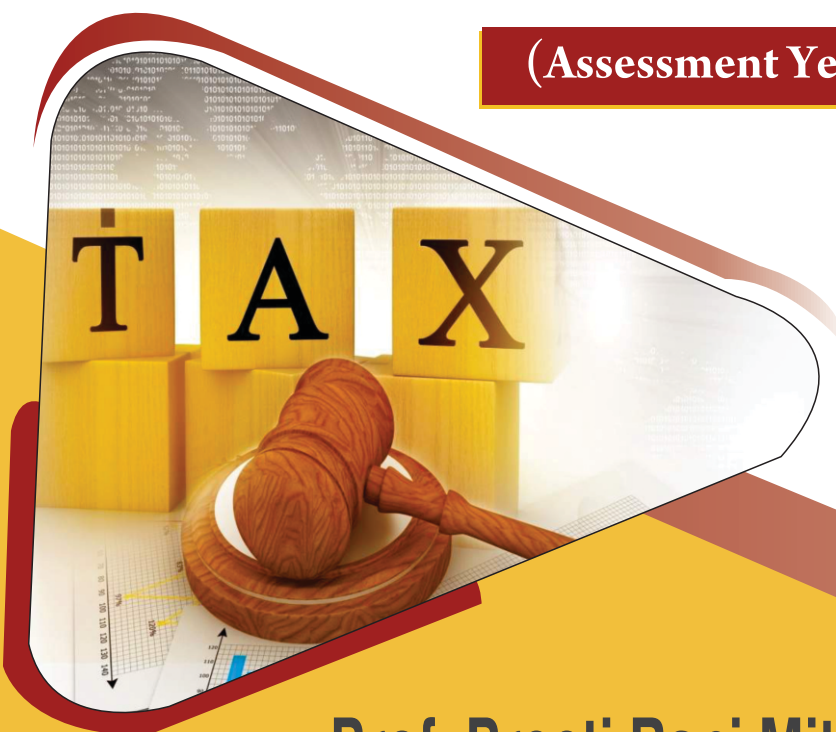


6th
EDITION

INCOME TAX

Law and Practice

(Assessment Year 2024-25)



Prof. Preeti Rani Mittal
Dr. Anshika Bansal

SULTAN CHAND & SONS

Income Tax

Law & Practice

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Mrs. Rama Bansal

INCOME TAX

LAW AND PRACTICE
(Assessment Year 2024-25)

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Preface



PREFACE TO SIXTH EDITION

The present publication is the 6th edition of the book Income Tax Law and Practice & has been amended by the Finance Act, 2023 for the assessment year 2024-25 with the following noteworthy features:

[Coverage]: Coverage of this book includes:

The introductory chapter narrate brief introduction of taxation system, concept, basic definitions, planning and charter of income tax at a glance.

Chapter 2 given an overview of residential status of an assessee which determines the scope of chargeability of his income for computation of his tax liability.

Chapter 3 is devoted for fully and partially exempted income which are specifically exempted from tax by income tax law.

Chapter 4-10 deal with all heads of income which holds tax liability on income from salary, house property, business & profession, capital gain and other sources. It deals in details all provisions of assessment of income relating to Income Tax Act, 1961.

Chapter 11 covers clubbing of income including cross transfer, deemed incomes and revocable transfer in such a way that tax liability of a taxpayer can be reduced or avoided.

Chapter 12 depict set off and carry forward of losses incurred by a person against his profit or income in assessment year.

Chapter 13 is devoted to privileges the deductions to be made in computing total income in respect of certain payments.

Chapter 14 a brief chapter which deals with assessment of agricultural income including non-agricultural income.

Chapter 15 provide thorough detail about computation of total income and procedure of taxation of an individual.

Chapter 16 is dedicated to assessment of HUF. The Income Tax Act provides a special status to HUF and it is treated as separate entity for the purpose of assessment.

Chapter 17 illustrate the assessment of Firm's including LLP. It is also a separate legal entity in the eye of income tax department and covers all provisions of Firm and LLP' taxation.

Chapter 18 shows rebate and relief of tax, on which tax already been paid.

Chapter 19 give an overview of the return of income and e-filing procedure, furnished by a taxpayer to the income tax department in prescribed form.

Chapter 20 represents TDS and E-TDS return with an aim to collect tax from every source of income in quick and efficient collection of taxes.

Chapter 21 characterizes assessment procedure; it begins with self-assessment and end with the assessment by the authority.

Chapter 22 narrate some leading cases of Supreme Court which are simply known as “stand by decisions”.

[Student-Oriented Book]: This book has been developed keeping in mind the following factors:

- Interaction of the author/teacher with their students in the classroom.
- Simple Language is used throughout the book for easy learning.

[Arrangement of Illustrations and Unsolved Practical Questions]: Illustrations and unsolved practical questions in each chapter are arranged ‘sub-topic’ wise by which students can apply what they learn to actual taxation situations.

[Notes and Hints]: All chapters have plenty of notes and hints in each illustration and question which helps the students in solve their numerical problems properly and easy understanding in complex subject like Income Tax.

[Annotation]: Section-wise detail annotation on changes made by the Finance Act, 2023.

[Amendment Made by Finance Act, 2024]: All Amendments are duly incorporated in silent features of the book and are appropriately highlighted.

[Comprehensive Table of Contents]: The contents of all chapters are clearly presented at the starting of the book.

[List of Tables & List of Figures]: The list of tables and list of figures are printed in starting of the book for better clarity.

[Solution of Practical Questions Also Available]: For solutions to the unsolved questions of each chapter, students may refer to [Fundamental of Income Problems & Solutions].

[Computation of Taxes]: The illustrations and questions throughout the book have been restructured according to new tax regime u/s 115BAC along with old tax regime.

[Exordium of Chapter]: Each chapter begins with an exordium, which aims to provide students with a preliminary understanding of that chapter.

This book is primarily intended for B.com, B.com (Hons.), BBA, BCA, M.Com, M.B.A, and CA (Intermediate) students. The book has been written to cater to the needs of students appearing in such examinations. We trust the book would meet the requirements of both teachers as well as students.

We express our thanks to our parents, family members, and our loving **Dipesh Mittal** and **Pranika Bansal**. In this connection, **Mr. Vikas Mittal** and **Mr. Ayush Bansal** have contributed immensely in editing the contents of the Income Tax Law and deserve a special mention.

We offer our gratitude to our publisher **Sultan Chand & Sons** for doing an excellent job in bringing out this edition. We believe that there is always a scope for improvement in the book, suggestions and comments for further improvement of the book are welcome.

Prof. Preeti Rani Mittal
Dr. Anshika Bansal

PREFACE TO FIFTH EDITION

The Present Publication is the 5th Edition of the book Income Tax Law and Practice & has been amended by the Finance Act 2022 for the assessment year 2023-24 with the following noteworthy features:

Coverage: Coverage of this book includes:

- New syllabus of NEP, 2020
- 22 Chapters
- 373 Illustrations
- 294 Practical Problems
- 101 Tables
- 41 Figures
- 162 Long Answer Questions
- 203 Short Answer Questions
- 259 Application Based MCQs
- Case of Supreme Court and High Court
- E-filing of Return
- Faceless Tax Proceedings
- This book covers the amended, updated & annotated text of the Income-tax Act 1961 & the Finance Act 2022.

Student-Oriented Book: This book has been developed keeping in mind the following factors:

- Interaction of the author/teacher with their students in the classroom
- Simple Language is used throughout the book for easy learning.

Arrangement of Illustrations and Unsolved Practical Questions: Illustrations and Unsolved Practical Questions in each chapter are arranged 'sub-topic' wise by which students can apply what they learn to actual taxation situations.

Annotation: Section-wise detail annotation on changes made by the Finance Act, 2022.

Amendment made by Finance Act 2023: All Amendments are duly incorporated in silent features of the book and are appropriately highlighted.

Comprehensive Table of Contents: The contents of all chapters are clearly presented at the starting of the book.

List of Tables & List of Figures: The list of Tables and List of Figures are printed in starting of the book for better clarity.

Solution of Practical Questions also Available: For Solutions to the unsolved questions of each chapter, students may refer to [Fundamental of Income Problems & Solutions].

Computation of Taxes: The tax of the assessee is calculated on various slabs of income along with new slab rates.

Exordium of Chapter: Each chapter begins with an exordium, which aims to provide students with a preliminary understanding of that chapter.

CA (Intermediate) students. The book has been written to cater to the needs of students appearing in such examinations. We trust the book would meet the requirements of both teachers as well as students.

We express our thanks to our parents, family members, and our loving Dipesh Mittal and Pranika Bansal. In this connection, Mr. Vikas Mittal and Mr. Ayush Bansal have contributed immensely in editing the contents of the Income Tax Law and deserve a special mention.

We acknowledge our deepest indebtedness to Mr. Durga Chaudhary because of the trust he has shown in us and he has always supported us in moving forward.

We offer our gratitude to our publisher **Sultan Chand & Sons** for doing an excellent job in bringing out this edition. We believe that there is always a scope for improvement in the book, suggestions and comments for further improvement of the book are welcome.

Prof. Preeti Rani Mittal
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Snapshot of the Book



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Salient Features of Finance Act, 2024



SALIENT FEATURES OF THE FINANCE ACT 2024

The same tax rates will be retained in financial year 2024-25 for direct taxes. There will be no tax liability for taxpayers with an income of up to ₹ 7 lakh, under the new tax regime.

For Individual or H.U.F. or AOP or BOI, whether incorporated or not, or an Artificial Juridical Person: For every individual or H.U.F. or Association of Persons (other than a co-operative society), or Body of Individuals, whether incorporated or not, or an Artificial Juridical Person exercising the option u/s 115BAC for opting for concessional tax rates (subject to conditions provided therein):

Rate of Tax for the Assessment Year 2024-25

<i>Total Income</i>	<i>Rate of Tax</i>
Upto ₹ 3,00,000	Nil
From ₹ 3,00,001 to ₹ 6,00,000	5%
From ₹ 6,00,001 to ₹ 9,00,000	10%
From ₹ 9,00,001 to ₹ 12,00,000	15%
From ₹ 12,00,001 to ₹ 15,00,000	20%
Above ₹ 15,00,000	30%

Old Tax Regime

For the Assessment Year 2024-25, the taxpayer has to exercise the option under Section 115BAC(6) to avail of the benefit of the old tax regime. The normal tax rates applicable to a resident individual will depend on the age of the individual. However, in the case of a non-resident individual, the tax rates will be the same irrespective of his age.

Resident Individuals below the Age of 60 Years: For an individual, other than those mentioned below:

<i>Total Income</i>	<i>Rate of Tax</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

For Resident Senior Citizen: For an individual resident senior citizen, who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year:

<i>Total Income</i>	<i>Rate of Tax</i>
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

For Resident Super Senior Citizen: For an individual resident super senior citizen, who is 80 years or more at any time during the previous year:

<i>Income</i>	<i>Tax Rate</i>
Up to ₹ 5,00,000	Nil
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

For H.U.F, AOP, BOI, Artificial Judicial Person: For Hindu Undivided Family (H.U.F.), an association of persons or body of individuals, whether incorporated or not, or artificial juridical person referred to in Section 2(31)(vii) of the Act:

<i>Income</i>	<i>Tax Rate</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Deductions and Exemptions

As per u/s 10(23FE) income of a specified person in the nature of dividend interest, [any sum referred to in clause (xii) of sub-section (2) of section 56] or long-term capital gains arising from an investment made by it in India, whether in the form of debt or share capital or unit, will be exempt from tax if the investment is made on or after the 01-04-2020 but on or before the 31-03-2025 and is held for at least three years.

Exemption to the wholly owned subsidiary of ADIA or Sovereign wealth fund or pension fund will be exempt for specified investment made between 01/04/2020 to 31/03/2024.

As per 80-IAC where the gross total income of an assessee, being an eligible start-up, includes any profits and gains derived from eligible business, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business for three consecutive assessment years, if specified investment made between 01/04/2020 to 31/03/2025.

Exemption under section 10(4D) an investment division of a banking unit of a non-resident located in an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA and which has commenced its operations on or before the 31-03-2025.

Exemption under section 10(4F) any income of a non-resident by way of royalty or interest, on account of lease of an aircraft or a ship in a previous year, paid by a unit of an International Financial Services Centre as referred to in sub-section (1A) of Section 80LA, if the unit has commenced its operations on or before the 31-03-2025.

Faceless Scheme

Section 92CA Faceless Determination of Arm's Length was provided that the CBDT shall issue the necessary directions by 31/03/2025.

Section 144C Faceless Dispute Resolution Panel was provided that the CBDT shall issue the necessary directions by 31/03/2025.

Section 253 Faceless appeal to Appellate Tribunal provided that the CBDT shall issue the necessary directions by 31/03/2025.

Section 255 Faceless procedure of Appellate Tribunal provided that the CBDT shall issue the necessary directions by 31/03/2025.

TCS

In the case of 'sale of overseas tour program package', the TCS rate shall be 5% for remittances up to ₹ 7 lakh, and 20% for remittances exceeding ₹ 7 lakhs.

The collection of tax at source during the period 01-07-2023 to 30-09-2023 shall be in accordance with provisions of Section 206C(1G) as they stood on 01-04-2023 and to restore the threshold of ₹ 7 lakhs per financial year for TCS on all categories (except the sale of overseas tour program packages) of foreign remittances made under the Liberalised Remittance Scheme (LRS) w.e.f. 01-10-2023.

Surcharge on Income-tax

Having a total income (including the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10%.

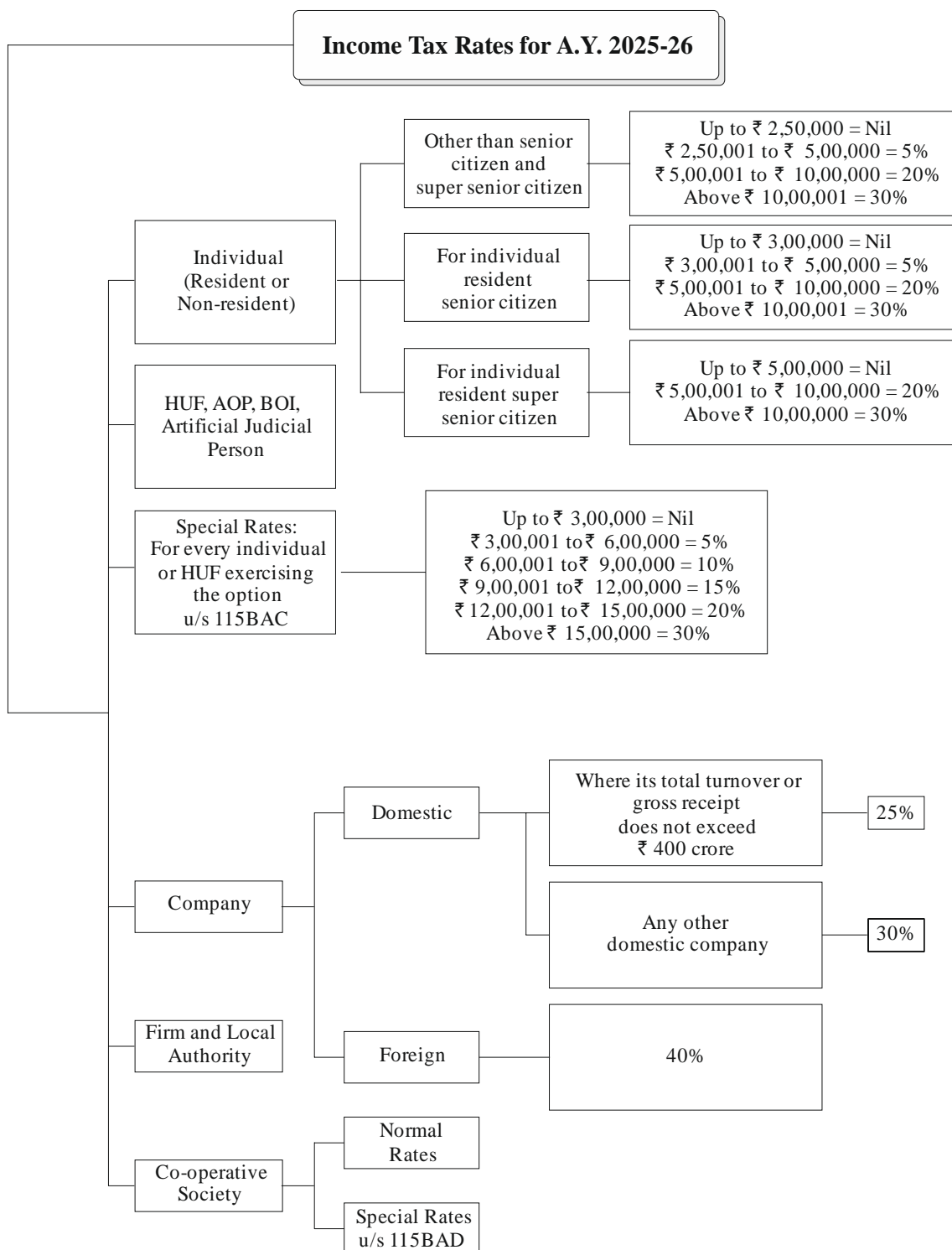
Having a total income (including the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding one crore rupees, but not exceeding two crore rupees, at the rate of 15%.

Having a total income (excluding the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25%.

Having a total income (excluding the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding five crore rupees, at the rate of 37%.

The 22% tax rate for corporate taxes will apply for existing domestic companies and 15% for certain new manufacturing companies.

In the case of every firm, rate of income-tax on the whole of the total income 30 per cent.



Income Tax for Non-resident: Taxable Income & Deduction



The Indian Income Tax Act of 1961 also applies to anyone generating income outside their own country besides residents. The income tax regulations and benefits available to them differ significantly from those available to resident Indians.

WHO IS A NON-RESIDENT?

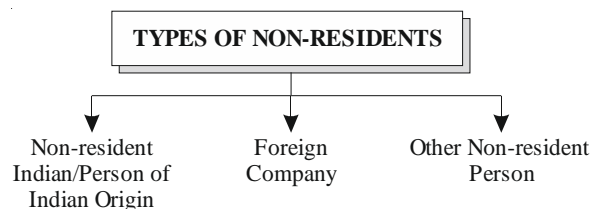
“Non-resident” is a person who has not been residing in India for a specified period of time. The Residential Status of an individual in a given year determines whether the individual is Resident or Non-resident for the year.

HOW TO DETERMINE RESIDENTIAL STATUS OF NON-RESIDENT?

Residential status of an individual is determined on the basis of the number of days an individual has physically stayed in India. Residential status has nothing to do with the nationality or domicile of an individual. It may also happen that an Indian, who is citizen of India, may be a non-resident for Income Tax purposes in a particular year and an American citizen may be resident in India for Income Tax purposes in a particular year.

TYPES OF NON-RESIDENTS

Under Income Tax Act 1961, non-resident is broadly classified under the following three heads:



DO NON-RESIDENT HAVE TO PAY TAXES IN INDIA FOR INCOME EARNED ABROAD?

The answer is YES. After determination of residential status, the next step is to identify income taxable in India as per person residential status.

For Resident Individuals: All income is taxable in India *i.e.*, income earned whether in India or outside India is taxable in India.

For Non-resident Indians: Only income earned or accrued in India or deemed to be so is taxable in India. Therefore, income from any country besides India is not taxable in India.

WHAT IS INCOME EARNED OR ACCRUED IN INDIA?

India follows “source rule” basis of taxation, *i.e.*, all the income which accrue or arises from or through a source in India is taxable in India. Therefore, identifying the source of Income is of utmost importance. If it is established that the income has its source in India, whether direct or indirect, such income would become taxable in India. List of such incomes are:

- Any salary received in India
- Any salary received for services rendered in India
- Rental income (if any) received from a property situated in India
- Capital gain (if any) arising on account of transfer of property or asset in India
- Any income from deposits in India such as interest on fixed deposits
- Any interest received on savings bank account, *etc.*

SPECIFIC PROVISIONS RELATED TO INVESTMENT INCOME OF NON-RESIDENT

As a Non-resident person can avail of a special provision related to investment income. A Non-resident is taxed at 20% when he invests in certain assets in India. All the more, he/she is not required to file an income tax return if his/her income comprises only special investment income and TDS on the same has been deducted.

WHAT ARE THE INVESTMENTS THAT QUALIFY FOR SPECIAL TREATMENT?

The income derived from the following assets in India acquired in foreign currency shall qualify for special treatment:

- Shares in Indian Companies (Public or Private company)
- Debentures, only issued by a publicly-listed Indian company (not private)
- Deposits with banks and public companies
- Any security of the Central Government
- No deduction under Section 80 will be allowed while calculating investment income.

DEDUCTIONS AVAILABLE TO NON-RESIDENT

Of the total deductions available to a resident individual, few are not available to non-resident individuals. A brief list of deductions available or not to Non-residents is shown below:

<i>Section</i>	<i>Deductions Allowed</i>	<i>Deductions Not Allowed</i>
80C	<ul style="list-style-type: none"> • LIC premium • Tuition Fees • Principal repayment of home loans • Unit Linked Insurance Plan (ULIP) • Equity Linked Tax Saving Scheme (ELSS) 	<ul style="list-style-type: none"> • Investment in Public Provident Fund (PPF) (Not allowed opening a new PPF account. However, PPF account opened while you are a resident is allowed to be maintained.)

<i>Section</i>	<i>Deductions Allowed</i>	<i>Deductions Not Allowed</i>
	<ul style="list-style-type: none"> Investment in National Saving Certificate (NSC) 	<ul style="list-style-type: none"> Post Office 5year Deposit scheme Senior citizen savings scheme <i>etc.</i>
80D	<ul style="list-style-type: none"> Medical Insurance 	NA
80E	<ul style="list-style-type: none"> Interest paid on Education loan 	NA
80DD	<ul style="list-style-type: none"> Deduction for maintenance including medical treatment of dependent handi-capped as defined under section 	NA
80G	<ul style="list-style-type: none"> Payments made in the form of eligible Donations 	NA
80DDB	<ul style="list-style-type: none"> Deduction for medical treatment of dependent handicapped (as certified by a prescribed specialist) 	NA
80TTA/ 80TTB	<ul style="list-style-type: none"> Interest on Savings Bank Account 	NA
80U	<ul style="list-style-type: none"> Deduction allowed to a tax payer who himself suffers from disability 	NA

NON-RESIDENT IS TAXED AT WHICH INCOME TAX SLAB RATE

Tax Slabs of Non-resident for Assessment Year 2024-25

Unlike residents for who tax rates are classified on the basis of age, no such classification is available for Non-residents. Hence, for Non-Residents whether aged

- Below 60 Years
- Above 60-80 Years, and
- Above 80 Years
- All are taxed uniformly

The tax slab rates for Non-resident Individuals are:

<i>Income</i>	<i>Tax Rate</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,000 to ₹ 5,00,000	5%
₹ 5,00,000 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Benefits of Basic Exemption Limit

- As a Non-resident, you still get the benefit of the basic exemption limit of ₹ 2,50,000 from your total income. However, if total income of Non-resident in India consists of only short-term

capital gains or long-term capital gains, then the benefit of the basic exemption limit is not available in respect of such gains.

When is a Non-residents Required to File his Income Tax Return?

Non-residents are required to file a return of income if they have taxable income in India.

In the following situations an NRI is required to file Income Tax Return in India:

- If Non-Residents Gross Total Income before allowing any deductions under section 80 is more than ₹ 2,50,000.
- If Non-residents are seeking a refund from the department.
- If Non-residents want to have the benefit of carrying forward of losses.

About the Book

- The illustrations and questions have been restructured throughout the book according to new tax regime u/s 115BAC along with old tax regime.
- New illustrations and questions have been added in this edition related to new tax regime u/s 115BAC.
- Each topic is explained theoretically and is followed by graphs, tables, charts etc. to help in understanding the application of income tax law and provisions in a unique and simple way.
- This book contains abundant examples, illustrations and practical questions to clarify the theoretical and practical aspects of income tax law. These practical insights will assist tax consultants, students and anyone who is interested in the field of taxation in applying the law.
- As the nature of tax landscape is continuously to change, we are committed to updating this book to reflect the latest amendments. This book includes updates on amendments and changes as latest by Finance Act, 2023.
- Step-by-step guidelines on how to file income tax return and insertion of relevant case laws to understand how provisions have been interpreted by The Hon'ble Supreme Court is available in the book.
- This book is meant for B.Com., BBA and B.Com. (Hons.) students as well as to serve as an intermediate level course for students preparing for chartered accountancy, cost and management accountancy, certified and company secretary examination and other degree and diploma courses.

About the Authors



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Prof. Mittal, was awarded 'Tejaswini Women of India National Award for Best Teaching'. She was conferred 'Saraswati Bai Dadasahab Phalke' Iconic International Women Award for her contribution to Education in March 2021. She has also been a co-guide for Ph.D. students. She is associated with the Institute of Chartered Accountants of India (ICAI), Public Service Commission, Uttarakhand, C.C.S. University, S.D.S. University, H.G.U. and H.N.B. Garhwal University, etc. Her areas of interest include Taxation, Human Resource Management, Accounting, Corporate Governance, etc. Apart from being a passionate reader and writer, she is also an acclaimed speaker.

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