

FAQs ON INCOME-TAX

1. What is Income Tax?

It is a tax imposed by the Government of India on anybody who earns income in India. This tax is levied on the strength of an Act called **Income tax Act** which was passed by the Parliament of India.

2. What do you mean by income earned in India?

Income earned in India is not limited to income earned within the geographical limits or boundaries of the country. Certain incomes are also deemed to have been earned in India although they may have been earned outside the country.

3. Who administers the Income-Tax Act?

The job of monitoring the Income-tax collection by the government is entrusted to a Department called **Income-Tax**. This department functions under the Department of Revenue, Ministry of Finance, Government of India.

4. What is the period for which a person's income is taken into account for purpose of Income tax?

Income earned in the twelve months contained in the period from 1st April to 31st March (commonly called Financial Year [FY]) is taken into account for purposes of calculating Income Tax. Under the income tax Act this period is called a Previous year.

5. What is an Assessment Year?

It is the twelve-month period 1st April to 31st March immediately following the previous year [refer answer-4]. In the Assessment year a person files his return for the income earned in the previous year. For example for FY:2006-07 the AY is 2007-08.

6. Who is supposed to pay Income Tax?

Any Individual or group of Individual or artificial bodies who/which have earned income during the previous years are required to pay Income tax on it. The IT Act recognizes the earners of income under seven [7] categories. Each category is called as Status. These are Individuals, Hindu Undivided Family [HUF], Association of Persons [AOP], Body of individuals [BOI], Firms, Companies, Local authority, Artificial juridical person.

When Companies pay taxes under the Income tax Act it is called Corporate tax.

7. Is Income tax Act applicable only to residents?

No, The Income tax Act applies to all persons who earn income in India. Whether they are resident or non-resident.

8. Who is a resident?

If an individual stays in India for 182 days or more in a year, he is treated as resident in that year regardless of his citizenship. If the stay is less than 182 days he is a non-resident.

9. How can I know whether a company is resident or non-resident?

A company is considered as resident if it is incorporated under the Indian Companies Act. A foreign company can also become a resident if the control and management of its affairs is done entirely in India during the previous year.

10. How is resident/ non-resident status relevant for levy of income tax?

In case of resident individuals and companies, their global income is taxable in India. However non-residents have to pay tax only on the income earned in India or from a source/activity in India.

11. I am an Indian scientist, who had gone abroad on a government project. Should my return of income include income earned/received abroad?

It depends on your residential status. If you are a resident all incomes earned globally are taxable. Therefore the same needs to be included in the return. However if any tax is paid on that income in the foreign country, you will get credit for the same.