

Computation of Gross Total Income (GTI) and Taxable Income

The process of calculating Gross Total Income (GTI) and Taxable Income involves aggregating all sources of income, applying any deductions or exemptions, and then determining the final amount on which tax is levied. Here's a step-by-step guide to the computation:

1. Computation of Gross Total Income (GTI)

Gross Total Income is the sum of income from all the five heads of income as specified under the Income Tax Act:

Step 1: Income from Salary

- Include all earnings under the salary head such as basic salary, allowances, perquisites, etc.
- Deduct exempted allowances (e.g., House Rent Allowance).
- Deduct standard deduction (currently ₹50,000 for salaried individuals).

Example:

- Basic Salary: ₹6,00,000
- HRA Received: ₹1,00,000 (Exempt: ₹80,000)
- Standard Deduction: ₹50,000

Income from Salary = ₹6,00,000 + ₹20,000 (HRA taxable) - ₹50,000 = ₹5,70,000

Step 2: Income from House Property

- Compute the income from any house property owned, after deducting municipal taxes paid and standard deduction (30% of Net Annual Value).
- Deduct interest on home loan (up to ₹2,00,000 for self-occupied property).

Example:

- Rental Income: ₹2,40,000
- Municipal Taxes Paid: ₹20,000
- Interest on Home Loan: ₹1,80,000

Income from House Property = ₹2,40,000 - ₹20,000 - 30% of (₹2,20,000) - ₹1,80,000 = ₹14,000

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Step 3: Income from Business or Profession

- Include the net profit from business or profession after deducting all business expenses.

Example:

- Net Profit: ₹4,00,000

Income from Business or Profession = ₹4,00,000

Step 4: Income from Capital Gains

- Calculate short-term and long-term capital gains from the sale of capital assets.
- Deduct any applicable exemptions under sections like 54, 54F, etc.

Example:

- Short-Term Capital Gains: ₹50,000
- Long-Term Capital Gains: ₹1,20,000 (Exempt under Section 54: ₹80,000)

Income from Capital Gains = ₹50,000 + ₹40,000 = ₹90,000

Step 5: Income from Other Sources

- Include interest income, dividends, and other incomes not covered in the above heads.

Example:

- Interest Income: ₹20,000
- Dividend: ₹10,000

Income from Other Sources = ₹20,000 + ₹10,000 = ₹30,000

Step 6: Aggregate All Incomes

Add up the incomes calculated from all the heads.

Gross Total Income (GTI) = ₹5,70,000 (Salary) + ₹14,000 (House Property) + ₹4,00,000 (Business) + ₹90,000 (Capital Gains) + ₹30,000 (Other Sources)

Gross Total Income (GTI) = ₹11,04,000



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2. Deductions under Chapter VI-A

After computing the Gross Total Income, certain deductions are allowed under Chapter VI-A, which reduce the Gross Total Income to arrive at the Taxable Income.

Step 7: Apply Deductions

- Section 80C: Deduction for investments in PPF, NSC, life insurance premiums, etc. (up to ₹1,50,000)
- Section 80D: Deduction for medical insurance premiums (up to ₹25,000 for self and family, ₹50,000 for senior citizens)
- Other Sections: 80G (Donations), 80E (Interest on education loan), etc.

Example:

- Section 80C: ₹1,50,000 (Full deduction availed)
- Section 80D: ₹25,000 (Medical insurance)
- Section 80G: ₹10,000 (Donation)

Total Deductions = ₹1,50,000 + ₹25,000 + ₹10,000 = ₹1,85,000

3. Computation of Taxable Income

Subtract the total deductions from the Gross Total Income to arrive at the Taxable Income.

Taxable Income = Gross Total Income (GTI) - Deductions

Example: Taxable Income = ₹11,04,000 - ₹1,85,000 = ₹9,19,000

4. Calculate Tax Payable

Based on the Taxable Income, the tax is computed as per the applicable income tax slabs.



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Summary of Computation:

Particulars	Amount (₹)
Income from Salary	5,70,000
Income from House Property	14,000
Income from Business or Profession	4,00,000
Income from Capital Gains	90,000
Income from Other Sources	30,000
Gross Total Income (GTI)	11,04,000
Less: Deductions under Chapter VI-A	1,85,000
Taxable Income	9,19,000

