- Leave salary paid to the employees working outside India and earned the leaves in India.

Frequently Asked Questions

Q- What is section 17(1) of the Income Tax Act, 1961?

Section 17(1) of the Income Tax Act, 1961 lists the various perquisites or benefits in lieu of salary that are taxable as part of an employee's salary income.

Q- Are all perquisites or benefits in lieu of salary taxable under section 17(1)?

No, certain perquisites or benefits in lieu of salary may be exempt from tax under section 10 of the Income Tax Act, 1961. For example, housing rent allowance, or leave travel allowance is exempted up to a certain limit.

Q- Who is responsible for deducting tax on perquisites or benefits in lieu of salary under section 17(1)?

The employer is responsible for deducting tax on perquisites or benefits in lieu of salary and depositing it with the government on the employee's behalf.

2. INCOME FROM HOUSE PROPERTY

Section 22 to Section 27 of the Income Tax Act, 1961, deals with the Income from House Property. The income derived from renting out properties whether for residential or commercial purposes are categorized under the head 'Income from House Property'. The property should be owned by the individual other than for business purposes. The tax on such income is determined based on components such as: standard rent, municipal valuation, and actual rent received.

In case an individual has more than one self-occupied house, only one house will be treated as self-occupied for computing 'Income from House Property'. The remaining houses will be treated as deemed to be let out and accordingly deemed rent will be determined on the same.

An individual's income from his or her house property or land appurtenant such property is taxable under the head of income from house property. To put it simply, this head includes the policy for calculating the [tax on rental income](#) that you receive from your properties.

Broadly Income from House Property has three sub-classifications

1. Self Occupied Property
2. Let out Property
3. Deemed Let out Property

In case you own more than two self-occupied house, then only two of such houses is considered to be self-occupied and the rest are considered to be deemed let out. The taxation occurs on income received from both commercial and residential property.

Details on such house property need to be declared in Schedule HP of your ITR in the below format

a	Gross rent received or receivable or lettable value	1 a	0
b	The amount of rent which cannot be realized	1 b	0
c	Tax paid to local authorities	1 c	0
d	Total (1 b + 1 c)	1 d	0
e	Annual value (1 a – 1 d) (nil, if self-occupied etc. as per section 23(2) of the Act)	1 e	0
f	Annual value of the property owned (own percentage share x 1 e)	1 f	0
g	30% of 1 f	1 g	0
h	Interest payable on borrowed capital	1 h	2,00,000
i	Total (1 g + 1 h)	1 i	2,00,000
j	Arrears / Unrealized Rent received during the year Less 30%	1 j	0
k	Income from house property 1 (1 f - 1 i + 1 j)	1 k	-2,00,000
2	Pass through income/ loss if any *	2	0
3	Income under the head "Income from house property" (1 k + 2) (if negative take the figure to 2i of schedule CYLA)	3	-2,00,000

3. INCOME FROM PROFITS AND GAINS FROM BUSINESS AND PROFESSION

The 'Income from Profits and Gains from Business and Profession' includes income from trade, commerce, business, profession or vocation conducted by individuals, partnerships, or corporations. Section 28 to Section 44DB of the Income Tax deals with the computation of profits and gains from business and profession. Moreover, income from manufacturing, trading, self-employment, freelancing, consultancy, and professional services, are considered under the head income from business and profession. The profits and gains from business and profession is determined by subtracting business expenses, depreciation, and other allowable deductions from gross income.

The following types of income are chargeable under the head 'Income from Profits and Gains from Business and Profession':

- Profits from operating a business or trade.
- Income from the sale of goods or provision of services.
- Profits on sale of import license or duty entitlement.
- Cash assistance received under the Scheme of the Government of India by an exporter.
- Benefits or bonuses received in the course of business.

- Interest, salary, bonus, commission, or remuneration received by the partners from the partnership firm or LLP will be taxed in the hands of the partners under this head.
- Gains from speculative business activities or transactions.
- Any amount received under the Keyman Insurance Policy including the bonus on such policy.

4. INCOME FROM CAPITAL GAINS

The '**Income from Capital Gains**' represents the gains from sale or transfer of capital assets like property, shares, mutual funds, bonds, and so on. Section 45 to Section 55A of the Income Tax deals with the determination of 'Income from Capital Gains'. The types of capital gains depend on the period of holding of capital assets. Thereby, the tax treatment of each type of gain differs.

A long-term capital gain occurs when a capital asset is sold after 36 months from the date of purchase and is taxed at the rate of 20%. If the capital assets are held for less than 36 months, the gains are said to be short-term and are taxed at 15%. However, in case of securities, the holding period is 12 months for classifying the same under short-term and long-term. Thus, if securities are held for less than 12 months, the capital gains will be treated as short-term while those held for more than 12 months are considered as long-term.

5. INCOME FROM OTHER SOURCES

Section 56 to Section 59 of the Income Tax deals with the determination of 'Income from Other Sources'. Incomes that do not fall under any of the above types, are included under the head '**incomes from other sources**'. The examples of incomes from other sources include: interest income from fixed deposits or savings accounts, gifts, dividends, royalty income, dividends, winning from lotteries and gambling, and so on. These incomes are added to the total income of the assessee and taxed at the applicable rates of taxes.

➤ HEADS OF INCOME VS SOURCES OF INCOME

The heads of income are ways to classify the earnings or gains of an individual during a given year as per the Income Tax Act. This is necessary for taxation purposes. They are:

- Income from Salaries
- Income from House Property

- Profits and Gains from Profession or Business
- Capital Gains
- Income from other sources

On the other hand, sources of income for any person or business are monetary sources from which they can earn an income.

For individuals, they are:

- Salary
- Interest
- Commission, etc.

In case of businesses, they are:

- Returns on investments
- Profits
- Grants from the government and more

➤ **CLUBBING OF INCOME UNDER SECTION (60-65)**

There are many occasions when you may require to club income of someone else with your income. If you are planning to transfer any of your assets/income to another person as a means of tax planning to avoid the income getting taxed in your hands, hold on. Such transfers could result in attraction of clubbing provisions under the Indian income tax laws.

Even genuine gifts extended to your kith and kin could have these income tax implications. It will help you immensely if you get some insights on the clubbing provisions under the Indian income tax law. Hence, let us understand these provisions a little more in detail.

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Clubbing of Income

As the term suggests, clubbing of income means adding or including the income of another person (mostly family members) to one's own income. This is allowed under Section 64 of the IT Act. However, certain restrictions pertaining to specified person(s) and specified scenarios are mandated to discourage this practice.

Specified Persons to Club Income

Income of any and every person cannot be clubbed on a random basis while computing total income of an individual and also not all income of specified person can be clubbed. As per Section 64, there are only certain specified income of specified persons which can be clubbed while computing total income of an individual.

Specified Scenarios to Club Income

Section	Specified person	Specified scenario	Income to be clubbed
Section 60	Any person	Transferring income without transferring asset either by way of an agreement or any other way,	Any income from such asset will be clubbed in the hands of the transferor
Section 61	Any person	Transferring asset on the condition that	Any income from such asset will be clubbed in the

		it can be revoked	hands of the transferor
Section 64(1A)	Minor child	Any income arising or accruing to your minor child where child includes both step child and adopted child. The clubbing provisions apply even to minor married daughter.	<p>Income will be clubbed in the hands of higher earning parent. Note: If the marriage of the child's parents does not subsist, income shall be clubbed in the income of that parent who maintains the minor child in the previous year.</p> <p>If a minor child's income is clubbed in the hands of parent, then an exemption of Rs. 1,500 is allowed to the parent (This is applicable only if the parent opts for the old tax regime).</p> <p>Exceptions to clubbing</p> <p>Income of a disabled child (disability of the nature specified in section 80U)</p> <p>Income earned by manual work done by the child or by activity involving the application of his skill and talent or specialised knowledge and experience</p> <p>Income earned by a major child. This would also include income earned from investments made out of money gifted to the adult child. Also, money</p>

			<p>gifted to an adult child is exempt from gift tax under gifts to ‘relative’.</p>
Section 64(1)(ii)	Spouse**	<p>If your spouse receives any remuneration irrespective of its nomenclature, such as Salary, commission, fees or any other form and by any mode, i.e., cash or in kind from any concern in which you have substantial interest*</p>	<p>Income shall be clubbed in the hands of the taxpayer or spouse, whose income is greater (before clubbing).</p> <p>An exception to clubbing: Clubbing is not allowable if spouse possesses technical or professional qualifications in relation to any income arising to the spouse, and such income is solely attributable to the application of his/her technical or professional knowledge and experience.</p>
Section 64(1)(iv)	Spouse**	<p>Direct or indirect transfer of assets to your spouse by you for inadequate consideration</p>	<p>Income from out of such asset is clubbed in the hands of the transferor. Provided the asset is other than the house property. Exceptions to clubbing of income in the following cases:</p> <p>a. Where the asset is received as part of divorce settlement</p>

			<p>b. If assets are transferred before marriage,</p> <p>c. No husband and wife relationship subsists on the date of accrual of income.</p> <p>d. The asset is acquired by the spouse out of pin money(i.e. an allowance given to the wife by her husband for her personal and usual household expenses)</p>
64(1)(vi)	Daughter-in-law	Transfer of assets transferred directly or indirectly to your daughter in-law by you for inadequate consideration	Any income from such assets transferred is clubbed in the hands of the transferor
64(1)(vii)	Any person or association of person	Transferring any assets directly or directly for an inadequate consideration to any person or association of persons to benefit your daughter in-law either immediately or on deferred basis	Income from such assets will be considered as your income and clubbed in your hands

64(1)(viii)	Any person or association of person	Transferring any assets directly or directly for an inadequate consideration to any person or association of persons to benefit your spouse either immediately or on deferred basis	Income from such assets will be considered as your income and clubbed in your hands
Section 64(2)	Hindu Undivided Family	In case, a member of HUF transfers his individual property to HUF for inadequate consideration or converts such property into HUF property	Income from such converted property shall be clubbed in the hands of individual

**An individual is said to have the substantial interest in the concern if–*

- In case of a company, individual either by himself or along with his relative/s beneficially owns shares having 20% or more voting power (not being shares entitled to a fixed rate of dividend whether with or without a further right to participate in profits)
- In any other case, such individual either alone or along with his relative/s is entitled to 20% or more of profits in the aggregate of such concern at any time during the previous

year.

**Income from reinvestment of clubbed income by a spouse is not clubbed in the hands of individual.

Examples on Clubbing of Income

Example 1

Mr P owns a shop which fetches a rent of Rs.12,000 per month. He transfers the rent to his friend Mr Q but retains the ownership of the shop.

In this case, because Mr P has transferred the income without transferring the asset. Hence, as per section 60 of the income tax act, Mr P must include the rental income while computing his total income.

Example 2

Mr Jay is beneficially holding 21% equity shares of PTK Pvt. Ltd. Mrs Jay is employed as a finance manager in PTK Pvt. Ltd. The monthly salary received from Mrs PTK Pvt. Ltd. is Rs. 40,000. Mrs Jay is not having any qualification, experience or knowledge of finance.

In this situation, Mr Jay has a substantial interest in PTK Pvt. Ltd. with 21% shareholding. But Mrs Jay is employed without any qualification and technical knowledge of finance. Hence, salary or payment received by Mrs Jay from PTK Pvt. Ltd. will be clubbed with the income of Mr Jay as per section 64(1)(ii) of the income tax act.

In the above case, if Mrs Jay had the qualification and knowledge for the finance manager post in PTK Pvt. Ltd., then income earned by Mrs Jay will not be clubbed in the income of Mr Jay.

Example 3

Mr Lucky holds gifted Rs. 6,00,000 to his wife. Mrs Lucky has then invested the same amount in the fixed deposit. Mrs lucky receives the interest of 5,000 p.a. from such fixed deposit.

As Mr Lucky has transferred Cash (asset) without adequate consideration and it was converted into another asset by Mrs Lucky. Hence, interest earned of Rs. 5,000 from the converted asset (fixed deposit) will be clubbed in the income of Mr Lucky as per section 64(1)(iv) of the income tax act.

Note:

- If Mr lucky transfers the cash as a settlement for divorce in the above case, then clubbing provisions will not apply.
- Also, if he transfers the cash before marriage and interest is accrued after marriage, no income shall be clubbed in the hands of Mr. Lucky.

Hence, husband-wife relationship should remain at the time of transfer of asset and also at the time of accrual of income.

How to avoid Clubbing of Income ?

Now we have explained the provision where transaction which are considered under clubbing of income , Let's explain some of unique ways you can plan your taxes without clubbing of Income provision

1. **Transfer of amount to Parents and Interest earned on such investment :** Any amount transferred to your Parents as a Gift will not be taxable in the hands of your Parents and lets say such amount is invested in a Fixed Deposit , Interest on such FD will continue to be taxed in the hands of Parents and clubbing provision will not be applicable
2. **Gift Received at the time of Marriage :** Any gift received during the time of marriage will not be taxable in the hands of the recipient and thus any income arising on such investment will continue to be taxed in the hands of the recipient.
3. **Investment in PPF :** Since interest earned on PPF is exempt income , Even if you invest in PPF in the name of your Spouse or Minor child , Interest will not be taxable. Thus clubbing provision became irrelevant.

Since there is an investment cap of Rs 150,000 per individual in PPF , You can open multiple PPF accounts in the name of your Spouse or Minor child to get this benefit.

➤ **UNDERSTANDING CHAPTER VI-A: KEY SECTIONS AND DEDUCTIONS**

What is Chapter VI-A?

Chapter VI-A is a part of the Income Tax Act, 1961 in India that allows taxpayers to claim deductions from their gross total income on certain investments, expenses, and contributions made during the financial year. The deductions under Chapter VI-A are a significant tax-saving opportunity for taxpayers as they reduce the amount of tax liability.

Sections and Deductions

Section 80C: Deduction for investments in specified schemes such as life insurance, provident fund, public provident fund, national savings certificate, etc. The maximum deduction allowed under this section is ₹1.5 lakh.

Section 80D: Deduction for health insurance premium paid for self, spouse, dependent children, and parents. The maximum deduction allowed under this section is ₹25,000 for individuals below 60 years of age and ₹50,000 for senior citizens.

Section 80CCD: Deduction for contribution to the National Pension System (NPS) by the employee or the employer. The maximum deduction allowed under this section is 10% of salary or 20% of gross total income, whichever is lower, for the employee and 10% of salary for the employer.

Section 80G: Deduction for donations made to certain funds and charitable institutions. The deduction allowed under this section varies from 50% to 100% of the donation amount, subject to certain limits and conditions.

Section 80TTA: Deduction for interest income from a savings bank account. The maximum deduction allowed under this section is ₹10,000.

Tax Benefits of Chapter VI-A

Chapter VI-A of the Income Tax Act offers a wide range of tax benefits to individuals and businesses. By investing in specific financial instruments, making certain expenditures, or contributing to charitable causes, taxpayers can significantly reduce their tax liability.

Some of the key deductions available under Chapter VI-A include:

- Section 80C: This section allows for a deduction of up to Rs. 1.5 lakh for investments in life insurance premiums, provident funds, national savings certificates, tuition fees, and other eligible instruments.
- Section 80D: This section provides a deduction for health insurance premiums for self, spouse, dependent children, and parents. The limit varies based on the age of the taxpayer.
- Section 80E: Interest on education loans taken for higher education is deductible under this section.
- Sections 80EE and 80EEA: These sections offer deductions for interest on home loans, with specific limits and eligibility criteria.
- Section 80G: Donations to registered charitable organizations can be deducted under this section.
- Sections 80TTA and 80TTB: These sections provide deductions for interest earned on savings bank accounts and fixed deposits, respectively.