TWOTAX

30 Days to Understanding the **New Income-tax Act**

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Day 5 Topic:
Scope of Total Income under the Income-tax Act, 2025

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New Income-tax Act 2025

SCOPE OF TOTAL INCOME

Day 5 of 30

Decoding the New Income-tax Act

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Introduction

- The scope of total income determines what income becomes taxable in India.
- It defines the income base on which tax liability is computed.
- Residential status plays a decisive role in this determination.

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Statutory Basis

- Total income is computed for each Tax Year.
- It includes income from all sources, subject to provisions of the Act.

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Income Received in India

Total income includes:

- Income received in India
- Income deemed to be received in India

This applies irrespective of where it is earned.

Example: Salary credited in an Indian bank account.

Income Accruing or Arising in India

Also included:

- Income accruing in India
- Income arising in India
- Income deemed to accrue or arise in India

Example: Rent from property located in India.

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Global Income of Residents

For residents, total income also includes:

- Income earned outside India
- Foreign salary
- Overseas business income
- Global investments

Residents are taxed on worldwide income.

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Exception: Not Ordinarily Resident

For NOR individuals:

Foreign income is taxable only if:

- Derived from business controlled in India; or
- Profession set up in India

This provides partial relief.

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Non-Resident Tax Scope

For non-residents, taxable income is restricted to:

- Income received in India
- Income accrued or arisen in India

Foreign income is not taxable.

Deemed Income Principle

Certain incomes are taxed in India even if not directly earned here.

Examples include:

- Business connection income
- Property income
- Capital gains on Indian assets

These fall under deemed accrual provisions.

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Double Inclusion Restriction

Income once taxed on accrual basis will not be taxed again on receipt basis.

This avoids duplication of taxation.

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Closing

Scope of total income establishes:

- Jurisdiction of taxation
- Global vs territorial tax base
- Resident vs non-resident liability

It is the gateway provision for computing tax liability.

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SCOPE OF TOTAL INCOME

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