UNIT 2 BASIC CONCEPTS-II

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2.0 OBJECTIVES

After studying this unit, you should be able to:

- explain agricultural income, and taxation thereof,
- explain casual income and tax treatment thereof,
- differentiate between capital and revenue receipts.

2.1 INTRODUCTION

In Unit 1, you have learnt about various terms used in the Indian Income Tax Act. Two terms, namely, agricultural income and casual income need further elaboration because they are treated as exempted incomes under the Act subject to certain limitations. This unit also explains the capital and revenue incomes and the importance of distinction between them for determining the inclusion of a particular income in the total income of a person.

2.2 AGRICULTURAL INCOME

Agricultural income is not taxed under the Income Tax Act, 1961, because agriculture being a State subject, it is the State Government alone which is competent to tax income therefrom. The exemption to this income is provided under Section 10 (I) of the Act. Since, it is not taxed, the definition thereof has assumed significance. The assessee would naturally be interested in classifying his income as agricultural incomes; however, distantly it might have been related to agriculture. On the other hand, the tax authorities would like to interpret the term conservatively and thus there is a possibility of some dispute between the parties as regards the meaning of the term. The Income Tax Act, 1961, has defined the term 'agricultural income' under Section 2 (1A) exhaustively.

2.2.1 Definition of Agricultural Income

Agricultural income as defined under Section 2(1A) means any rent or revenue derived from land which is situated in India and is used for agricultural purposes. The definition makes it very clear that any rent or revenue (in cash or kind) will be agricultural in nature only if the following conditions are fully satisfied:

a) Rent or revenue is derived from land,

b) The land is situated in India, and

c) The land is used for agricultural purposes.

Since the term 'agriculture' will determine the nature of income, it is necessary for us to be able to understand what is agriculture. Income is said to have been derived from land when that land is subjected to the labour and skill of man, whether in the form of cultivation or otherwise. Though tilling is not a necessary part of agriculture, human labour and skill are supposed to be expended on the land itself and not merely on the growth from land.

The Supreme Court has in CIT v. Raja Benoy Kumar Sahas Roy expounded on the terms' Agriculture' and' Agricultural Purposes'. The relevant portion of the judgment is given below:

i) Agriculture in its most primary sense denotes the cultivation of the field and is restricted to the cultivation of the land in the strict sense of the term, meaning thereby tilling of land, sowing of seeds, planting and similar operations on the land. It also includes in its scope all the operations which foster the growth and preservation of the produce along with the operations required to make the produce 'marketable'. The term comprises within its scope all types of produce regardless of its nature.

ii) In order to decide whether a particular piece of land has been used for agricultural purpose, there has to be some measure of cultivation of land and some expenditure of skill and labour upon it. Consequently, income from the sale of forest trees growing naturally and without any human intervention cannot be treated as agricultural income.

2.2.2 Kinds of Agricultural Income

Agricultural Income is of **five** kinds:

i) Any rent or revenue derived from land

ii) Income derived from Agriculture

iii) Any income derived from marketing process performed by cultivator or receiver of rent in kind

iv) Any income derived from the sale of product

v) Income from farm building

(ii), (iii) and (iv) can be combined under one heading and explained. Let us now discuss the different kinds of income in detail.

i) **Any rent or revenue derived from land (Section 2(1A) (a))**

Rent or revenue derived from land situated in India and used for agricultural purposes is agricultural income. Rent is received by one person from another for the grant of right to the other person to use land. It may be in cash or in kind and the recipient of rent may or may not be the owner of the land.

If the land has been let out by the person on rent and the rent is in the nature of produce, he is termed as 'receiver of rent in kind'. Where the land is used by the receiver of rent in kind for carrying out any process to make the produce marketable or where he derives any income on the sale of such produce, this will be treated as agricultural income in his hands too. It is, of course, agricultural income in the hands of the cultivator.

ii) **Income derived from such land by agriculture or from manufacturing process [Section 2(1A)(b)]**

The words 'such land' are of significance here. These words limit agricultural income to the land situated in India which is used for agricultural purposes;the income generated by the following activities is considered agricultural income:

a) Agriculture

b) Process ordinarily employed by a cultivator to render the produce marketable

c) Sale by cultivator of the produce without any further processing except the one mentioned in (b) above.

It is, thus, clear that the cultivator may need to make the produce marketable as the produce as such may not be sold. He is allowed the use of a process which is generally employed by all the cultivators to make the produce marketable. Tobacco leaves are generally dried before being sold, and therefore, the income from the sale of dried tobacco leaves will be agricultural in nature. However, the income from the sale of beedies made out of the same tobacco will not be treated as agricultural income, because marketable produce has been further processed and made more valuable.

iii) **Income from agricultural house property or farm buildings [Section (2 (1A) (c]**

Income derived from any building in the following cases will be agricultural income:

a) The building is owned and occupied by the receiver of rent or revenue of any such land;

b) The building is on or in the immediate vicinity of the agricultural land in India;

c) The agriculturist needs it by virtue of his connection with the land and uses it as a dwelling house, store house or as an outhouse;

d) The land on which such building is situated must be subject to land revenue in India or subject to a local rate assessed and collected by the officers of the said Government;

e) If the land is not subject to land revenue, it must be outside the urban area, i.e., area comprising a cantonment board, municipal board, notified area, town area,municipal corporation or any other name by which it is known and which has apopulation of 10,000 or more;

f) If it is notified by the Central Government in the Official Gazette, it must not be situated within a distance of 8 kilometer or within the area of such lower limits from the jurisdiction of such municipal board etc. as the Central Government may notify in this regard.

2.2.3 Instances of Non-agricultural Income

The following incomes though connected with land are not agricultural in nature:

1) Annuity payable to vendor of agricultural land or to a person giving up his claim to a piece of agricultural land.
2) Commission for selling agricultural produce.
3) Income from Dairy Farm.
4) Forest produce resulting from wild growth.
5) Fisheries
6) Ginning of cotton.
7) Harvesting of crop on purchased land.
8) Letting out of land for stocking timber or crops.
9) Dividend paid out of agricultural income.
10) Commission earned by the landlord for selling agricultural produce.
11) Profit earned on purchase of standing crop.
12) Rearing of silk worms.
13) Income from stone quarries.
14) Royalty income of mines.
15) Income from poultry farming.
16) Income from land used for brick making.
17) Income from producing water fruits in a tank.
18) Compensation for requisition of land for military use.
19) Remuneration of mutawalli or trustee out of agricultural income of Wakf.
20) Income from sale of tender forms by the assessee engaged in the cultivation of sugarcane.
21) Income from maintaining or running nurseries.

2.2.4 Partly Agricultural Income

There are certain instances where it becomes extremely difficult to classify an income as agricultural or non-agricultural. These are cases where the said income satisfies some characteristics of agricultural income and a few characteristics of business income. Such incomes are said to be partly agricultural in nature. Profit of a sugar mill which grows its own sugarcane is cited as one of the examples of partly agricultural income. In this case, income earned till harvesting of sugarcane is agricultural in nature whereas income accruing from the manufacture of sugar is taxable income. Hence, 60% income is agricultural income and remaining 40% is commercial income. Similarly, income from growing and selling of tea is partly agricultural income. These cases have been dealt with under rules 7 and 8 of the Income Tax Rules, 1962.

Example of Partly Agricultural Income

1) **Income from growing and manufacturing of any product other than tea (Rule 7):** This rule is applicable in factories of oil, vegetable ghee, flour, sugar etc. It is applicable on those manufacturers who manufactures and sell goods by using their agricultural products as raw materials as goods. It includes both agricultural and non-agricultural income. In this case, sale of agricultural produce would be partly agricultural income and market value would be taken as agricultural income. For computing business income, market value of agricultural produce raised or received as rent in kind and used as raw material shall be deducted. For computing agricultural income, market value of the produce will be considered as receipts and cost of cultivation etc. shall be deducted from it.

2) **Income of Tea Gardens (Rule 8):** Total Income from manufacture and sale of tea is not treated as agricultural income. However, 60% of the total income is treated as agricultural income and the rest is treated as non-agricultural or business income.

3) **Income from the manufacture of latex or canex (Rule 7A):** 65% of the total income derived from sale of latex or canex or block rubber manufactured and processed by the assessee will be treated as agricultural income and the balance 35% as non–agricultural income. Expenses related to new plant in place of dead plant shall be included in cost. Any subsidy received from rubber board shall be subtracted from the cost of production.

4) **Income from manufacture of Coffee (Rule 7B)**: If coffee is sold just after curing 75% of income from sale will be treated as agricultural income and 25% as non–agricultural income. However, if coffee is sold after curing roasting and grounding and after adding some flavor etc, 60% of such income will be treated as agricultural income and remaining 40% as business income or non–agricultural income. For computing total regarding it, expenses related to these plants shall be included in cost of production, which are replaced in plant of dead plants, but any subsidy which was received by coffee boards, will not be subtracted from the cost.

2.2.5 Integration of Agricultural income in the Non–Agricultural income

As it is already discussed, that there is no tax on agricultural income, but if an assessee earns both agricultural as well as non–agricultural income, then such agricultural income is added in his total income for computation of income tax on non–agricultural income. This concept is called as 'partial integration of agricultural income with non–agricultural income'.

The partial integration is done only when the following two conditions are satisfied:–

1) The Net agricultural income exceeds Rs. 5,000, and
2) Non– agricultural income of the assessee exceeds the exemption limits of Rs. 2,50,000 in case of an individual (other than individual of the age of 60 years or above) HUF, AOP/BOI. etc.

The partial integration is applicable only in case of

i) Individual;
ii) HUF;
iii) AOP/BOI;
iv) Artificial juridical person.

It is not applicable in case of a) firm b) company c) cooperative society d) local authority

3) Individual (whether male or female),who is a resident in India and is of the age of 60 years or more but less than 80 years at any time during the previous year, the maximum exemption limit shall be Rs 3,00,000 instead of Rs 2,50,000, but if the individual is of age of 80 years or more, the maximum exemption limit shall be Rs 5,00,000 instead of Rs 2,50,000. If an individual opts for tax under section 115 BAC, this exemption limit is Rs. 2,50,000 for all age groups of assesses.

Steps of computation of tax when there is agricultural income along with non-aricultural income.

The given below are the steps to calculate the tax:

1) Add agricultural income and non–agricultural income and calculate tax on the aggregate as if such aggregate is the total income.
2) Add agricultural income to the maximum exemption limit available and compute tax on such amount as if it in the total income.
3) Deduct the amount of income tax computed under step 2 from the tax computed under step 1.

The amount so calculated shall be total income tax payable by the assesse

4) Claim rebate u/s 87A, if applicable.
5) Add surcharge, if applicable and health and education cess @ 4%

Illustration 1

Compute agricultural income from cultivation of land:	Rs.
i) Sale proceeds of agricultural produce	1,70,000
ii) Depreciation of equipments	7,000
iii) Labour charges	25,000
iv) Cost of seeds	5,000
v) Cost of fertilizers	3,000

vi) Electricity charges 13,000

Solution:

Computation of Agricultural income		Rs.
Sale proceeds of agricultural produce.		1,70,000
Less: Expenses:		
i) Depreciation of equipment	7,000	
ii) Labour charges	25,000	
iii) Cost of seeds	5,000	
iv) Cost of fertilizers	3,000	
v) Electricity charges.	13,000	53,000
Agricultural income		**1, 17,000**

Illustration 2

Mr. Ramakrishna derives income from estates in coffee, Rubber and Tea. He also has nursery wherein he grows plants and sells for the previous year ending 31st March, 2021. From the following particular of income from estates and sale of plants, compute the taxable income for the assessment year 2021 –22.

		Rs.
i)	Manufacture of rubber	8,50,000
ii)	Manufacture of coffee grown and cured	2,50,000
iii)	Manufacture of tea.	3,50,000
iv)	Sale of plants from Nursery	1,00,000

Solution:

Computation of taxable income for the assessment year 2020-21		Rs.
i)	Manufacture of coffee grown and cured (25% of income shall be business income).	62,500
ii)	Manufacture of rubber (35% of income Shall be business income)	2,97,500
iii)	Manufacture of tea (40% of income Shall be business income)	1,40,000
iv)	Sale of plants from nursery.	Exempt
	Taxable income	**5,00,000**

Note:

Income from the sale of plants of nursery is an agricultural income, hence it is exempt.

Check Your Progress A

1) Read the following carefully and tick mark the correct answer:

   i) Agricultural income is left out of the purview of the Income Tax Act, 1961 because

      a) India is a socialist democracy

      b) Agriculture is a State subject

      c) The Government wants to encourage farmers.

   ii) Which of the following is non-agricultural income

      a) Dairy

      b) Income from land let out for drying tobacco leaves

      c) Income from tilling and sowing cotton.

   iii) In determining the market value of agricultural produce not ordinarily sold in the market, the profit is

      a) A flat rate of 15% of the total expenses

      b) An amount to be determined by the agriculturist

      c) An amount to be determined by the Assessing Officer.

   iv) The assessee who is not required to club its agricultural and non-agricultural income for rate purpose is

      a) A company

      b) An individual

      c) A HUF

2) State whether the following statements are True or False

   i) The income of a company engaged in growing and selling tea is business Income.

   ii) The clubbing provisions for rate purposes will apply irrespective of the amount of non-agricultural income.

   iii) The onus of proving that a source of income is agricultural in nature lies on the assessee.

   iv) Expenses on transportation of produce from the farm to the factory are agricultural expenses.

2.3 CONCEPT OF CASUAL INCOME

You will remember from earlier unit that one of the important characteristics of the term‘income’ is its regularity or at least expected regularity. However, there may be certain Incomes which are not regular and which do not arise from any source of income. They are known as ‘casual incomes’.

2.3.1 Definition and Chargeability of Casual Income

If an assessee, accidently or without any pre–expectation, gets any income of non-recurring nature, it is treated as casual income. It includes income from betting, lottery winnings, playing cards, income from horse race, cross word puzzles etc. The maximum amount of casual income upto Rs.10,000 in case of horse race is exempted from income tax. Any casual income exceeding above said amount will be taxable under Head "Income from other sources"

Following point should be kept in mind regarding casual income:

i) Casual income shall be taxable @ 30%

ii) Any expenses, if paid, in receiving casual income, shall not be deducted from any income.

iii) Any casual loss shall not be set off against any income.

iv) Personal gift such as wedding gift and birthday gift are given on account of family affection, hence, will not be included in income. For example–gift to wife by her husband, gift to son by his father, gift to a relative by another relative etc.

2.3.2 Some Examples of Casual Income

1) Accidently or fortuitous receipt of money or precious article in the way.
2) Money won in lotteries.
3) Crossword puzzles, card games, betting or gambling of any nature.
4) Receipt of remuneration for acting as an arbitrators in any disputes (without any prior provision or stipulation).
5) Receipt of reward to a person for tracing out any lost child (Prior to declaration of reward or without any stipulation).
6) Winnings from horse race or any other race.
7) Prize awarded for coin collection or stamp collection or gardening.

Anyone or all of the following winnings will be taxable:

i) Winning from lotteries

ii) Winning from crossword puzzles

iii) Races (including horse races)

iv) Winning from gambling or betting of any form or nature

2.3.3 Following Incomes shall not be Treated as Casual Income

i) Any amount paid under an agreement like payments by husband to his wife under an agreement to live apart as maintenance allowance, will not be covered in casual income, hence, it will be taxable.

ii) Capital gain or receipt accrued in any business or profession.

iii) Receipts like bonus, gratuity or perquisites, received by a salaried person.

iv) Voluntary payments are not casual income like tips to maids, servants tips to waiter, excess money than prescribed fee for any services given to the client (either in money or in kind).

2.4 CAPITAL AND REVENUE RECEIPTS

It is important to be able to distinguish between capital and revenue. The distinction is significant not only from the point of view of accounting but also for tax matters. Ordinarily speaking, when we buy something of durable nature we say that we have incurred capital expenditure. For example, buying of furniture is capital expenditure and it is shown on the assets side of the Balance Sheet. On the other hand,expenditure incurred on repairs is supposed to be of routine type and it is therefore, shown on the debit side of the Profit and Loss Account. In the same way, when some receipt is effected from disposing off a capital asset, we classify it as capital receipt. For example, an amount of Rs. 2,00,000 received on the sale of a piece of land will be receipt of capital nature. On the other hand, fees received by an advocate for rendering of professional services will be of revenue nature. It might be of interest to note that the Income Tax Act, 1961, has not defined the concept of capital and revenue anywhere and therefore,we have to depend on the accounting conventions and pronouncements by courts in this area.

Apart from accounting implications, the distinction between capital and revenue receipts is of great significance in tax matter and in determining the tax liability. Revenue receipts are considered to be taxable in general whereas' capital receipts are not. However, where the asset sold brings in some surplus (excess of selling price over the cost of an asset), it is termed as capital gain and will be treated under special provisions of the Act. Tax liability therefore, cannot be determined accurately, if the receipts are not properly classified as above.

2.4.1 Determine the Nature of a Receipt

Based on the judicial pronouncements, a few guidelines have been laid down for the purpose of determining the nature of a receipt. Some important guidelines are discussed below:

1) A receipt by way of price or compensation on the disposal of circulating capital or stock in trade is a revenue receipt whereas a receipt on the disposal of a capital asset is capital in nature. A capital asset is used to manufacture items or generate income e.g., machines.

2) Receipt in substitution of a source of income is of capital nature while the amount that substitute's income itself shall be the income chargeable to tax For example, compensation for the loss of an agency is a capital receipt while the amount received for the breach of a business contract is a revenue receipt.

3) In the case of an isolated transaction of purchase and sale of property, the motive of the seller is a deciding factor in determining the nature of receipt. Sale proceeds of securities (where they are held as investment) will be capital receipt whereas it will be of revenue nature if the securities are held as stock in trade.

4) When a sum is received for the surrender of certain rights under an agreement, it is a capital receipt because a certain capital asset in the form of those rights is being given up. If, however, the sum is received in the nature of

compensation for the loss of future profits, it will be treated as a revenue receipt.

It would also help, if the following are also taken into consideration when trying to distinguish between capital and revenue receipts:

1) **Nature of receipt at the initial stage:** If the receipt at the initial stage possesses the characteristics of a trading receipt, it will be taxed as such. If however, at the initial stages, it looks like a capital receipt, it cannot be taxed irrespective of the magnitude and the appropriation of the same by the assessee.

2) **Nomenclature not decisive:** Irrespective of what the parties to a contract call the transaction and the receipt arising therefrom, the true nature of the receipt has to be ascertained based on the principles laid down and the circumstances of the case.

3) **Nature of receipt in the hands of the receiver:** It is important to note that when considering a receipt, its nature in the hands of the receiver is important. This implies that even if an item of expenditure is of a capital nature in the hands of the giver, it very well could be an item of revenue receipt in the hands of the receiver. It is, therefore, the nature of receipt in the hands of the receiver that isimportant and not the nature of the expenditure in the hands of the giver.

4) **Nature under company law not important:** It has been held by the Supreme Court that there is no inconsistency between a receipt being a capital receipt under the Company Law and being a revenue receipt under the Income Tax Act, 1961.

5) **Lack of assessment in earlier years immaterial:** The mere fact that the Income Tax Authorities have failed to levy tax on the interest part of the annual receipt does not change the nature of the receipt, it continues to be part capital and part revenue in nature and thereby chargeable to tax on the revenue part.

6) **Income from consumable assets:** Profits arising from consumable assets would be of a revenue nature although capital asset seems to be getting exhausted or consumed.

7) **Exchange rate fluctuation:** Excess income arising to the assessee as a result of exchange rate fluctuation will be taxed as revenue receipt. If however, the profit arises not as a result of the business of the assessee but as accrual to the investment, it will be treated as a capital receipt.

8) **Perpetual annuity:** The annuity receivable in exchange for a capital asset is taxable income. However, if the annuity is described as installment of a capital sum received in exchange for the capital asset, it is not taxable.

2.4.2 Examples of Capital and Revenue Receipts

The following are a few examples of capital receipts:

1) Receipt to meet the capital expenditure is a capital receipt.

2) Compensation received for the suspension of an export license.

3) Pagdee received as consideration for grant of monthly tenancies.

4) Profit due to fluctuations in the rate of exchange of foreign currency.

5) Profit from the sale of foreign exchange when the purchase of capital goods in foreign country became impossible.

6) Entrance fee collected by a company in respect of new shares.

7) Sale of assets of a firm at the time of its conversion to a company to the extent the consideration is attributable to sale of land.

8) Compensation received for relinquishing the rights of a partnership.

The following are a few examples of revenue receipts:

1) Receipt of annuity for transfer of a capital asset.

2) Income from compensation received by the Government for compulsory acquisition of land.

3) Damages received in respect of repairs not carried out in time.

4) Cash assistance received under an export promotion scheme.

5) Lump sum amount received for waiver of royalty.

6) Subsidy received by a cooperative society from Government.

7) Surplus left with the seller due to a reduction in export duty.

8) Damages received by a company for breach of contract.

9) Sale of import entitlement received under an export promotion scheme against export.

Illustration 3

State whether the following receipts are casual income:

i) Mr. A received Rs 6,000 for acting as an arbitrator without any stipulations as to remuneration.

ii) Mr. B received Rs 10,000 for acting as an arbitrator with a clear and definite stipulation for the said remuneration.

iii) Mr. C, a decreeholder received interest of Rs 1,000 under an order of court granting stay of execution of the decree on judgment debtor Mr. D.

iv) Mr. E is in service of Mr. F. Mr. F's sons was lost and Mr. E traced him out without any stipulations of rewards but Mr. F gave him a rewards of Rs 1,000.

Solution:

i) This receipt is casual income; it is of non–recurring nature as there was no stipulation for remuneration.

ii) There was an offer of definite remuneration to Mr. B for acting as an arbitrator. He accepted the work. Hence, this is not a casual income.

iii) It is not a casual income

iv) It is of non–recurring nature. There was no stipulation of reward, hence, it is casual income of Mr. E

Check Your Progress B

1) What is casual income? Explain with the help of example.

....

....

2) Fill in the blanks

   i) Net Casual income is included under the head ……………………

   ii) The onus to prove a particular income as being of a casual nature is on the ……………………………….

   iii) Receipts are to be added in computing the business income.

   iv) Sum received for the surrender of a right is a …………… receipt.

   v) Cash assistance received from the Government is a ....receipt.

3) State whether the following are Capital or Revenue Receipts

   i) Compensation received for compulsory vacation of place of business.

   ii) Bonus shares received by a dealer of shares.

   iii) Sales tax collected from purchaser of goods.

   iv) Dividend

   v) Compensation received from sale of export license.

2.5 LET US SUM UP

Agricultural income being exempt from tax, it is necessary to comprehend the meaning correctly. Section 2(1A) of the Income Tax Act defines it as any rent or revenue derived from land which is situated in India and which is being used for agricultural purposes. Income from house property situated on or in the immediate vicinity of agricultural land is also treated as agricultural income provided the house is being used by the agriculturist as outhouse, or for storing of agricultural produce, agricultural implements or cattle etc. It is exempted from tax u/s 10(1) of the Income Tax Act, 1961, because agriculture being a State subject, Central Government cannot impose tax on income derived therefrom. Income from manufacture of sugar will be partly agricultural in nature if the sugar mill grows sugarcane on its own farms. Similarly, income from sale of tea will also be partly agricultural in nature where the tea company grows its own tea. Rules 7 and 8 of the Income Tax Rules describe the method of determination of exempted and taxable portions of such incomes.

Casual income is also taxable. It is something which comes as windfall and totally unexpected. Capital gains, receipts arising from business, profession or occupation and receipts by way of addition to the remuneration of an employee are not casual incomes within the framework of law of income tax.

It is also important to distinguish between capital and revenue incomes. It is the revenue income that is taxable and not the capital receipts. Amount received for the goods sold and services rendered will be revenue in nature whereas the amount received in exchange of capital asset like house property will be capital receipt.However, gain from sale of house property is capital gain and taxable.On the basis of accounting principles and judicial pronouncements of few principles have emerged which help to distinguish the capital and revenue incomes.

2.6 KEY WORDS

Agricultural Income: It is income derived from agricultural land situated in India and is exempted from Income tax.

Partly Agricultural Income: Income from tea gardens and from manufacture of sugar etc. is partly agricultural in nature. Taxable portion is ascertained in accordance with Rule No.7 and 8 of the Income Tax Rules, 1962.

Casual Income: Casual income is the receipt which comes as a windfall and is free from repetition. One can never expect it. Betting, winnings from lotteries etc. though included in the term 'income' u/s 2(24), is treated as casual income according to a circular issued by the Government.

Capital Income: Income received in exchange of a capital asset is capital receipt. It is not taxable. However, where the amount received is in excess over the cost of the asset, such excess is known as capital gain and is taxable.

Revenue Income: Income received as a matter of routine by way of sale of goods or services is revenue in nature and taxable.

2.7 ANSWERS TO CHECK YOUR PROGRESS

Check Your Progress A

1) i) b ii) a iii) b iv) a

2) i) False ii) False iii) True iv) True

Check Your Progress B

2) i) Income from other sources ii) Assessee iii) Revenue

   iv) Capital v) Revenue

3) i) Revenue ii) Capital iii) Revenue iv) Revenue v) Revenue

2.8 TERMINAL QUESTIONS/ EXERCISES

1) Define agricultural income and give examples.
2) Distinguish between agricultural income and partly agricultural income with examples.
3) What do you understand by casual income? How are they treated under the Income Tax Act?
4) Distinguish between capital and revenue incomes.

Note: These questions will help you to understand the unit better. Try to write answers for them. But do not submit your answers to the University; these are for your practice only.