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LECTURER IN COMMERCE

III.BOM(CECS)

V-SEMESTER

INCOME TAX AND PRACTICAL AUDITING

MODULE - 1

What is Agricultural Income

In India, agricultural income refers to income earned or revenue derived from sources that include farming land, buildings on or identified with an agricultural land and commercial produce from a horticultural land. Agricultural income is defined under section 2(1A) of the Income Tax Act, 1961. According to this Section, agricultural income generally means: (a) Any rent or revenue derived from land which is situated in India and is used for agricultural purposes. (b) Any income derived from such land by agriculture operations including processing of agricultural produce so as to render it fit for the market or sale of such produce

(c) Any income attributable to a farm house subject to satisfaction of certain conditions specified in this regard in section 2(1A). (d) Any income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income.

Examples of Agricultural Income

- ▣ The following are some of the examples of agricultural income:
- ▣ Income derived from sale of replanted trees.
- ▣ Income from sale of seeds.
- ▣ Rent received for agricultural land.
- ▣ Income from growing flowers and creepers.
- ▣ Profits received from a partner from a firm engaged in agricultural produce or activities.
- ▣ Interest on capital that a partner from a firm, engaged in agricultural operations, receives

Examples of Non-Agricultural Income

- ▣ The following are some of the examples of non-agricultural income:
- ▣ Income from poultry farming.
- ▣ Income from bee hiving.
- ▣ Any dividend that an organization pays from its agriculture income.
- ▣ Income from the sale of spontaneously grown trees.
- ▣ Income from dairy farming.
- ▣ Income from salt produced after the land has flooded with sea water.

DEFINITION:-' Of Agricultural Income [Section 2(1A)]

- ▣ any rent or revenue derived from land which is situated in India and is used for agricultural purposes [sec. 2(1A)(a)];
- ▣ any income derived from such land by agricultural operations including processing of the agricultural produce, raised or received as rent-in-kind so as to render it fit for the market, or sale of such produce [sec. 2(1A)(b)]

- ▣ income attributable to a farm house subject to the condition that the building is situated on or in the immediate vicinity of the land and is used as a dwelling house, storehouse, or other out-building and the land is assessed to land revenue or a local rate or, alternatively, the building is situated on or in the immediate vicinity of land which (though not assessed to land revenue or local rate) is situated in a rural area [sec. 2(1A)(c)].

The above three types of income shall be treated as 'agricultural income' only when the prescribed conditions are satisfied.

Residential Status for Income Tax – Individuals & Residents :-

It is important for Income Tax Department to determine the residential status of a tax paying individual or company. It becomes particularly relevant during the tax filing season. In fact, this is one of the factors based on which a person's taxability is decided. Let us explore the residential status and taxability in detail.

Exempt Income

Exempt income refers to certain types or amounts of income not subject to federal income tax. Some types of income may also be exempt from state income tax. The IRS determines which types of income are exempt from federal income tax as well as the circumstances for each. Congressional action plays a role as well, as what is exempted and the threshold amounts are often tweaked or changed entirely.

▣ **Tax incidence:-**

(or **incidence of tax**) is an economic term for understanding the division of a **tax** burden between stakeholders, such as buyers and sellers or producers and consumers. ... If demand is more elastic than supply, producers will bear the cost of the **tax**.

▣ **Income from SALARY:-**

the **income** or **remuneration** received by an individual for services he is rendering or a contract undertaken by him. This clause essentially assimilates the **remuneration** received by a person for the services provided by him under the contract of employment. Mar

▣ Income from Salary

Now add all your emoluments like (Basic salary, DA, TA, DA on TA, HRA, all other allowances, and reimbursements) which will be mentioned in your salary slips and Form 16 (Part B). Add the Bonus (TVP- Ex gratia)

THE END