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Best place to learn Accounts, Tax, GST

Assignment 1

Income Tax Basics

by **CA Maninder Singh**

What is Income Tax ?



Tax is on Income

It is a Tax

*Which
Types of
Income?*

*Salary
Business
Rent
Interest etc*

*Tax Collected by
Central Govt*

*(Same Tax all over
India)*

*Is it Direct Tax
or
Indirect Tax?*

Tax

Direct Tax

*Person pays
tax from own pocket*

Example

Income Tax

Indirect Tax

*Person collects Tax from
Customer Pays to Government*

Example

GST

Different Types of Income in Income Tax

Job	→	<i>Income from Salary</i>
Business Income	→	<i>Profits and gains of Business & Professions (PGBP)</i>
Rental Income	→	<i>Income from House Property</i>
Profit on Sale of Assets	→	<i>Income from Capital Gains</i>
All Other Income	→	<i>Income from other sources</i>

Employee on Job

Employer Employee Relationship



Income from Salaries

Employee on Contract

On Contract for short duration

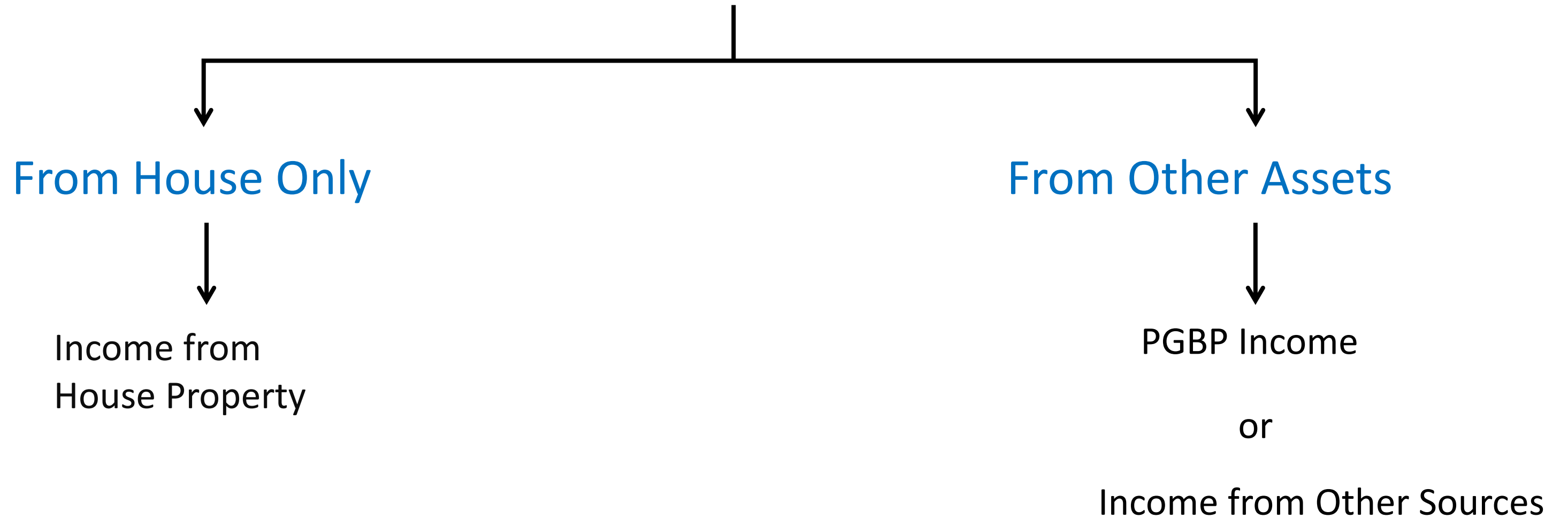


PGBP Income

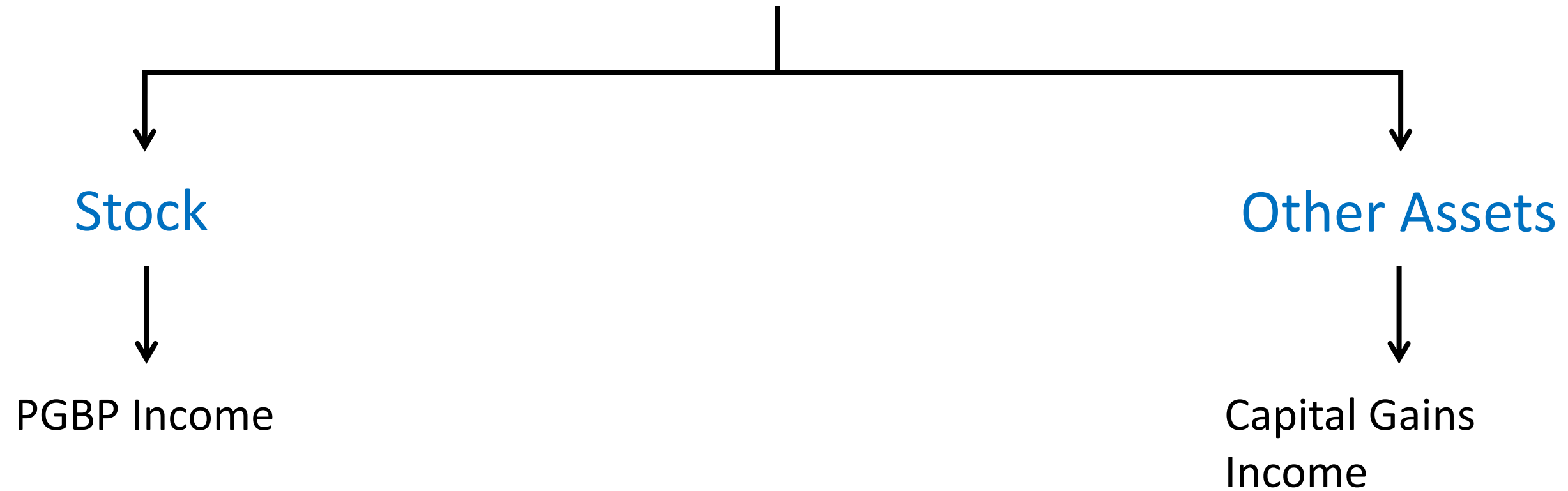
or

Income from Other Sources

Rental Income



Profit on Sale of Assets



When do we Pay Income Tax

Financial Year 2019-20

From 1 April 2019

to

31st March 2020



1 April
2019



31 March
2020



ITR Due date is

~~31 July 2020~~ 10 Jan 2021



Salary &
Small Business

Or

~~31 Oct 2020~~ 15 Feb 2021



Audit Business

This is called

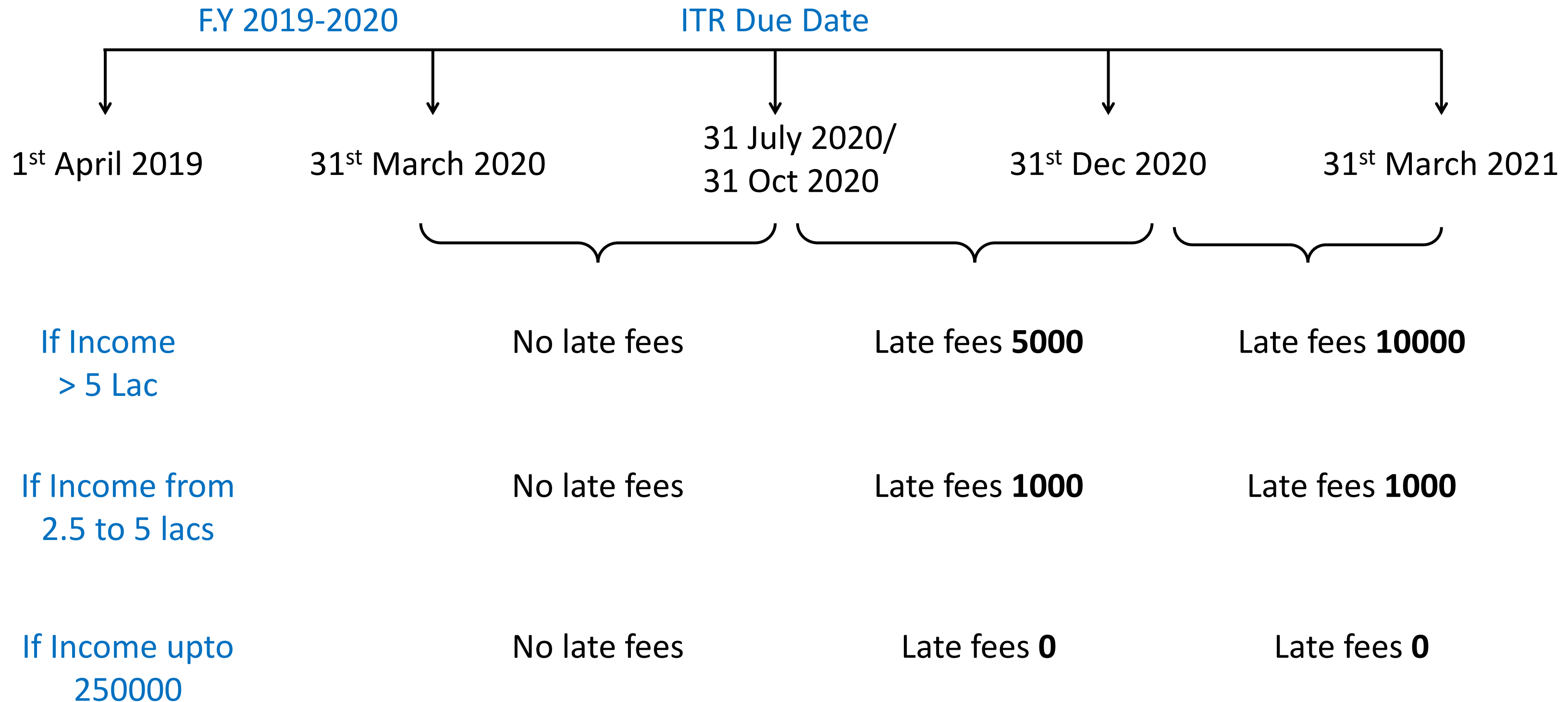
Previous Year 2019-20

This is called

Assessment Year 2020-21

Can ITR be filed After Due Date?

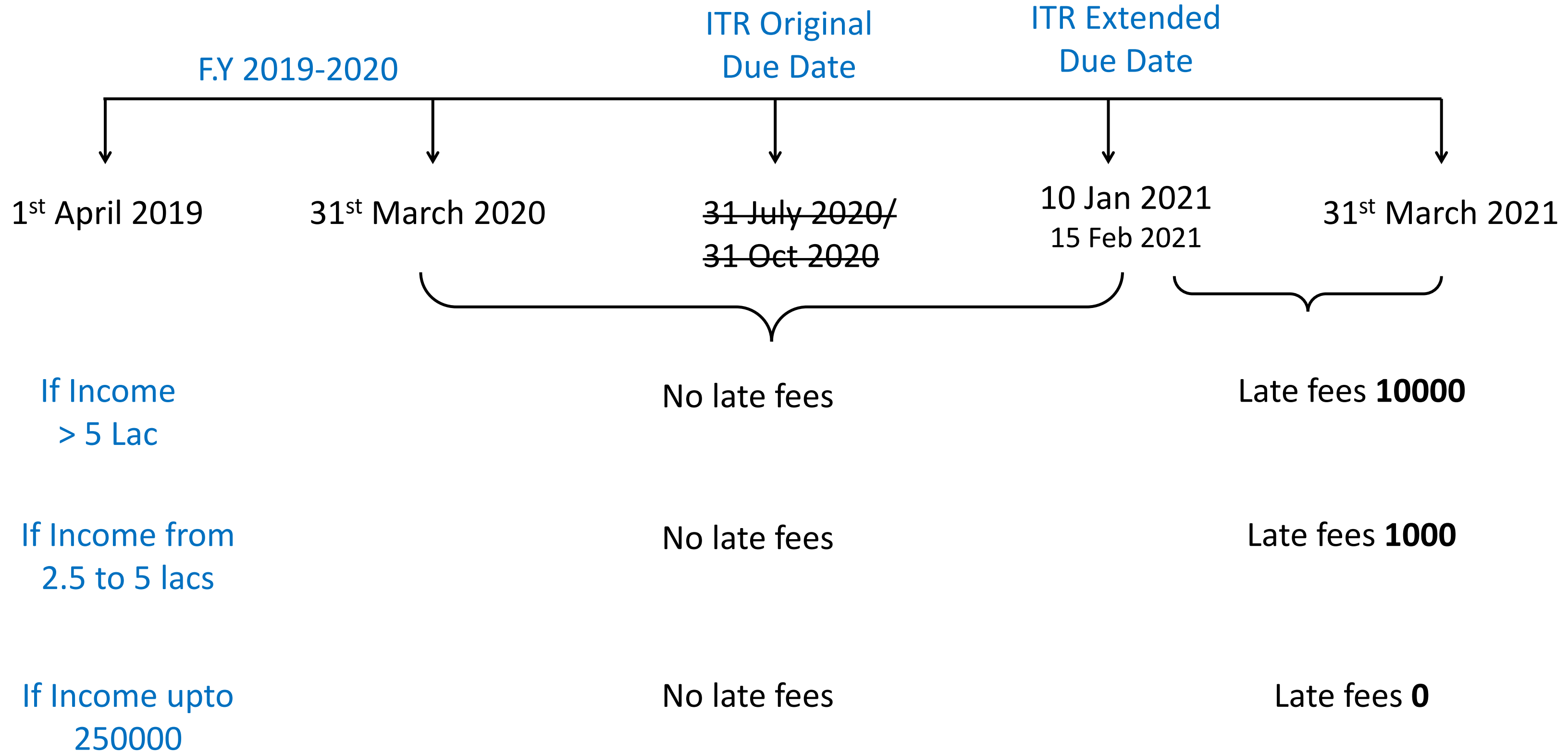
Yes, till 31 March with Late fees



Note-Above Late fees is as per Original Due Date

Late fees as Due Date Extended to 10 Jan/15 Feb

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Income Tax Challan

It is a form to pay tax

It is done **first**

Form No is

Challan 280

In all cases

Income Tax Return

It is form which contain details of tax

It is done **later**

There are Different ITR Forms

ITR1

ITR2

ITR3

ITR4 etc

ITR Forms

ITR Forms For Individuals

Individuals Normally File one of the following 4 ITR Forms

ITR 1 → If Salary or Other sources or 1 house property (income upto 50 lacs)

ITR 2 → Non business who cant file ITR 1 (Like 2 House Property or Capital Gain Or those who can't file ITR 1)

ITR 3 → ITR for business whose audit done by CA (or those who cant file ITR4)

ITR 4 → ITR for small business (Non Audit) + Int + One House Property

Note:-

Normally Non Business file ITR1. If some other income, then ITR 2 is filed

Small businessmen file ITR 4. If some other income, ITR 3 is filed

Non Business

They normally fill

ITR 1

(Salary + 1HP + OS)

If some Extra Income,

ITR 2

(Example 2HP + CG)

(Persons having Capital Gains
or 2 House property can't file
ITR 1, they have to fill ITR 2)

Business

They normally fill

ITR 4

(Small Business + 1HP + OS)

If some Extra Income

ITR 3

(2HP + Business, CG + Business, Audit Case)

(Persons having Capital Gains or
2 House property can't file ITR
4, they have to fill ITR 3)

What is Previous Year?

Financial year for which ITR is filed

What is Assessment Year?

Year we file Income Tax Return.

We file it Next Year

ITR for	2018-19	2019-20	→ This is called Previous Year or Financial Year
We file in	2019-20	2020-21	→ This is called Assessment Year

Income Tax Rates for Individuals

Financial year 2019-20 (AY 2020-21)

INCOME	TAX
UPTO 250000	0
250001-500000	5% of (Income-250000)
5000001-1000000	20% of (Income-500000)+12500
>1000000	30% of (Income-1000000)+112500

→ *This is currently
Applicable*

Financial year 2020-21 (AY 2021-22)

INCOME	TAX
UPTO 250000	0
250001-500000	5% of (Income-250000)
5000001-750000	10% of (Income-500000)+12500
750001-1000000	15% of (Income-750000)+37500
1000001-1250000	20% of (Income-1000000)+75000
1250000-1500000	25% of (Income-1250000)+125000
>1500000	30% of (Income-1000000)+187500

→ *This will be applicable
for next year returns*

How to Calculate Tax

Income	Tax
Upto 250000	0
250001-500000	$5\% * (\text{Income} - 250000)$
500001-1000000	$20\% * (\text{Income} - 500000) + 12500$
>1000000	$30\% * (\text{Income} - 1000000) + 112500$

Tax on Income 200000

Income	Tax Rate	Tax	
200000	0%	0	<i>(If Income Upto 250000, No Tax)</i>

Tax on Income 260000

Income	Tax Rate	Tax	
250000	0%	0	
10000	5%	500	<i>(First 250000 Is Tax Free, On Balance We Calculate 5%)</i>
260000		500	

Tax on Income 500000

Income	Tax Rate	Tax
250000	0%	0
250000	5%	12500
500000		12500 <i>(First 250000 Is Tax Free, On Balance We Calculate 5%)</i>

Tax on Income 600000

Income	Tax Rate	Tax
250000	0%	0
250000	5%	12500 <i>(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)</i>
100000	20%	20000 <i>(On Remaining We Calculate 20%)</i>
600000		32500

Tax on Income 1000000

Income	Tax Rate	Tax	
250000	0%	0	
250000	5%	12500	<i>(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)</i>
500000	20%	100000	<i>(On Remaining We Calculate 20%)</i>
1000000		112500	

Tax on Income 1100000

Income	Tax Rate	Tax	
250000	0%	0	
250000	5%	12500	<i>(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)</i>
500000	20%	100000	<i>(On Remaining, We Calculate 20% Till 10 Lac)</i>
100000	30%	30000	<i>(On Income More Than 10 Lacs, We Calculate 30%)</i>
1100000		142500	

Tax on Income 5000000

Income	Tax Rate	Tax	
250000	0%	0	
250000	5%	12500	<i>(First 250000 Is Tax Free, On Balance We Calculate 5% Till 500000 Only)</i>
500000	20%	100000	<i>(On Remaining, We Calculate 20% Till 10 Lac)</i>
4000000	30%	1200000	<i>(On Income More Than 10 Lacs, We Calculate 30%)</i>
5000000		1312500	

Tax on Senior Citizens

Normal Citizen less than 60 years

INCOME	TAX
UPTO 250000	0
250001-500000	5% of (Income-250000)
5000001-1000000	20% of (Income-500000)+12500
>1000000	30% of (Income-1000000)+112500

(If Income Upto 250000, No Tax)

(Applicable to All)

Senior Citizen 60 Years-80 Years

INCOME	TAX
UPTO 300000	0
300001-500000	5% of (Income-300000)
500001-1000000	20% of (Income-500000)+10000
>1000000	30% of (Income-1000000)+110000

(If Income Upto 300000, No Tax)

(Applicable to Residents Only)

(Example -Tax on Normal Citizen vs Senior Citizen

Tax on Income 700000-Normal Citizen

Income	Tax Rate	Tax	
250000	0%	0	<i>(No Tax upto 250000)</i>
250000	5%	12500	<i>(On Balance We Calculate 5% Till 500000 Only)</i>
200000	20%	40000	<i>(On Remaining We Calculate 20%)</i>
500000		52500	

Tax on Income 700000 Senior Citizen Resident in India

Income	Tax Rate	Tax	
300000	0%	0	<i>(No Tax upto 300000)</i>
200000	5%	10000	<i>(On Balance We Calculate 5% Till 500000 Only)</i>
200000	20%	40000	<i>(On Remaining We Calculate 20%)</i>
700000		50000	

Tax on Super Senior Citizens

Senior Citizen 60 Years-80 Years

INCOME	TAX
UPTO 300000	0
300001-500000	5% of (Income-300000)
500001-1000000	20% of (Income-500000)+10000
>1000000	30% of (Income-1000000)+110000

(If Income Upto 300000, No Tax)

(Applicable to Residents Only)

Super Senior Citizen 80 Years and More

INCOME	TAX
UPTO 500000	0
500001-1000000	20% of (Income-500000)
>1000000	30% of (Income-1000000)+100000

(If Income Upto 500000, No Tax)

(Applicable to Residents Only)

Tax on Income 700000 Senior Citizen Resident in India

Income	Tax Rate	Tax	
300000	0%	0	<i>(No Tax upto 300000)</i>
200000	5%	10000	<i>(On Balance We Calculate 5% Till 500000 Only)</i>
200000	20%	40000	
700000		50000	

Tax on Income 700000 Super Senior Citizen Resident in India

Income	Tax Rate	Tax	
500000	0%	0	<i>(No Tax upto 500000)</i>
200000	20%	40000	<i>(On Remaining We Calculate 20%)</i>
700000		40000	

How to Calculate Rebate

What is Rebate?

Discount on Tax is called Rebate

It is reduced from Tax

Amount of Rebate in FY 2019-20

If income is between 250000-500000, then 12500 Maximum Rebate

Note:-

Rebate cannot be more than tax

Example

Income	500000	600000	400000	200000
Tax	12500	32500	7500	0
Rebate	12500	0	7500	0
Net Tax	0	32500	0	0

If income is between 250000-500000, then 12500 Maximum Rebate
Rebate cannot be more than tax