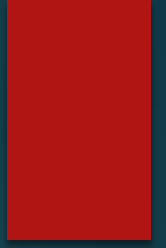




INTRODUCTION & BASIC CONCEPTS: INCOME TAX

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PERSON [SEC. 2 (31)]



The term “person” includes:

- ▶ Individual (Means Natural Person, you and me, i.e. all human beings including minor and unsound mind).
- ▶ HUF,
- ▶ Company,
- ▶ Firm,
- ▶ Association of Persons (AOP) or Body of Individuals, whether incorporated or not,
- ▶ Local Authority, and
- ▶ Artificial Juridical Person

ASSESSMENT YEAR [SEC. 2(9)]

- ▶ The period of twelve months commencing on the 1st day of April every year
- ▶ i.e. period commencing from 1st April to 31st March
- ▶ For example: the assessment year (A.Y.) 2020-2021 will commence on 1.4.2020 and will end on 31.3.2021
- ▶ Income earned by an assessee in the **previous year** is taxed in the following assessment year as per the relevant Finance Act rates.

PREVIOUS YEAR [SEC. 3]

- ▶ the financial year immediately preceding the assessment year
- ▶ Financial year means period commencing from 1st April and ending on 31st March
- ▶ In simple terms, previous year : year in which income is earned;
assessment year: next year in which income is taxable
- ▶ For example: the income earned during previous year (P.Y.) 2019-20 will be taxable in immediately following assessment year (A.Y.) 2020-2021 at the rates applicable for A.Y. 2020-21.

PREVIOUS YEAR [SEC. 3]

- ▶ All assesses are required to follow **uniform Previous year** i.e. financial year (1st April to 31st March) for income tax purposes.
- ▶ Though, its not mandatory to maintain books of account on financial year basis
- ▶ in the case of a **business or profession newly set up, or a source of income newly coming into existence**, in the said financial year, the first previous year shall be the period **beginning with the date of setting up of the business or profession** or, as the case may be, **the date on which the source of income newly comes into existence and ending with the said financial year (i.e. 31st March).**

When income of previous year is not taxable in the immediately following assessment year

- ▶ Shipping business of non-residents [Sec. 172]
- ▶ Assessment of persons leaving India [Section 174]
- ▶ Assessment of association of persons or body of individuals or artificial juridical person formed for a particular event or purpose [Section 174A]
- ▶ Assessment of persons likely to transfer property to avoid tax [Section 175]
- ▶ Discontinued business [Section 176]

ASSEESSEE [SEC. 2(7)]

"assessee" means a person by whom any tax or any other sum of money is payable under this Act, and includes—

every person in respect of whom any proceeding under this Act has been taken for the assessment of

- his income
- income of any other person in respect of which he is assessable
- the loss sustained by him or by such other person
- the amount of refund due to him or to such other person

every person who is deemed to be an assessee under any provision of this Act

every person who is deemed to be an assessee in default under any provision of this Act

REFERENCES

- ▶ <https://www.incometaxindia.gov.in/pages/acts/income-tax-act.aspx>