

ASSESSMENT OF INDIVIDUALS

Meaning of individual: An individual means a person, a human being either male or female, minor or a person of unsound mind.

Senior citizen: Senior citizen is one who is of the age of 60 years and above but less than 80 years during the previous year.

Super Senior citizen: Super Senior citizen is one who is the age of 80 years or above during the previous year.

Rates of income Tax for the assessment year 2021-22:

There are three types of rates as per Income Tax Act 1961:

1. Normal rate
2. Special rate
3. Education Cess

1. **Normal rate:** It is applicable on income other than capital gains and lottery prize.

a) Individual less than 60 year, Hindu undivided family and AOP or BOI:

On the first Rs 2,50,000	Nil
On the next Rs 2,50,000	5%
On the next Rs 5,00,000	20 %
On remaining balance	30%

b) Individual Senior citizen: Senior citizen is one who is of the age of 60 years or above but less than 80 years during the previous year.

On the first Rs 3,00,000	Nil
On the next Rs 2,00,000	5%
On the next Rs 5,00,000	20 %
On remaining balance	30%

c) Super senior citizen: Super Senior citizen is one who is of the age of 80 years or above during the previous year.

On the first Rs 5,00,000	Nil
On the next Rs 5,00,000	20%
On remaining balance	30%

2. **Special rate:** Special rate is a rate which is applicable for income from capital gain and casual incomes.

Capital gains:

Short term capital gains u/s 111A (listed Equity shares) - 15%

Long term capital gains:

Listed securities or units of UTI or Mutual funds or LTCG computed without indexation - 10%

Other than listed securities or LTCG with indexation or on long term gain referred u/s 112 - 20%

Casual incomes referred u/s 115B - 30%

Unexplained incomes - 30%

Rebate u/s 87A: Rebate is a deduction from the amount of income tax on the total income of an assessee. An assessee will be entitled to a Rebate u/s 87A, if the following conditions are to be satisfied:

1. An assessee should be an individual
2. He is resident in India
3. His total income should not exceed Rs 5,00,000

Amount of Rebate:

a) Income tax amount

or

b) Rs. 12,500

Whichever is less

Education cess: On the amount of income tax the education cess shall be levied @ 4%.

Surcharge: For total income up to 50 lakhs: nil

For total income more than 50 lakhs to 1 crore: 10% of income tax

1 crore to 2 crores: 15% of income tax

2 crore to 5 crores: 25% of income tax

More than 5 crores: 37%

Alternative Tax Regime

Total Income (Rs.)	Rate
Up to Rs 2,50,000	NIL
Rs. 2,50,001 to Rs. 5,00,000	5%
Rs. 5,00,001 to Rs. 7,50,000	10%
Rs. 7,50,001 to Rs. 10,00,000	15%
Rs. 10,00,001 to Rs. 12,50,000	20%
Rs. 12,50,001 to Rs. 15,00,000	25%
Above Rs. 15,00,000	30%

Section 115 BAC (Alternative Tax Regime)

Deductions not available under the following section:

- a) 10(5): Leave Travel Concession
- b) 10(13A): House Rent Allowance
- c) 10(14): Special Allowance
- d) 10(17): Allowances to MPs/MLAs
- e) 10(32): Exemption in respect of clubbing of minor child
- f) 10AA: Special Economic Zone

- g) 16: Deduction under the head salaries
- h) 24(b): Interest on housing loan only for SOP
- i) 57(ia): Standard deduction in respect of Family Planning
- j) 80: Chapter VIA . All deductions from 80C to 80U except 80CCD(2)

Treatment of certain incomes:

- 1. As a member of Hindu Undivided Family: u/s 10(2):** If an individual is a member of a Hindu Undivided family, then share of income received by him from the income of such family is fully exempt from tax. Hence it is not be included in his total income.
- 2. As a partner of a firm:**
 - a) If an individual is a partner of a firm which is assessed as a firm, the share of profit received by him from the firm is exempt from tax u/s 10(2A). Hence it should not be included in his total income.
 - b) If an individual is a partner in a firm and received any interest on capital from the firm, it should be included in his total income as income from business up to 12% p.a. However, any interest on capital from the firm in excess of 12% p.a. is disallowed.
 - c) Any remuneration such as salary, commission or bonus received from the firm in the capacity of a working partner is included in his total income as income from business to the extent it is allowed.
 - d) Any remuneration received by an individual from firm in the capacity of non-working partner is not to be taken since it is disallowed.
- 3. As a member of a company:** As a member of a company an individual may receive dividend.
 - a) Dividend from a domestic company or Indian company is fully taxable
 - b) The dividend received from a foreign company is to be included in the total income of an individual as an income from other sources.
- 4. As a member of co-operative society:** Dividend from a co-operative society is included in the total income of an individual as income from other sources
- 5. As a member of an association of persons:** If the individual is a member of an association of persons or body of individuals his share in the income of the association or body computed in the manner as provided in section 67A as under:
 - a) Where the total income of the association of persons or body is taxable at the maximum marginal rate or any higher rate, the share of a member will not be included in his total income.
 - b) Where the total income of an association of persons or body is taxable at the usual rate, the share of a member is included in his total income on which he is entitled for rebate of tax at an average rate.
 - c) Where the total income of an association of persons or body is not liable for tax, the share of a member is included in his total income but he is not entitled for any rebate of tax.

STEPS IN COMPUTATION OF TOTAL INCOME OF INDIVIDUAL:

1. Computation of income under different heads: First find out income under different heads i.e. income from salary, income from house property, income from business or profession, income from capital gain and income from other sources.
2. Set off of losses: Losses of current year and earlier years should be set off according to the provisions of Section 70 to 80.
3. Gross total income: Income after adjustment of losses is gross total income.
4. Deduction from gross total income: From the gross total income make deductions if eligible u/s 80C to 80U relevant to the A.Y. 2021-22.
5. Total income: The balance rounded off, to the nearest Rs.10 to arrive at total income.
6. Tax liability: Computation of tax liability by considering rates of tax.
7. Less advance tax paid, Tax Deducted at Source and Self assessed tax.