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**CLASS: B.COM. SEMESTER-3 (ENGLISH MEDIUM)**

**SUBJECT: TAXATION – 1**

**TOPIC: EXEMPTED INCOMES**

❖ There are different incomes which are exempted from Income Tax in India. Since the formation of Indian Income Tax Act, 1961 government has exempted certain income from payment of Income tax and this list of exempted income is increasing from that day. One of the few reasons for creating this list is to avoid double taxation of Income, second is to give the benefit to underprivileged and third is to give benefit to government employees posted outside and foreign diplomats posted in India. One of the main Incomes which are exempted from Tax is Income from Agriculture and other is dividend Income in hands of Shareholder on which company pays the dividend distribution tax directly.

# In the following cases Income is exempt from Income tax:-





- ▶ Agriculture Income [Sec. 10(1)]
- ▶ Payments received from family income by a member of **HUF** [Sec. 10(2)]
- ▶ Share of profit from a firm [Sec. 10(2A)]
- ▶ Interest received by a non resident from prescribed securities [Sec. 10(4)]
- ▶ Interest received by a person who is resident outside India on amounts credited in the non-resident (External) account [Sec. 10(4)]




- ▶ Leave travel concession provided by an employer to his Indian citizen employee [Sec. 10(5)]
- ▶ Remuneration received by foreign diplomats of all categories [Sec. 10(6)]
- ▶ Salary received by a **foreign citizen** as an employee of a foreign enterprise provided his stay in India does not exceed 90 days [Sec. 10(6)(vi)]
- ▶ Salary received by a **non-resident foreign citizen** as a member of ship's crew provided his total stay in India does not exceed 90 days [Sec. 10(6)(vii)]




- ▶ Commuted value of pension and any payment received by way of **commutation of pension** by an individual out of annuity plan of LIC or any other insurer from a fund set up by that corporation or insurer [Sec. 10(10A)]
  - ▶ Leave salary [Sec. 10(10AA)]
  - ▶ **Retrenchment compensation** [Sec. 10(10B)]
  - ▶ Compensation received by victims of Bhopal gas leak disaster [Sec. 10(10BB)]
  - ▶ Compensation from the Central Government or a state Government or a local authority received by an individual or his **legal heir** on account of any disaster [Sec. 10(10BC)]
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- ▶ House rent allowance subject to certain limits [Sec. 10(13A)]
  - ▶ Special allowance granted to an employee [Sec. 10(14)]
  - ▶ Interest from certain **exempted securities** [Sec. 10(15)]
  - ▶ Payment made by an Indian company, engaged in the business of operation of an **aircraft**, to acquire an aircraft on lease from a foreign Government or foreign enterprise [Sec. 10(15A)]
  - ▶ **Scholarship** granted to meet the cost of education [Sec. 10(16)]
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- ▶ Any income of the pension fund set by LIC or any other insurer approved by the controller of insurance or Insurance Regulatory and Development Authority [Sec. 10(23AAB)]
  - ▶ Any income (other than business income) of a trust or a society approved by Khadi and village industries commission [Sec. 10(23B)]
  - ▶ Income of an authority whether known as Khadi and village industries board or by any other name for the development of Khadi and village industries [Sec. 10(23BB)]
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- ▶ Income of **co-operative society** formed for promoting interests of members of Scheduled Castes/Scheduled Tribes [Section 10(27)]
  - ▶ Income of certain **Commodity Boards/Authorities** [Section 10(29A)]
  - ▶ Income by way of subsidy from **Tea Board** for replanting or replacement of tea bushes or for the purpose of rejuvenation or consolidation of areas used for cultivation of tea in India [Section 10(30)]
  - ▶ **Subsidy** received by planters of Rubber, Coffee etc. [Section 10(31)]
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- ▶ Capital gains on transfer of **listed equity shares** [Section 10(36)]
  - ▶ Capital gain on compensation received on compulsory acquisition of **urban agriculture land** [Section 10(37)]
  - ▶ Long term capital gain on transfer of securities not chargeable to tax in cases covered by transaction tax [Section 10(38)]
  - ▶ Income of an **international sporting event** held in India [Section 10(39)]
  - ▶ Grant received by **subsidiary company** from holding company [Section 10 (40)]
  - ▶ Capital gain in above case [Section 10 (41)]
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- ▶ Income of notified **non-profit body/authority** [Section 10(42)]
  - ▶ Any amount received by an individual as a loan (either in lump sum or installment in transaction of reverse mortgage) [Section 10(43)]
  - ▶ Any income received by any person, or on behalf of, the **New Pension System Trust** (established on February 27, 2008) [Section 10(44)]
  - ▶ Allowance or Perquisite to the chairman of **UPSC** [Section 10(45)]
  - ▶ Income arising to a body, authority or Board or trust or Commission [Section 10(46)]
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**THANK YOU**