Basic Concepts of Income Tax

Meaning of Income Tax :-

It is a tax on year taxable income of a person levied by the central government at prescribed rates. Tax payer include individual, firm, company, HUF, AOP, etc.
Taxable income means income calculated under the provisions of Income Tax Act 1961.

Salient Features of Income Tax :-

1) Central Tax
2) Direct Tax
3) Tax on taxable income.
4) Progressive rates of tax.
5) Scope of taxation not only with individual but also with firm, company, HUF, Trust, Societies.
6) Tax exemption limit.
7) Burden on Rich class persons.
8) Separate Administration
9) Distribution of tax between central & State Goverment.
10) It is largest source of Revenue
11) Tax for country welfare.

12) Begining of Income tax by Sir James Wilson in 1860 in India.

Definition of Income [Section 2(24)]

Income Includes :-

1) profit and losses
2) Dividend
3) Voluntary contribution received by a trust.
4) The value of a perquisite or profit in lieu of salary.
5) Any allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office.
6) Any compensation.
7) Profit on sale of license.
8) Cash assistance received.
9) Any intrest, salary, bonus, etc.
10) Capital Gain arising from transfer of gain.
11) Any sum received under a key man insurance policy.