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B.Com Honours | Semester VI | Calicut University

INCOME TAX ASSESSMENT

Course Code: COM6EJ314 • Module 1 Notes

Module I: Agricultural Income, Individuals, & HUF Assessment

Covers Agricultural Income (Sec 2(1A)), partly agricultural rules (Rules 7, 7A, 7B, 8), partial integration method, assessment of individuals, Alternate Minimum Tax (AMT Sec 115JC), & assessment of Hindu Undivided Family (HUF).

Unit 1: Agricultural Income & Partial Integration Scheme

Agricultural Income (Sec 2(1A)): Rent/revenue from land in India, income from agriculture operations, or farm building income. Exempt under Sec 10(1).
Partly Agricultural Income Rules:
- **Rule 7A (Growing Rubber):** 35% Business Income : 65% Agricultural Income.
- **Rule 7B (Coffee Growing & Curing):** 25% Business Income : 75% Agricultural Income.
- **Rule 8 (Growing & Mfg Tea):** 40% Business Income : 60% Agricultural Income.

Unit 2: Assessment of Individuals & Alternate Minimum Tax (AMT)

Individual Tax Computation: Aggregate income from 5 heads, deduct Chapter VI-A. Apply slab rates.
Alternate Minimum Tax (AMT Sec 115JC): Applicable if normal tax < $ 18.5\% $ of Adjusted Total Income (for individuals claiming deductions under Sec 80JH-80RRB or Sec 35AD).

Unit 3: Assessment of Hindu Undivided Family (HUF)

HUF Assessment: HUF is a separate taxable person. Income from ancestral property or joint family business assessed under HUF. Individual earnings of members (salary, personal gifts) excluded.

Practical Solved Agricultural Income Integration Problem (Partial Integration Tax Calculation): An individual assessee (Age 45) has Non-Agricultural Income = $ ₹6,00,000 $ and Net Agricultural Income = $ ₹2,00,000 $. Calculate tax liability for AY 2024-25 under Old Tax Regime (Basic Exemption Limit = $ ₹2,50,000 $).

Step 1: Tax on (Non-Agri + Agri) | Step 2: Tax on (Agri + Exemption) | Step 3: Tax = Step 1 - Step 2

Step-by-Step Partial Integration Working:
1. **Step 1: Aggregate Income** = $ ₹6,00,000 + ₹2,00,000 = ₹8,00,000 $.
   Tax on ₹8,00,000 (Slab rates) = $ 5\% \text{ of } ₹2,50,000 + 20\% \text{ of } ₹3,00,000 = ₹12,500 + ₹60,000 = \mathbf{₹72,500} $.
2. **Step 2: Agri Income + Basic Exemption** = $ ₹2,00,000 + ₹2,50,000 = ₹4,50,000 $.
   Tax on ₹4,50,000 = $ 5\% \text{ of } ₹2,00,000 = \mathbf{₹10,000} $.
3. **Step 3: Basic Tax Payable** = Step 1 - Step 2 = $ ₹72,500 - ₹10,00,000 = \mathbf{₹62,500} $.
4. **Add 4% Cess:** $ ₹62,500 + ₹2,500 = \mathbf{₹65,000} $.

Practical Case Framework 2 (Partly Agricultural Business Income Apportionment Matrix): Compare composite business activity, Income Tax Rule, Business Income share %, and Agricultural Income exempt share %.

Partly Agricultural Income Ratio Apportionment Table:

Composite Business Activity	Income Tax Rule	Taxable Business Share %	Exempt Agricultural Share %
Growing & Manufacturing Tea	Rule 8	40% Business Income	60% Agricultural Income
Growing & Manufacturing Rubber	Rule 7A	35% Business Income	65% Agricultural Income
Growing & Curing Coffee	Rule 7B(1)	25% Business Income	75% Agricultural Income