

Income Tax Law and Practice

Assessment Year 2019 - 2020

Ninth Edition

M. Jeevarathinam

Assistant Professor,
Department of Commerce,
Faculty of Science and Humanities,
SRM University (Kattankulathur Campus),
Chennai.

C. Vijay Vishnu Kumar

Assistant Professor,
Department of Commerce,
Faculty of Science and Humanities,
SRM University (VDP Campus),
Chennai.



Publishing for future

SCITECH PUBLICATIONS (INDIA) PVT. LTD.

www.scitechpublications.com

Copyright © 2010 Scitech Publications (India) Pvt. Ltd.

SCITECH PUBLICATIONS (INDIA) PVT. LTD.,

Old No: 3, New No: 5, Bakthavachalam Street,
Tambaram West, Chennai - 600 045.

E-mail: scitechcorp@yahoo.co.in

www.scitechpublications.com

Branches:

Hyderabad: scitech_hyd@yahoo.co.in

Kolkata: scitech_kol@yahoo.co.in

New Delhi: scitech_del@yahoo.co.in

This book or any part thereof may not be reproduced in
any form without the written permission of the publisher.

Publisher's Disclaimer

The Publisher of this book declare that the Authors of this book has taken the full responsibility for the content of this book, any dispute and copyright violation arising based on the content of this book will be addressed by the authors. Furthermore, the authors agree to indemnify the publisher from damages arising from such disputes and copyright violation as stated above.

Ninth Edition, June 2019

978 93 85983 82 5

Published by M.R.Purushothaman for Scitech Publications (India) Pvt. Ltd, Old
No: 3, New No: 5, Bakthavachalam Street, Tambaram West, Chennai - 600 045.

Contents

Chapter-1 Basic Concepts	1.1-1.23
1.1 Meaning of Tax	1.1
1.2 History of Income Tax	1.2
1.3 Income Tax Timeline in India	1.3
1.4 Canons of Taxation	1.4
1.4.1 Canon of equality	1.4
1.4.2 Canon of certainty	1.4
1.4.3 Canon of convenience	1.4
1.4.4 Canon of economy	1.5
1.4.5 Canon of productivity	1.5
1.4.6 Canon of elasticity	1.5
1.4.7 Canon of simplicity	1.5
1.4.8 Canon of diversity	1.5
1.4.9 Canon of economic development	1.5
1.5 Agriculture Income [Sec 2(1A)]	1.6
1.6 Assessee	1.6
1.7 Income	1.7
1.8 Person	1.8
1.9 Assessment Year	1.10
1.10 Previous Year	1.10
1.11 Undisclosed Sources of Income	1.11
1.12 Gross Total Income	1.12
1.13 Total Income	1.12
1.14 Rounding off Total Income and Tax	1.12
1.15 Rate of Income Tax for the Assessment Year 2017-18	1.13
<i>Short Questions and Answers</i>	1.21
Chapter-2 Capital and Revenue	2.1-2.6
2.1 Introduction	2.1
2.2 Capital and Revenue Receipts	2.1
2.3 Capital and Revenue Expenditure	2.2
2.4 Capital Receipt Vs Revenue Receipts	2.2
2.5 Capital Expenses Vs Revenue Expenses	2.3
2.6 Capital Losses Vs Revenue Losses	2.4
<i>Short Questions and Answers</i>	2.5
Chapter-3 Residential Status and Tax	
Incidence	3.1-3.34
3.1 The Concept of Residential Status	3.1
3.2 Residential Status of an Individual	3.2
3.3 Residential Status of a Hindu Undivided Family	3.3

3.4	Residential Status of a Firm and an Association of Persons	3.3
3.5	Residential Status of a Company [Section 6 (3)]	3.4
3.6	Residential Status of Every Other Person	3.4
3.7	Residential Status and Incidence of Tax	3.4
	<i>Short Questions and Answers</i>	3.20
	<i>Exercises</i>	3.22

Chapter-4 Exempted Income 4.1-4.42

4.1	Agricultural Income	4.1
4.2	Receipt from Hindu Undivided Family	4.1
4.3	Share of Profit of a Person from a Firm	4.2
4.4	Amount Received as Interest or Premium on Redemption on Specified bonds or Securities	4.2
4.5	Amount Received as Interest on Non Resident (External) Account	4.2
4.6	Amount Received as Interest from Prescribed Savings Certificates	4.2
4.7	Travel Concession to ban Indian Citizen Employee	4.3
4.8	Income Received by an Individual who is not a Citizen of India	4.3
4.9	Tax paid on Income earned by way of Royalty or fees for Technical Services 4.5	
4.10	Allowances and Perquisites paid or Allowed Outside India	4.6
4.11	Employees of Foreign Countries working in India under Co-operative Technical Assistance Programme	4.6
4.12	In the Case of a Consultant	4.6
4.13	Income of Employees of Consultant	4.7
4.14	Income of any Member of the family of Individual Working in India under Co-operative Technical Assistance Programme	4.7
4.15	Gratuity [Sec. 10(10)]	4.7
4.16	Commutation of Pension Received	4.9
4.17	Leave Encashment	4.9
4.18	Retrenchment Compensation Received by a Workman	4.10
4.19	Payments Received under the Bhopal Gas Leak Disaster (Processing of Claims) Act, 1985	4.10
4.20	Compensation for Voluntary Retirement	4.10
4.21	Income by the Way of Tax on Perks	4.11
4.22	Any Sum Received under a Life Insurance Policy	4.11
4.23	Any Payment from Statutory Provident Fund	4.13
4.24	Payment from 'Sukanya Samriddhi' Account	4.13
4.25	Payment from Recognized Provident Fund	4.13
4.26	Payment from an Approved Superannuation Fund	4.13
4.27	House Rent Allowance	4.14
4.28	Any Special Allowance Granted to an Employee	4.14
4.29	Income by Way of Interest	4.15
4.30	Payment made, by an Indian Company engaged in the Business of Opera- tion of Aircraft	4.19
4.31	Scholarship	4.19

4.32	Allowance of M.P./ M.L.A/ or M.L.C.	4.19
4.33	Awards Instituted by Government	4.19
4.34	Pension Received by the Winner of Gallantry Awards	4.19
4.35	Income from one Palace of a Former Ruler	4.20
4.36	Income of a Local Authority	4.20
4.37	Income of a Scientific Research Association	4.20
4.38	Income of a News Agency	4.21
4.39	Income of some Professional Institutions	4.21
4.40	Exemption of Income Received by any Person on Behalf of any Regimental Fund (23AA)	4.21
4.41	Income of a Fund set-up for the Welfare of Employees or their Dependents	4.22
4.42	Income of Pension fund set up by the LIC or other Insurer	4.22
4.43	Income of Institutions Established for the Development of Khadi and Village Industries (23B)	4.22
4.44	Income of State Level Khadi and Village Industries Board	4.23
4.45	Income of Certain Authorities set upto Manage Religious and charitable institutions	4.23
4.46	Income of the European Economic Community (23BBB)	4.23
4.47	Income of a SAARC Fund for Regional Projects (23BBC)	4.23
4.48	Any income of the Secretariat of the Asian Organisation of the Supreme Audit Institutions	4.24
4.49	Any Income of the Insurance Regulatory and Development Authority ...	4.24
4.50	Any Income Received by any Person on behalf of Following Funds	4.24
4.51	Income of Mutual Fund	4.25
4.52	Exemption to Income of a Securitisation Trust	4.25
4.53	Any Income of such Investor Protection Fund	4.26
4.54	Income of the Credit Guarantee Fund Trust for Small Industries	4.26
4.55	Exemption to income of Investor Protection Fund of Depositories	4.26
4.56	Income of Venture Capital Company	4.27
4.57	Income from Venture Capital Fund	4.27
4.58	Any Income of a Venture Capital Company or Venture Capital fund	4.28
4.59	Any income of a business trust by way of interest received or receivable from a special purpose vehicle	4.29
4.60	Exemption of Income of Unit Holders	4.29
4.61	Income of Registered Trade Union	4.30
4.62	Income from Provident and Superannuation Funds	4.30
4.63	Income of the Employees' State Insurance Fund	4.30
4.64	Income of Scheduled Tribe member	4.30
4.65	Income of a Corporation Established for Scheduled Castes Scheduled Tribes or backward Classes	4.31
4.66	Income of a Corporation Established for Promoting the Interests of Minorities	4.31
4.67	Any Income of a Corporation for Ex-servicemen	4.31

4.68	Any Income of Co-operative Society looking after the Interests of Scheduled Castes or Scheduled Tribes or both	4.32
4.69	Any Income Accruing to commodity boards etc.,	4.32
4.70	Amount Received as Subsidy from or through the Tea Board	4.33
4.71	Amount Received as Subsidy from or through the Concerned Board	4.33
4.72	Income of Child Clubbed u/s 64 (1A)	4.33
4.73	Any Income Arising from the Transfer of a Capital Asset of UTI	4.34
4.74	Any Income by way of Dividend from Indian Company	4.34
4.75	Income from units of UTI and other Mutual Fund Specified	4.34
4.76	Income from Sale of Shares in Certain Cases	4.35
4.77	Long-term Capital gains on Transfer of listed Equity Shares	4.35
4.78	Capital Gains Exemption for Agricultural Lands	4.38
4.79	Long-term Capital gain when Transaction is Covered by the Securities Transaction Tax.....	4.38
4.80	Exemption of Specified Income Arising from any International sporting event in India	4.38
4.81	Exemption of Certain Grants etc. received by a Subsidiary from its Indian holding Company Engaged in the Business of Generation or Transmission or Distribution of power	4.37
4.82	Exemption of any Income from Transfer of an Asset of an undertaking Engaged in the Business of Generation or Transmission or Distribution of Power	4.37
4.83	Exemption of Specified Income of Certain bodies or Authorities	4.37
4.84	Exemption of Income Received in a Transaction of Reverse Mortgage ..	4.38
4.85	Exemption of Income Received by any Person on Behalf of NPS Trust ..	4.38
4.86	Exemption of certain allowances/Perquisites of Chairman / Member of Union Public service commission(UPSC)	4.39
4.87	Exemptions to Statutory Body/Authority/Board/Commission	4.39
4.88	Exemption of Income of Infrastructure debt fund (IDF)	4.40
4.89	Exemption in respect of income received by certain foreign companies	4.41
4.90	Exemption to National Financial Holdings Company Limited	4.41
	<i>Short Questions and Answers</i>	4.41

Chapter-5 Income From Salary 5.1-5.116

5.1	Meaning of Salary	5.1
5.2	Salary U/S 17	5.1
5.3	Features of Salary	5.2
5.4	Salary Income	5.3
5.5	Allowances	5.4
5.6	Perquisites	5.10
5.7	Profits in Lieu of Salary	5.22
5.8	Deductions from Salary	5.28
5.9	Qualifying Amount (QA) for Deduction u/s 80C	5.28
	<i>Short Questions and Answers</i>	5.83
	<i>Exercises</i>	5.86

Chapter-6 Income From House Property..... 6.1-6.68

6.1	Meaning	6.1
6.2	Ownership of House Property	6.2
6.3	Deemed Ownership	6.3
6.4	Property Incomes Exempt from Tax	6.4
6.5	Property Used for Own Business or Profession	6.5
6.6	Determination of Annual Value	6.5
6.6.1	Gross annual value	6.6
6.7	Deductions Under Section 24	6.10
6.8	The treatment of Rental Income from properties under different circumstances	6.12
	<i>Short Questions and Answers</i>	6.44
	<i>Exercises</i>	6.47

Chapter-7 Income From Business or Profession 7.1-7.81

7.1	Introduction	7.1
7.2	Chargeability	7.2
7.3	Computation of Income from Business or Profession	7.4
7.4	Expenses which are Allowed as Deduction	7.5
	<i>Short Questions and Answers</i>	7.58
	<i>Exercises</i>	7.59

Chapter-8 Depreciation 8.1-8.15

8.1	Introduction	8.1
8.2	Depreciation	8.1
8.3	Block of Assets	8.2
8.4	Moneys Payable	8.3
8.5	Depreciation Mandatory	8.3
8.6	Additional Depreciation	8.3
8.7	Asset is Partly used for Business, Partly for Personal Purposes	8.4
8.8	Unabsorbed Depreciation	8.4
	<i>Short Questions and Answers</i>	8.12
	<i>Exercises</i>	8.12

Chapter-9 Capital Gain 9.1-9.81

9.1	Meaning	9.1
9.2	Capital Asset	9.2
9.3	Types of Capital Assets	9.3
9.4	Transfer	9.4
9.5	Transactions not Regarded as Transfer	9.7
9.6	Short Term Capital Gains (STCG)	9.10
9.7	Long Term Capital Gains (LTCG)	9.11
9.8	Full Value of Consideration	9.12
9.9	Cost of Acquisition	9.12

9.9.1	Cost of acquisition with reference to certain modes of acquisition	9.12
9.10	Advance Money Received	9.15
9.11	Cost of Improvement	9.15
9.12	Cost Inflation Index (CII)	9.15
9.13	Capital Gain in Special Cases	9.18
9.14	Exempted Capital Gains	9.22
	<i>Short Questions and Answers</i>	9.68
	<i>Exercises</i>	9.70

Chapter-10 Income From Other Sources 10.1-10.41

10.1	Introduction	10.1
10.2	Instance of Income Falling	10.1
10.3	General Incomes	10.3
10.4	Dividend	10.4
10.5	Winnings from Lotteries / Card Games / Crossword etc.,	10.6
10.6	Employees' Contributions to Provident Fund etc.,	10.7
10.7	Interest on Securities	10.7
10.8	Amount Received as Gift to be Treated as Income	10.10
10.9	Income from Letting of Plant, Machinery or Furniture	10.10
10.10	Income from Letting of Plant, Machinery or Furniture with Building	10.11
10.11	Deductions from Income from Other Sources	10.11
	Amount Expressly Disallowed	10.12
	<i>Short Questions and Answers</i>	10.30
	<i>Exercises</i>	10.32

Chapter-11 Clubbing of Income and Aggregation of Income 11.1-11.25

11.1	Introduction	11.1
11.2	Clubbing of Income in the Hands of any Person	11.2
	11.2.1 Transfer of assets	11.2
	11.2.2 Revocable transfer of asset	11.2
	11.2.3 Irrevocable transfer of assets for specified period	11.2
	11.2.4 Transfer and revocable transfer defined	11.3
11.3	Clubbing of Income Earned by Spouse of an Individual	11.3
	11.3.1 Remuneration to spouse	11.3
	11.3.2 Income from assets transferred directly or indirectly to the spouse	11.4
	11.3.3 Income from assets transferred directly or indirectly to any person or AOP	11.4
11.4	Clubbing of Income Earned by Son's Wife of an Individual	11.4
11.5	Clubbing Income of Minor Child	11.5
11.6	Income From Asset Transfer to A Person for the Benefit of Spouse/ Son's Wife	11.5
11.7	Clubbing of Income from Properties thrown into HUF Common Stock ..	11.5

<i>Short Questions and Answers</i>	11.19
<i>Exercises</i>	11.20
Chapter-12 Set off and Carry Forward	
Losses	12.1-2.46
12.1 Concept of Set-Off and Carry Forward of Losses	12.1
12.2 Steps in Set Off and Carry Forwards	12.1
12.3 Inter-Source Adjustment / Intra-Head Set Off	12.1
12.4 Inter-Head Adjustment	12.3
12.5 Carry Forward of Loss	12.4
12.6 Order of Set-Off of Losses	12.4
12.7 Set off and Carry Forward of Losses at Glance	12.6
<i>Short Questions and Answers</i>	12.32
<i>Exercises</i>	12.34
Chapter-13 Deduction to be made in Computing	
Total Income	13.1-13.82
13.1 Introduction	13.1
13.2 Deductions from Total Income	13.2
13.3 Deduction in Respect of Certain Payment	13.3
13.4 Deduction in Respect of Certain Income	13.21
13.5 Other Deduction	13.49
<i>Short Questions and Answers</i>	13.73
<i>Exercises</i>	13.74
Chapter-14 Computation of Tax Liability	14.1-14.20
14.1 Meaning of Total Income	14.1
14.2 Income to be Considered While Computing Total Income of Individuals	14.1
14.3 Special Provision for Spouses Governed by Portuguese Civil Code	14.2
14.4 Computation of Total Income and Tax Liability of Individuals	14.3
<i>Short Questions and Answers</i>	14.18
<i>Exercises</i>	14.19
Chapter-15 Agricultural Income	15.1-15.16
15.1 Agriculture Income	15.1
15.2 Definition	15.1
15.3 Test to Determine Agriculture Income	15.3
15.3.1 Rent or revenue should be derived from land	15.3
15.3.2 Income held as not derived from land	15.3
15.3.3 Use of building or land for agricultural purpose	15.3
15.4 Certain Income Which is Treated as Agriculture Income	15.4
15.5 Certain Income Which is Not Treated as Agricultural Income	15.4
15.6 Income Partly Agriculture and Partly Business	15.4

15.7 Tax Calculation	15.5
<i>Short Questions and Answers</i>	15.11
<i>Exercises</i>	15.12
Chapter-16 Individuals	16.1-16.56
16.1 Introduction	16.1
16.2 Computation of Total Income of an Individual	16.1
16.3 Income to be considered while computing total income of individuals...	16.1
<i>Exercises</i>	16. 41
Chapter-17 Hindu Undivided Family.....	17.1-17.10
17.1 Introduction	17.1
17.2 School of Hindu Law	17.1
17.3 Residential Status of the HUF	17.2
17.4 Partition of HUF	17.3
17.5 Computation of Tax-liability of an HUF	17.3
<i>Short Questions and Answers</i>	17.8
<i>Exercises</i>	17.9
Chapter-18 Firms and Association of Person 18.1-18.20	
18.1 Meaning	18.1
18.2 A Firm Which Fulfills Conditions Prescribed U/S 184	18.2
18.3 A Firm, Which Does Not Fulfill the Conditions Prescribed U/S 184	18.2
18.4 Treatment if Conditions Prescribed U/S 184 are not Fulfilled	18.3
18.5 Meaning of Change in Constitution	18.3
18.6 Joint and Several Liability of Partners for Tax Payable by Firm	18.3
18.7 Firm Dissolved or Business Discontinued	18.4
18.8 Carry Forward and Set Off of Losses in case of Change in Constitution of Firm or on Succession	18.4
18.9 Interest to Partners	18.4
18.10 Remuneration to Partners	18.4
18.11 Due Dates for Filing of Return of Income	18.5
18.12 Procedure to Find out Income of Firm	18.5
18.13 Tax Liability of Firm	18.6
<i>Short Questions and Answers</i>	18.14
<i>Exercises</i>	18.16
Chapter-19 Companies	19.1-19.14
19.1 Assessment of Companies	19.1
19.2 Company' in which the Public are Substantially Interested	19.2
19.3 Minimum Alternative Tax on Certain Companies	19.3
19.4 Amalgamation	19.4
19.5 Demerger	19.5
19.6 Demerged Company	19.6

19.7	Carry Forward of Accumulated Loss and/or Unabsorbed Depreciation	19.7
19.8	Allowability of Expenditure Relating to Amalgamation/Demerger	19.7
19.9	Depreciation in the Year of Amalgamation/Demerger	19.7
19.10	Provisions Applicable to Shareholders	19.8
	<i>Exercises</i>	19.13
Chapter-20 Co-Operative Societies		20.1-20.6
20.1	Introduction	20.1
20.2	Deduction From Total Income	20.1
20.3	Steps in Computing Tax Liability of Cooperative Societies	20.3
	<i>Short Questions and Answers</i>	20.6
	<i>Exercises</i>	20.6
Chapter-21 Return of Income		21.1-21.11
21.1	Return of Income	21.1
21.2	Compulsory Filing of Return of Income	21.2
21.3	Interest for Default in Furnishing Return of Income	21.2
21.4	Option to Furnish Return of Income to Employer	21.3
21.5	Income-tax Return Through Computer Readable Media	21.3
21.6	Return of Loss	21.3
21.7	Belated Return	21.4
21.8	Return of Income of Charitable Trusts and Institutions	21.4
21.9	Return of Income of Political Parties	21.5
21.10	Revised Return	21.5
21.11	Particulars Required to be Furnished with the Return	21.5
21.12	Defective Return	21.5
21.13	Scheme For Submission of Returns Through Tax Return Preparers	21.6
21.14	Permanent Account Number (PAN)	21.7
21.15	Return by Whom to be Signed	21.8
21.16	Self-assessment Tax Payment	21.9
21.17	Prescribed Forms	21.9
	<i>Short Questions and Answers</i>	21.10
Chapter - 22 Types of Assessment		22.1-22.4
22.1	Self Assessment U/S 140 A	22.1
22.2	Regular / Scrutiny Assessment	22.2
22.3	Best Judgement Assessment U/S 144	22.2
22.4	Assessment / Reassessment of Income Escaping Assessment U/S 147 ..	22.3
	<i>Short Questions and Answers</i>	22.4
Chapter-23 Authorities of Income Tax		23.1-23.7
23.1	Income-Tax Authorities	23.1
23.2	Central Board of Direct Taxes Constituted under the Central Boards of Revenue Act	23.2

23.3	Directors-General of Income-Tax or Chief Commissioners of Income-Tax	23.3
23.4	Commissioners of Income Tax / Chief Commissioners of Income Tax	23.4
23.5	Commissioner of Income-Tax (Appeals)	23.5
23.6	Joint Commissioner of Income Tax	23.5
23.7	Assessing Officer	23.5
23.8	Inspectors of Income Tax	23.6
	<i>Short Questions with answers</i>	23.7
	Appendix	A.1-A.13

Income Tax

Law and Practice

Assessment Year 2019-2020

Ninth Edition

This book contains the latest amendment and provision of Income Tax Act in a simple and lucid manner. It covers the syllabus of various Universities at UG and PG level. Sufficient number of problems are given for practice at the end of each chapter. Problems given are highly useful for understanding Income Tax procedure easily.

M. Jeevarathinam, is working as a Assistant Professor in Commerce, SRM University (Kattankulathur Campus), Chennai. He is having about 21 years of dedicated teaching experience. He has presented more than 9 research papers in various conferences. He is recognized as a project guide in various universities for MBA. His area of specializations are Income Tax, Financial Accounting, Financial Management etc.

C. Vijay Vishnu Kumar, is working as a Assistant Professor in Commerce, SRM University (VDP Campus), Chennai. He is having about 21 years of dedicated teaching experience. He has presented more than 9 research papers in various conferences. He is recognized as a project guide in various universities for MBA. His area of specializations are Income Tax, Financial Accounting, Corporate Accounting etc.



Publishing
for
future

SCITECH PUBLICATIONS (INDIA) PVT. LTD.

www.scitechpublications.com

email: scitechcorp@yahoo.co.in

