

Unit - 6

Fundamentals of Taxation



Tax

- A compulsory contribution (not voluntary)
- Made by a person
- To the state's treasury

Types of Tax

Direct tax- incidence and impact- same person

Ex: Income Tax, Wealth Tax etc

Indirect tax – incidence and impact- different person

Ex: Sales tax, Excise duty, Customs duty, GST etc

(Incidence- liability to pay tax, Impact- burden of payment)

Heads of Income

- Income from Salary
- Income from House property
- Income from Capital gains
- Income from Business/ profession
- Income from Other sources
- Concept of GTI (Gross Total Income)
- Taxable/ Net Income

COMPUTATION OF NET INCOME

Heads of Income

	Rs.	Rs.
1. Income from Salaries		XXXX
2. Income from House Property		XXXX
3. Income from Capital Gains		XXXX
4. Income from Business/ Profession		XXXX
5. Income from Other sources		XXXX
Gross Total Income (1+2+3+4+5)		XXXX
(-) Deductions U/s 80		
80C, 80D, 80G, 80 GG, 80GGB, 80GGC, .. 80U	XXXX	

Net Income/ Taxable Income

Assessment year

Period of 12 months starting from 1st April and on 31st March every year

Previous year

The financial year immediately preceding Assessment year

DEDUCTIONS U/S 80C

- Insurance premium on own life/ spouse's life/ child's life (dep / indep / minor / major / married / unmarried) subject to 10% on Sum assured.
- Contribution towards PPF, EPF etc
- Purchase of National Savings Certificate
- Purchase of ULIP of UTI, LIC- Mutual fund etc
- Payment of notified annuity plan of LIC or other insurance company
- Subscription towards notified units of MFs
- Subscription to any notified bonds of NABARD
- Deposit in Sukanya Samriddhi Account

- Any sum paid (incl. interest accrued) as subscription Loan account scheme of National housing bank
- Any public deposit scheme of HUDCO
- Any sum paid as tuition fees for full time education children (Indian institutions)
- Principal amount paid towards cost of purchase/con residential property
- Amount deposited as term deposits (5 years or more accordance with a scheme framed by the Govt
- 5 years Term deposits scheme of post office
- Gross qualifying amount or Rs.150000

**TAX RATES FOR AY 2017-18, PY/FY 2016-17****Individuals (Males and Females)**

Upto Rs.2.5lac	Nil
2.5lac-5lac	5%
5lac-10lac	20%
Above 10lac	30%

Senior citizen (aged 60yrs and above, less than 80 yrs)

Upto 3lac	Nil
3lac-5lac	5%
5lac-10lac	20%
Above 10 lac	30%

Senior citizen (aged 80 yrs and above)

Upto 5 lac
5 lac – 10lac
Above 10 lac

Surcharge: 10% of income tax, where total income exceeds Rs.50 lac or more.

Surcharge: 15% of income tax, where the total income exceeds Rs.1 crore.

Cess: 3% on total of income tax + surcharge.