

WHAT IS THE SCHEME OF PARTIAL INTEGRATION OF NON-AGRICULTURAL INCOME WITH AGRICULTURAL INCOME

188. The scheme of partial integration of non-agricultural income with agricultural income is applicable if the following conditions are satisfied –

- ◆ The taxpayer is an individual, a Hindu undivided family, a body of individual, an association of persons or an artificial juridical person.
- ◆ The taxpayer has non-agricultural income exceeding the amount of exemption limit†.
- ◆ The agricultural income of the taxpayer exceeds Rs. 5,000.

If the three conditions are satisfied, then the scheme of partial integration of tax on non-agricultural income with income derived from agriculture is applicable.

It may be noted that, the aforesaid scheme is not applicable in the case of a firm, company, co-operative society, etc.

188.1 Computation of tax in cases covered by the scheme - In cases covered by the scheme, income-tax will be computed for the assessment year 2018-19 in the following manner :

† Exemption limit for the assessment year 2018-19 is Rs. 2,50,000 [higher exemption limit (a) in the case of a resident senior citizen born on or after April 2, 1938 but on or before April 1, 1958: Rs. 3,00,000; and (b) in the case of a resident super senior citizen born on or before April 1, 1938: Rs. 5,00,000].

Exemption limit for the assessment year 2019-20 is Rs. 2,50,000 [higher exemption limit (a) in the case of a resident senior citizen born on or after April 2, 1939 but on or before April 1, 1959: Rs. 3,00,000; and (b) in the case of a resident super senior citizen born on or before April 1, 1939: Rs. 5,00,000].

- ◆ *Step one* - Net agricultural income is to be computed as if it were income chargeable to income-tax.
- ◆ *Step two* - Agricultural and non-agricultural income of the assessee will then be aggregated and income-tax is calculated on the aggregate income as if such aggregate income were the total income.
- ◆ *Step three* - The net agricultural income will then be increased by the amount of exemption limit (i.e., the first slab of income on which tax is charged at nil rate†) and income-tax is calculated on net agricultural income, so increased, as if such income was the total income of the assessee.
- ◆ *Step four* - The amount of income-tax determined at *Step two* will be reduced by the amount of income-tax determined under *Step three*.
- ◆ *Step five* - Find out the balance. Add education cess and secondary and higher education cess.
- ◆ *Step six* - The amount so arrived will be the total income-tax payable by the assessee.