ISSN PRINT 2319 1775 Online 2320 7876

*Research paper*  **Volume 11, Sp.Iss 7 , 2022**

# A Study OnThe Determination Of Taxable Income And The Income Tax Liability Of An Individual InIndia
## (With reference to the Assessment Years 2022-23 and 2023-24)

Dr.A.V.N. Murty, Professor, Department of Commerce, Koneru Lakshmaiah Education Foundation (KLEF), Deemed to be University, Vaddeswaram, Green fields, Guntur, Andhra Pradesh, India-522302.

Dr.S.V.N.M. Sastry, Asst. Professor, Department of Commerce, Koneru Lakshmaiah Education Foundation (KLEF), Deemed to be University, Vaddeswaram, Green fields, Guntur, Andhra Pradesh, India-522302.

**DOI : 10.48047/IJFANS/11/S7/001**

**Abstract**:

The computation of taxable income and tax liability in India is governed by a separate Act called Income Tax Act, 1961. Hence all persons who want to compute their taxable income and plan savings in their income tax liability for each financial year, should be aware of this Act and the various rules and regulations made there under.As the law itself has given concessions from the gross taxable income of various assessesin the form of investments made in various avenues like paying insurance premium, investing in shares of companies or units mutual funds or buying national saving certificates or kisan VikasPatras etc., the tax payers can plan their investments in order to reduce their income tax liability.

**Key words**: income, income tax, taxable income, tax liability, assesses and taxes.

**Introduction:** A tax is a statutory charge made by the government on the public. Taxes are levied by the government for public spending in general by the nation. Since taxes are statutory charges, the public cannot oppose to pay, since they are compulsory payments imposed by the government. Taxes are levied by the governments for providing indirect benefit to the community but not for reciprocating the benefits against the taxes paid by individual taxpayers. Taxes are levied by the governments with the main objectives like generation of the revenue, for implementing public welfare activities and for balanced regional development etc., Taxes are of two types one is direct taxes (ie., the taxpayer himself bare the tax burden. At present only Income Tax, corporate tax and professional tax alone prevalent) and the second is indirect taxes(these are the taxes where the taxpayer is one person and the person who bears the burden is another person, now there are only two indirect taxes they are customs law and GST law).

The constitution of India gave authority to levy taxes to centre(examples of taxes charged by the Union includes Income tax, GST, Customs duty etc.,), state governments(examples of

ISSN PRINT 2319 1775 Online 2320 7876
*Research paper* © 2012 IJFANS. All Rights Reserved, Volume 11, Sp.Iss 7 , 2022

taxes imposed by the state government includes agricultural income tax, professional tax, state excise duty etc.) and also local authorities (examples includes Municipal tax, property tax water tax etc.,)

**Determination of tax liability:**It is calculated as under:

**Determination of Residential status and scope of total income:** Since the tax is levied on total income which depends on residential status which depends upon his stay period in India during the previous year, based which the individual can be either an ordinary resident or not ordinarily resident or non-resident. The scope of income varies depends upon on the residential status.

1. **Identification of incomes**: The incomes to be identified as exempted incomes and non-exempted incomes. Exempted incomes mean the incomes which are completely exempt from income tax. These exempted incomes are covered by Sec.10 for example agricultural income, and share of profits of a partner, certain incomes may be partly exempted for instance children education allowance or children hostel allowance etc.,
2. **Classification of taxable incomes into five heads**: All the taxable incomes of the assesseesare bifurcated into 5 headsie., salaries, house property, business, and other sourcesec.,
3. **Computation of taxable income**: Income of an individual must be computed in respect of each head by considering the charging sections, various deductions allowable. The incomes under the remaining heads must be computed by following various provisions of relevant sections of Income Tax Act, 1961.
4. **Clubbing of Incomes**:Since the taxation system in India is progressive the higher income people will divert or transfer a part of their income to minor child or spouse or son's wife etc., to reduce their tax liability. The clubbing provisions have inserted to prevent such transfer or incomes or assets. Hence, if the individual has made any transfer of incomes to such spouse or minor etc., they have to be adjusted through the effect of these clubbing provisions.
5. **Set off and carry forward of losses**:While computing the taxable income, the loss from one source is allowed to be adjusted ie., set off against the income under the same head which is called inter source adjustment. For example loss from one business can be adjusted against the profit from another business. In the same way after computing the taxable incomes under all the five heads, the losses from one head

ISSN PRINT 2319 1775 Online 2320 7876
*Research paper*  **Volume 11, Sp.Iss 7 , 2022**

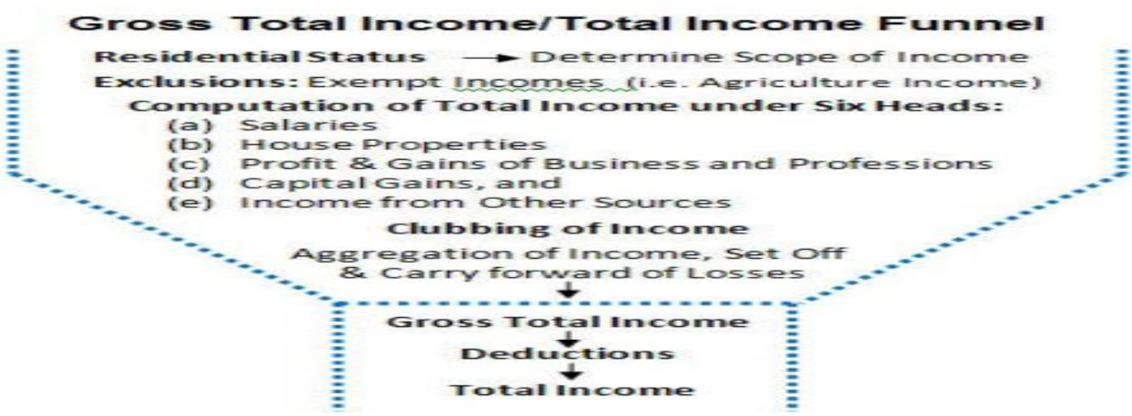
of income can be adjusted against the profits of another head of income. This is called inter head adjustment. If the current year's incomes are not sufficient to adjust the current year's losses, then such unabsorbed current year losses can be carried forwarded to subsequent years to adjust.

6. **Computation of gross total income:** The GTI of an individual is the sum of his or her income for the previous year under all or any of the five heads of income. These incomes chargeable under all headsmust be calculated. After calculating incomes taxable under various heads, the clubbing of income provisions has to be applied after that the set off and carry forward of losses effects have to be given. The sum of all incomes after giving the effects of clubbing of incomes and set off losses is called GTI.
7. **Computation of net total income or net taxable income:** Net total income is nothing but the gross total income less various deductions available u/s.80C to 80U. Hence in order to getthe net total income the assesses have to subtract various deductions covered by Chapter VIA. The following are the some of the deductions applicable to resident individual assesses- Sec.80C, 80CCC, 80CCD deduction on investments, Sec.80D deduction for medical insurance premia paid, Sec.80DD deduction for rehabilitation of handicapped dependent relative, Sec.80DDB deduction for medical expenditure of self of dependent relative, Sec.80G deductions for donations made, Sec.80GG deduction for rent paid by an individual neither having a house nor recipient of HRA, Sec.80GGA for donation to scientific research & rural development, Sec.80GGC for contribution given to a political party, sec.80 RRB, 80QQB for royalty incomes, Sec.80TTA for interest income on savings bank deposits, Sec.80TTB interest from deposits held by senior citizens and Sec.80U deduction for persons suffering from physical disability, etc., The computation of net total income can be explained with the following diagram.

IJFANS INTERNATIONAL JOURNAL OF FOOD AND NUTRITIONAL SCIENCES

ISSN PRINT 2319 1775 Online 2320 7876

Research paper  Volume 11, Sp.Iss 7 , 2022




Source: https://abcaus.in/articles/income-tax/gross-total-income.html

Statement showing computation of taxable income of Mr.X for the Assessment Year 2021-22

| | | | | |
|---|---|---|---|---|
| ***(a)*** | **Income from Salaries** | | | |
| | Salary/Bonus/Commission, etc. | ———— | | |
| | Taxable Allowance | ———— | | |
| | Value of Taxable perquisites | ———— | | |
| | Gross Salary | | ———— | |
| | *Less*: Deductions under section 16 | | ———— | |
| | Net taxable income from Salary | | | ———— |
| ***(b)*** | **Income from House Property** | | | |
| | Net annual value of House Property | | ———— | |
| | *Less*: Deductions under section 24 | | ———— | |
| | Income from House Property | | | ———— |
| ***(c)*** | **Profit and Gains of Business and Profession** | | | |
| | Net profit as per P & L Account | | ———— | |
| | *Less/Add:* Adjustments required to be made to the profit as per provisions of Income-tax Act. | | ———— | |
| | Net Profit and Gains of Business and Profession | | | ———— |
| ***(d)*** | **Capital Gains** | | | |
| | Capital Gains as computed | | ———— | |
| | *Less*: exemptions under section 54/54B/54D, etc. | | ———— | |
| | Income from Capital Gains | | | ———— |
| ***(e)*** | **Income from Other Sources** | | | |
| | Gross Income | | ———— | |
| | *Less*: Deductions | | ———— | |
| | Net Income from Other Sources | | | ———— |
| | Gross Total Income [(*a*) + (*b*) + (*c*) + (*d*) + (*e*)] | | | ———— |
| | *Less*: Deduction available under Chapter VIA (Sections 80C to 80U) | | | ———— |
| | **Total Income** | | | ———— |

Source: https://incometaxmanagement.com

IJFANS INTERNATIONAL JOURNAL OF FOOD AND NUTRITIONAL SCIENCES
ISSN PRINT 2319 1775 Online 2320 7876
*Research paper*  **Volume 11, Sp.Iss 7 , 2022**

**8. Computation of tax liability of Individuals:** Slab rates:

AGE GROUP

**< 60**

For Individual (resident or non-resident) less than 60 years of age anytime during the previous year:

| Existing Tax Regime | | New Tax Regime u/s 115BAC | |
|---|---|---|---|
| Income Tax Slab | Income Tax Rate | Income Tax Slab | Income Tax Rate |
| Up to ₹ 2,50,000 | Nil | Up to ₹ 2,50,000 | Nil |
| ₹ 2,50,001 - ₹ 5,00,000 | 5% above ₹ 2,50,000 | ₹ 2,50,001 - ₹ 5,00,000 | 5% above ₹ 2,50,000 |
| ₹ 5,00,001 - ₹ 10,00,000 | ₹ 12,500 + 20% above ₹ 5,00,000 | ₹ 5,00,001 - ₹ 7,50,000 | ₹ 12,500 + 10% above ₹ 5,00,000 |
| Above ₹ 10,00,000 | ₹ 1,12,500 + 30% above ₹ 10,00,000 | ₹ 7,50,001 - ₹ 10,00,000 | ₹ 37,500 + 15% above ₹ 7,50,000 |
| | | ₹ 10,00,001 - ₹ 12,50,000 | ₹ 75,000 + 20% above ₹ 10,00,000 |
| | | ₹ 12,50,001 - ₹ 15,00,000 | ₹ 1,25,000 + 25% above ₹ 12,50,000 |
| | | Above ₹ 15,00,000 | ₹ 1,87,500 + 30% above ₹ 15,00,000 |

Source: https://www.incometax.gov.in/iec/foportal/help/individual/return-applicable-1

**60+**

| Existing Tax Regime | | New Tax Regime u/s 115BAC | |
|---|---|---|---|
| Income Tax Slab | Income Tax Rate | Income Tax Slab | Income Tax Rate |
| Up to ₹ 3,00,000 | Nil | Up to ₹ 2,50,000 | Nil |
| ₹ 3,00,001 - ₹ 5,00,000 | 5% above ₹ 3,00,000 | ₹ 2,50,001 - ₹ 5,00,000 | 5% above ₹ 2,50,000 |
| ₹ 5,00,001 - ₹ 10,00,000 | ₹ 10,000 + 20% above ₹ 5,00,000 | ₹ 5,00,001 - ₹ 7,50,000 | ₹ 12,500 + 10% above ₹ 5,00,000 |
| Above ₹ 10,00,000 | ₹ 1,10,000 + 30% above ₹ 10,00,000 | ₹ 7,50,001 - ₹ 10,00,000 | ₹ 37,500 + 15% above ₹ 7,50,000 |
| | | ₹ 10,00,001 - ₹ 12,50,000 | ₹ 75,000 + 20% above ₹ 10,00,000 |
| | | ₹ 12,50,001 - ₹ 15,00,000 | ₹ 1,25,000 + 25% above ₹ 12,50,000 |
| | | Above ₹ 15,00,000 | ₹ 1,87,500 + 30% above ₹ 15,00,000 |

Source: https://www.incometax.gov.in/iec/foportal/help/individual/return-applicable-1

AGE GROUP

**80+**

For Individual (resident or non-resident) 80 years of age or more anytime during the previous year:

| Existing Tax Regime | | New Tax Regime u/s 115BAC | |
|---|---|---|---|
| Income Tax Slab | Income Tax Rate | Income Tax Slab | Income Tax Rate |
| Up to ₹ 5,00,000 | Nil | Up to ₹ 2,50,000 | Nil |
| ₹ 5,00,001 - ₹ 10,00,000 | 20% above ₹ 5,00,000 | ₹ 2,50,001 - ₹ 5,00,000 | 5% above ₹ 2,50,000 |
| Above ₹ 10,00,000 | ₹ 1,00,000 + 30% above ₹ 10,00,000 | ₹ 5,00,001 - ₹ 7,50,000 | ₹ 12,500 + 10% above ₹ 5,00,000 |
| | | ₹ 7,50,001 - ₹ 10,00,000 | ₹ 37,500 + 15% above ₹ 7,50,000 |
| | | ₹ 10,00,001 - ₹ 12,50,000 | ₹ 75,000 + 20% above ₹ 10,00,000 |
| | | ₹ 12,50,001 - ₹ 15,00,000 | ₹ 1,25,000 + 25% above ₹ 12,50,000 |
| | | Above ₹ 15,00,000 | ₹ 1,87,500 + 30% above ₹ 15,00,000 |

ISSN PRINT 2319 1775 Online 2320 7876
*Research paper* **© 2012 IJFANS. All Rights Reserved, Volume 11, Sp.Iss 7 , 2022**

Source: https://www.incometax.gov.in/iec/foportal/help/individual/return-applicable-1

9. **Rebate under section 87A:**It is given if total income is Rs.5,00,000 or below Rs.5,00,000. Or If tax payable is Rs.12,500 or less. It is applicable even to senior citizens whose age limit is in between 60 and 80 years.
10. **Surcharge**: It is an additional charge levied on persons having high earnings. It is levied @10% of the tax payable as calculated through above slab rates on the incomes in between Rs.50,00,000 to Rs.1 crore. It is levied @15% if income is in between Rs. 1crore to Rs.2 crore. It is levied @25% if income is in between Rs. 2crore to Rs.5 crore. and it is 37% if the taxable income exceeds Rs.5 crore.
11. **Managerial Relief:** It is the relief from the surcharge. It means the surcharge shall not exceed the amount of Rs.50,00,000 or 1 crore, or 2 crore, or Rs.5 crore.
12. **Health and Education Cess:** It is 4% on tax payable + surcharge. Payable by all persons including individuals.If a person is not liable to pay income tax, he need not pay this health and education cess for instance, the income of an individual below the basic exemption limit for example annual taxable income below the limits of Rs.2,50,000 or Rs.3,00,000 or Rs.5,00,000 respectively for the resident individuals whose age is less than 60 years, or senior citizens or super senior citizens respectively.

**Conclusion:** The tax liability of individuals depends upon their taxable incomes, rebate u/s.87Aand their age limit because the maximum income exempt limit for the individuals having lower than sixty years is Rs.2,50,000, but it is Rs.3,00,000 for senior citizens and it is Rs.5,00,000 for super senior citizens. The surcharge also defers on taxable incomes of various assesses.

**References:**

**Textbooks:**

1. Vinod K. Singhania, Direct Taxes Law and Practices,Taxman Publications, , New Delhi.
2. Bhagavathi Prasad, Law and Practice of Income tax, New Age International Publisher New Delhi.

**Web sites:**

1. https://incometaxmanagement.com
2. https://www.incometax.gov.in
3. https://abcaus.in/articles/income-tax/gross-total-income.html
4. https://www.researchgate.net

Research article:

1. Assessment of individual’s income tax in India by Dr. K Udayakumar& M Rajakrishnan, International Journal of Advanced Educational Research, Volume 3; Issue 1; January 2018.
2. Zhang, L., Wu, H., Zhang, X., Wei, X., Hou, F., & Ma, Y. (2020). Sleep heart rate variability assists the automatic prediction of long-term cardiovascular outcomes. Sleep medicine, 67, 217-224.

ISSN PRINT 2319 1775 Online 2320 7876
*Research paper* **© 2012 IJFANS. All Rights Reserved**, **Volume 11, Sp.Iss 7 , 2022**

3. Alkhodari, M., Islayem, D. K., Alskafi, F. A., &Khandoker, A. H. (2020). Predicting hypertensive patients with higher risk of developing vascular events using heart rate variability and machine learning. IEEE Access, 8, 192727-192739.
4. Alba, A. C., Agoritsas, T., Jankowski, M., Courvoisier, D., Walter, S. D., Guyatt, G. H., & Ross, H. J. (2013). Risk prediction models for mortality in ambulatory patients with heart failure: a systematic review. Circulation: Heart Failure, 6(5), 881-889.
5. Purusothaman, G., & Krishnakumari, P. (2015). A survey of data mining techniques on risk prediction: Heart disease. Indian Journal of Science and Technology, 8(12), 1.
6. Kausar N., Abdullah A., Samir B., Palaniappan S., AlGhamdi B., Dey N. Ensemble clustering algorithm with supervised classification of clinical data for early diagnosis of coronary artery disease. J Med Imag Health Inform. 2016;6(1):78–87. [Google Scholar]
7. Raza K. 2019. Improving the Prediction Accuracy of Heart Disease with Ensemble Learning and Majority Voting Rule. U-Healthcare Monitoring Systems; pp. 179–196. [CrossRef][Google Scholar]
8. Haq A., Li J., Memon M., Nazir S., Sun R. A hybrid intelligent system framework for the prediction of heart disease using machine learning algorithms. Mobile Inf Syst. 2018;2018:1–21. [Google Scholar]
9. Alic B., Gurbeta L., Badnjevic A. 2017 6th Mediterranean Conference on Embedded Computing (MECO) 2017. Machine learning techniques for classification of diabetes and cardiovascular diseases. [Google Scholar]
10. Weng S., Reps J., Kai J., Garibaldi J., Qureshi N. Can machine-learning improve cardiovascular risk prediction using routine clinical data? PloS One. 2017;12(4) [PMC free article][PubMed][GoogleScholar]