

expenditure for earning such income is not deductible.

## WHAT IS TOTAL INCOME AND HOW IS IT COMPUTED

8. Total income of an assessee is gross total income as reduced by the amount permissible as deduction under sections 80C to 80U. The scheme of computation of total income and tax liability thereon can be easily understood with the help of the following chart :

### COMPUTATION OF INCOME FOR AN ASSESSMENT YEAR

	Rs.	Rs.
1. <i>Income from salaries</i>		
Income from salary	.....	
Income by way of allowances	.....	
Taxable value of perquisites	.....	
Gross salary	.....	
Less : Deduction under section 16		
Entertainment allowance	.....	
Professional tax	.....	
Income from salaries		.....
2. <i>Income from house property</i>		
Adjusted net annual value	.....	
Less : Deduction under section 24	.....	
Income from house property		.....
3. <i>Profits and gains of business or profession</i>		
Net profit as per profit and loss account	.....	
Add : Amounts which are debited to P & L a/c but are not allowable as deduction under the Act	.....	
		.....

Less : Expenditure which are not debited to P & L a/c but are allowable as deduction under the Act

Less : Income which are credited to P & L a/c but are exempt under section 10 or are taxable under other heads of income

Add : Those income which are not credited to P & L a/c but are taxable under the head "Profits and gains of business or profession"

Profits and gains of business or profession

4. Capital gains

Amount of capital gains

Less : Amount exempt under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA, 54GB and 54H

Income from capital gains

5. Income from other sources

Gross income

Less : Deductions under section 57

Income from other sources

Total [i.e., (1) + (2) + (3) + (4) + (5)]

Less : Adjustment on account of set-off and carry forward of losses

Gross total income

Less : Deductions under sections 80C to 80U

Total income or net income\* [rounded off - see para 8.1]

COMPUTATION OF TAX LIABILITY:

Tax on net income [see Appendix 1]

Less: Rebate under section 87A [in the case of a resident individual having net income not exceeding Rs. 3.5 lakh]

Income-tax after rebate under section 87A

Add : Surcharge

Tax and surcharge

Add : Education cess [2 per cent of tax and surcharge] (for the assessment year 2018-19)

Add: Secondary and higher education cess [1 per cent of tax and surcharge] (for the assessment year 2018-19)

Add: Health and education cess [4 per cent of tax and surcharge] (for the assessment year 2019-20)

Less : Rebate under sections 86, 89, 90, 90A and 91

Tax

Less : Pre-paid taxes

◆ Tax-paid on self-assessment

◆ Tax deducted or collected at source

◆ Tax paid in advance

Tax liability [rounded off - see para 8.2]