

CHAPTER 01

Basic Concepts of Income Tax

Tax

Tax is "Compulsory Extortion of Money" by the govts on income, commodity, or activity.

Taxes Levied

Taxes are levied by the Govts to meet the common welfare expenditure of the society like defence, education, health, infrastructure facilities like roads, dams etc.

"Cost of living in a society".

Power to Levy Taxes [Taxation System in India]

- Article 265 of COI provides that no tax shall be levied or collected except by authority of law.
- Article 246 of COI empowered to levy taxes, to Parliament (Union) & State Government (SG)

7th Seventh Schedule to Article 246 contains 3 lists which are as follows:

Union List CG, State List SG, Concurrent List.

Both CG & SG has exclusive power to make laws on matters contained in list respectively

- Entry no. 82 of Union List (List I in Seventh Schedule of COI) gives power to Parliament to levy taxes on Income other than Agricultural Income.
- Entry no. 46 of state list has given power to SG to levy tax on agriculture income.

Types of Taxes

Particulars	Direct Tax	Indirect Tax
Definition	If tax is levied directly on income/wealth of a person.	If tax is levied on price of a good or service.
Incidence & Impact	Are on same person.	Are on different person.
Levied on	Income/wealth of the person.	Price of Goods or Services
Burden	There is No Shifting of burden. * Directly borne by the taxpayer.	Burden is shifted to subsequent buyer. * Burden falls on final consumer.

Time of Collection	Collected on yearly basis.	Collected at the time of sale/purchase of goods or rendering of services.
Examples	Income Tax, Tax on undisclosed foreign Income or Assets.	GST, Custom duty.

Components / Sources of Income Tax Laws

A. Income Tax Act, 1961

It came into force (WHOLE INDIA) on 1st April, 1962. The act contains 298 sections & 14 XIV schedules, contains provision for determination of taxable income, tax liability etc.

B. Income Tax Rules, 1962

- The administration of direct taxes is looked after by the Central Board of Direct Taxes (CBDT). Rules cannot override the Act.
- CBDT is empowered to make **rules** for proper administration of the **Act**.
Ex: Sec 32 (Act) states that depreciation will be allowed as deduction but rates of depreciation are given by Rule 5.

- A Section or Rules have **Sub-section, Sub-rules, Provisos and Explanations**.

Sub-section: - It refers to such parts of a section where each part is related with other & all sub sections taken together to completes the concept in that section.

Ex: Section 5 defining the scope of total income has two sub-sections (1) & (2).

Sub-section (1) defines the scope of total income of a resident;

Sub-section (2) defines the scope of total income of a non-resident.

Clauses and Sub-Clauses: - When each part of the section is independent of each other and one is not related with other, such parts are called a "Clause".

Ex: Clause (1A) of Section 2 defines "agricultural income", Clause (1B) defines "amalgamation". Note: - There are only three sections that contain clauses: Sec 2, 10, & 47.

Provisos: - It gives the **exceptions/conditions** to the provision contained in the respective section, sub-section/clause.

Explanation: - It gives clarification relating to the provision contained in that section, sub-section/clause.

- C. **Annual Finance Act** : - Every year, Finance Minister Introduces the Finance Bill in Parliament's Budget session. When the Finance Bill is passed by both the houses of the Parliament & gets the assent (Signature) of the President, it becomes the Finance Act which is incorporated in the Income-Tax Act. Amendments are made every year to the Act & other tax laws by the Finance Act.
- The First Schedule to the Finance Act contains four parts which specify the rates of tax.
- Part I Rate of Tax applicable for the current Assessment Year.
- Part II Rate of TDS for the current Financial Year.
- Part III Rate of Advance Tax & Rate of tax to be deducted from income u/h 'Salaries'.
- Part IV Rules for computing Net Agricultural Income.
- D. **Notifications**
- Notifications are issued by CG / CBDT to give effect to the provisions of the Act.
 - They are binding on everyone. [Assessee + Income Tax department]
- E. **Circulars**
- Circulars are issued by the CBDT to deal with certain specific problems / to clarify the doubts of the law.
 - These circulars are binding on the department but not on the assessee.
- # **Circular No. 28/2016 Dated 27/07/2016** Clarification for person born on 1st April would be considered to have attained a particular age on 31st March, the day before his birthday. Therefore, a resident individual whose 60th/80th birthday falls on 1st April, 2024, would be treated as having attained 60/80 years in PY 2023-24, & would be eligible for higher BEL of ₹ 3/5 lacs.
- F. **Case Laws (Judicial Decisions)**
- The judiciary will hear the disputes between the assesseees & the Income tax Department & give its decisions.
 - Supreme Court (Apex Court) decisions becomes law of the land & are binding on all the courts, Appellate Tribunal (ITAT), Income Tax Authorities & on Assesseees.
 - High Court decisions are binding on the Assesseees & Income Tax Authorities which come under its jurisdiction unless it is overruled by a higher authority (Apex Court).
 - Decision of a High Court cannot bind another High Court.

Levy/Charge of Income Tax [Sec 4]

Income-tax is a tax levied on the total income of the Previous Year of every person.

Some Important Definitions

If term defined in the act: - Section 2 gives definition.

If term not defined in the act: - Reference can be made to the General Clauses Act / Dictionaries.

1. INDIA [Sec 2(25A)]

- Territory of India as per Article 1 of the Constitution,
- Territorial Waters of India (TWI)(12NM), seabed & subsoil underlying such waters,
- Contiguous Zone (24NM), Continental Shelf,
- Exclusive Economic Zone; (200 NM)
- Any other specified maritime zone & air space above its territory & TWI.

2. Assessee [Sec 2(7)]

- Any person by whom any tax or any other sum of money is payable (Interest, Penalty, fines, etc.) under this Act. It includes: Tax Payable, Proceeding started, Deemed Assessee, Representative Assessee Ex: Legal Heir.
- Assessee in default: - Any person who does not deduct/collect TDS/TCS or after deducting tax, fails to pay deducted tax to the govt. or who fails to pay advance tax is deemed to be assessee in default u/s [201 (1)] / 218. .

3. Assessment [Sec 2(8)] This is the procedure by which the income of an assessee is determined by AO.4. Person [Sec 2(31)]

An Individual - Individual means only a natural human being (Male / Female / Minor / Unsound Mind). Income of Minor & unsound Mind person → Assessed in hands of Manager / Guardian. In the case of Deceased person, assessment would be made on the legal representative.

Hindu Undivided Family (HUF)

- HUF is not defined under IT Act. However, it is treated as separate entity under IT Act.

- As per Hindu Law, family consists of all males lineally descended from a common ancestor & includes their wives & unmarried daughters.
- Married daughters are **no** longer treated as **member** of HUF after they get married.
- The Status in HUF is received by birth & not by operation of law.
- Even a single male member can have HUF (w.e.f 6/9/2005).
- Only Co-parceners (Sman Uttra-adikari) have the right to Partition.
- Co-parceners → HUF may contain many members, but only **members** within **4 degrees** including KARTA are called **co-parceners** (including daughters even married).
Note: Wife/ daughter-in-law cannot be co-parceners; however, they can be members.
- Jain & Sikh undivided families would also be assessed as a HUF under IT Act.

Different Opinions of Schools of Hindu Laws

Dayabaga school of Hindu law	Mitakshara school of Hindu law
✚ Prevalent in West Bengal & Assam	✚ Prevalent in the Rest of India
✚ Nobody acquires the right, share in the property by birth if karta is alive.	✚ One acquires the right to the family property by his birth & not by succession irrespective of the fact that his elders are living.
✚ Hence, father & his brothers would be the co-parceners of the HUF.	✚ Hence, every child will also be co-parcener of the HUF.

COMPANY [Sec 2(17)]: - Classes of Companies

Domestic Company [Sec 2(22A)]

- ✚ An Indian company or
- ✚ Foreign company which has **AGM** in India & made prescribed arrangements for declaration & payment of dividends within India payable out of the taxable income in India.

Indian Company [Sec 2(26)]

- ✚ Company should have been **formed & registered** under any law in India (**Co. Act 1956/2013**) & Registered office or principal office of the company should be in India.

Foreign Company [Sec 2(23A)] A Company which is not a domestic company.

A Firm [Sec 2(23)]

- ✚ A firm includes a partnership firm (registered or not) & shall include an LLP.
- ✚ For IT purposes, a minor would also be treated as partner.
- ✚ Same Tax Treatment would be applicable for both General Partnerships & LLPs.

Association of Persons (AOP)

- ✚ When two or more persons combine together for running a business, they are assessable as an AOP when they do not constitute a partnership legally. Example: - JV, Co-op Society.
- ✚ Conditions to form AOP: Persons must join in a common purpose; common action & their object must be to produce Profit.

Body of Individuals (BOI)

Persons who merely receive the income jointly & who may be assessable in like manner & to the same extent as the beneficiaries individually. Example: - Housing Society, Clubs.

Note: Tax is not payable by the assessee on share of Income received by him from BOI on which the tax has already been paid by such BOI. [To avoid Double Taxation]

Question: - What is the difference between AOP & BOI ?

Answer: The difference between AOP & BOI is that whereas an association implies a voluntary getting together for a definite purpose, a body of individuals would be just a body without an intention to get-together. Moreover, members of BOI can be individuals only but members of AOP can be individual or non-individuals (i.e. artificial persons).

Local Authority (LA)

Municipality, district board, Panchayat, Cantonment board, body of port commissioners etc.

Income of LA is taxable only if it is derived from the business of supply of commodity/service (other than water/electricity) outside its own jurisdictional area. Income arising from supply of water/electricity even outside its own jurisdictional areas → Exempt.

Artificial Juridical Person (AJP)

are the entities which are not natural persons but are separate entities in the eyes of law. Though they may not sue directly but they can be sued through person managing them.

Ex: Universities, ICAI, Bar Council, or deity.

5. Average Rate of Tax [Sec 2(10)] Average Rate of Tax = Amount of Income Tax calculated on Total Income using applicable slab rate on Total Income.

6. Maximum Marginal Rate (MMR) of Tax [Sec 2(29C)]

Highest Slab Rate of Tax (including SC) of relevant PY for Individual.

Relevance of Method of Accounting Followed by the Assessee

Heads	Relevant Method of Accounting
Salaries(15-17)	✚ Taxable on due basis or on receipt basis whichever is earlier.
HP (22-27)	✚ Taxable on Accrual basis.
PGBP(28-44DB)	✚ PGBP Income is taxable as per method of accounting followed by assessee. If assessee follows Accrual basis → Income taxed on accrual basis. If assessee follows Cash basis → Income taxed on Cash basis.
Cap. Gain(45 - 55A)	✚ Taxable in the PY in which the capital asset is transferred.
IFOS(56 - 59)	✚ Same as PGBP.

For Salary, HP, CG: - Method of accounting followed by the assessee is irrelevant.

Computation of Total Income**Determine Residential Status & Classify income under five heads**

Salaries

Income
from
House PropertyProfit & Gains
from Business
or Profession

Capital gains

Income
from
other sources

Compute income under each head applying the Charging & deeming Provisions and Providing for permissible deductions/exemptions thereunder.

Apply clubbing provisions

Set-off/carryforward and set off of losses as per the provisions of the act

Compute Gross Total Income

Less-Deductions from GTI

Total Income(TI)

Application of Income Vs Diversion of Income

Application of Income	Diversion of Income
<ul style="list-style-type: none"> ✚ After the income reaches in the hands of the assessee, ✚ It would be an application (apportionment) of income ✚ This would result in taxation of such income in the hands of the assessee. 	<ul style="list-style-type: none"> ✚ In case of diversion of income before it reaches in the hands of the assessee, ✚ It cannot be treated as an income of the assessee & thus NO TAX.

FY	✚ Financial year means a year starting on 1st April & ending on 31st March.
PY [Sec 3]	<ul style="list-style-type: none"> ✚ FY in which the income is earned is called "Previous Year". ✚ PY means the Financial Year immediately preceding the AY.
AY [Sec 2(9)]	<ul style="list-style-type: none"> ✚ The year in which income is assessed to tax is called Assessment Year. ✚ AY 2024-25 will commence on 1.4.2024 & will end on 31.3.2025. ✚ Thus, Income earned during PY 2023-24 will be assessed/taxed in AY 2024-25.

CRUX: PY → Year in which Income is earned; AY → Next year in which income is taxed.

Ex: A is running a business from 2003 onwards. Determine PY for AY 2024-25.

[Ans: PY = 1.4.2023 - 31.3.2024].

FY	PREVIOUS YEAR [PY]	ASSESSMENT YEAR [AY]
2023-24	FY 2023-24 is PY for income received/accrued during 1 April 2023 to 31 March 2024.	FY 2023-24 is the AY for incomes earned in PY 2022-23.
2024-25	FY 2024-25 is PY for income received/accrued during April 1, 2024 to March 31, 2025.	FY 2024-25 is the AY for incomes earned in PY 2023-24.

First Previous Year for Newly Set-Up Business/Profession During FY

First PY of a newly set-up business/ profession or a new source of income will be either 12 months or less than 12 months. It can never exceed a period of 12 months.

Q. Mr. JK set up a new business on 13.2.2024, what will be the first PY for that business?

A: From 13.02.2024-31.3.2024; PY 2023-24; AY 2024-25.

Cases Where Income of Previous Year is Assessed in Same Year

General Rule: Income earned during any PY is assessed to tax in immediately succeeding AY.

However, in following circumstances, income is taxed in PY in which it is earned.

Thus AY & PY in these exceptional circumstances will be the same.

FOLLOWING ARE THE EXCEPTIONS:

1. Shipping Business Of Non-Residents [Sec 172]

- If a ship carries passengers/livestock/mail/goods shipped at a port in India,
- Such Ship is allowed to leave the port only when tax has been paid or satisfactory arrangement has been made for payment thereof. (Income = 7.5% of Fright)

2. Persons Leaving India [Sec 174]

- Where it appears to AO that any individual may leave India during the current AY
- He has no present intention of returning to India,

Ex: Suppose Mr. X is leaving India for USA on 10.6.2023 & it appears to AO that he has no intention to return. Before leaving India, Mr. X will be required to pay tax on the income earned during the period 1.4.2023 to 10.06.2023.

3. AOP/BOI/AJP Formed for a Particular Event or Purpose [Sec 174A]

If AOP/BOI/AJP is formed or established for a particular event or purpose & AO understand that AOP/BOI/AJP is likely to be dissolved in the same year or in next year,

4. Persons Likely to Transfer Property To Avoid Tax [Sec 175]

During the current AY, if it appears to AO that a person is likely to charge, sell, transfer, dispose any of his assets to avoid payment of any liability under this Act,

5. Discontinued Business [Sec 176]

If any business or profession is discontinued in any AY, Income upto the date of such discontinuance may, at the discretion of AO may be charged to tax in that AY.

Previous Year for Undisclosed Sources of Income

1. Cash Credits [Sec 68]

- Where any sum is found credited in books of the assessee
- Such Sum so credited may be charged as income of the assessee of that PY. Where the sum so credited consists of loan or borrowing or any such amount, by whatever name called, any explanation offered by the assessee in whose books such sum is credited shall not be deemed to be satisfactory, the person in whose name such credit is recorded in the books of such assessee also offers no explanation nature and source of such sum explanation offered is not satisfactory.

2. Unexplained Investments [Sec 69]

- If assessee has made investments which are not recorded in books of accounts
- Value of investments are taxed as income of assessee of such FY in which investment is made.

3. Unexplained Money, Assets Etc. [Sec 69A]

- Where in any FY, assessee is found to be owner of money, bullion, jewellery etc. &
- Such asset is not recorded in books of account then it will be deemed to be income of the assessee for such FY.
- Ownership is important & mere possession is not enough. Thus, if the assessee is in possession of the above-mentioned things but he is not the owner, then such other person who is the owner will be questioned about the source & will be assessed to tax.

4. Amount of Investments not Fully Disclosed in Books [Sec 69B]

- Where in any FY, assessee has made investments or is found to be the owner of any bullion, jewellery or other valuable article &
- AO finds that amount spent on making such investments exceeds the amount recorded in his books
- Such excess may be deemed to be the income of the assessee for such FY.

Ex: If Assessee is found to be the owner of 100 gms of gold (market value = ₹ 3,00,000) during the FY ending on 31.3.2024 but he has recorded to have spent ₹ 1,50,000 in acquiring it, AO can add ₹ 1,50,000 as the income of the assessee, if the assessee offers no satisfactory explanation thereof.

5. Unexplained Expenditure [Sec 69C]

- Where in any FY, Assessee has incurred any expenditure
- AO may treat such unexplained expenditure as income of the assessee for such FY.
- Such unexplained expenditure which is deemed to be income of the assessee shall not be allowed as deduction under any head of income.

6. Amount Borrowed or Repaid on Hundi [Sec 69D]

- Where any amount is borrowed on hundi or is repaid (thereon) other than through an account-payee cheque,
- Amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying for the PY in which the amount was borrowed or repaid.
- Amount repaid shall include interest paid on the amount borrowed.
- But if any amount borrowed on hundi has been taxed as income of the person, he will not be again liable to be assessed in respect of such amount on repayment of such amount.

Ex: Mr. JK has borrowed ₹ 5 Lacs on Hundi from Mr. RK in cash. Since the amount is borrowed by the mode other than account payee cheque, ₹ 5 Lacs will be deemed to be the income of Mr. JK in the year of borrowing. Now when JK will repay the amount to Mr. RK (even if repaid in cash), it cannot be taxed again to JK on repayment basis.

Note: - In above point 1 to 5 assessee offers no explanation about the source of such transaction or the explanation offered is unsatisfactory, then such amt. / sum charged as income of the assessee.

Rate of Tax for the Deemed Income u/s 68 & 69 [Sec 115BBE]

- Such Deemed Incomes are taxed @ 60% + surcharge @ 25% of tax. Thus, Effective rate of tax (include SC @ 25% of tax & cess @ 4% of Tax & SC) is 78%. [Sec 115BBE]
- Neither BEL nor any allowance nor set off of any loss shall be allowable against such income.

Charge of Income Tax & Rate of Tax [Sec 4]

Tax rates are fixed by the Annual Finance Act & not by the Income Tax Act.

Optional Tax Regime: -

A. INDIVIDUAL/ HUF/ AOP/ BOI/ AJP [Resident (below 60) or non-Resident (any-age)]

Total Income	Rate of Tax
Upto ₹ 2,50,000 [Basic Exemption Limit]	Nil
From ₹ 2,50,001 to ₹ 5,00,000	5%
From ₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

B. Resident Senior Citizen (60 years or more but below 80 years at any time during PY)

Total Income	Rate of Tax
Upto ₹ 3,00,000	Nil
From ₹ 3,00,001 to ₹ 5,00,000	5%
From ₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

C. For Resident Super Senior Citizen (80 years or above at any time during PY)

Total Income	Rate of Tax
Upto ₹ 5,00,000	Nil
From ₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

D. Firms/ LLP/ Local Authority: Whole Income is taxable @ Flat 30% without any BEL.

E. Co-Operative Societies

Total Income	Rate of Tax
Upto ₹ 10,000	10%
From ₹ 10,001 to ₹ 20,000	20%
Above ₹ 20,000	30%

F. Company

Nature of Company	Nature of Company
If Total Turnover/Gross Receipt in PY 2022-23 Upto ₹ 400 Cr.	25%
In other case	30%
Foreign (Companies other than Domestic Company)	35% (40%)

As per Sec 115BAA tax rate will be @22%.

SURCHARGE: - is an additional tax payable over & above the income-tax. It is levied as % of income-tax.

A. Surcharge for Individual/HUF/AOP/BOI/AJP

Total Income	Surcharge Rate on Income	
	Dividend & Income 111A, 112 & 112A	Other Income
Total Income (including dividend income & capital gains chargeable to tax under Section 111A, 112 & 112A) exceeds ₹ 50 Lakhs but not exceeding ₹ 1 Crore	10%	10%
Total Income (including dividend income & capital gains chargeable to tax under Section 111A, 112 & 112A) exceeds ₹ 1 crores but not exceeding ₹ 2 Crore	15%	15%
Total Income (including dividend income & capital gains chargeable to tax under Section 111A, 112 & 112A) exceeds ₹ 2 crores but not covered below	15%	15%
Normal Income (excluding dividend income & capital gains chargeable to tax under Section 111A, 112 & 112A) exceeds ₹ 2 crores but not exceeding ₹ 5 crores	15%	25%
Normal Income (excluding dividend income & capital gains chargeable to tax under Section 111A, 112 & 112A) exceeds ₹ 5 crores	15%	37%

Imp Note: - If AOP consist Only Company than max Surcharge Will be 15% above Income 1 cr.

Imp Note: - Surcharge on Dividend & Capital Gain u/s 112, 112A & 111A shall not exceed 15%.

Normal Income (Excluding Special Income)	Special Income Dividend, 111, 112, 112A	Total	Surcharge Rate Normal Income	Surcharge Rate Special Income Dividend, 111, 112, 112A
35L	50L	85L	10%	10%
50L	1.20L	1.70 CR	15%	15%
40L	3.50 CR/6.50 CR	3.90CR/6.90CR	15%	15%
1.80 CR	30L	2.10 CR	15%	15%
1.10 CR	3.10 CR	4.20CR	15%	15%
1.80 CR	55L	2.35CR	15%	15%
2.50 CR	50 L	3.00CR	25%	15%
2.50 CR	4.00 CR	6.50CR	25%	15%
5.50 CR	1.10 CR	6.60 CR	37%	15%

Example

Dividend	8,00,000
STCG(111A)	2,02,00,000
LTCG (112A)	1,01,00,000
Other Income	1,00,00,000

Compute Tax Liability ??

Ans. STCG (111A) (15%)	30,30,000
LTCG (112A) (10% in excess of 1,00,000)	10,00,000
Balance Income	30,52,500
Total Tax	70,82,500
Add: Surcharge (111A, 112A @15%)	6,04,500
Add: Surcharge (Dividend @15%)	33,917
Add: Surcharge (Balance @15%)	4,23,958
Total Tax Include Surcharge	81,44,875
Add: HEC @4%	3,25,795
Net Tax Liability	84,70,670

Note: - Tax Liability on Dividend $30,52,500/1,08,00,000 \times 8,00,000 = 2,26,111$

B. Surcharge for Other Assesseees

Assessee	Rate of Surcharge if Total Income is ↓	
	Above 1 Cr but upto 10 Cr	Above 10 Cr
1. Firms/LLP/LA	12 % of Income Tax	12 % of I.Tax
2. Domestic Companies/ Co-op society	7 % of Income Tax	12 % of I.Tax
3. Foreign Companies	2 % of Income Tax	5 % of I.Tax

Marginal Relief [Sec 89]

If surcharge is applicable on Total Income, and income slightly increase over and above of limit of surcharge (50L, 1Cr, 2Cr, 5Cr) then Marginal relief is available to ALL Assesseees.

Steps to calculate Marginal Relief:

1. Calculate Tax (including surcharge If) on Total Income of the Assessee.
2. Calculate Tax payable (including surcharge) on ₹ 50 Lacs/1 Cr/2 Cr/5 Cr (as the case may be) + excess of total income over ₹ 50 Lacs/1 Cr/2 Cr/5 Cr (as the case may be).
3. Calculate "Marginal Relief" = Step 1 - Step 2.
4. Calculate tax payable (Step 1 & Step 2 whichever is lower) by adding only HEC (4%).

Example Total Income 2,02,00,000 Calculate Tax liability with Marginal relief ?

Ans. Tax on total income	58,72,500
Add: - surcharge @25% i.e., 14,68,125	73,40,625
Tax on 2Cr	58,12,500
Add: - surcharge @15% i.e., 8,71,875	66,84,375
Above 2Cr i.e., 2,00,000	68,84,375

Marginal Relief = 73,40,625 - 68,84,375 = 4,56,250

Tax Liability= 68,84,250 + 2,75,375 (HEC @4%) = 71,59,750

Rebate U/S 87A

Eligible Assessee	Resident Individuals whose Total Income (Incl Special Income but Excluding Exempt Income) Upto ₹ 5,00,000
Amount of Rebate	Maximum ₹ 12,500.

Note: Rebate u/s 87A shall be before adding 4% HEC.

Note: Rebate u/s 87A is not available on LTCG u/s 112A.

Note: Rebate is available from tax on all kinds of income including casual income.

Special Income Taxable at special Rates: -

Sec	Tax Rate	Transfer before 23/07/2024	Transfer on or after 23/07/2024
111A	STCG (Listed Equity share / EOMF with STT paid on sale & Pur) & STCG other than 111A taxable at normal rate.	15%	20%
112	LTCG (For All Assessee)	20%	12.5%
112A	LTCG after allowing exemption Rs. 1,00,000 / Rs. 1,25,000 (For All Assessee)	10%	12.5%

- * Casual Income (lotteries, horse race, card game) = @30% u/s 115BB /115BBJ(Online Game)
Neither BEL nor any Deduction nor Set off of any loss shall be allowable against such income.
Imp Note: - Deficiency in normal income i.e., Normal income is below BEL than **Only Resident Individual / HUF** is allowed to set-off such deficiency against the special income.
Deficiency = Applicable slab rate - Normal Income after deduction u/s 80C-80U.
Order to set-off = LTCG u/s 112, STCG u/s 111A, LTCG 112A.

Health & Education Cess

Health & Education cess @ 4% is levied on = Total Income tax + SC - Rebate u/s 87A.

Rounding Off of Income & Tax Payable [Sec 288A/B]

Total income/Tax shall be rounded off to the nearest multiple of 10 Rupees.

(Any paisa shall be ignored)

IF LAST digit is 5 or More, than higher multiple (40,505.40 → 40,510)

IF LAST digit is less than 5, lower multiple (40,504.95 → 40,500)

Section 115BAC: - **Default Tax Regime**, with effect from P.Y. 23-24 A.Y. 24-25 Section 115BAC(1A) is applicable by default.

Assessee: - **Individuals** (ROR, RNOR, NR, Normal senior citizen & Very Senior Citizen)/ **HUFs** / **AOP** / **BOI** / **AJP** (Not applicable to Co-operative society).

These rates are default unless assessee shift out the said regime.

(i)	Upto ₹ 3,00,000	Nil
(ii)	From ₹ 3,00,001 to ₹ 7,00,000	5%
(iii)	From ₹ 7,00,001 to ₹ 10,00,000	10%
(iv)	From ₹ 10,00,001 to ₹ 12,00,000	15%
(v)	From ₹ 12,00,001 to ₹ 15,00,000	20%
(vi)	Above ₹ 15,00,000	30%

Special income chargeable to tax at special rates like u/s 112 or 112A, u/s 111A, casual income u/s 115BB etc.

As per Sec 115BAE in case of manufacturing Co-operative Society (Resident) Set up & registered on or after 01/04/2023 and commences manufacturing of article or thing before 31/03/2024 tax rate will be @15%.

As per Sec 115BAB in case of manufacturing domestic company Set up & registered on or after 01/10/2019 and commences manufacturing of article or thing before 31/03/2024 tax rate will be @15%.

(a) Surcharge Under New Tax Regime

For Individual/H.U.F. maximum surcharge will be 25% (instead of 37%) when covered by 115BAC.

Surcharge for Co-operative Society Sec 115BAD or Sec 115BAE: - @10% (No threshold limit).

Surcharge for Domestic Company Sec 115BAB or Sec 115BAA: - @10% (No threshold limit).

(b) Rebate u/s 87A For resident individual having taxable income upto 7 lakhs, & who is covered by Sec 115BAC, is least of: - **Basic tax applicable or Max. 25,000.**

(c) Marginal Relief (For Income) U/s 115BAC: - If total income exceeds Rs. 7,00,000 but does not exceed Rs. 7,22,220 taxes on such income can not exceeds the amount by which the total income exceeds Rs 7,00,000.

But marginal relief not available in Regular Tax Regime Income. For resident individual who is covered by sec 115BAC and who is eligible for marginal relief, will get it.

Other Points:

- For persons having business/profession income, the option is to be exercised on or before the due date of filing the return of income u/s 139(1) and such option **once exercised shall apply for that previous year and to all subsequent years.** One time change is possible. After such change is done once, then change is never possible unless business stops.
- Depreciation in respect of block of assets restricted to 40%.
- If any loss or depreciation is attributable to any of the deductions referred to in the list of ineligible deduction/exemptions specified below assessee can not set-off.
- AMT provision is not applicable in case of 115BAC. B/F credit of AMT cannot be set off against income u/s 115BAC (So first use whole AMT credit then use Sec 115BAC).
- Option at the time of filing of return of income u/s 139(1) could be different from the intimation made by such employee to the employer for that previous year.

* Which deduction/exemptions **not to allowed** u/s 115BAC?

Salary: - 1. Leave Travel Concession - section 10(5)

2. House Rent Allowance - section 10(13A)

3. Exemption for allowance u/s 10(14) **Except** -Transport Allowance, Conveyance Allowance, Daily Allowance, Tour-Travel-Transfer allowance. (Travel Allowance for Divyang Employee).

4. Entertainment allowance deduction u/s 16(ii) and Professional tax deduction u/s 16(iii)

House Property: -

5. Interest in respect of Self Occupied Property - section 24(b)
6. Set off of loss under house property (LO / DLOP) against other heads U/s 71 or any loss of earlier years belonging to any deductions mentioned in this list.
(C/f of loss not allowed)

PGBP: -

7. Exemption for unit in SEZ - section 10AA
8. Additional depreciation - section 32(1)(iia)
9. Deduction under sections 32AD, 33AB and 33ABA
10. Specified deduction for donations or for expenditure on scientific research 35(1)(ii)/(iia)/(iii) or section 35(2AA)
11. Weighted deduction for expenditure on specified business/agricultural extension project-section 35AD and 35CCC.

IFOS: -

12. Clubbed income of minor upto Rs.1,500 - section 10(32)
13. Allowance to MPs /MLAs - section 10(17)

Deduction: -

14. Deduction under chapter VI-A
(Such as section 80C, 80D, 80TTA, 80TTB, 80G etc) **other than following:**
 - a) 80CCD(2) - Employer's contribution in notified pension scheme
 - b) 80CCH(2) - Contribution by the Central Government into the Agniveer Corpus fund of the assessee.
 - c) 80JJAA - Employment of new employees
 - d) 80LA - IFSC centre.

Note - Section 115BAD Co-operative society, resident in India, can opt for concessional rate of tax @25.168% (i.e., tax@22% plus surcharge@10% plus health and education cess @4%) in respect of its total income computed without giving effect to deduction under section 10AA, 33AB, 33ABA, 35(1)(ii)/(iia)/(iii), 35(2AA), 35AD, 35CCC, additional depreciation under section 32(1)(iia), deductions under Chapter VI- A (other than section 80JJAA) etc. and set off of loss and depreciation brought forward from earlier years relating to the above deductions. The provisions of AMT under section 115JC would not be applicable to co-operative society opting for section 115BAD.