

Law of Income Tax –Features of Income - Basic Concepts (6)

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Income – basic features

While understanding the concept of income, one should remember the following features, which can help identify whether it is income or not:

1. **Definite Source:** Income has been compared with a fruit of a tree or a crop from the field. Fruit comes from a tree and crop from fields. Thus the source of income is definite in both cases. The existence of a source for income is somewhat essential to bring a receipt under the charge of tax.
2. **Income must come from Outside :** No one can earn income from himself. There can be no income from transaction between head office and branch office. Contributions made by members for the mutual benefit and found surplus cannot be termed as income of such group.
3. **Tainted Income :** Income earned legally or illegally remains income and it will be taxed according to the provisions of the Act. Assessment of illegal income of a person does not grant him immunity from the applicability of the provisions of other Act. Any expenditure incurred to earn such illegal income is allowed to be deducted out of such income only.
4. **Temporary or Permanent :** Whether the income is permanent or temporary, it is immaterial from the tax point of view.
5. **Voluntary Receipt :** The receipts which do not arise from the exercise of a profession or business or do not amount to remuneration and are made for reasons purely of personal nature are not included in the scope of total income.
6. **Dispute regarding the Title :** In case a person is receiving some income but his title to such receipts is disputed, it will not free him from tax liability. The receipt of such income has to pay tax.
7. **Income in Money or Money's worth:** The income may be in Cash or in kind. It is taxable in both cases.

(Thanks to information...courtesy: www.incometaxmanagement.com)

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