






CS EXECUTIVE CHART BOOK QUICK REVISION GUIDE

TAX LAWS AND PRACTICE

Module 2

-  **Summarised Tabular Chart** Format for revising the subject matter in an easy-to-learn format
-  **Point-wise Summaries** of each chapter are provided in a nutshell
-  **Full-coverage of the New Syllabus** for CS-Executive Dec 2024 exams

Contents

Direct Tax

1. Basic concept of Income Tax.....	3-5
2. Residential Status & Scope of Total Income	6-8
3. Incomes which do not form part of Total Income	9-10
4. Income under the Head Salary.....	11-15
5. Income under the Head House Property.....	16-19
6. Profits and Gains from Business and Profession	20-26
7. Capital Gains	27-31
8. Income from other Sources.....	32-34
9. Clubbing Provisions	35-36
10. Set off and/Carry Forward of Losses.....	37-38
11. Deductions	39-41
12. Computation of Total Income and Tax Liability of various Entities	42-43
13. Classification and Tax Incidence on Companies	44-46
14. Procedural Compliance.....	47-52

Indirect Tax (Gst & Custom)

15. Basic concept of GST (Introduction).....	55-56
16. Constitutional framework under GST	57-58
17. Law Relating to Consumer Protection.....	59-60
18. Charging Section of GST.....	61-66
19. Time of Supply	67-68
20. Valuation under GST	69-70
21. Place of Supply	71-72
22. Input Tax Credit & Computation of GST Liability- Overview	73-76
23. Registration.....	77-79
24. Tax Invoice, Credit & Debit Notes.....	80-81
25. Accounts & Records.....	82
26. Electronic Way Bill.....	83-84
27. Return	85-87
28. Refund	88-89
29. Assessment, Demand and Recovery.....	90-92
30. Overview of Customs Act.....	93-96

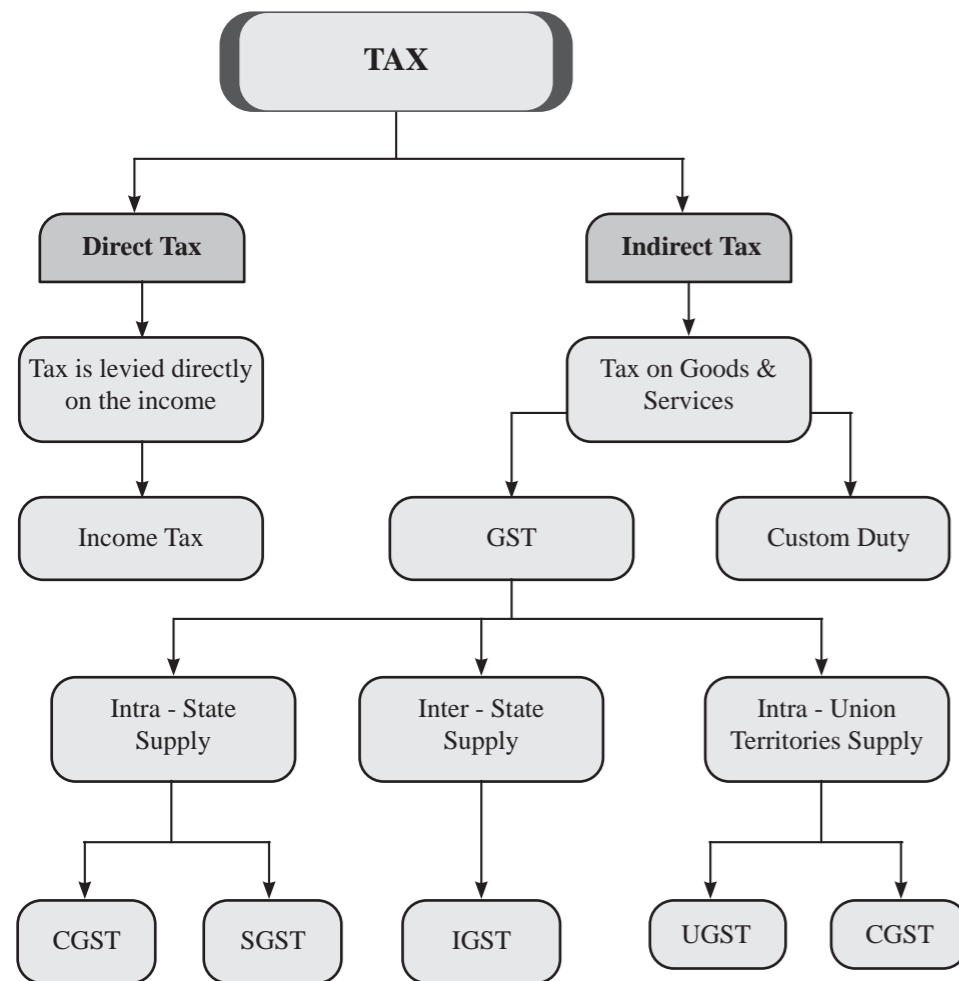
BASIC CONCEPT OF INCOME TAX

MEANING OF TAX

- ❖ A tax is a compulsory financial charge or some other type of levy imposed on a taxpayer (an individual or legal entity) by a governmental organization in order to fund government spending and various public expenditures (regional, local, or national).
- ❖ Taxes are considered to be the “cost of living in a society”.

CLASSIFICATION OF TAX

Taxes are usually classified into two categories. These are direct tax and indirect tax.



Direct Taxes:

Taxes which are directly levied on Income of the person and its burden cannot be shifted. It is the payment made by assessee directly to the government after income is received.

For example: Income Tax, Gift Tax etc.

Indirect Taxes:

Indirect taxes are imposed on price of goods or services. Person paying the indirect tax can shift the incidence to another person.

For example: GST or Customs duty.

DIRECT VS. INDIRECT TAX

Differences between Direct Tax and Indirect Tax

Point of Difference	Direct Tax	Indirect Tax
Meaning	Direct tax is a tax wherein the levy of tax is made on a person and the responsibility of paying such tax is fixed on that person.	In this the levy of tax is made on one person and the responsibility of paying the tax to the Government is fixed on some other person.
Levy	Direct tax is levied on income and wealth.	Indirect tax is levied on goods and services.
Transfer of Tax Burden	The burden of direct tax cannot be transferred to other person.	The burden of indirect tax can be transferred to the end users.
Effect	The purpose of direct tax is to redistribute the wealth of a nation.	Indirect tax increases the price of goods or services.
Example	Income Tax.	Goods and Services Tax.
Penalty	It is levied on the Assessee.	It is levied on supplier of goods & Services.

MERITS AND DEMERITS

MERITS OF DIRECT TAX

1. Equity.
2. Elasticity and productivity.
3. Certainty
4. Reduce inequality
5. Good instrument in the case of inflation.
6. Simplicity

DEMERITS OF DIRECT TAX

1. Evasion
2. Uneconomical.
3. Little incentive to work and save
4. Not suitable to a poor country
5. Arbitrary

CENTRAL BOARD OF DIRECT TAXES (CBDT)

- ❖ The CBDT is a statutory authority functioning under the Central Board of Revenue Act, 1963.

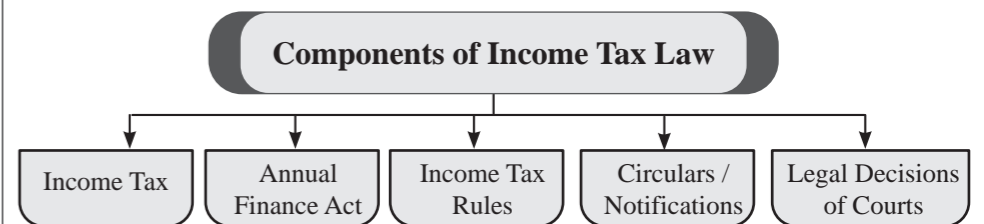
INCOME TAX DEPARTMENT

The Income Tax department functions under the department of Revenue in Ministry of Finance.

Income Tax Department is responsible for administering following direct taxation acts passed by parliament.

- ❖ Income Tax Act, 1961
- ❖ Various Finance Acts (Passed every Year in Budget Session)

COMPONENTS OF INCOME TAX LAW



Income-tax Act, 1961

- ❖ The levy of income-tax in India is governed by the Income-tax Act, 1961.
- ❖ This Act came into force on 1st April, 1962.
- ❖ It extends to the whole of India.
- ❖ It contains sections 1 to 298 and schedules I to XIV.

Annual Finance Act

- ❖ Every year Budget is presented before the parliament by the Finance Minister
- ❖ One of the important components of the Budget is the Finance Bill.
- ❖ When the Finance Bill is passed by both the houses of the Parliament and gets the assent of the President, it becomes the Finance Act.

Income-tax Rules, 1962

- ❖ For implementation of the Act and for administration of the direct taxes, Central Board of Direct Taxes (CBDT) is empowered to frame these rules from time to time.
- ❖ These rules are collectively called as the Income-tax Rules, 1962.
- ❖ Rules also have sub-rules, provisos and Explanations.

Circulars/Clarifications

- ❖ Circulars and clarifications are issued by the CBDT
- ❖ Clarify the doubts regarding the scope and meaning of certain provisions of the law and
- ❖ Provide guidance to the Income Tax officers.
- ❖ These circulars are binding on the Income Tax Authorities but not on the assessee however an assessee can take benefit of these circulars.

Notifications

- ❖ Notifications are issued either by the Central Government or by CBDT to take care of the procedural aspects of the Act from time to time.
- ❖ These notifications are binding on everyone, i.e., on Income Tax Authorities as well as on the assessees.

Judicial Decisions (Case Laws)

- ❖ Decisions pronounced by the Supreme Court become Judicial Precedent and are binding on all the courts, Appellate Tribunal, Income Tax Authorities and on assesses.
- ❖ High Court decisions are binding on assesses and Income Tax Authorities which come under its jurisdiction unless it is overruled by a higher authority.
- ❖ The decision of a High Court cannot bind other High Court.

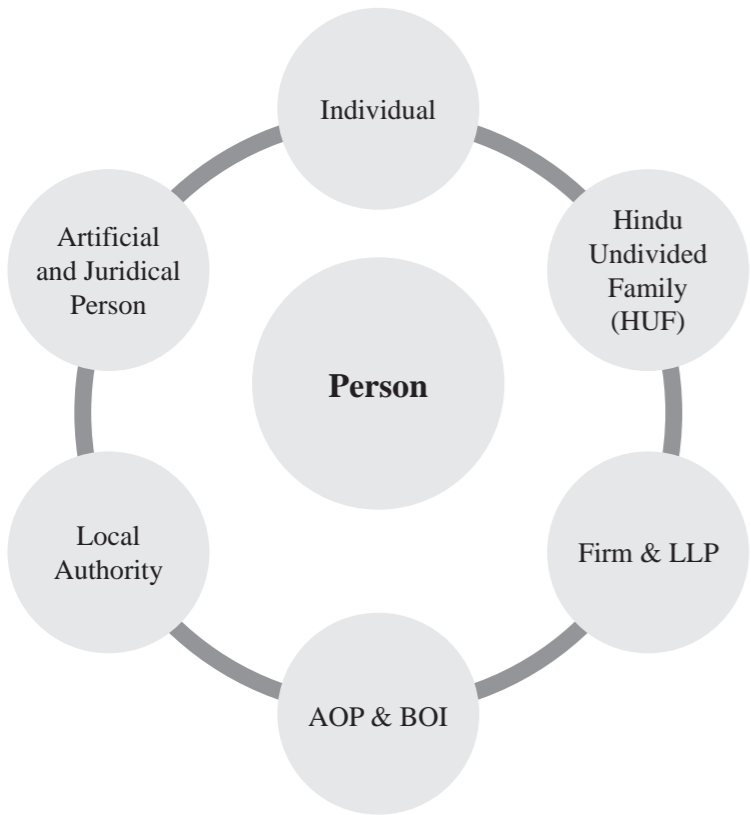
CHARGING SECTION (SECTION 4)

- Sec. 4 of the Income Tax Act provides that the tax shall be charged –
- For any assessment year (AY), at the rate(s) specified in the annual Finance Act for that year, and
 - In respect of the total income of the previous year of every person.

IMPORTANT DEFINITIONS

1. Person (Section 2(31))

Income-tax is charged in respect of the total income of the previous year of every person. As per Section 2(31) Person includes-



2. Assessee [Section 2(7)]

- ❖ “Assessee” means a person by whom any tax or any other sum of money is payable under this Act.

3. Previous Year [Section 3]:

- ❖ Income Tax is payable on the Income which is earned during the Previous Year and it is assessed in the immediately succeeding financial year which is called an Assessment Year.
- ❖ In accounts, we call it as financial year.
- ❖ As per income tax act, previous year begins on 1st of April and ends on 31st March of the subsequent 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.

4. Assessment Year [Section 2(9)]:

- ❖ Assessment Year means the period of twelve months commencing on 01st April every year.
- ❖ As per income tax act, assessment year begins on 1st of April and ends on 31st March of the year following the P.Y.
- ❖ It means in the previous year we earn income & in the assessment year we calculate income & tax.
- ❖ Income of the P.Y. is assessed in the A.Y.

General Rule:

Income of a previous year is assessed in the assessment year following the previous year

Exceptions to the General rule

In the following cases, the Income of previous year of an assessee is assessed in the previous year itself.

- Income of Non Resident from Shipping (Sec. 172)
- Income of Persons leaving India either permanently or for long duration (Sec.174)
- Income of bodies formed for short duration (Sec.174A)
- Persons likely to transfer property to avoid tax (Sec. 175)
- Discontinued business (Sec. 176)

TAX RATE & SLAB

Components of Tax are:



1. For Resident Individual of age below 60 years, Non Resident Individual, HUF, AOP, BOI, Artificial Juridical Person

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 2,50,000	Nil	Nil
2,50,001 - 5,00,000	5%	5% of (Total Income - 2,50,000)
5,00,001 - 10,00,000	20%	20% of (Total Income - 5,00,000) + 12,500
Above 10,00,000	30%	30% of (Total Income - 10,00,000) + 1,12,500

2. For Senior Citizen (Resident Individual of age 60 years or more in PY but less than 80 years)

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 3,00,000	Nil	Nil
3,00,001 - 5,00,000	5%	5% of (Total Income - 3,00,000)
5,00,001 - 10,00,000	20%	20% of (Total Income - 5,00,000) + 10,000
Above 10,00,000	30%	30% of (Total Income - 10,00,000) + 1,10,000

3. For Super Senior Citizen (Resident Individual of age 80 years or more in PY)

Total Income (Rs.)	Tax Rate	Tax liability (Rs.)
Upto 5,00,000	Nil	Nil
5,00,001 - 10,00,000	20%	20% of (Total Income - 5,00,000)
Above 10,00,000	30%	30% of (Total Income - 10,00,000) + 1,00,000

4. For Firm and Local Authorities

Types of Person	Tax Rate
Firms (including LLP)	30% of total Income
Local Authorities	30% of total Income

5. For Company

Domestic Company	Assessment Year
❖ Where it opted for Section 115BA	25%
❖ Where it opted for Section 115BAA [This benefit shall be available when total income of the company is computed without claiming specified deductions, incentives, exemptions and additional depreciation available under the Income-tax Act.]	22%
❖ Where it opted for Section 115BAB [This regime shall be available only for the manufacturing companies incorporated in India on or after 01-10-2019. Hence, old companies will not be able to take the benefit of this section.]	15%
❖ Where it has not opted for Section 115BAA and the Total Turnover or Gross receipts of the company in the last previous year does not exceeds 400 crore rupees.	25%
❖ Any other domestic company	30%
Foreign Company	40%

6. For Co-operative Society

	Income Slabs	Tax Rates
i.	Where the taxable income does not exceed Rs. 10,000/-	10% of the income
ii.	Where the taxable income exceeds Rs. 10,000/- but does not exceed Rs. 20,000/-	Rs. 1,000/- + 20% of income in excess of Rs. 10,000/-

iii.	Where the taxable income exceeds Rs. 20,000/-	Rs. 3,000/- + 30% of the amount by which the taxable income exceeds Rs. 20,000/-
------	---	--

SURCHARGE

Surcharge is an additional tax imposed on certain cases. It is imposed over the basic tax rate calculated on the income.

S.N.	Types of person	Income	Surcharge Rates
i.	Individuals, HUF, AOP, BOI	If Income exceeds Rs. 50 lakhs but does not exceed Rs. 1 crore	10% of income tax
		If Income exceeds Rs. 1 crore but does not exceed Rs. 2 crore	15% of income tax
		If Income exceeds Rs. 2 crore but does not exceed Rs. 5 crore	25% of income tax
		If total income exceeds Rs. 5 crore	37% of income tax
ii.	Firm / Local Authority / Co-operative Society	If income exceeds Rs. 1 crore	12% of income tax
iii.	Domestic Companies	If income exceeds Rs. 1 crore but does not exceed Rs. 10 crores	7% of income tax
		If income exceeds Rs. 10 crore	12% of income tax
iv.	Companies other than a domestic company	If income exceeds Rs. 1 crore but does not exceed Rs. 10 crores	2% of income tax
		If income exceeds Rs. 10 crore	5% of income tax

MARGINAL RELIEF

- ❖ Marginal relief is calculated only if assessee is liable to pay surcharge.
- ❖ It is applicable for all assessee where the increase in tax is more than the increase in income.
- ❖ Marginal relief is allowed after surcharge but before education cess.
- ❖ Marginal relief = Increase in tax –Increase in income. (Above the limit of surcharge)

HEALTH AND EDUCATION CESS

- ❖ Health and education cess–4%
- ❖ It is calculated on the amount of income tax & surcharge.

REBATE [SECTION 87A]

UNDER OLD REGIME

- ❖ Rebate is allowed only to resident individual if income is upto ₹ 5,00,000.
- ❖ Rebate is allowed against basic tax before education cess.
- ❖ Amount of rebate shall be lower of:-
 - a) Amount of tax
 - b) ₹ 12,500

UNDER NEW REGIME

- ❖ Rebate is allowed only to resident individual if income is upto ₹ 7,00,000.
- ❖ Rebate is allowed against basic tax before education cess.
- ❖ Amount of rebate shall be lower of:-
 - a) Amount of tax
 - b) ₹ 25,000

SPECIAL RATES OF INCOME TAX

Section	Nature of Income	Rate of Tax
111A	Short-term capital gains from transfer of securities on which Securities Transaction Tax has been charged	15%
112	Long term capital gain	20%
112A	On Long-term Capital Gain (Listed Share/Unit)	Exempt upto Rs. 1 lakh. Excess taxable @ 10%
115BB	Casual Income	30%
115BBG	Income on transfer of Carbon Credit	10%
115BB	Winning from <ul style="list-style-type: none">❖ Lottery❖ Crossword puzzles❖ Races❖ Card games	30%
115BBJ	Net winning from online games	30%

SECTION 115 BAC

APPLICABILITY: Individual/HUF/AOP/BOI/AJP

Total Income	Rate
Upto 3,00,000	NIL
From 3,00,000 to 6,00,000	5%
From 600,000 to 9,00,000	10%
From 9,00,000 to 12,00,000	15%
From 12,00,000 to 15,00,000	20%
Above 15,00,000	30%

Surcharge: Surcharge is levied on the amount of Income-tax at following rates if total income of an assessee exceeds specified limits:

Rs. 50 Lakhs to Rs. 1 Crore	Rs. 1 crore to Rs. 2 Crore	Exceeding Rs. 2 Crore
10%	15%	25%

Note: Marginal relief is available from surcharge.

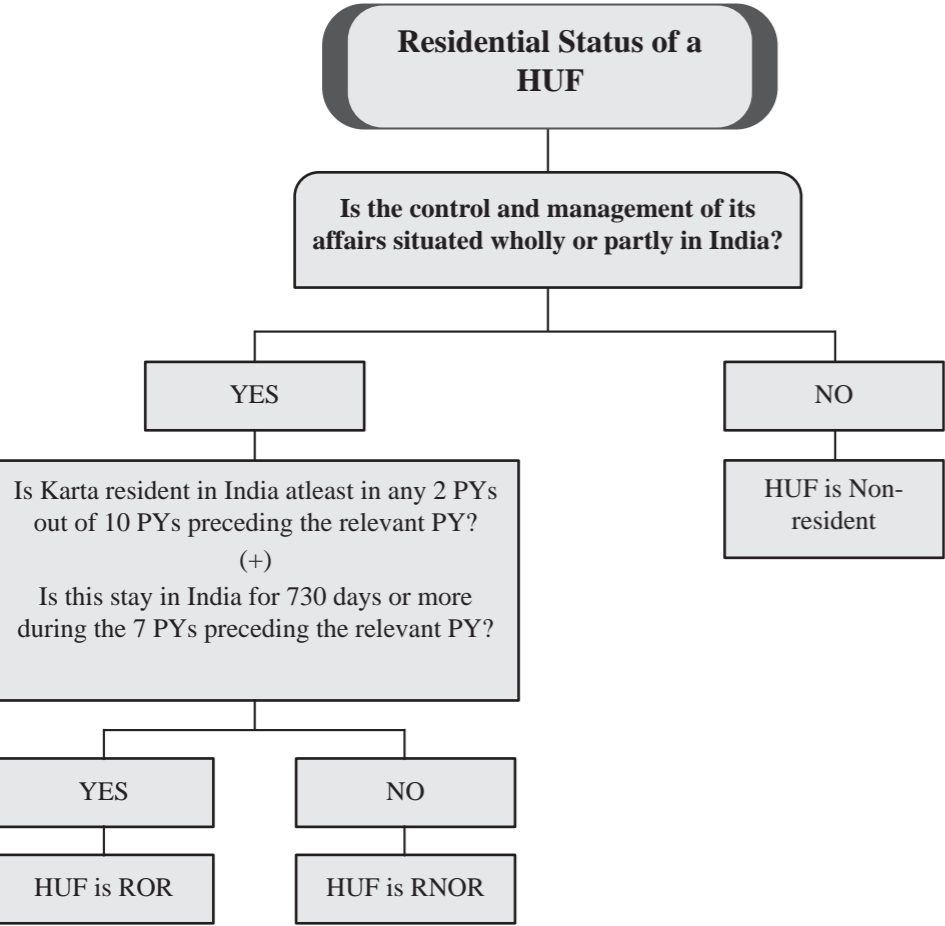
Health and Education Cess: Health and Education Cess is levied at the rate of 4% on the amount on income-tax plus surcharge.

COMPUTATION OF TOTAL INCOME AND TAX LIABILITY OF AN ASSESSEE

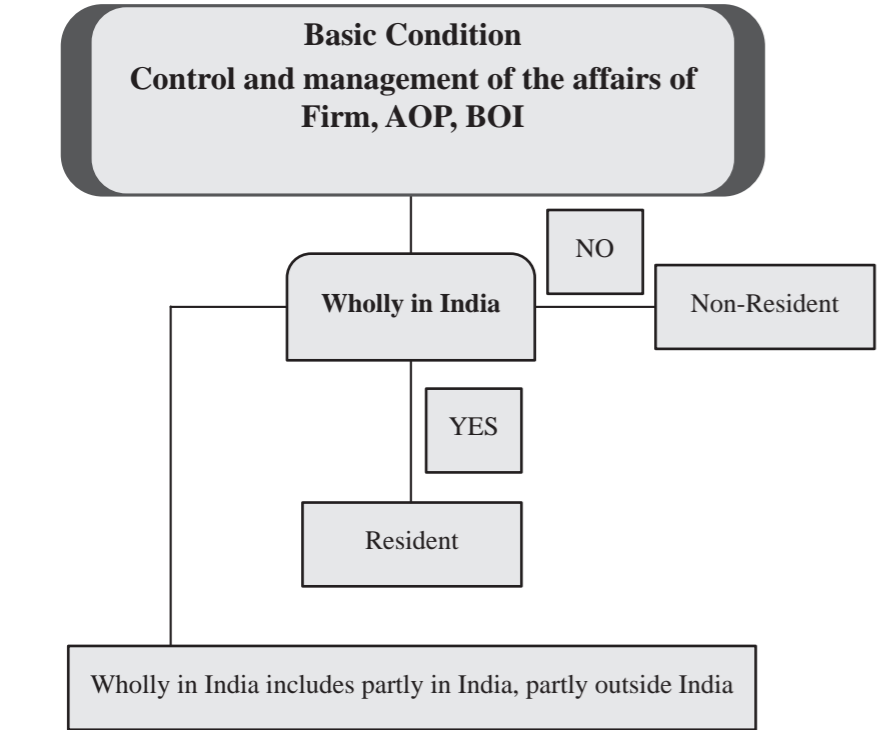
For calculation of income, amount received is classified under 5 heads of income; it is then to be adjusted with reference to the provisions of the Income Tax laws in the following manner

Particulars	Amount (Rs.)
Income under the head:	
+ Income from Salaries	XXX
+ Income from House Property	XXX
+ Profits and gains of Business or Profession	XXX
+ Capital gains	XXX
+ Income from other sources	XXX
Adjustment in respect of:	
+ Clubbing of Income	XXX
- Set off and carry forward of losses	(XXX)
= Gross Total Income	XXX
– Deductions under section 80C to 80U (or Chapter VIA)	(XXX)
= Total Income	XXX

RESIDENTIAL STATUS OF HUF



RESIDENTIAL STATUS OF FIRM AOP/BOI

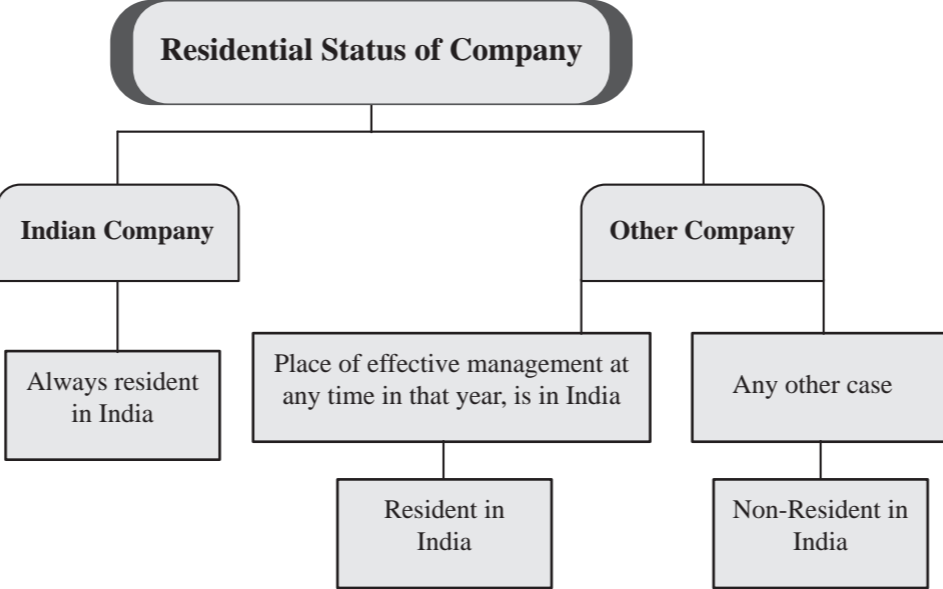


RESIDENTIAL STATUS OF COMPANY

A company would be resident in India in any previous year, if-

- It is an Indian company;
- Or
- Its place of effective management, in that year, is in India.

“Place of effective management” to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made



“PLACE OF EFFECTIVE MANAGEMENT” (POEM)

CRITERIA

As per the POEM guidelines, a company shall be said to be engaged in “active business outside India” if the passive income is not more than 50% of its total income and

- less than 50% of its total assets are situated in India;
- And
- less than 50% of total number of employees are situated in India or are resident in India;
- And
- the payroll expenses incurred on such employees is less than 50% of its total payroll expenditure.

Determination of Poem will be a two stage process:

First Stage:

Identification or ascertaining the person or persons who actually make the key management and commercial decision for conduct of the company business as a whole.

Second Stage:

Determination of place here these decisions are in fact being made.

Note: The place where these management decisions are taken would be more important than the place where such decisions are implemented.

RESIDENTIAL STATUS OF LOCAL AUTHORITIES AND ARTIFICIAL JURIDICAL PERSONS

Resident:

Local authorities and artificial juridical persons would be resident in India if the control and management of its affairs is situated wholly or partly in India.

Non-resident:

Where the control and management of the affairs is situated wholly outside India, they would become non-residents.

SCOPE OF TOTAL INCOME (SECTION 5)

Section 5 provides the scope of total income in terms of the residential status of the assessee because the incidence of tax on any person depends upon his residential status.

The scope of total income of an assessee depends upon the following three important considerations:

- The residential status of the assessee;
- The place of accrual or receipt of income, whether actual or deemed; and
- The point of time at which the income had accrued to or was received by or on behalf of the assessee.

The ambit of total income of the three classes of assessee would be as follows:

1. RESIDENT AND ORDINARILY RESIDENT

According to Sub-section (1) of Section 5 of the Act, The total income of a resident and ordinarily resident assessee would consist of:

- Income received or deemed to be received in India during the previous year;
- Income which accrues or arises or is deemed to accrue or arise in India during the previous year;
- Income which accrues or arises outside India even if it is not received or brought into India during the previous year.

In simpler terms, a resident and ordinarily resident has to pay tax on the total income accrued or deemed to accrue, received or deemed to be received in or outside India during the relevant previous year.

2. RESIDENT BUT NOT ORDINARILY RESIDENT

Under section 5(1), total income of resident but not ordinarily resident would consist of

- Income received or deemed to be received in India during the previous year;
- Income which accrues or arises or is deemed to accrue or arise in India during the previous year;
- Income derived from a business controlled in or profession set up in India, even though it accrues or arises outside India.

Note: All other income accruing or arising outside India which is not received or deemed to be received or deemed to accrue or arise in India would not be included in his total income.

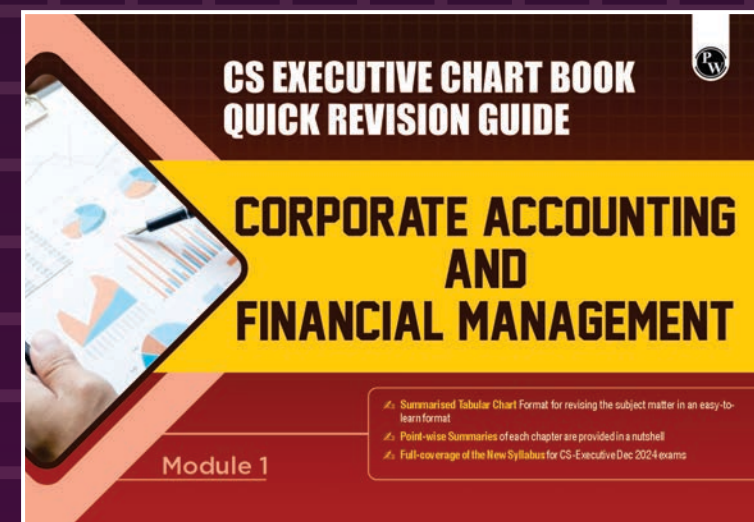
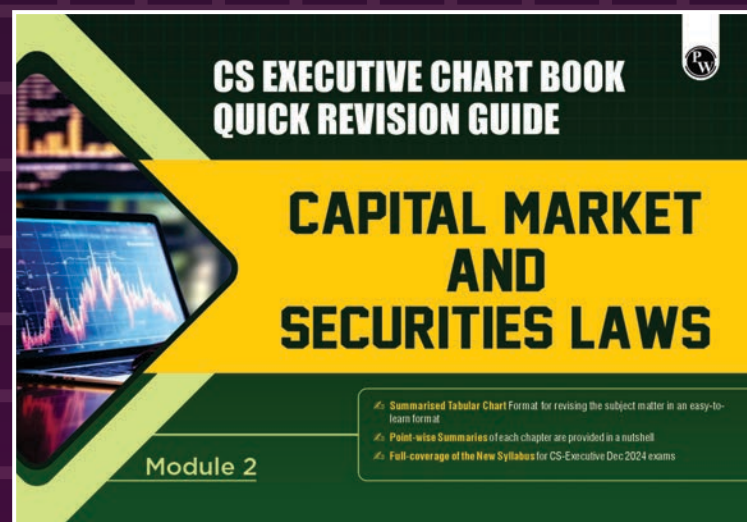
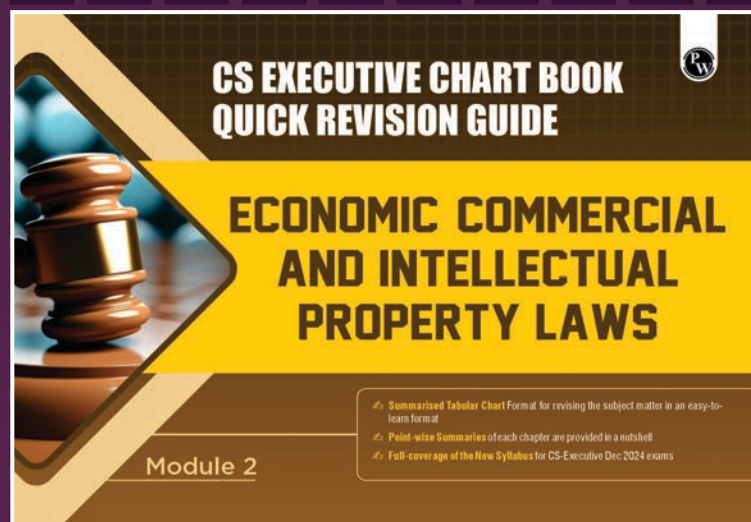
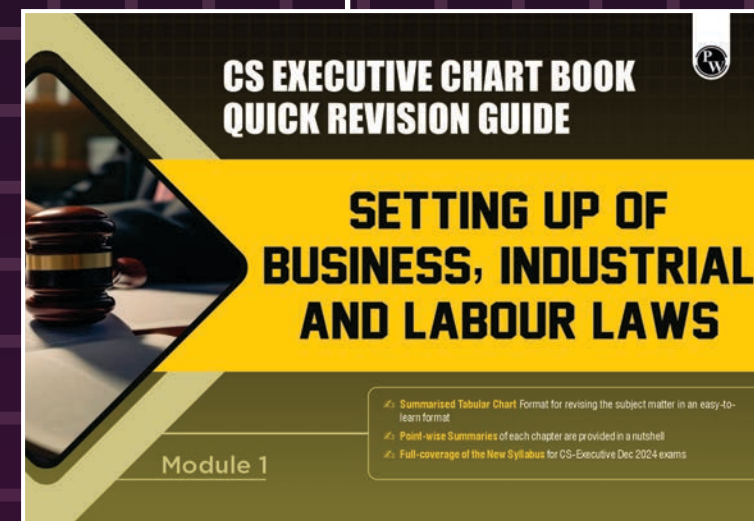
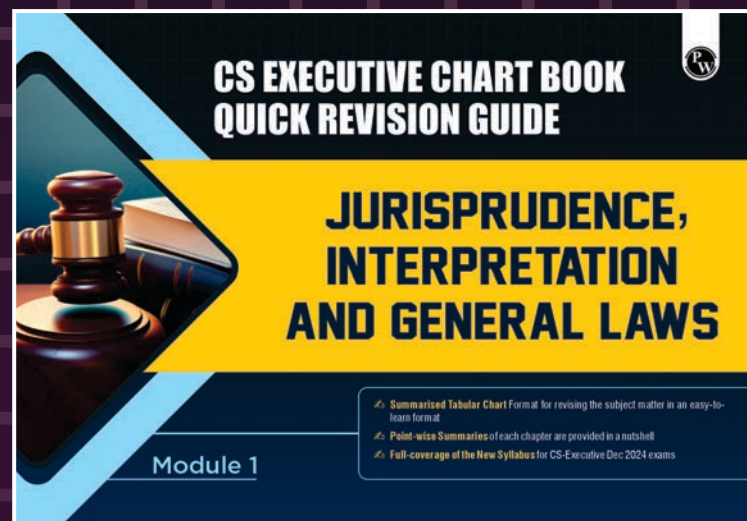
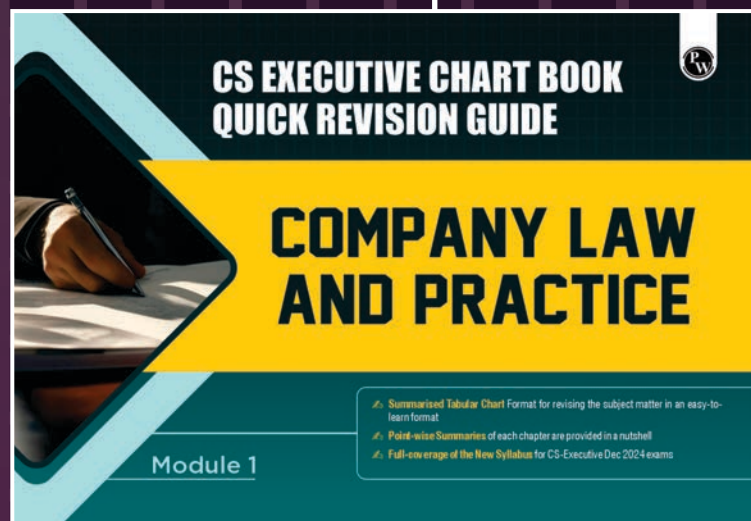
3. NON-RESIDENT

A non-resident’s total income under section 5(2) includes:

- Income received or deemed to be received in India in the previous year; and
- Income which accrues or arises or is deemed to accrue or arise in India during the previous year.

Note: All assessee, whether resident or not, are chargeable to tax in respect of their income accrued, arisen, received or deemed to accrue, arise or to be received in India whereas a resident alone (resident and ordinarily resident in the case of individuals and HUF) is chargeable to tax in respect of income which accrues or arises outside India.

COMPLETE YOUR PREPARATION



₹ 449/-

**PHYSICS
WALLAH
PUBLICATION**

