

1

LLB Part - III

Paper - VIII th

Income Tax Act - 1961

Heads of Income (Section - 14)

Section - 14 provides that save as otherwise provided by this Act, all income shall, for the purpose of charge of income-tax and computation of total income, be classified under the following heads of income; —

- A. Salaries
- B. Income from house property
- C. Profits and gains of business or profession
- D. Income from other sources

In order to be chargeable to income-tax, an income must be brought under any one of the heads stated above. The words "save as otherwise under ~~anyone~~ provides under this Act" refer only to the exemptions granted under this Act.

— Section - 14

In short, the following points must be remembered in this context -

(1) The Income-tax is only levied on the assessee's total income classified and chargeable under the various heads of income.

(2) Charge under specific head of income is obligatory. In other words, income which is chargeable under a specific head cannot be charged under a different head in lieu of or in addition to being charged under a different head in lieu of or in addition to being charged under its specific head. Income cannot be assessed under a wrong head merely because the assessee has returned it under a wrong head.

(3) "Heads of income" and "sources of income" both the expressions do not have the same meaning. "Source" indicates the specific source from which a particular income sprang or arose and thus it does not indicate the head of income. There may be more than one source of income for the same head of income.

(4) Section-4 levies the

change or the total income of the assessee. Section 5 defines the range of the total income. Section 14 classifies the total income and Section 15 to 59 quantify it. Section 143 authorises the Income-tax Officer to assess total income in the manner prescribed thereunder.

(5)

If a particular item of income falls under two heads the assessee has right to choose the head which subjected him to lesser tax. However, if there is no doubt about the head under which a particular income falls, the income will have to be taxed under that head and there is no option either for the assessee or the Department to vary the head in regard to such income.

(6)

An income which does not fall under any of the heads mentioned in Clauses A to D of Section 14 it will be charged under the residuary head, "Income from other sources".

4

Page No.  
Date

Expenditure Incurred in relation to income not included in total income

Sec. 14-A

For the purpose of computing the total income under this chapter, no deduction shall be allowed in respect of expenditure incurred by the assessee in relation to income which does not form part of the total income under this Act.

The Assessing officer shall determine the amount of expenditure incurred in relation to such income which does not form part of the total income under this Act in accordance with such method as may be prescribed if the assessing Officer, having regard to the accounts of the assessee, is not satisfied with the correctness of the claim of the assessee in respect of such expenditure in relation to income which does not form part of the total income under this Act.

The provision of sub-sections shall also apply in relation to a case where an assessee claims that no expenditure has been incurred by him in relation to income which does not form part of the total income under this Act.

5

provided that nothing contained in this section shall empower the Assessing Officer either to reassess under section 147 or pass an order enhancing the assessment or reducing a refund already made or otherwise increasing the liability of the assessee under section 134 for any assessment year beginning on or before 1-4-01