

MODULE-III

INCOME FROM BUSINESS -PROFESSION

INTRODUCTION TO BUSINESS AND PROFESSION

What is the meaning of 'Business'

- Business refers to any kind of economic activity done by an assessee for earning profits.
- The term business/economic activity includes “any trade, commerce, manufacturing activity or any adventure or concern in the nature of trade, commerce and manufacture”.
- There are two types of business, speculative and non-speculative.

- **Speculative business income: -**

Income from intraday equity trading is considered a speculative business income. Intraday trading simply means the buying and selling of financial instruments on the same day.

In other words, the amount (net amount from it) is not fixed and it can change from time to time. For example, share trading business.

- **Non-speculative business income:**

It is the income from trading Futures & Options is taken as a non-speculative business. F&O is also considered as non-speculative as these instruments are used for hedging and also for taking/giving delivery of the underlying contract.

- In other words, the amount (net profit/loss from it) is fixed and does not change for a period of time. For example, any manufacturing/trading or any business.
- It is not compulsory to have a series of permanent transactions in a business. In other words, the repetition or continuity of business transactions is not essential.

What is the meaning of ‘Profession’

A profession is a kind of job that requires special expertise, skill and knowledge like that of C.A., Lawyer, Doctor, Engineer, Architect etc. In other words, he/she utilizes either his/her intellectual or manual skills to earn the livelihood.

The term “profession” is about his/her declared accomplishments, in special knowledge distinguished from mere skill.

INCOME FROM BUSINESS AND PROFESSION

The term 'Income from business and profession' means any income shown in profit and loss account after taking into account all the allowed expenditures by an assessee.

The income also includes both positive (profit) and negative incomes (loss). In other words, 'profit and gains' represent plus income while 'loss' represents minus income. So, both legal and illegal business incomes are taxable in nature.

The income earned by the assessee from the previous year is taxable. An assessee involved in the business/profession should file his/her income on or before 31 July of an assessment year.

COMPUTATION OF TAXABLE INCOME UNDER BUSINESS AND PROFESSION :-

- The chargeable income under “Profits and gains of business or profession” is given below:
- The profits and gains from any business/profession carried on by the assessee at any time during the previous year
- Any compensation /other payment due to or received by,— any person, by whatever name, manage the whole or significant whole of the affairs of an Indian company, at or connected to the termination of his management or the modification of the terms and conditions
- Income obtained by a trade, professional or similar association from specific services performed for its members

- The value of any perquisite/benefit from business or profession, whether it is convertible into money or not
- Any interest, commission, salary, remuneration, or bonus due to, or received by, a partner of a firm from a firm
- Any sum that is received under a Keyman insurance policy including the sum given as a bonus

- Income from any speculative transactions
- Any sum, whether received / receivable, in cash/kind for:
 - For not carrying out any activity concerning any business or
 - For not sharing any know-how, patent, copyright, trade-mark, licence, franchise or any other business/commercial right
- Any profit that is made from the transfer of the Duty-Free Replenishment Certificate
- Any profit made from the transfer of the Duty Entitlement Pass Book Scheme

NON-TAXABLE INCOMES UNDER BUSINESS AND PROFESSION :-

- Now let us take a look at the non-taxable incomes under head “profits and gains of business or profession:
- **Rent of house property:** It is taxable under the head “Income from house property“. Even if the property constitutes stock in trade of recipient of rent or he has a business of letting properties on rent.

- **Deemed dividends on shares:** This is taxable under the head “Income from other sources”. But the dividend received from an Indian company is not chargeable to tax in the hands of shareholders.
- **Winnings from lotteries, races etc:** It is taxable under the head “Income from other sources". Even if we consider it as a regular business activity.

PROFIT GAINS

Under the Income Tax Act,

'**Profits and Gains of Business or Profession**' are also subjected to taxation. ... The words '**profits and gains**' are defined as the surplus by which the receipts from the **business or profession** exceed the expenditure necessary for the purpose of earning those receipts.

Profits and Gains from Business and Profession:-

S.NO	SECTION	PARTICULARS
	28(i)	Profit and gains from any business or profession carried on by the assessee at any time during the previous year
	28(ii)	Any compensation or other payment due to or received by any specified person
	28(iii)	Income derived by a trade, professional or similar association from specific services performed for its members
	28(iiiia)	Profit on sale of a license granted under the Imports (Control) Order 1955, made under the Import Export Control Act, 1947

S.NO	SECTION	PARTICULARS
	28(iiib)	Cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of Government of India
	28(iiic)	Any duty of Customs or Excise repaid or repayable as drawback to any person against exports under the Customs and Central Excise Duties Drawback Rules, 1971.
	28(iiid)	Profit on transfer of Duty Entitlement Pass Book Scheme, under Section 5 of Foreign Trade (Development and Regulation) Act, 1992
	28(iiie)	Profit on transfer of Duty Free Replenishment Certificate, under Section 5 of Foreign Trade (Development and Regulation) Act 1992
	28(iv)	Value of any benefits or perquisites arising from a business or the exercise of a profession.
	28(iiib)	Cash assistance (by whatever name called) received or receivable by any person against exports under any scheme of Government of India

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