

## UNIT - IV

### **Total Income and Tax Liability**

Gross Total Income is the aggregate of all the income earned by you during a specified period. According to Section 14 of the Income Tax Act 1961, the income of a person or an assessee can be categorised under these five heads,

- Income from Salaries
- Income from House Property
- Profits and Gains of Business and Profession
- Capital Gains
- Income from Other Sources

And, Gross Total income is arrived at when your earnings from all these five heads of income is taken together.

The computation of gross total income is vital because

- It is the amount required to be disclosed while filing Income Tax Return
- Deductions under Chapter VI A are required to be deducted from GTI to arrive at the taxable or total income

### **Gross Total Income shall not include:**

While calculating gross total income one must sum up all of their income without reducing the amount for any tax saving investments made under Section 80C to [80U](#) under Income Tax Act 1961.

Apart from adding earnings from all five heads of income following shall also be added to calculate your gross total income

- Income to be added as per the clubbing provisions under the Income Tax Act
- Adjustments for set off and carry forward of losses
- Unexplained Tax Credit under section 68 of the Income Tax Act 1961, received whether in cash or credit. Which means receipt of any amount of which you do not have sufficient or valid explanation describing the source of receipt of such income. These categories of income are added to your Gross Total Income.
- Unexplained Investments i.e. the investments which you have made but you are unable to give satisfactory explanation about the source or improper disclosures have been made on your part. In all these situations your

investments will be termed as unexplained investments as per the purview of section 69 of the Income Tax Act. also, it shall be added to your Gross Total Income (GTI)

- Assets and other money under Section 69A, valuables like money, jewellery etc for which no proper explanation is available with the assessee will be added to the Gross Total Income of the person.
- Undisclosed or lower disclosed income is added to the Gross Total Income as per the provisions of Section 69B of the Income Tax Act 1961. This relates to all those income and assets which you have not reported or made a lower disclosure than the actual funds.
- Unexplained expenditures under section 69C. In case you have made some expenses and no proper explanation regarding the same available then it would be added to your Gross Total Income and henceforth charged to taxes accordingly.
- Hundi amount borrowed or repaid. In case you have borrowed or repaid some amount on Hundi then it shall be added to your Gross Total income or GI as per the provisions of section 69D of the income tax act.

The above income and assets or expenditures which are added to the gross total income. But, these additions or nature of additions are not generally witnessed in routine.

### **PROFORMA FOR COMPUTATION OF TOTAL INCOME**

- Adding up earnings from all five heads of income
- Reducing from it allowable deductions under Section 80C to Section 80U of the Income Tax

The resultant amount is Total Income.

The tabular presentation to compute total income.

1. Income from salaries	
Income from salary Income by way of allowances Taxable value of perquisites	
Gross salary	xxx
Less: Deduction under Section 16  Entertainment allowance <u>Professional tax</u>	xxx xxx
<b>Income from salaries</b>	xxxx
2. Income from house property	
Adjusted net annual value Less: Deduction under section 24	xxx xxx
<b>Income from house property</b>	xxx
3. Profit and gains of business or profession	
Net profit as per profit and loss account	xxx
Add: Amounts which are debited to P& I a/c but are not allowed as a deduction under the act	xxx
Less: Expenditure which are not debited to P&L a/c but are allowed as a deduction under the act	xxx
Less: Income which are credited to P&L a/c but are exempt under section 10	xxx
Add: Income which are not credited to P&L a/c but are taxable under this head	xxx

<b>Profit and gains of business or profession</b>	XXXX
4. Capital Gains	
Amount of capital gains Less: Amount exempt under <a href="#">sections 54</a> , 54B,54D,54EC,54F, 54G, 54GA, 54GB, and 54H	XXX
<b>Income from Capital Gains</b>	<b>XXXX</b>
5. Income from other sources	
Gross income Less: Deduction under section 57	XXX XXX
<b>Income from other sources</b>	<b>XXXX</b>
Total [i.e., (1) +(2) +(3) +(4) +(5)]	XXXX
Less: Adjustment on account of set-off and carry forward of losses	XXX
<b>Gross total income</b>	<b>XXXXXX</b>
<b>Total Income or Net income</b>	<b>XXXXXX</b>

**The tax amount is calculated by applying following slab rates for the Assessment year 2019-20**

According to the current income tax laws in India, the income tax rate on resident individuals varies based on their age. There are different tax slabs applicable to the individuals for the Assessment Year 2019-20. For instance, a resident individual, aged below 60 years, with an income less than Rs 2.5 lacs is exempt from paying income tax.

Given below are the tables for the latest income tax slabs for FY 2018-19 and FY 2019-20.

### Income Tax Slabs & Rates for Individual (<60 Yrs)& HUF for AY 2019-2020

Income Tax Slab	Tax Rate for Individual & HUF Below the Age Of 60 Years
Up to 2,50,000*	Nil
2,50,001 to 5,00,000	5% of total income exceeding 2,50,000
5,00,001 to 10,00,000	12,500 + 20% of total income exceeding 5,00,000
Above 10,00,000	1,12,500 + 30% of total income exceeding 10,00,000

- No tax for individuals with income less than 2,50,000
- 0%-5% tax with income 2.5 lacs to 5 lacs for different age groups
- 20% tax with income 5 lacs to 10 lacs
- 30% tax with income above 10 lacs
- A tax rebate under section 87A is allowed to individual taxpayers a maximum amount of:
  - Rs 2,500 for total income up to Rs 3.5 lakh for PY 2018-19

**Note :** An additional 4% Health & education cess will be applicable on the tax amount calculated as above.

### Income Tax Slabs & Rates for Senior and Super seniorCitizens for AY 2019-2020

Income Tax Slabs	Tax Rate for 60 -80 Yrs	Tax Rate for 80 yrs and above
Income up to Rs 3,00,000	No tax	<b>Not Applicable</b>
Income from Rs 3,00,000 – Rs 5,00,000	5%	No tax
Income from Rs 5,00,000 – 10,00,000	20%	20%
Income more than Rs 10,00,000	30%	30%

**Note :** An additional 4% Health & education cess will be applicable on the tax amount calculated as above.

**Surcharge applicable to the individuals :**

<b>Income limit</b>	<b>Surcharge Rate on the amount of income tax</b>
Net income exceeds Rs.50 Lakhs but doesn't exceed Rs. 1 Crore	10%
Net income exceeds Rs.1 Crore	15%

**Note: Some Illustrations from Kalyani Publishers are attached.**