

## TAX MANAGEMENT

### IAT 16MBAFM403 Semester IV

#### 1. A. PERSON —sec 2(31):

The term persons include:

- a) an individual
- b) a Hindu undivided family
- c) a company
- d) a firm
- e) an association of persons and a body of individuals whether incorporated or not
- f) a local authority
- g) Every artificial jurisdictional person not falling under any of the preceding category.

The aforesaid is an inclusive list and the last category covers all those that do not fall in any of the preceding classification.

#### **B. Income :**

The Income Tax Act does not attempt to provide any comprehensive definition of “income” for tax purposes; but gives an inclusive definition in Section 2(24). Income - tax is a tax on income from various sources, estimated according to sets of rules which vary according to the source of income from which it flows. Most type of income can be broadly classified into three main categories; (a) *income derived by a person by rendering personal service*; (b) *income from property*, and (c) *income from the profits of a trade, profession or vocation*. In economic terms, the first category represents income from “labour” alone, the second represents income from “capital” alone whilst the third category combines both “capital” and “labour”. Though the methods of assessing income under these different heads are distinct, income for tax purposes must be money or something capable of being turned into money. The income tax, whatever way it is charged is, however, one tax. In every case, the tax is a tax on income, whatever may be the standard by which the income is measured under different heads.

### C .Mr X residential status

No. of days he has stayed in India during the PY 2017- 18 is 176 days.

No . of days he has stayed in India during the PY 2016-17 is 179 days.

The first basic condition of 182 days of stay during the previous year is not satisfied and he has gone abroad for employment. So the rule of exception applies. He becomes non-resident for the Assessment year 2017-18.

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2.a. **PREVIOUS YEAR** (sec 3): The year in which the income is earned is called the previous year.

b.

## List of Exempted Incomes (Tax-Free) Under Section-10

1. Agriculture Income [Section 10(1)]
2. Any sum received by a Co-parcener from Hindu Undivided Family (H.U.F.) [Section 10(2)]
3. Share of Income from the Firm [Section 10(2A)]
4. Interest paid to Non-Resident [Section 10(4)(i)]
5. Interest to Non-Resident on Non-Resident (External) Account [Section 10(4)(ii)]
6. Interest paid to a person of Indian Origin and who is Non-Resident [Section 10(4 B)]

7. Travel Concession to an Indian Citizen Employee [Section 10(5)]
8. Remuneration received by an individual who is not a citizen of India [Section 10(6)]
9. Tax paid by Government or Indian concern on Income of a Foreign Company [Section 10(6A), (6B), (6BB) and (6C)]
10. Perquisites and Allowances paid by Government to its Employees serving outside India [Section 10(7)]
11. Employees of Foreign Countries working in India under Cooperative Technical Assistance Programme [Section 10(8)]
12. Income of a Consultant [Section 10(8A)]
13. Income of Employees of Consultant [Section 10(8B)]
14. Income of any member of the family of individuals working in India under co-operative technical assistance programmes [Section 10(9)]

c. Mr A residential status

He comes to India on 16<sup>th</sup> January, the no. of days he has stayed is

Jan 16

Feb 28

Mar 31

Total 75 days in the PY 2107-18.

He does not satisfy the first basic condition , but satisfies the second basic condition of 60 days or more in the PY and 365 days or more during the 4 preceding PYs.

He is a Resident and ordinary resident for the Assessment year 2018-19.

3.a.

According to the current test of residence, an individual becomes a resident, if he

- a. is in India for 182 days or more during the previous year; or

- b. has been in India for atleast 365 days within the preceding four years and for atleast 60 days in the relevant previous year.

In other situations the person is to be treated as nonresident.

**B. Difference between capital and revenue receipts.**

<b>BASIS FOR COMPARISON</b>	<b>CAPITAL RECEIPT</b>	<b>REVENUE RECEIPT</b>
Meaning	Capital Receipts are the income generated from investment and financing activities of the business.	Revenue Receipts are the income generated from the operating activities of the business.
Nature	Non-Recurring	Recurring
Term	Long Term	Short Term
Shown in	Balance Sheet	Income Statement
Received in exchange of	Source of income	Income
Value of asset or liability	Decreases the value of asset or increases the value of liability.	Increases or decreases the value of asset or liability.

**C.**

Particulars	Resident	Resident and not ordinarily	Non Resident
Profits from	2,00,000	2,00,000	2,00,000

business in India but controlled from USA			
Profit on sale of furniture in Bangalore but received in Pakistan	1,00,000	1,00,000	1,00,000
Profits from business in Afganistan but business is controlled from India	4,50,000	4,50,000	2,25,000
Income from house property in Swizerland	2,40,000	Not taxable	Not taxable
Agricultural income in Bangladesh bought later to India	1,60,000	Not taxable	Not taxable
Past untaxed income brought to India	Exempt	Exempt	Exempt
Total	11,50,000	7,50,000	5,25,000

#### PART B

4 a. Mr x left India and in the PY he has stayed in India only for 53 days.

He does not satisfied any one of the basic condition so he becomes non resident for the assessment year 2018-19.

c. The total income of Mr Mohan

Particulars	Resident	Resident and OR	Non - Resident
Profits from business in	10,000	10,000	10,000

Bangalore			
Income from HP in Japan received and deposited there	5,000	Not taxable	Not taxable
Profits from business in pakisthan	15,000	15,000	NT
Salary received from UNO	Exempt	Exempt	Exempt
Income from agriculture in India	Exempt	Exempt	Exempt
Total	30,000	25,000	10,000