

Page No. _____
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Paper - VIII th Taxation

Incomes which do not form part of Total Income

Section 10

Section 10 provides that in computing the total income of previous year of any person, any income falling within anyone of the following clauses shall not be included;

(1) Agricultural Income [Section 10(1)], — The present position is that agricultural income is not included in computing the total income of a previous year of any person but for and from assessment year 1974-75 it is taken into account in determining the rate of tax applicable to non-agricultural income of the assessee.

(2) Sums received by any member from Hindu undivided family [Section 10(2)]: —

Any sum received by any member from Hindu undivided family (S.10(2))

Any sum received by an individual as a member of Hindu undivided family, where such sum has been paid

(2)

out of the income of the estate belonging to the family will not be included in the total income of the member for the purpose of income-tax.

(3) Partner of a firm. [Section 10 (2A)]

In the case of a person being a partner of a firm which is separately assessed as such, his share in the total income of the firm.

Explanation:- For the purposes of this clause, the share of a partner in the total income of a firm separately assessed as such shall, which bears to the total income of the firm the same proportion as the amount of his share in the profits of the firm in accordance with the partnership deed bears to such profits.

(4) Interest on securities or bonds or on moneys in Non-Resident (External) Account [Section 10 (w)]:-

Clause (4)(i) seeks to provide that in the case of a non-resident, any income by way of interest on such securities or bonds as the Central Government may, by notification in the official Gazette specify in this behalf, including income by way of premium on the redemption

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of such bond, shall not be included in computing the total income of the previous year of such non-resident and thus it is exempted from income tax. However, the Central Government shall not specify, for the purposes of the sub-clause such securities or bonds on or after 1.6.2002.

In the case of an individual, any income by of interest on moneys standing to his credit in a Non-Resident [External] Account in any bank in India in accordance with the Foreign Exchange Regulation Act 1973 and the rules made thereunder, shall not be included in computing the total income of the previous year of such individual provided that such individual is a person resident outside India as defined in clause (q) of S. 2 of the Foreign Exchange Regulation Act or is a person who has been permitted by the Reserve Bank of India to maintain the aforesaid account. According to S. 2 (q) of the Foreign Exchange Regulation Act, "person resident outside India" means a person who is not resident in India.

(A.B) Interest of ~~on~~ Saving Certificates issued by the Central Government in case of an individual a being of

(4)

a citizen of a person of India origin who is also non-resident, any income from interest on such saving-certificates issued before 1-6-2002 by the Central Government as that Government by notification in the Office Gazette, specified in this behalf as will not be included in his total income; provided that such individual has subscribed to such certificates in convertible foreign exchange remitted from a country outside India in accordance with the provision of the Foreign Exchange Regulation Act 1973 and any rules made thereunder. For the purpose of this clause:

(a) a person shall be deemed to be of India origin if he or either of his parents or any of his grandparents was born in undivided India

(b) "Convertible foreign exchange" means exchange which is from time being treated by the Reserve Bank of India as convertible foreign exchange for the purpose of the Foreign Exchange Regulation Act - 1973 and any rules made thereunder. These provision will take effect from 1-4-1983.
