Taxpayer Categories in India

Under the Income Tax Act, 1961, taxpayers are classified based on their legal status, income sources, and residential status. This classification determines applicable tax rates, filing requirements, and eligible deductions.

1. Individual

An individual is a natural person who may earn income from salary, business, investments, or other sources.

Subcategories:

- Resident Individual: Taxed on global income
- Non-Resident (NRI): Taxed only on Indian-sourced income
- **Senior Citizen**: Age 60–79 during the financial year
- Super Senior Citizen: Age 80+ during the financial year

Key Benefits:

- Age-based exemption limits
- Rebate under Section 87A
- Deductions under Sections 80C to 80U

2. Hindu Undivided Family (HUF)

A HUF is a family unit consisting of lineal descendants from a common ancestor, including wives and unmarried daughters.

Features:

- Separate PAN and ITR filing
- Income from ancestral property or business
- Eligible for deductions similar to individuals

Use Case: Often used for managing family-owned assets and investments.

<page-header> 3. Company

A company is a legal entity registered under the Companies Act. It may be:

- Domestic Company: Incorporated in India
- Foreign Company: Incorporated outside India but earning income in India

Taxation:

- Flat corporate tax rates
- MAT (Minimum Alternate Tax) provisions
- Dividend Distribution Tax (abolished from FY 2020–21)

Compliance: Mandatory audits, Form 3CA/3CD, and TDS obligations

4. Firm / LLP

Includes partnership firms and Limited Liability Partnerships (LLPs) registered under respective acts.

Taxation:

- Flat rate of 30% on profits
- No tax slab benefit
- Partners taxed individually on share of profit (exempt under Sec 10(2A))

Advantages of LLPs:

- Limited liability
- No dividend tax
- Easier compliance than companies

1 5. Association of Persons (AOP) / Body of Individuals (BOI)

These are informal groupings of individuals or entities formed for a common purpose.

Examples:

- Joint ventures
- Co-ownership of property
- Unregistered clubs or societies

Taxation: Depends on whether members are taxable at individual rates or collectively

6. Trusts & Charitable Institutions

Entities formed for religious, charitable, or educational purposes.

Types:

- Public Charitable Trusts
- Private Trusts
- Religious Institutions

Tax Provisions:

- Exemptions under Sections 11, 12, and 80G
- Mandatory registration under Sec 12AB
- Audit and compliance under Sec 10(23C)

3. Artificial Juridical Person

Includes entities not covered above but recognized by law—e.g., universities, municipal bodies, or statutory authorities.

Taxation: As per applicable provisions under the Income Tax Act