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YOUVA

Basics and Tax Rates

To run and develop any country, government needs Power and Money. Government gets money from Businesses, Taxes and Loans.

Power :- Entry No 82 of union list in seventh schedule of Article 246 of constitution of India has given Power to central Government to make laws on Taxes or Income other than Agriculture Income.

→ Entry No. 46 of state list in seventh schedule of Article 246 of constitution of India has given power to state gov. to make law on taxes on Agriculture Income.

In this subject, we have to calculate Total Income and Tax liability of a person.

* Statement of Income PY 25-26 AY 26-27

Name of Assesse

Computation of Total Income / Net Taxable Income

Income from Salary	xx
Income from House Property	xx
Income from Business and Profession	xx
Income from capital gain	xx
Income from other sources	xx
Gross Total Income (GTI)	xx
less:- Deduction U/C VI-A	(xx
Total Income / Net Taxable Income	xx

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For computation of Total Income and tax liab, we should have knowledge of Income Tax law.

1) Income Tax Act, 1961 → It is the main source of Tax law. It provides determination of Total income and Tax liability etc. It is applicable to whole India from 1st April 1962

→ Proviso :- It means exception or condition of section.

→ Explanation :- It means meaning of any term used in the section.

2) Income Tax Rules 1962 → Income Tax Act empowered CBDT (Central Board of Direct Taxes) to make rules. Rate of Depreciation, all forms, valuation rules, etc are provided in Income Tax Rules.

3) finance Act, 2025 → Every year finance minister present finance Bill in Parliament which contains various amendments in Direct and Indirect Taxes. finance Bill 2025 was presented by Nirmal sitaraman on 1st feb 2025. As soon as Bill was passed by parliament and after receiving approval from President, it becomes finance Act. Finance Bill became finance Act on 29th March 2025.

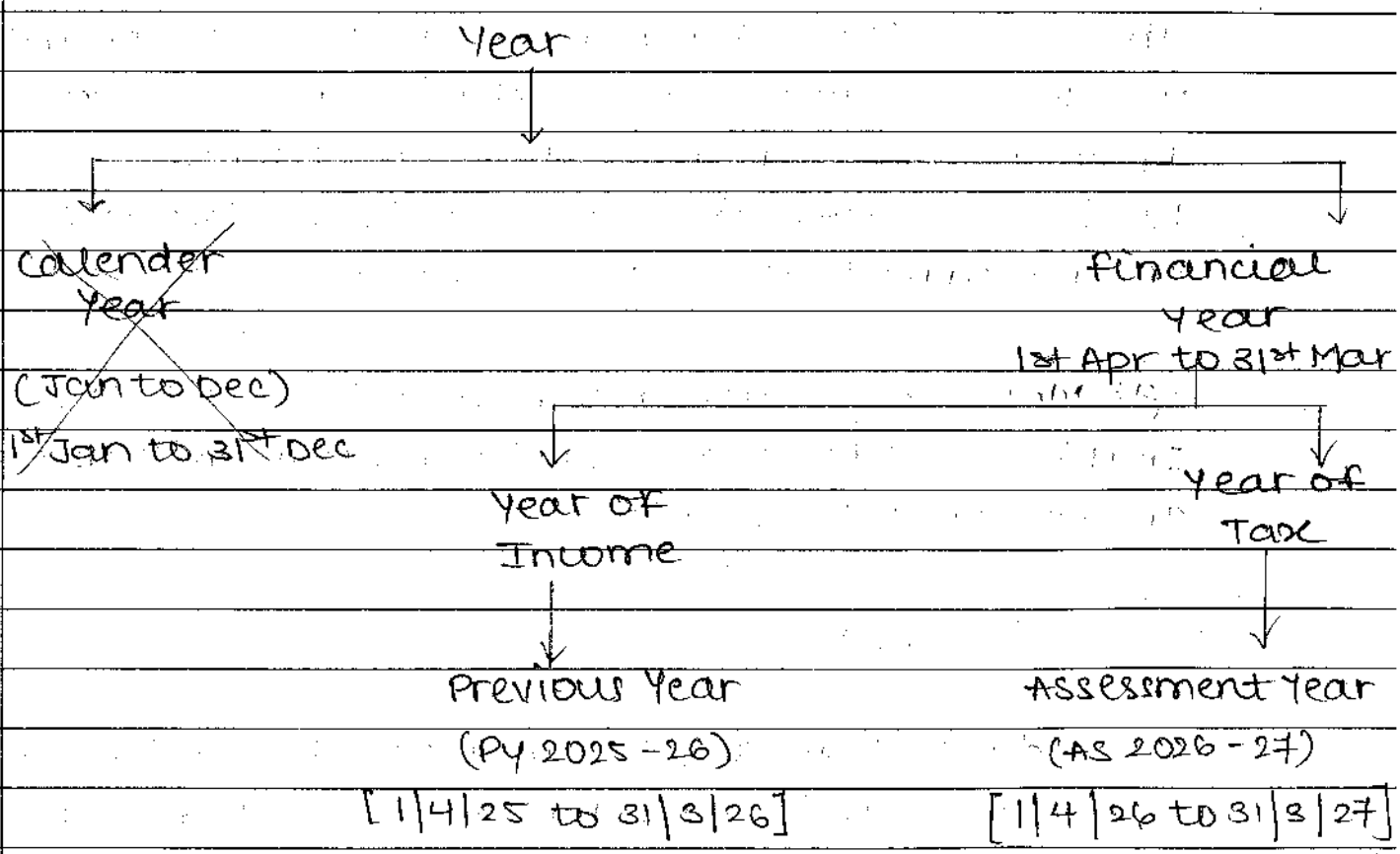
4) Notification :- It is issued by Central Government / CBDT to give effect of amendments or to give effect of provision of the Act. It is binding to Assessee as well as department

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Circular :- They are issued by CBDT to clarify the meaning of certain provision. It is binding to Income Tax department but not binding to Assessee.

* sec 4 :- Charging section of Income Tax

Income Tax is charged for every Assessment Year. It is charged on Total Income earned by person in previous year. It is charged on every person. Tax is charged at the rate prescribed in the finance Act.



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* **Sec 2(9) :- Assessment Year**

It means a period of 12 months commencing every year from 1st April and end on 31st March. Income earned in previous year is Tax in Assessment Year. It means Assesse pays tax and files his return in Assessment Year. Income earned in PY 25-26 will be taxed in AY-26-27.

* **Sec (3) :- Previous Year**

It means the year in which Assesse earn the income. Previous Year start from 1st April of every year and end on 31st March normally but incase of the New Business or profession (New source of Income), Previous Year start from the date on which new business or profession was set up or new source of Income arised, till 31st March of the year.

Eg:- Mr Lakshay started business on 10th Dec 2025, In this case PY 2025-26 will commence from 10 Dec 25 and end on 31 March 2026

* **Sec 2(31) :- Person**

1) Individual :- It means Natural Person that is Human Being. It includes: Male, female, Minor, Third Gender, or Unsound Mind.
Eg:- Mr. Jeet is an example of a person.

2) Hindu Undivided family (HUF) :-

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Schools of Hindu law

Dayabaga school	Mitakshara school
West Bengal and Assam (Child cannot acquire right in property till the time head of the family is alive)	Rest of India except West Bengal and Assam. (Child acquire right in property by birth).

Note :- Jain undivided families and Sikh undivided families would also be treated as HUF.

3) Company :-

i) Indian CO. :- Any Body corporate incorporated in India (under companies Act, 2013 or any other state law)

ii) Foreign CO. :- Any Body corporate incorporated outside India

iii) Domestic CO :- All Indian Companies are domestic CO. foreign company can also be treated as Domestic CO; if they made prescribed arrangement in India.

4) Partnership firm :- It means firm defined under Sec 4 of The Indian Partnership Act, 1932 or Limited Liability Partnership Act, 2008.
Eg :- A and B firm.

5) Association of Person / Body of Individual (AOP/BOI) :-
Under AOP any person can become the member but under BOI only Individual can become the member.
Eg :- KK Joint Venture

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6) Local Authority :- Gram Panchayat, Municipility, District Board, etc.

7) Artificial Juridical Person (AJP) :- Person which is not covered in above six categories.
eg :- Deities, Bar Council, Universities, etc.

Sec 2(7) :- Assesse :- It means person required to pay tax or any other sum under Income Tax law.
All Assessee are person but all persons are not Assessee.

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Tax Rates for Assessment Year 2026-27 (PY 25-26)

General Tax Rate	Special Tax Rate
↓	↓
Finance Act, 2025	Income Tax Act, 1961

1) General Tax Rates

A) In case of Individuals / HUF / AOP / BOI / AJP

a) In case of Individual / HUF / AOP / BOI / AJP (Resident or Non Resident)

Total Income upto 250000 (Basic exemption)	—
> 250000 upto 500000	5%
> 500000 upto 1000000	20%
> 1000000	30%

b) In case of senior citizen (Resident Individual age 60 yrs or more in PY but less than 80 yrs)

Total Income upto 300000	—
> 300000 upto 500000	5%
> 500000 upto 1000000	20%
> 1000000	30%

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c) In case of super senior citizen (Resident Individual Age 80 yrs or more in PY)

Total Income upto 500000	—
> 500000 upto 1000000	20%.
> 1000000	30%.

Date of Birth	Basic exemption for PY 25-26 (AY 26-27)
1/04/1966	300000 (completed Age of 60 yrs on 31/3/26)
1/04/1946	500000 (completed Age of 80 yrs on 31/3/26)

* Surcharge *

	%
→ Total Income upto 5000000	NIL
Total Income > 50 lakhs upto 1 cr.	10% of Tax
> 1 cr to 2 cr	15% of Tax
> 2 cr to 5 cr	25% of Tax
> 5 crores	37% of Tax

* Health and Education cess :- 4% Always on the taxes + surcharge (if any)...

Note :- Total Income and Net tax liability is always rounded off in the nearest ₹ of 10

₹ 25902 ⟶ 25900

₹ 25905 ⟶ 25910

₹ 25908 ⟶ 25910

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Pg 1

(a) Age 45 years

	₹
upto 250000 —	—
> 250000 upto 500000 5%	12500
> 500000 upto 1000000 20%	100000
> 1000000 upto 1200000 30%	60000
	172500
Add surcharge	—
	172500
Add H&EC @ 4%	6900
Net tax liab	179400

b) Age 63 years

		₹
upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 1200000	30%	60000
		170000
Add: surcharge		—
		170000
Add H&EC @ 4%		6800
		176800

c) Age 82 years

		₹
upto 500000	—	—
> 500000 upto 1000000	20%	100000
> 1000000 upto 1200000	30%	60000
		160000
Add H&EC @ 4%		6400
		166400

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Eg 1:-

Total Income of Mr Nano (Age 62 years) is ₹ 64 lakh He is Resident of India. Calculate tax liability for AY 26-27 [Assume he opted out from Sec 115BAC]

* Calculation of Tax liability

upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 6400000	30%	1620000
		1730000
Add surcharge @ 10%		173000
		1903000
Add H&EC @ 4%		76120
Net Tax liability		1979120

Eg 2:-

Mr Lobo (Age 82 years) is a Non Resident, having total income of 12,030,000. Calculate Tax liability for AY 26-27 [Assume he opted out from Sec 115BAC]

Calculation of Tax liability

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 12030000	30%	3309000
		3421500
Add surcharge 15%		513225
		3934725
Add H&EC @ 4%		157389
		4092114
		i.e 4092110

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Eg 3:-

Total Income of Mr Ganesh is ₹ 2,32,50,000 for AY 26-27. calculate Tax liability. [Assume he opted out from Sec 115BAC]

Calculation of Tax liability

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 23250000	30%	6675000
		6787500
Add surcharge 25%		1696875
		8484375
Add H&EC @ 4%		339375
Net Tax liability		8823750

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* Marginal Relief

Total Income of Mr BB is ₹ 50,20,000. Compute his Tax liability. [Assume he opted out from SEC 115BAC]

→ Tax liability

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 5020000	30%	1206000
		1318500
Add:- surcharge @ 10%		131850
		1450350

Restricted to
Tax on 50,00000 + [NTI − 50 lakh]
1312500 + 20000 = 1332500

Marginal Relief
117850

	1332500
Add:- H&EC @ 4%	53300
Net Tax liability	1385800

Note 1:-

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 5000000	30%	1200000
		1312500

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Pg no-1

Marginal Relief

Q2

Tax liability

upto 250000	—	—
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 5100000	30%	1230000
		1342500
Add:- surcharge @ 10%		134250
		1476750

Restricted to — Marginal Relief

Tax on 50,00,000 + [NTI − 50 lakhs] = 1312500 + 100000 = 1412500 — 64250

	1412500
Add:- H&EC @ 4%	56500
	1469000

Note:-

upto 250000	—	—
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 5000000	30%	1200000
		1312500

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Eg. 4

Total Income of Mr. Hari (Resident Individual Age 42 yrs) is ₹ 10240000. Calculate tax liability and Marginal Relief [if any] Assume he opted out of sec 115BAC

Tax liability

upto 250000		
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 10240000	30%	2772000
		2884500
Add surcharge 15%		432675
		3317175

12500
100000
2700000
2812500

240000

2812500 + 240000 = 3052500

2812500
Add 4y. 112500
Mfec

Note:

NTI :- 10000000		
upto 250000	—	—
> 2.5l upto 5l	5%	12500
> 5l upto 10l	20%	100000
> 10l upto 10000000	30%	2700000
		2812500
Add :- surcharge @ 10%		281250
		3093750

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Restricted to

Tax on ICR + (NTI − ICR)

3093750 + 240000 (Note 1) — 3333750

NO marginal relief

3817175

Add:- HEEC @ 4% — 132687

3449862

i.e 3449860

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Eg. 5:-

Total Income of Mr Raja (Age 63 yrs Resident Ind) of ₹ 10130000. Calculate his Tax liability. [Assume he opted out from sec 115BAC]

Tax liability

upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 10130000	30%	2739000
		2849000
Add: surcharge 15%		427350
		3276350

Note 1.

upto 300000	—	—
> 3L upto 5L	5%	10000
> 5L upto 10L	20%	100000
> 10L upto 1cr	30%	2700000
		2810000
Add:- surcharge @ 10%		281000
		3091000

Rest to

Tax on 1 cr + 3091000 + 130000 = , 3221000

Marginal relief 55350

		3221000
Add:- HEC @ 4%		128840
		3349840

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Eg 6:-

Total Income of Miss Manju is Rs 20320000 (Age 29 yrs, Resident Individual). Calculate Tax liability. Assume he opted out from sec 115BAC.

Tax liability		
upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 20320000	30%	5796000
		5908500
Add surcharge 25%		1477125
		7385625

Restricted to		Marginal Relief
Tax on 200,00,000 + [NTI − 2cr]		↓
6684375 + 320000	= 7004375	381250
	7004375	
Add:- HEC @ 4%	280175	
	7284550	

NOTE :-

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 20000000	30%	5700000
		5812500
Add:- surcharge 15%		871875
		6684375

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Eg 7:-
Total Income of Mr. AK [30 yrs] is ₹ 50730000. Calculate tax liability. Assume he opted out from sec 115BAC.

Tax liability		
upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 50730000	30%	14919000
		15031500
Add:- surcharge @ 37%		5561655
		20593155

Restricted to		Marginal relief
Tax on Scr + [NTI − Scr]		
18515625 + 730000 =	19245625	1347530

	19245625
H&EC @ 4%	769825
	20015450

Note 1:-

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 50000000	30%	14700000
		14812500
Add:- Surcharge 25%		3703125
		18515625

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Sec 87A :- Rebate for Resident Individual

For Resident Ind. having total income upto ₹ 5 Lakh eligible for rebate from Tax.

i) Tax Amount
~~or~~
ii) 12500
whichever is lower.

Note 1:- Rebate available before Health and Education cess.

Note 2:- Rebate is available against Tax of any type of income other than LTCG u/s 112A.

ex 1:- Mr Arnav (Resident Individual) having total income of ₹ 430,000. Calculate Tax.

Total Income = 430000

upto 250000	—	—
> 250000 upto ~~500000~~ 430000	5%	9000
		9000

(-) Rebate U/S 87A

i) Tax Amt	9000	
ii) 12500	12500	9000
		✗

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Exc2:- Total Income of Mr Aman (Resident Individual) is ₹ 502000. Calculate Tax liability.

upto 250000	—	—
>250000 upto 500000	5%	12500
> 500000 upto 502000	20%	400
		12900
Add:- HEC @ 4%.		516
		13416
		i.e 13420

In this Rebate is not available u/s 87A as Total > 500000

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Sec 115BAC :- Default Tax Regime for Individual / HUF / AOP / BOI / AJP.

Under this section, Tax rate shall be :-

Total Income upto 400000 (Basic exemption)	—
> 400000 upto 800000	5%.
> 800000 upto 1200000	10%.
> 1200000 upto 1600000	15%.
> 1600000 upto 2000000	20%.
> 2000000 upto 2400000	25%.
> 2400000	30%.

* Surcharge *

	% of Tax
Total Income upto ₹ 50,00,000	—
> 50 lakhs upto 1 cr	10%.
> 1 cr upto 2 cr	15%.
> 2 cr	25%.

Note :- Surcharge @ 37% Not Applicable

* Health and Education Cess @ 4%. Applicable on Taxes (+ surcharge if any)

* Above Tax Rates are applicable in case of Resident as well as Non Resident.

* In case of senior citizen or super senion citizen, also, the above Tax Rate are available.

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If Assesse opted default taxation regime (New Taxation Regime) U/S 115BAC, then following exemptions / deductions are not available to the Assesse

1) Income from Salary:-
a) HRA Exemption U/S 10 (13'A)
b) LTC Exemption U/S 10 (5)
c) Allowances Exemption U/S 10(14) (Except DTDC)
D:- Commutation Allow. exemption for Divyang employee
T:- Travelling on Tour Allowance
D:- Daily Allowance
C:- Conveyance Allowance
d) Dedn U/S 16(ii) and 16(iii) for Entertainment Allowance and Professional Taxes
e) Premeal exemption upto ₹ 50/meal.

2) Income from House Property
a) Interest U/S 24(b) in case of SOP (Max 30000/200000) Not Allowed
b) Loss from LOP/DLOP Not Allowed to set off against any other head of Income and losses cannot be carry forward

3) PGBP
a) Additional Depreciation U/S 32(1)(iia)
b) Dedn U/S 35(1)(ii), (iia), (iii), 35(2AA) [Donations]
c) Dedn U/S 35AD, Specified Business.

4) Income from other sources
a) Allowances exemption for MP/MLA/MLC U/S 10(17)
b) Exemption for minors Income U/S 10(32)

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5) Deduction u/c VI A

a) Dedn u/s 10AA (SEZ)

b) Any dedn u/c VI A [80C to 80U]
(Except 80CCD(2), 80CCH(2), 80JJAA)

— Notes —

1) Assessee cannot set off and carry forward any brought forward losses or unabsorbed depn attributable to dedn referred above

2) Sec 115BAC is a Default Tax Regime however Assessee can take the benefit of normal (regular/old) tax regime by opt out from Sec 115BAC

a) Assessee doesnot have PGBP → Option of Normal / old tax regime must be exercised upto due date u/s 139(1) for every PY.

b) Assessee having PGBP → Option of Normal/old tax reg. must be exercised upto due date u/s 139(1) & this option shall be applied for subsequent years also. However if Assessee withdraw from Normal/old tax reg. in any PY then he shall never be eligible for Normal/old tax reg. till the time he is having Business Income

3) If Assessee pay tax as per Sec 115BAC then AMT Not Apply

4) If Assessee pay tax as per Sec 115BAC then max depn rate is @ 40%.

Note :- Rebate u/s 87A available only against tax calculated as per sec 115BAC. This rebate not available against tax calculated as per special Rate

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Rebate u/s 87A :- If Assessee pay tax as per sec 115BAC

for Resident Individual having Total Income upto ₹ 1200000

Rebate Amt
- (i) Tax Amt — xx
- (ii) 60000 — xx
- whichever is lower — xx

- Note -

1) If total income is more than 12L but does not exceed 12,70,585, tax on such income cannot be exceed the amt by which the total income exceed by 12L. However marginal relief not available in old/Normal tax reg.

Ex Mr BB (age 35 yrs) is a Resident Ind. His total Income for AY 26-27 is ₹ 1200000 or ₹ 12,30,000 or ₹ 1260,000 or ₹ 12,90,000. Assume Assessee don't have any special rate of Income. Assessee not opted regular tax reg. Calculate Tax liab.

Total Income	1200000	1230000	1260000	1290000
Tax as per sec 115BAC	60000	64500	69000	73500
(-) Rebate u/s 87A				
a) 100% of tax payable; or				
b) 60000	60000	NIL	NIL	NIL
	NIL	64500	69000	73500
Restricted to :- Tax on 12 lakhs + (NTI - 12L)	NIL	30000	60000	90000
Add :- Health & Edu. cess 4%	NIL	1200	2400	2940
Net Tax Liability	NIL	31200	62400	76440
Marginal Relief	—	34500	9000	—

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Ex 1 :-

Total Income of Mr. Jaanu is ₹ 10125000. calculate Tax liability as per Default Taxation regime under Sec 115BAC

Calculation of Tax liability

upto 400000	—	—
>400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 10125000	30%	2317500
		2617500
Add:- surcharge @ 15%		392625
		30,10,125

Rest to

Tax on Icr + (NTI − Icr) (Note 1)	
2838000 + 125000	2963000
	2963000
Add:HEC @ 4%	118520
	3081520

Note 1 :- ₹ 10000000

upto 400000	—	—
>400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 10000000	30%	2280000
		2580000

Sc 10% →

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Ex 1 :-

Total Income of Mr. Jaanu is ₹ 1,01,25,000. calculate Tax liability as per Default Taxation regime under Sec 115BAC

Calculation of Tax liability

upto 400000	—	—
>400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 10125000	30%	2317500
		2617500
Add:- surcharge @ 15%		392625
		30,10,125

Rest to

Tax on icr + (NTI − icr)
(Note 1)

2838000 + 125000	2963000
	2963000
Add:HEC @ 4%	118520
	3081520

Note 1 :- ₹ 10000000

upto 400000	—	—
>400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 10000000	30%	2280000
		2580000

SC 10% → 2580000 = 2838000

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II Tax Rates for company

		Tax Rate	Surcharge	
A)	Domestic company			
(i)	Total T/o / Gross Receipts of PY 23-24 is upto ₹400cr	25%	Total income >1cr upto 10cr → 7%	TI >10cr 12%
(ii)	Otherwise	30%		
B)	Foreign company	35%	2%	5%

* Health and Education cess @ 4% always on taxes (+surcharge if any)

Ex1 Compute Tax liability of BBVPL a domestic co. for A.Y 26-27 (T/O of PY 23-24 was 70 crore)

	(A)	(B)	(C)
Total Income	7000000	10100000	100280000

(A) Calculation of Tax liability

	₹
Tax on Total Income (7000000 x 25%)	1750000
+ SC	-
	1750000
+ HEC 4%	70000
	1820000

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(B) Calculation of Tax liability

Tax on Total income [10100000 x 25%]		2525000
+ SC 7%		176750
		2701750
	MR	
Restricted to	101750	
Tax on 1cr + (NTI − 1cr)		
2500000 + 100000 =		2600000
		2600000
Add:- HEC @ 4%		104000
		2704000

(C) Calculation of Tax liability

Tax on Total Income [100280000 x 25%] =		250700000
+ SC 12%		30084400
		280784400
Restricted to	MR	
Tax on 10 cr + (NTI − 10 cr)	10484400	
25 cr + 7% SC		
26750000 + 280000 =		27030000
		27030000
Add:- HEC @ 4%		1081200
		28111200

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III Tax Rate for Partnership firm / LLP / Local Authority

Tax Rate 30%.

* surcharge applicable @ 12% If Total income is > 1crore.

* Health and Education cess @ 4%. (Always) on taxes + surcharge (if any)

IV Tax Rate for Co-op society

Total Income	Tax Rate
upto 10000	10%
>10000 upto 20000	20%
> 20000	30%

* surcharge applicable @ 7% If Income > 1cr upto 10 cr.

@ 12% ⟶ > 10 cr.

* Health and Education cess @ 4% [Always] on taxes + surcharge [if any]

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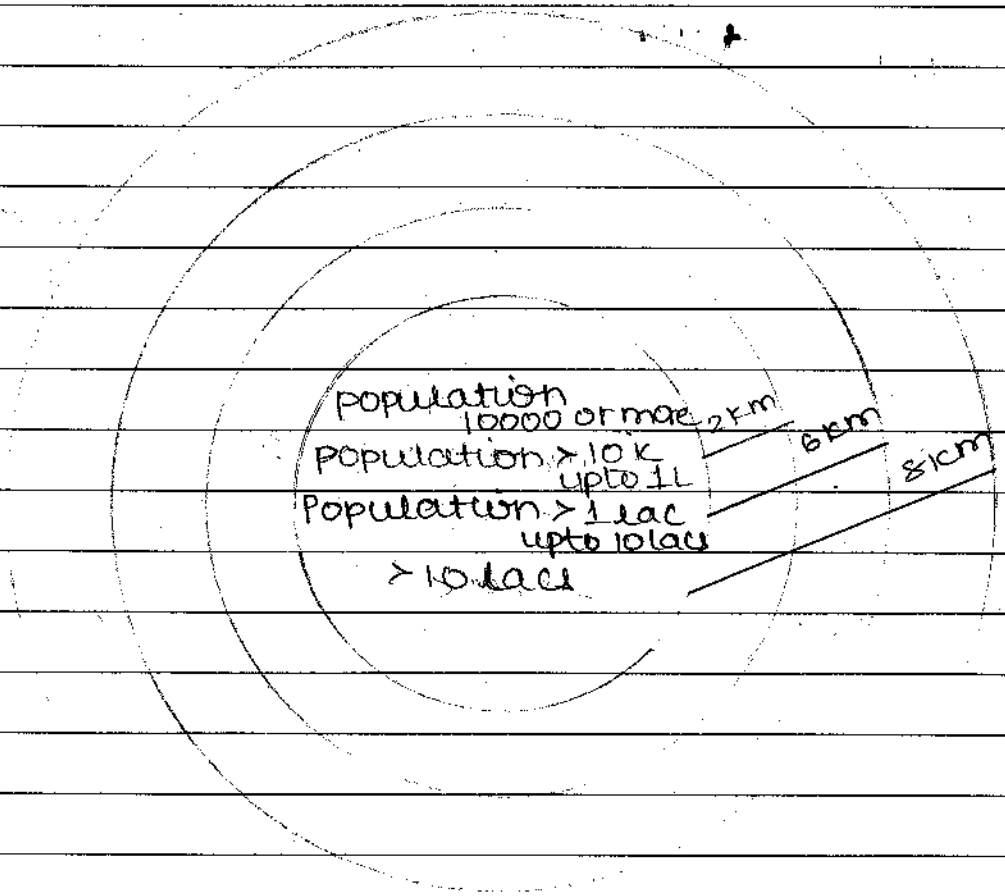
* Agriculture Income *

Agriculture Income from Agriculture land in India shall be exempt (non-taxable) u/s 10(1)

* Meaning of Agriculture Income

1) Income from sale of Agriculture produce. (Grown and sale)
2) Rent of Agricultural land which is used by Tenant for the Agriculture purpose
3) Rent of farmhouse located in Rural Area (used as store house or dwelling unit)
4) Income from Nursery.

* Meaning of Urban Area



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Ex :- Mr. Saiyam produced 1000 tons of potatoes (cost 70000)

- 200 tons potatoes sold in raw form → SP = ₹130000
- 800 tons potato further processed → process cost 300000 → chips sale 1500000

Calculate :- (i) Net Agriculture Income
(ii) Net Business Income

Rule No :-7 :- Sale of Agriculture produce

- Sale in Raw form → Total Agriculture income → (SP − cost) (130000 − 14000) = 116000
- If process is compulsory for sale → Total Agri. income
- Sale after further process → Process optional

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Ex :- Mr. Saiyam produced 1000 tons of potatoes (cost 70000)

- 200 tons potatoes sold in raw form → SP = ₹130000
- 800 tons potato further processed → process cost 300000 → chipi sale 1500000

Calculate :- (i) Net Agriculture Income
(ii) Net Business Income

Rule No :-7 :- Sale of Agriculture produce

- Sale in Raw form → Total Agriculture income → (SP − cost) (130000 − 14000) = 116000
- If process is compulsory for sale → Total Agri. Income
- Sale after further process → Process optional

(1000 : 70000
200 :)

TELEGRAM: CA NOTE HUB

Process optional

Agriculture income		Business Income	
FMV of Agri Produce	(130000 x 800 ton) / 200 tons	sale of chips	1500000
further process	520000	(-) Process cost	(800000)
(-) cost of Agr. prod.	(56000)	(-) FMV of Agri.	(520000)
Agriculture income	1- 464000		
		PGBP	680000

1000 : 70000
800 : ?

Total Agriculture Income :- (116000 + 464000)
= 580000

PGBP :- 680000

TELEGRAM: CA NOTE HUB

RM Pg no 5

Mr B PY 25-26 AY 26-27

Part A Computation of Agriculture Income

(i) sale of sugarcane in Raw form (30%)

	₹
Sale price	1000000
less cost of cultivation	(500000)
	500000

(ii) Sugarcane further produced (70%)

FMV of sugarcane	2200000
less cost of cultivation	(500000)
	1700000
Total Agriculture Income (500000 + 1700000)	

Part B:- Calculation of Business Income (sale of sugar)

	₹
sale of sugar	2500000
(-) further process cost	(150000)
(-) FMV of sugarcane used	(2200000)
PGBP	150000

TELEGRAM: CA NOTE HUB

* Special Rules for Bifercation of Income between Business and Agriculture in case of growing and Manufacturing of Tea, coffee and Rubber

Rule No 8 :- Income from Growing and Manufacturing of Tea

- 40% → Business Income
- 60% → Agriculture Income

Rule No 7B :- Income from Growing and ~~Curing~~ manufacturing of coffee

(i) Grown and cured coffee

- 25% → Business Income
- 75% → Agriculture Income

(ii) Grown, cured, Roasted and Grounded coffee

- 40% → Business Income
- 60% → Agriculture Income

Rule 7A :- Growing and Manufacturing of Rubber

- 35% → Business Income
- 65% → Agriculture Income

TELEGRAM: CA NOTE HUB

Q17 pg 6

Ms. Vividha PY 25-26 AY 26-27

Computation of Agriculture and Business Income:

		Business Income		Agriculture Income	
		%	₹	%	₹
i)	Income from sale of rubber	35%	105000	65%	195000
ii)	Income from sale of coffee grown and cured	25%	25000	75%	75000
iii)	Income from sale of coffee in Columbo	100%	250000	-	-
iv)	Income from sale of tea	40%	160000	60%	240000
v)	Income from sale of Nursery	-		100%	80000
			540000		590000

TELEGRAM: CA NOTE HUB

* Partial integration in case of Agriculture Income.

Agriculture income is exempt from Tax, but for ~~consumption~~ computation of tax liability, it shall be considered if following conditions are satisfied.

1) Assesse should be Individual / HUF / AOP / BOI / AJP
2) Net Agriculture income is more than 5000
3) Non Agriculture (other income) is more than Basic exemption.

→ Computation of Tax Liability

Tax on (Total income + Net Agriculture Income)	xx
less :- Tax on (Basic exemption + Net Agriculture Income)	(xx)
Net Tax Liability.	xx

Q18 pg 7

Mr. X PY 25-26 AY 26-27

Computation of Total Income

	₹	₹
Income from Salary		1080000
Income from House Property		250000
Income from other sources		
Net Agriculture Income	310000	
less :- Exempt u/s 10(1)	(310000)	—
Gross Total Income (GTI)		1330000
less :- Deduction u/s		—
Total income		1330000

TELEGRAM: CA NOTE HUB

Part A :- Tax liability as per

Computation of Tax liability	₹
Tax on (Total income + Net Agr. Inc)	128000
(1330000 + 310000)	
= 1640000 (Note 1)	
less :- Tax on (Basic exemption + Net Agr. Inc)	(15500)
(400000 + 310000)	
= 710000 (Note 2)	
	112500
Add :- HEC @ 4%.	4500
	1,17,000

Note:1

Tax on 1640000		
upto 400000	—	—
>4L upto 8L	5%	20K
>8L upto 12L	10%	40K
>12L upto 16L	15%	60K
>16L upto 1640000	20%	8K
		128000

Note:2

Tax on 710000		
upto 400000	—	—
>4L upto 710000	5%	15500
		15500

TELEGRAM: CA NOTE HUB

Part B:- Computation of Tax liability as per normal provision of Income Tax (old Tax Regime)

(B)(i) :- Age 45 years

Tax on (Total income + Net Agri income) (1330000 + 310000)	
= 1640000	304500
- Tax on (Basic exemption + Net Agri Income) (250000 + 310000)	
= 560000	(24500)
	280000
Add :- HEC 4%.	11200
	291200

Note 1 :- 1640000

upto 250000	—	—
> 250000 upto 5L	5%.	12500
> 5L upto 10L	20%.	100000
> 10L upto 1640000	30%.	192000
		804500

Note 2 :- 560000

upto 250000	—	—
> 250000 upto 5L	5%.	12500
~~> 5L upto 10L~~	~~20%.~~	~~10000~~
> 5L upto 560000	20%.	12000
		24500

TELEGRAM: CA NOTE HUB

(B)(i) Age 70 years

Tax on (Total Income + Net Agriculture Income (1330000 + 310000)	
= 1640000	302000
– Tax on (Basic exemption + Net Agri. Income) (300000 + 310000)	
= 610000	(32000)
	270000
Add: HEC @ 4%	10800
	280800

Note 1:– 1640000			Note 2:– 610000		
upto 300000	--	--	upto 300000	--	--
> 3L upto 5L	5%	10000	> 3L upto 5L	5%	10000
> 5L upto 10L	20%	100000	> 5L upto 610000	20%	22000
> 10L upto 1640000	30%	192000			32000
		302000			

TELEGRAM: CA NOTE HUB

Revenue Receipt —

It is always treated as income, and taxable under Income Tax Law.

Capital Receipt —

Normally capital Receipt are not treated as income and it is not taxable.

Eg:- loan taken, share issued by company, etc.

capital Receipt are treated as income if it is specifically provided in law. under the head capital gain, profit from transfer of capital Asset, it is treated as income and it is taxable.

Notes —

1. Income means Net Receipt (Gross receipt – Total expenses for earning such income)

2. Income includes casual Income also i.e. Winnig from lottery, gambling, card games.

3. In Income Tax, income is taxible whether it is legal income or Illegal income.

TELEGRAM: CA NOTE HUB

Deemed Income

sec 68 :- Cash credit

Where any amt is credited in the Books of Acct. of Assesse and Assesse is not able to explain source and Nature of such amount or explanation is not satisfactory in the opinion of assessing officer then it will be treated as deemed income of Assessee.

If Assesse has taken any loan or borrowing from any person and explanation about source and nature is not satisfactory of the person (loan giver) then such loan is treated as deemed income of Assesse.

Eg:- Mr BB took loan of ₹ 10 lakhs from Mr A and Mr C. If A and C could not source and nature of such amt, then this amt is treated as deemed income of Mr BB.

If any closely held co. (unlisted co.) receives any amt. towards share application, share capital, share prem. from any Resident shareholder and if such shareholders explanation is not satisfactory about source and nature then it is assumed the co. explanation is not satisfact-ory and it is treated as deemed income of co.

Eg:- BBVPL issues shares to Mr Roshan for ₹ 2cr. In this case if Mr Roshan's explanation is not satisfactory about source and Nature of 2 cr then it is treated as deemed income of BBVPL.

TELEGRAM: CA NOTE HUB

sec 69 :- Unexplained Investment

In any previous year if Assesse made an investment which is not recorded in Books of Account and Assesse explanation is not satisfactory about source and Nature of Investment then value of such inv. is treated as deemed income of Assesse.

sec 69 A :- Unexplained Money

If in any previous year, the Assesse found to be owner of any money, jewellery, bullion, etc and same is not recorded in Books of Account and Assesse explanation about source and nature is not satisfactory then value of such asset is treated as Deemed Income.

Sec 69 B :-

Amount of Investment / Asset not fully recorded in Books of Accounts.

If in any previous year, Assesse made investment or found to be owner of any Asset and if such investment or Asset is not fully recorded in BOA and Assesse explanation is not satisfactory the difference between value of investment/asset and amount recorded in BOA is treated as deemed income of Assesse

eg:- Mr BB found to be owner of 1kg Gold (MV 1cr) But he has recorded only 40 lakhs in BOA for acquiring 1kg gold. In this Assessing officer may treat 60 lakhs as Deemed income of Mr BB if BB's explanation is not satisfactory.

TELEGRAM: CA NOTE HUB

Sec 69C :- Unexplained Expenditure

If in any PY Assesse incurred any expenditure and Assesse's explanation is not satisfactory about source of such expenses then such expenditure shall be treated as deemed income of Assessee

Sec 69D :- Amount borrowed / Repaid on Hundi

If any amount is Borrowed or Repaid on Hundi, in Cash then such amount shall be treated as deemed income of Assesse. If any amount borrowed on Hundi is already treated as income then at the time of repayment it will not be treated as income.

Sec 115 BBE :- Above income (Sec 68, 69, 69A, 69B, 69C, 69D) shall be taxable at rate 60% + 25% surcharge always + 4% HEC always. Effective Tax Rate 78%.

TELEGRAM: CA NOTE HUB

Special Tax Rate — [Income Tax Act, 1961]

Sec	Particulars	Tax Rate
Sec 112	Long term capital gain (LTCG)	
	→ Asset Transfer before 23/7/24	20%
	→ Asset Transfer on or after 23/7/24	12.5%
Sec 112A	Long term capital gain on sale of Shares / MF	
	→ Asset Transfer before 23/7/24	10% (in excess of 1250)
	→ Asset Transfer on or after 23/7/24	12.5% (in excess of 1250)
Sec 111A	Short term capital gain on sale of share / MF	
	→ Asset Transfer before 23/7/24	15%
	→ Asset Transfer on or after 23/7/24	20%
Sec 115BB	Winnings from lottery, Game show, card games etc	30%
Sec 115BBJ	Winnings from online games (Dream 11)	30%

LTCG

Note:- In case of 112, LTCG 112A, STCG 111A and dividend income, Maximum surcharge rate applicable is 15% on Taxes.

TELEGRAM: CA NOTE HUB

Ex 1:- From the following information, compute the tax liability of Ms. Anushri as per Default tax Regime u/s 115BAC for AY 26-27

	₹
Income from House Property (computed)	1500000
Income from Business	700000
Income from capital Gain	
→ LTCG on transfer of land	1000000
→ STCG on transfer of shares	1500000
Income from other sources	
→ Interest income 700000	
→ Dividend income 500000	
→ winnings from online game 900000	2100000
GTI / NTI	6800000

Computation of Tax liability

S No.	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG u/s 112	12.5%	1000000	125000
(2)	STCG u/s 111A	20%	1500000	300000
(3)	Winnings	30%	900000	270000
(4)	Bal. NTI	Slab Rate Note 1	3400000	600000
			6800000	1295000
			Add:- Surcharge	129500
			10%	1424500
			Add:- HEC @ 4%	56980
			NTL	1481480

TELEGRAM: CA NOTE HUB

Page No.
Date:

Note :- Tax on 3400000

upto 400000	—	—
> 4 l upto 8 l	5%	20000
> 8 l upto 12 l	10%	40000
> 12 l upto 16 l	15%	60000
> 16 l upto 20 l	20%	80000
> 20 l upto 24 l	25%	100000
> 24 l upto 3400000	30%	300000
		600000

TELEGRAM: CA NOTE HUB

Mr.

Ex 2:- Compute Tax liability, Dhairya (Age 32 yrs)
for ~~AY~~ AY 26-27
Assume Assessee optd out from sec 115BAC

Income from Salary (computed)		4000000
Income from House Property		1000000
Income from capital gain		
→ LTCG u/s 112	2500000	
→ LTCG u/s 112A	1500000	
→ STCG u/s 111A	700000	4700000
Income from other sources		~~1000000~~
Bank Interest		1000000
Income from card games		1200000
		11900000

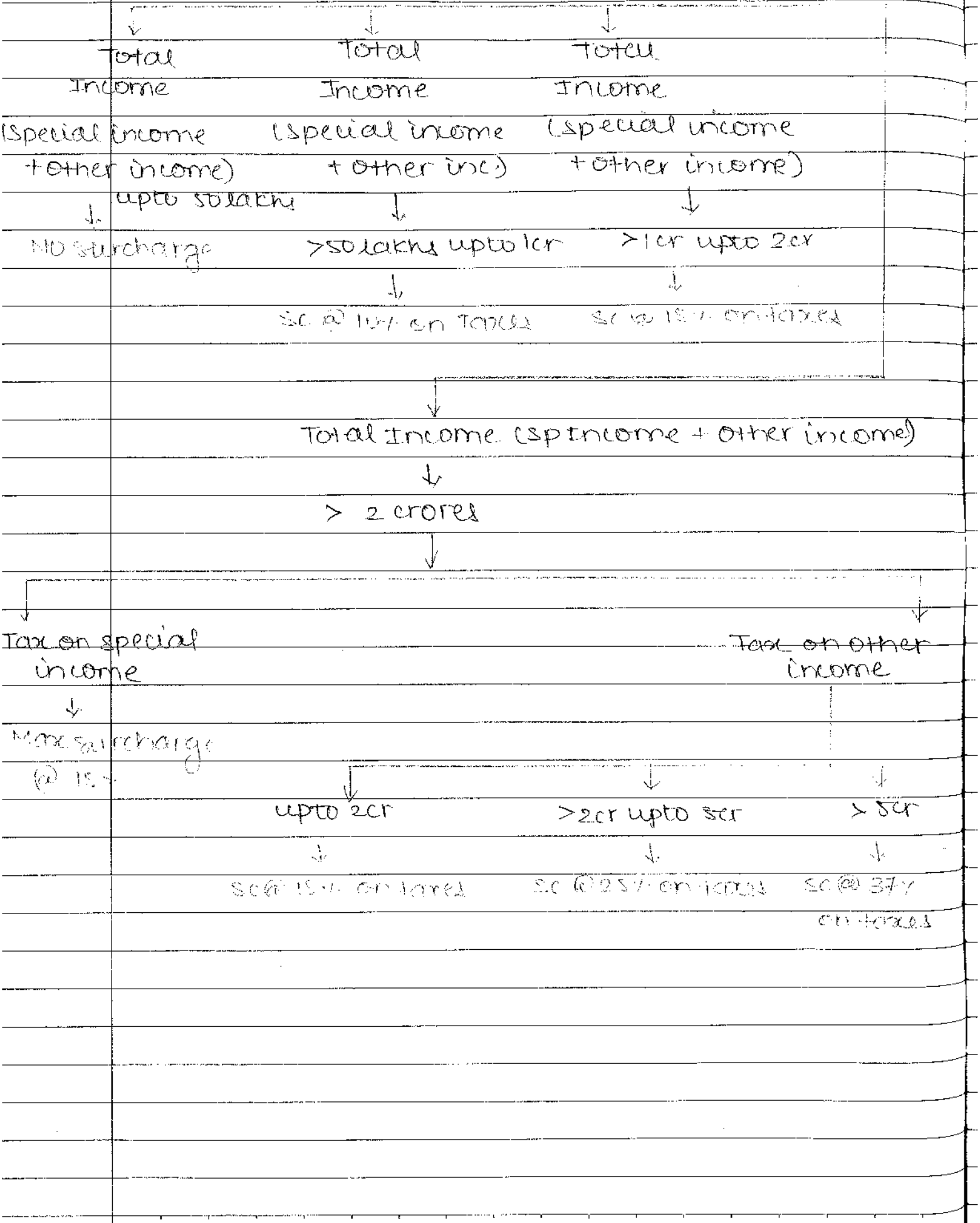
Sr NO	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG u/s 112	12.5%	2500000	312500
(2)	LTCG u/s 112A	12.5% excess of 125000	1500000	171875
(3)	STCG u/s 111A	20%	700000	140000
(4)	winnings from card g.	30%	1200000	360000
	BAI NTI	Slab Rate N1	6000000	1612500
			11900000	2596875
			Add:- SC @ 15%	389531
				2986406
			Add:- HEC @ 4%	119456
				3105863
				i.e 3105860

TELEGRAM: CA NOTE HUB

Note 1:-

upto 250000	—	—
> 250000 upto 500000	5%.	12500
> 5l upto 10l	20%.	100000
> 10l upto 6000000	30%.	1500000
		1612500

TELEGRAM: CA NOTE HUB



TELEGRAM: CA NOTE HUB

Ex 1:- From following information, compute tax liability of Ms Diksha for AY 26-27

Income from salary (computed)		6000000
Income from House property		2000000
Income from Business		15000000
Income from capital gain		
→ LTCG 112	2500000	
→ LTCG 112A	1000000	
→ STCG 111A	1500000	5000000
		28000000

Assume Assessee pay tax as per sec 115BAC

SNO	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG U/S 112	12.5%	2500000	312500
(2)	LTCG U/S 112A	12.5% (excess of 125000)	1000000	109375
(3)	STCG U/S 111A	20%	1500000	300000
(4)	Balance NTI	slab rate	23000000	6480000
		Total income	28000000	7201875
		Add:- SC @ 15% on capital gain (721875 × 15%)		108281
		Add:- SC @ 25% on Bal tax (6480000 × 25%)		1620000
			23000000	8930156

Note 1:- upto 400000	—	—
> 4 l upto 8 l	5%	20000
> 8 l upto 12 l	10%	40000
> 12 l upto 16 l	15%	60000
> 16 l upto 20 l	20%	80000
> 20 l upto 24 l	25%	100000
> 24 l upto 23000000	30%	6180000

Add HEC 4% 357206

9287362

i.e 9287360

TELEGRAM: CA NOTE HUB

Ex 2:-

	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG U/S 112A	12.5% in excess of 125000	10000000	1234375
(2)	LTCG U/S 112	12.5%	6000000	750000
(3)	STCG U/S 111A	20%	20000000	4000000
(4)	Other income	slab rate (Note 1)	10000000	2812500	
		Total income	46000000	8796875
	Add:- SC @ 15% on LTCG & STCG			897656
	Add:- SC @ 15% on balance tax			421875
				10116406
	Add:- HEC 4%			404656
				10521062
				i.e 10521600

Note 1:- 10000000

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 10000000	30%	2700000
		2812500

TELEGRAM: CA NOTE HUB

HW

Mr. SK (Age 64 yrs NR)

Sno	Income	Tax Rate	Income	Tax
(1)	LTCG u/s 112A	12.5% on excess of 125000	150000	3125
(2)	LTCG u/s 112	12.5%	170000	21250
(3)	STCG u/s 111A	20%	410000	82000
(4)	Other Income	Slab Rate (Note 1)	9900000	2782500
		Total Income	10630000	2888875
	Add :- SC@15% on LTCG & STCG			+0 433331
				3322206
	Add :- HEC@4%			132888
				3455094

Note 1 :- 9900000

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 9900000	30%	2670000
		2782500

TELEGRAM: CA NOTE HUB

(Mr. Dev, 28 years)

	Income	Tax Rate	Income	Tax
(1)	LTCG U/S 112A	12.5% in excess of 125000	—	
(2)	LTCG U/S 112	12.5%	19000000	2375000
(3)	STCG U/S 111A	20%	70000000	14000000
(4)	Other Income	Slab Rate (Note 1)	6000000	1612500
		Total Income	95000000	17987500
	Add:- SC @ 15% on LTCG & STCG			2456250
	Add:- SC @ 15% on Bal Tax			241875
				20685625
	Add:- HEC @ 4%			827425
				21513050

Note 1:- 6000000

upto 250000	—	—
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 6000000	30%	1500000
		1612500

TELEGRAM: CA NOTE HUB

Mr. Ritesh kumar a Resident individual (Age 35 yrs). His income is as follows. Calculate Tax liability for AY 26-27 as per sec 115BAC

(i) LTCG U/S 112A		200000
(ii) LTCG U/S 112		100000
(iii) STCG U/S 111A		300000
(iv) Dividend income		1300000
(v) Other Income		33400000
	GTI/NTI	35300000

Calculation of Tax liability

SrNo	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG U/s 112A	12.5% in excess of 125000	200000	9375
(2)	LTCG U/s 112	12.5%	100000	12500
(3)	STCG U/S 111A	20%	300000	60000
(4)	Balance NTI	Slab Rate	34700000	9990000
			35300000	10071875
	Add:- Surcharge on capital gain (81875 x 15%)			12281
	Add:- SC on tax on dividend (374265 x 15%)			56140
	Add:- SC on Bal tax (9990000 - 374265) (9615735 x 25%)			2403934
				12544230
	Add:- HEC 4%			501769
				13046000

TELEGRAM: CA NOTE HUB

Tax Dividend

$\frac{9990000}{34700000} \times 13000000 = 374265$

Note 1:- 34700000		
upto 400000	—	—
> 4l upto 8l	5%	20000
> 8l upto 12l	10%	40000
> 12l upto 16l	15%	60000
> 16l upto 20l	20%	80000
> 20l upto 24l	25%	100000
> 24l upto 34700000	32%	9690000
		9990000

— Normally income earned in PY is taxed in AY. It means Assessee pays tax and files his ITR (Income Tax Return) in Assessment year. But in the following cases income earned in PY and Assessee pay tax and files his ITR in PY itself.

--- Sec 172:- Shipping Business of Non Resident

In case of NR engaged in shipping business assesse is required to pay tax and file his ITR in PY itself before leaving Indian Port.

--- Sec 174:- Person leaving India

If it appears to AO that any person is leaving India for permanent settlement, AO may ask ~~Sec~~ Assessee to pay tax and file ITR in PY itself on the income earned in PY.

--- Sec 174A:- AOP / BOI / AJP formed for a particular event/purpose

If AOP/BOI/AJP is formed for particular event and dissolved in PY itself, AO may ask Assessee to pay tax and file ITR @ in PY itself.

TELEGRAM: CA NOTE HUB

eg:- BOI created for the purpose of Navratri Festival and it is dissolved after the festival. In this case AO may ask BOI to pay tax and file ITR in PY itself.

— Sec 175 :- Person likely to transfer property to avoid Tax.

If it appears to AO that any person is likely to gift/transfer/sale/donate any of his asset to avoid payment of liability in Income Tax, then AO may ask assessee to pay tax and file ITR in PY itself.

— Sec 176 :- Discontinued Business

If any Business or profession is discontinued in PY, AO may ask Assessee to pay tax and file ITR in PY itself.

Note :- Sec 172 (Shipping Business of NR) is a mandatory section but other sections are applicable only if it is appears to AO.

TELEGRAM: CA NOTE HUB

Compiler

QN3. Pg 1

A] As per Default Tax Regime u/s 115BAC (computation)

10100000

upto 400000	---		
> 400000	upto 800000	5%	20000
> 800000	upto 1200000	10%	40000
> 1200000	upto 1600000	15%	60000
> 1600000	upto 2000000	20%	80000
> 2000000	upto 2400000	25%	100000
> 2400000	upto 10100000	30%	2310000
			2610000

Rest to ~~Add HEC SC~~ 15% + ~~3001500~~ 391500
3001500

Tax on 10000000 + (NTI − 10cr)
Now 1)

63500 MR

2838000 + 100000 = 2938000

2938000
Add HEC 4% — 117520
Net tax liability 3055520

Note:- 10000000

upto 400000			
> 400000	upto 800000	5%	4020000
> 800000	upto 1200000	10%	40000
> ~~1600000~~ 1200000	upto 1600000	15%	60000
> 1600000	upto 2000000	20%	80000
> 2000000	upto 2400000	25%	100000
> 2400000	upto 10000000	30%	2280000
			2580000

Add:- SC @ 10% 258000

2838000

TELEGRAM: CA NOTE HUB

B] 250000 — —

>250000 upto 500000	5%		12500
>500000 upto 1000000	20%		100000
>1000000 upto 10100000	30%		2730000
			28'42500
Add:- Sc@ 15%			426375
			3268875

Rest to 10000000
Tax on ~~Income~~ + (NTI - 1cr)

3093750 + 100000 = 3193750

Add :- HEc@ 4% 127750

3321500

TELEGRAM: CA NOTE HUB

Q12 pg 5 A] Computation of Tax liability as per default Tax Regime u/s 115BAC

	Income	Tax Rate	Income	Tax
(1)	LTCG 112	12.5%	5500000	687500
(2)	STCG 111A	20%	6500000	1300000
(3)	Other income	Slab Rate	53000000	15480000
			65000000	17467500
	Add:- SC on capital gain 15%			29812.5
	Add:- SC on Bal Tax 25%			3870000
				21635625
	Add:- HEC 4%			865425
				22501050

Note 1:-

upto 400000	—	—	
> 400000 upto 800000	5%	200000	
> 800000 upto 1200000	10%	40000	
> 1200000 upto 1600000	15%	60000	
> 1600000 upto 2000000	20%	80000	
> 2000000 upto 2400000	25%	100000	
> 2400000 upto 53000000		15180000	
		15480000	

TELEGRAM: CA NOTE HUB

B] Computation of Tax liability as per Normal Prov (opt out from sec 115BAE)

	Income	Tax Rate	Income	Tax
(1)	LTCG 112	12.5%.	5500000	687500
(2)	STCG 111A	20%.	6500000	1300000
(3)	Other Income	Slab Rate	53000000	15712500
			65000000	17700000
	Add:- Sc @ 15%. [1987500 × 15%]			298125
	Add:- Sc on Bal [15712500 × 37%]			5813625
				23811750
	Add:- HEC @ 4%.			952470
			Net Tax liability	24764220

upto 250000			
> 250000 upto 500000	5%.	12500	
> 500000 upto 1000000	20%.	100000	
> 1000000 upto 53000000	30%.	15600000	
		15712500	

TELEGRAM: CA NOTE HUB

HN

Pg 5.9 B] Computation of Tax liability as per Default Tax Regime U/s 115BAC

	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG U/S 112	12.5%	5200000	650000
(2)	STCG U/S 111A	20%	6400000	1280000
(3)	Other Income	Slab Rate	11400000	3000000
		Total Income	23000000	4930000
	Add:- Surcharge on capital gains @ 15%			289500
	Add:- Surcharge on Balance Tax @ 15%			450000
				5669500
	Add:- HEC @ 4%			226780
				5896280

Note :- ~~up~~ 11400000

upto 400000	—	—	
>400000 upto 800000	5%	20000	
>800000 upto 1200000	10%	40000	
>1200000 upto 1600000	15%	60000	
>1600000 upto 2000000	20%	80000	
>2000000 upto 2400000	25%	100000	
>2400000 upto 11400000	30%	2700000	
		3000000	

TELEGRAM: CA NOTE HUB

B] Computation of Tax liability as per Normal Provision (opt out from sec 115BAC) [Age 62 yrs, Resident]

	Income	Tax Rate	Income ₹	Tax ₹
(1)	LTCG U/S 112	12.5%	5200000	650000
(2)	STCG U/S 111A	20%	6400000	1280000
(3)	Other Income	Slab Rate	11400000	3230000
		Total income	23000000	5160000
	Add:- surcharge on capital gains @ 15%			289500
	Add:- surcharge on Balance Tax @ 15%			484500
				5934000
	Add:- HEC @ 4%			237360
				6171360

Note:- 11400000

upto 300000	—	—
>300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 11400000	30%	3120000
		3230000

TELEGRAM: CA NOTE HUB

INCOME FROM HOUSE PROPERTY

Sec 22 | Charging section of House Property

Rental Income (Annual value) of House property is taxable under the head Income from House property if following two conditions are satisfied:

1) There should be a House Property.
2) Assessee should be owner of such property.

(1) Note: House property means Building and land appurtenant to that (attached).

(2) Income from residential property as well as commercial property (Complex, Godown etc.

(3) Rent of vacant land :- Taxable under PGBP/IFOS.

Income from sale of Building → Taxable under PGBP (Business)

Building stock in Trade → Income from tenant of Building → Taxable under House Property

M/s Omkar Builders

TELEGRAM: CA NOTE HUB

Types of House Property

- Let out property (LOP)
  - Always Taxable
- Self occupied property (SOP)
  - SOP (Residence)
    - 2 SOP (R)
      - Exempt
    - >2 SOP (R)
      - 2 SOP
        - Exempt
      - Remaining
        - DLOP [Deemed to be let out]
          - Taxable
  - SOP (B)
    - Used for Business or Profession
      - Ignore

TELEGRAM: CA NOTE HUB

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Computation of Income from House Property

Particular	SOP(2)	LOP	DLOP
Municipal value ↑	-	xx	xx
fair Rent ↑	-	xx	xx
whichever is higher ↓	-	xx	xx
standard Rent ↓	-	xx	xx
Expected Rent ↑	-	xx	xx
Actual Rent ↑	-	xx	—
Gross Annual value (GAV)	-	xx	xx
-- Municipal Taxes paid	-	(xx)	(xx)
Net Annual value (NAV)	-	xx	xx
-- Deduction u/s 24			
(i) 24(a) 30% of NAV	-	(xx)	(xx)
(ii) 24(b) Interest on loan	(xxx)(-)	(xx)	(xx)
IF+P	(xxx) -	xx	xx

1 — **Municipal value**:- It means value of property as per municipality record.

2 — **fair Rent**:- It means Rent of similar property in the same locality. It is also known as Reasonable Rent or Reasonable letting value.

3 — **standard Rent**:- It means Rent as per Rent control Act. It is the maximum amount of Rent that can be legally recovered by owner from tenant.

TELEGRAM: CA NOTE HUB

4 — Actual Rent :-

Actual Rent = Rent Received + Rent Received
— unrealised Re

5 — Municipal Taxes :-

a) It means Taxes recovered by Municipality, local authority, gram panchayat.

b) It is also known as property tax, local tax and House tax, etc

c) It is allowed only if it paid by owner. If it is paid by tenant then it is not allowed.

d) It is allowed on payment basis

Paid → Allowed

O/s → Not allowed

(Pay kiya to Allow Hoga, Nahi kiya to Nahi hoga, jab karoge tab hoga)

e) If it is given in percentage form then it should be calculated on municipal value.

TELEGRAM: CA NOTE HUB

— Computation of Income from House Property

Particular	SOP (2)	LOP	DLOP
Municipal value ↑	—	xx	xx
fair Rent ↑	—	xx	xx
whichever is higher ↓	—	xx	xx
standard Rent ↓	—	xx	xx
Expected Rent ↑	—	xx	xx
Actual Rent ↑	—	xx	—
Gross Annual value (GAV)	—	xx	xx
— Municipal Taxes paid	-	(xx)	(xx)
Net Annual value (NAV)	—	xx	xx
— deduction u/s 24			
(i) 24(a) 30% of NAV	-	(xx)	(xx)
(ii) 24(b) Interest on Loan	(xxx)(-)	(xx)	(xx)
IFHP	(xxx) -	xx	xx

1 — Municipal value :- It means value of property as per municipility record.

2 — fair Rent :- It means Rent of similar property in the same locality. It is also known as Reasonable Rent or Reasonable letting value.

3 — standard Rent :- It means Rent as per Rent control Act It is the maximum amount of Rent that can be legally recovered by owner from tenant.

TELEGRAM: CA NOTE HUB

14 — Actual Rent :-

Actual Rent = Rent Received + Rent Receivable
− unrealised Rent

15 — Municipal Taxes :-

a) It means Taxes recovered by Municipality, local authority, gram panchayat.

b) It is also known as property tax, local tax and House tax, etc

c) It is allowed only if it paid by owner. If it is paid by tenant then it is not allowed.

d) It is allowed on payment basis

Paid —> Allowed

O/s —> Not allowed

(Pay kiya to Allow Hoga, Nahi kiya to Nahi hoga, jab karoge tab hoga)

e) If it is given in percentage form then it should be calculated on municipal value.

TELEGRAM: CA NOTE HUB

Q1 pg 51 Ms Jayashree PY 25-26 AY 26-27

Computation of NAV

Particulars	House I	House II	House III	House IV	House V
Municipal value	80000	55000	63000	24000	80000
Fair Rent	90000	60000	65000	25000	75000
whichever is Higher	90000	60000	65000	25000	80000
Standard Rent	—	75000	58000	—	78000
Expected Rent	90000	60000	58000	25000	78000
Actual Rent	72000	72000	60000	30000	72000
Gross Annual value	90000	72000	60000	30000	78000
— Municipal Taxes paid	(8000)	(6600)	(5200)	(2400)	(12000)
Net Annual Value	82000	65400	54800	27600	66000

TELEGRAM: CA NOTE HUB

6 — Interest on loan :-

a) Interest is allowed as deduction if loan is taken for the purpose of House Property i.e. Purchase / Construction / Repair / Renovation.

b) Loan may be taken from Bank, financial institutions, friends, family. etc.

c) Interest is allowed on due basis.

Paid → Allowed

O/s → Allowed

d) Interest on Interest (Penal Interest) is not allowed as deduction.

e) If any fresh loan is taken for repayment of earlier loan and earlier loan was taken for the purpose of House Property then interest on fresh loan is allowed as deduction.

f) If any interest paid / payable outside India shall not be allowed as deduction if TDS is not deducted on such interest.

g) Limit of Interest

→

TELEGRAM: CA NOTE HUB

Limit of Interest

- LOP / DLOP
  - No Limit
- SOP (2)
  - Special case
    - (1) Loan is taken on or after 1/4/1999
    - + (2) Loan is taken for purchase or construction of House property
    - + (3) If loan is taken for construction, then construction should be completed within five years from the end of the financial year in which loan was taken
  - Normal case

TELEGRAM: CA NOTE HUB

7 — Other Expenses :-

→ Repair and Renovation
→ Insurance charges
→ Parking charges
→ Society charges
→ Electricity / water charges

Not allowed because 30% standard deduction allowed on NAV U/S 24(a)

Actual Rent = Rent Received + Receivable − Unrealised Rent

* Unrealised Rent :- It means Rent which is not recovered from tenant. It is like Bad Debts of Rent.
It is deductable while calculating Actual Rent if following four conditions of Rule 4 are satisfied

→ 1) Tenancy should be bonafide.
2) Tenant should have vacated that property.
3) such tenant should not occupy any other House Property of same Assessee.
4) Reasonable step should be taken for recovery of unrealised Rent.

TELEGRAM: CA NOTE HUB

94 pg 52 Mr. Anirudh PY 25-26 AY 26-27

Computation of Income from House property

Particulars		₹
Municipal value	↑	130000
Fair Rent		110000
Whichever is Higher	↓	130000
Standard Rent		120000
Expected Rent	↑	120000
Actual Rent	(WN 1)	121000
Gross Annual Value		121000
(-) Municipal Taxes paid		(18000)
Net Annual Value		102000
(-) Deduction u/s 24		
(a) Standard deduction on 30% of NAV		(32400)
(b) Interest on loan		(40000)
	IFHP	35600

WN 1: Actual Rent = Rent Rec'd + Receivable - unrealised rent

11000 × 12 months

= 132000 - 11000

= 121000

TELEGRAM: CA NOTE HUB

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Pre construction period Interest / Pre acquisition period Interest

It means interest before the year in which construction was completed. It is allowed in five equal installment from the year in which construction was completed.

Eg :- Ms Payal took a housing loan from HDFC Bank on 1/10/2023 of ₹ 15,00,000 @ 9%. Interest for construction of House Property. construction is completed on 14th feb 2026. Calculate amount of Interest allowed for PY 25-26 (AY 26-27)

			Pre construction interest
→	PY 23-24	67500	202500 / 5
	PY 24-25	135000	= 40500
	× PY 25-26	135000 + 40500	→ 175500
		+ 40500	24(b)
		+ 40500	
		+ 40500	
		+ 40500	

TELEGRAM: CA NOTE HUB

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HW

Mr BB took a loan of ₹ 20,00,000 from SBI on 1st June 2021 @ 6% Interest. He made following repayment of principal amount

1/4/2022	400000
1/10/2023	200000
1/12/2024	150000

Construction completed on 10th Dec 2025, Calculate Interest to be allowed in PY 25-26 (AY 26-27)

PY	
21-22	$2000000 \times 6\% \times 10/12 = 100000$
22-23	$1600000 \times 6\% = 96000$
23-24	$[(1600000 \times 6\% \times 6/12) + (1400000 \times 6\% \times 8/12)] = 90000$
24-25	$[(1400000 \times 6\% \times 8/12) + (1250000 \times 6\% \times 4/12)] = 81000$
X 25-26	$1250000 \times 6\% = 75000 + 73400$
	$= 148400$

Pre construction period

$= \frac{367000}{5 \text{ years}}$

$= 73400$

TELEGRAM: CA NOTE HUB

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Mr Ganesh took a Housing loan from Axis Bank on 1/10/2022 for ₹ 2500000 @ 9% Interest. He made repayment as follows

1/4/2023 :- 300000
1/12/2024 :- 400000
1/1/2025 :- 200000
1/7/2025 :- 300000

Construction completed on 10/12/24. Calculate Interest to be allowed for PY 25-26 (AY 26-27)

PY 22-23 = 2500000 × 9% × 6/12 — 112500
23-24 = 2200000 × 9% — 198000
× 24-25 (2200000 × 9% × 8/12) + (1800000 × 9% × 1/2) + (1600000 × 9% × 3/12)
132000 + 13500 + 36000 = 181500
25-26 (1600000 × 9% × 3/12) + (1300000 × 9% × 9/12)
36000 + 87750 = 123750 + 62100

Int amt available = 185850

pre construction period = 112500 + 198000
= 310500 = 62100
5

TELEGRAM: CA NOTE HUB

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Concept of vacancy

ER	XX
AR	XX
GAV	XX

ER ≤ AR + VR → GAV

ER > AR + VR → GAV

Ex 1

ER :- 520000

Rent pm :- 50000 pm

Vacancy :- 3 months

AR = Rent Recd + Receivable — UR

(50000 × 9)

450000

ER ≤ AR + VR

520000 ≤ 450000 + 150000

→ GAV

Ex 2 :-

ER = 520000

Rent pm :- 20000 pm

Vacancy :- 2 months

ER > AR + VR

520000 > 200000 + 40000

→ GAV

TELEGRAM: CA NOTE HUB

Ex 3:-

ER = 600000
Rent pm = 50000
Vacancy = 2 months

ER	<	AR	+	VR
600000		450000		150000
		↓		
		GAV		

— Partly let out property (Areawise)

If some area of HP is let out and remaing area is self occupied then let out portion is treated as LOP and the self occupied portion is treated as SOP. In this case Municipal value, fair Rent, standard Rent, Municipal taxes, Interest on loan should be divided between SOP and LOP on area basis.

Actual Rent will never be divided because it is always for LOP portion

Interest on loan

LOP → Full Interest Allowed

SOP → Sec 115BAC → No Interest

SOP → Otherwise → Max 1-30,000/ 2,00,000

TELEGRAM: CA NOTE HUB

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Q5 pg52 Mr Ganesh PY 25-26 AY26-27

Computation of Income from House Property "LOP"

Particulars	₹
Municipal value	250000
Fair Rent	200000
Whichever is Higher	250000
Standard Rent	210000
Expected Rent	210000
Actual Rent (WN1)	180000
Gross Annual Value	180000
(-) Municipal Taxes paid	(20000)
Net Annual Value	160000
(-) Deduction u/s 24	
a) standard deduction 30% of NAV	(48000)
b) Interest on loan.	(65000)
IFHP	47000

Note1:-

AR = Rent Rec'd + Receivable - unrealised Rent

20000 pm x 10 m

200000 - 20000

= 180000

NOte 2:-

Vacancy

ER AR + VR

210000 ≤ 180000 + 40000

GAV

TELEGRAM: CA NOTE HUB

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Note:- Alternatively unrealised Rent can be reduced from GAV as per ITR form.

Q6 Pg 52 — Ms Poorna — PY 25-26 AY 26-27

Computation of Income from House Property

Particulars	₹
Net Annual value	—
(-) a) Standard deduction 30% of NAV	—
b) Interest on loan	(200000)
IFHP	(200000)

Pre construction period interest

Interest till 31/3/2021 $\frac{360000}{5 \text{ years}}$ = 72000

It is allowed in 5 equal installments from PY 21-22

PY 21-22	72000
PY 22-23	72000
PY 23-24	72000
PY 24-25	72000
PY 25-26	72000
Current year interest for PY 25-26	180000

Total Interest 252000

Max interest Allowed in case of SOP is ₹ 200000

TELEGRAM: CA NOTE HUB

Q10 Mr. Prem PY 25-26 AY 26-27

Pg 55

Part A :- Assessee opt out from Sec. 115BAC

Computation of Income from House Property

Particulars	SOP (2/3)	LOP (1/3)
↑ Municipal value	—	100000
Fair Rent	—	90000
↓ Whichever is Higher	—	100000
Standard Rent	—	110000
↑ Expected Rent	—	100000
Actual Rent (WN1) (8000 × 12m)	—	96000
Gross Annual Value	—	100000
(-) Municipal Taxes paid	—	(10000)
Net Annual value	—	90000
(-) Deduction U/S 24		
a) Standard deduction 30% of NAV	—	(27000)
b) Interest on Loan	(80000)	(40000)
IFHP	(80000)	23000

Net IFHP :- (57000)

Interest on loan 120000

SOP	LOP
2/3	1/3
80000	40000

Part B :- If Assessee opt Default Tax Regime U/S 115BAC then interest on loan in case of SOP is not allowed, so income from House property shall be 23000.

TELEGRAM: CA NOTE HUB

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Q14 Pg 57

Mr X PY 25-26 AY 26-27

Computation of Income from House Property

Particulars	SOP (50%)	LOP (50%)
↑ Municipal value	—	95000
Fair Rent	—	92500
↓ Whichever is Higher	—	95000
Standard Rent	—	81000
↑ Expected Rent	—	81000
Actual Rent (8000 × 10 m)	—	80000
Gross Annual value (GAV)	—	80000
(-) Municipal taxes paid	—	(14250)
Net Annual value (NAV)	—	65750
(-) Deduction u/s 24		
a) Standard deduction 30% of NAV	—	(19725)
b) Interest on loan (WN 1)	(9000)	(9000)
	(9000)	37025
	IFHP = 28025	

WN 1 :- Interest on loan :- (1500 × 12 m) = 18000

SOP	LOP
9000	9000

WN 2 :- ER ← AR + VR

81000 ← 80000 + 16000

↓

GAV

TELEGRAM: CA NOTE HUB

Q.15 Pg 57 — Mr. Vikas — PY 25-26 AY 26-27

Computation of Income from House Property

Particulars	SOP (2/3)	LOP (1/3)
Municipal value	—	32000
Fair Rent	—	42000
Whichever is Higher	—	42000
Standard Rent	—	36000
Expected Rent	—	36000
Actual Rent (5000 pm × 12m)	—	60000
Gross Annual Value (GAV)	—	60000
(-) Municipal ~~rent~~ Taxes paid	—	(3520)
Net Annual value (NAV)	—	56480
(-) Deduction U/S 24		
i) Standard Deduction 30% of NAV	—	(16944)
ii) Interest on loan	(12400)	(6200)
	(12400)	33336
IFHP	20936	

WN 1: Interest on loan

PY			LOP
18-19	100000 × 12% × 9/12	= 9000	33000
19-20	100000 × 12%	= 12000	
20-21		= 12000	= 6600
21-22		= 12000	+ 6600
22-23		= 12000	+ 6600
23-24		= 12000	+ 6600
24-25		= 12000	+ 6600
25-26		= 12000	+ 6600
			18600

LOP (1/3) 6200 — SOP (2/3) 12400

TELEGRAM: CA NOTE HUB

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— Partly let out property (timewise)

If property is let out some period of time and self occupied for remaining period of time then such property is treated as LOP. Even if the property is let out for single day then also it is treated as LOP.

SOP means property self occupied for Residential purpose throughout the year or unoccupied due to any reason.

Q7 Pg No 53

Ms Rajalakshmi

Computation of Income from House Property

Particulars	₹
↑ Municipal value	500000
Fair Rent	420000
↓ Whichever is Higher	500000
Standard Rent	480000
↑ Expected Rent	480000
Actual Rent (WN1)	350000
Gross Annual value	480000
(-) Municipal taxes paid	(60000)
Net Annual value	420000
(-) Deduction u/s 24	
a) Standard deduction 30% of NAV	(126000)
b) Interest on loan	(25000)
IFHP	269000

TELEGRAM: CA NOTE HUB

WN 1:-

Actual Rent = Rent Rec'd + Receivable − Unrealised Rent

= 50000 x 9 months = 450000

450000 − 100000

= 350000

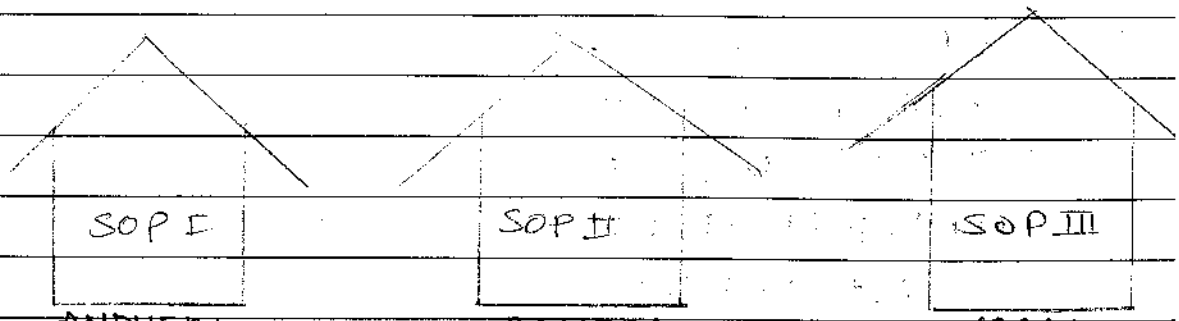
Note:- In the present question, unrealised Rent is reduced while computing Actual Rent. As per ITR form alternatively we can reduce unrealised Rent from GAV.

If we reduce from GAV then Net income from HP will be ₹ 199000.

TELEGRAM: CA NOTE HUB

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— Assessee own more than 2 SOP



Options :-	ANDHERI	BANDRA	VASAI
A	SOP	SOP	DLOP
B	SOP	DLOP	SOP
C	DLOP	SOP	SOP

Note :- Assessee has to select option in which his Net Income from House Property is minimum / lower.

Q8 / Pg 53

Mr Ganesh PY 25-26 AY 26-27

Part A :- Assume Assessee opted out from sec 115BAC.

Option 1 :- HP1 and HP2 treated as SOP and HP3 as DLOP

Computation of Income from House Property.

→

TELEGRAM: CA NOTE HUB

Particulars	SOP HP1 & HP2	HP3 DLOP
↑ Municipal value	—	330000
fair Rent	—	350000
↓ Whichever is Higher	—	380000
Standard Rent	—	375000
↑ Expected Rent	—	375000
Actual Rent	—	—
Gross Annual value	—	375000
(-) Municipal Taxes paid	—	(19800)
Net Annual value	—	355200
(-) Deduction U/S 24		
a) Standard ded^{n} @ 30% of NAV	—	(106560)
b) Interest on loan	(30000)	(175000)
IFHP	(30000)	73640
Net IFHP	43640	

TELEGRAM: CA NOTE HUB

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Option 2:- HP1 and HP3 are treated as SOP and HP2 treated as DLOP

Particulars	SOP HP1 & HP3	HP2 (DLOP
↑ Municipal value	–	360000
↓ Fair Rent	–	275000
↓ Whichever is Higher	–	360000
Standard Rent	–	370000
↑ Expected Rent	–	360000
↑ Actual Rent	–	–
Gross Annual Value	–	360000
(-) Municipal Taxes paid	–	(28800)
Net Annual value	–	331200
(-) Deduction u/s 24		
a) Standard Ded^{n} @ 30% of NAV	–	(99360)
b) Interest on loan	(175000)	(55000)
IFHP	(175000)	176840
Net IFHP	1840	

TELEGRAM: CA NOTE HUB

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Option 3:- HP1 treated as DLOP and HP2 and HP3 treated as SOP

Particulars	HP2 & HP3	HP1 (DLOP)
↑ Municipal value	–	300000
fair Rent	–	375000
↓ whichever is Higher	–	375000
Steindard Rent	–	350000
↑ Expected Rent	–	350000
Actual Rent	–	–
Gross Annual value	–	350000
(-) Municipal Taxes paid	–	(36000)
Net Annual value	–	314000
(-) Deduction u/s 24		
a) Standard Ded^{n} @ 30% of NAV	–	(94200)
b) Interest on loan	(200000)	–
∴ IFHP	(200000)	219800
NIFHP	19800	

WN 1:- Interest on loan

	₹
HP 2 :- Interest on loan taken for repairs	55000
Max limit	30000

HP 3:- Interest on loan taken for purchase of HP

	175000
Max limit	205000

Max Interest allowed in case of SOP is ₹ 200000

Net IFHP :- Option I :- 43640
II :- 18840
III :- 19800

TELEGRAM: CA NOTE HUB

Conclusion :- Since Income from House Property is lower in option II so assesse should treat House I and House III as SOP and House II is treated as DLOP.

Part B:- If Assess paid tax as per default tax regime U/S 115BAC

In this case Assesse is not eligible to claim interest deduction in case of SOP so his Income would be

Option I :- 73640
II :- 176800
III :- 219800

Conclusion :- In this case option I is beneficial for the Assessee so House I and House II treated as SOP and House III is treated as DLOP.

TELEGRAM: CA NOTE HUB

— Joint ownership (co-ownership):

It means property is owned by more than one owner. In this case Income from House Property is calculated normally and thereafter it should be divided between co-owners in their ownership Ratio.

Interest on loan xxx

LOP / DLOP — No limit

SOP (R) — Max limit ₹ 200000/30000 (×) No of owners

Q13 pg 57 Computation of Income from House Property:

Particulars	₹
↑ Municipal value	160000
Fair Rent	150000
↓ whichever is Higher	160000
Standard Rent	170000
↑ Expected Rent	160000
Actual Rent	180000
Gross Annual value	180000
(-) Municipal Taxes paid	—
Net Annual value	180000
(-) Deduction U/S 24	
a) Standard Ded^{n} @ 30% on NAV	(54000)
b) Interest on loan	(30000)
IFHP	96000
	Mr Raman: 48000 / Mr Bro Inc: 48000

TELEGRAM: CA NOTE HUB

Note 1:- Municipal Taxes of ₹ 5100 will not be allowed since it is paid by Tenant.

Note 2:- Interest is allowed on due basis, so total interest of ₹ 25000 shall be allowed as deduction even when actual interest paid is ₹ 21000.

Note 3:- Interest on Interest (Penal Interest) not allowed as deduction.

Note 4:- If any fresh loan is taken for repayment of earlier loan and earlier loan was taken for purpose of HP then Interest on fresh loan is also allowed as deduction.

So in the present question ₹ 5000 interest on loan should be allowed.

TELEGRAM: CA NOTE HUB

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Arrears of Rent

It means Rent under dispute.

Sec 25A :- Recovery of unrealised rent / Arrears of rent

Recovery is taxable in the year in which it is recovered under the head Income from House Property whether the Assessee is the owner of the property or not in the year of recovery.
Any expenditure incurred on recovery shall be ignored.

Composite Rent (Rent from HP + Rent from other Assets)

- Agreement is seperable
  - Rent of HP
  - Rent of other Assets
- Agreement NOT seperable

Note :- If let out of property is not feasible without other Asset then total rent is taxable under the head PGBP or IFOS whether agreement is seperable or not.

TELEGRAM: CA NOTE HUB

Q17
pg 89

Computation of Income from House Property as per Default tax Regime u/s 115BAC

Particulars	SOP (2 units) 25%	LOP (6 u) 75%
↑ Municipal Value	—	675000
Fair Rent	—	—
↓ Whichever is Higher	—	675000
Standard Rent	—	—
Expected Rent	—	675000
Actual Rent (WN1)	—	816000
Gross Annual value	—	816000
(-) Municipal Taxes paid	—	(135000)
Net Annual value	—	681000
(-) Deduction u/s 24		
a) standard Ded on 30% of NAV	—	(204300)
b) Interest on loan	—	(225000)
IFHP		251700

WN1: Interest on loan = 300000

SOP (25%) → 75000 (Not allowed if Assessee opted sec 115BAC)

LOP (75%) → 225000

TELEGRAM: CA NOTE HUB

WN2 :- Actual Rent = Rent Rec'd + Receivable - unrealise rent

(5 unit × 12000 × 12m) + (1 unit × 12000 × 8m)

= 720000 + 96000

= 816000

WN3 :- Vacancy

ER AR + VR

675000 ≤ 816000 + 48000 (12000 × 4m)

↓

GAV

Total Income	Arun	Bimal
HP Income	125850	125850
Other Income	290000	180000
	415850	305850

Part B :- Computation of Total Income if Assesse opt out from sec 115BAC

	Arun	Bimal
Income from House property		
SOP (R)	(37500)	(37500)
LOP	125850	125850
other income	290000	180000
	378350	268350

TELEGRAM: CA NOTE HUB

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Option 1:- HP1 and HP2 are treated as SOP and HP3 as DLOP

MS. Pihu PY 25-26 AY 26-27

Computation of Income from House Property

Particulars	HP1 & HP2 SOP	HP3 DLOP
↑ Municipal value	—	120000
Fair Rent	—	145000
↓ whichever is Higher	—	145000
Standard Rent	—	130000
↑ Expected Rent	—	130000
Actual Rent	—	—
Gross Annual Value	—	130000
(-) Municipal Taxes paid	—	(12000)
Net Annual value	—	118000
(-) Deduction u/s 24		
(a) Standard Ded^{n} @ 30% of NAV	—	(35400)
(b) Interest on loan	(30000)	—
IFHP	(30000)	82600
NIFHP	52600	

TELEGRAM: CA NOTE HUB

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Option 2:- HP1 & HP3 are treated as SOP and HP2 is treated as DLOP

Particulars	HP1 & HP3 SOP	HP2 DLOP
↑ Municipal value	—	120000
Fair Rent	—	185000
↓ Whichever is Higher	—	185000
Standard Rent	—	190000
↑ Expected Rent	—	188000
Actual Rent	—	—
Gross Annual Value (GAV)	—	185000
(–) Municipal Taxes paid	—	(10800)
Net Annual value (NAV)	—	174200
(–) Deduction u/s 24		
a) Standard Ded^{n} @ 30% of NAV	—	(52260)
b) Interest on loan	—	(75000)
IFHP		46940

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Option 3:- HP2 & HP3 are treated as SOP and HP1 is treated as DLOP

Particulars	HP2 & HP3 SOP	HP1 DLOP
↑ Municipal value	—	130000
↓ Fair Rent	—	110000
Whichever is Higher	—	130000
↓ Standard Rent	—	100000
↑ Expected Rent	—	100000
↑ Actual Rent	—	—
Gross Annual value	—	100000
(-) Municipal Taxes Paid	—	—
Net Annual Value	—	100000
(-) Deduction u/s 24		
a) Standard Ded^{n} @ 30% of NAV	—	(30000)
b) Interest on loan	(30000)	—
IfHP	(30000)	70000
NIFHP	40000	

Conclusion :- Since Income from House Property is lower in option 3 so assessee should treat House Property 2 and House Property 3 as SOP and House property 1 as DLOP.

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Q12 Computation of deduction u/s 24(b)

Particulars	SOP Aparna	Dimple
Net Annual Value (NAV)	—	—
(-) Deduction u/s 24		
a) Standard Ded^n @ 30% of NAV	—	—
b) Interest on loan	(200000)	(200000)
	IFHP (200000)	(200000)

WN1:- ~~Ms Aparna~~ Interest on loan

5000000 × 10% = 500000

250000 (Ms Aparna) 250000 (Ms Dimple)

Ms Aparna :-

1) Interest on loan taken for acquisition of residential property (50%) 250000

Restricted to 200000

2) Interest on loan taken for repair of flat

300000 × 12% 36000

Restricted to 30000

Total Interest : 200000 [Ded^n u/s 24(b)]

WN2:- Ms Dimple

Interest on loan taken for acquisition of Residential property (50%) 250000

Restricted to 200000

Total Interest : 200000 [Ded^n u/s 24(b)]

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— Sec 27 :- Deemed Owner

1) If any Individual transfer house property to his/her spouse for without consideration or low consideration then such individual is treated as deemed owner of such property.
Exception :- Transfer in connection of live Apart

2) If any person is a member or shareholder of any co-operative society then he is treated as deemed owner of House property of such society.

3) If any individual transfer any House property to minor child without consideration or low consideration then such individual is treated as deemed owner.
Exception :- Transfer to minor married daughter

4) In case of immovable property if possession of acquired in part performance of contract then assessee is treated as deemed owner from the day on which he obtain possession.

5) If any House Property is acquired under long term lease [12 years or more] then acquirer is treated as deemed owner.

6) Holder of Impartiable estate — It means property which is not legally divisible. The main holder of impartiable estate shall be treated as deemed owner.

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--- Additional Notes :-

Where the House property held as stock in trade is and not let out during the PY. The NAV of that property shall be treated as NIL for the period of 2 yrs from the end of financial years in which construction was completed.

Eg:- Rohan builder completed construction of House on 19th July 2024. In this case if House property is not let out then the NAV of the House property shall be treated as NIL till 31st March 2024. From PY 27-28 this House property is treated as DLOP and will be taxable under House property.

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Q 18
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Mrs Daya PY 25-26 AY 26-27

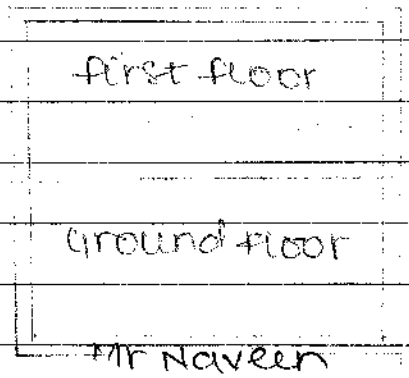
Computation of Income from House Property

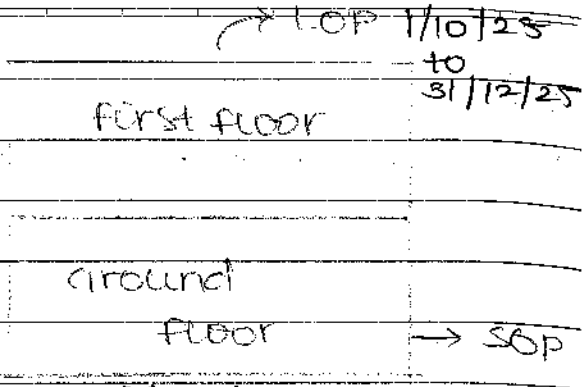
Particulars	LOP
↑ Municipal Value	850000
Fair Rent	730000
↓ Whichever is Higher	850000
Standard Rent	820000
↑ Expected Rent	820000
Actual Rent	765000
Gross Annual Value	828000
(-) Municipal Taxes paid	(102000)
Net Annual value	718000
(-) Deduction u/s 24	
a) standard deduction @Rs 30% of NAV	(215400)
b) Interest on loan	(50000)
IFHP	452600

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Q19 Pg 60





con started:- 1/4/23
con. ended:- 1/4/25

con started:- 1/4/23
con. ended:- 30/9/25

Part A:- Computation of Income from House Property in case of Mr Naveen (SOP)

Particulars	PY 25-26 AY 26-27 ₹ (SOP)
Net Annual Value	NIL
(-) Deduction u/s 24	
a) Standard deduction 30% of NAV	NIL
b) Interest on loan	(200000)
IFHP	(200000)

Note 1:-

Interest on loan

			Pre construction Interest
PY 23-24	1500000 × 12%	= 180000	360000 ÷ 5
PY 24-25		180000	= 72000
PY 25-26		180000	
		+ 72000	
		↓	
		252000	

Max:- Interest allowed 200000

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1/10/25 to 31/3/26
72000 × 6m/12m

Part B:- In hands of Mr. Vikas

Particulars	SOP Gr floor	LOP first floor
↑ Municipal value	—	36000
fair Rent	—	50000
↓ whichever is Higher	—	50000
Standard Rent	—	—
↑ Expected Rent	—	50000
Actual Rent	—	60000
Gross Annual value	—	60000
(-) Municipal Taxes paid	—	(4000)
Net Annual value	—	56000
(-) Deduction u/s 24		
a) Standard Deduction 30% of NAV	—	(16800)
b) Interest on loan	(67500)	(67500)
IFHP	(67500)	(28300)
NIFHP	(95800)	

Interest on loan

			Pre construction Interest
PY 23-24	1000000 × 10% × 9/12	= 75000	175000/2 = 35000
PY 24-25	1000000 × 10%	= 100000	
× PY 25-26	1000000 × 10%	= 100000 + 35000	
		135000	
		67500 (SOP)	67500 (LOP

Note:- If any property is acquired in the middle of the year or construction completed in between the year then Municipal value / fair rent / standard rent considered only from the date when Assessee become owner or construction is completed. Municipal taxes are allowed on payment bases so taxes paid whether advance/ prepaid are allowed as deduction

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Notes :-

1) If Assessee pays Tax as per default taxation regime u/s 115BAC then Interest on loan u/s 24(b) in respect of SOP (200000/30000) not allowed to Assessee.

2) SOP exemption (2 SOP) available only in case of Individual and HUF.

3) Municipal Taxes paid to foreign Municipality also allowed as deduction in case of Resident and Ordinarily Resident

4) Interest for the year in which property acquired or constructed is fully allowed irrespective of date of acquisition or construction.

5) If Buyer acquire property and enter into agreement with the seller to pay consideration in Instalment. The remaining amount of Instalment shall be treated as loan and if any interest is paid on such o/s amount it shall be allowed as deduction u/s 24(b)

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RESIDENCE AND SCOPE OF TOTAL INCOME

— Total Income of Assessee cannot be determined without knowing his Residential status. If any person become Resident in India, then his global income (Indian + foreign) shall be taxable in India. If any person become Non Resident in India then only Indian income shall be taxable for that person.

Residential status shall be determined for every year.

(A) Residential status of Individual

Basic conditions as per sec 6(1)

1) Stay in India for 182 days or more in PY (current PY)
PY 25-26

OR

2) stay in India for 60 days or more in previous year
AND
365 days or more in last 4 PY's.

Additional conditions sec 6(6)

1) Resident for 2 PY or more in last 10 PY's

2) stay in India for 730 days or more in last 7 Previous years.

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— If any Individual satisfies any one basic condition then he is treated as Resident in India otherwise Non Resident in India.

— If any Individual become Resident in India then we have to check that such person is Resident and Ordinarily Resident (R-OR) or Resident but Not Ordinarily Resident (R-NOR)

— If such Individual satisfy both the addition condition he is treated as (ROR) otherwise (RNOR).

Note: while calculating No of days stay in India, The day on which Individual enter in India as well as the day on which he leaves India shall be considered as stay in India.

Eg:- Mrs Buca

→

Days	comes in India	leaves India
107	14|2|25	16|7|25
45	13|12|25	26|1|26
27	19|2|26	17|3|26
2	30|3|26	27|4|26
181		

Compute NO. of days stay in India (PY 25-26)

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Eg 2:- Mr Green

Days	comes in India	leaves India
66	16|7|25	19|9|25
5	23|9|25	27|9|25
18	12|12|25	29|12|25
46	31|12|25	14|2|26
32	28|2|26	17|7|26
167		

Eg 3:- Mr Ben stokes

comes in India for 200 days.

16|12|25

Calculate no of days stay in India

→ 106 days

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Q3 Pg 10

Mr. Lee PY 25-26 AY 26-27

Part a(i) Determine Residential status if he stays 100 days every year.

Particulars	No. of Days	satisfied / ~~Not satisfie~~
Basic conditions		
(i) Stay in India for 182 days or more in PY	100 days	Not satisfied
OR		
(ii) Stay in India for 60 days or more in PY	100 days	→ satisfied
AND		
365 days or more in last 4 PY's	400 days	
Additional conditions		
(i) Resident in India for 2 PYs or more in last 10 PY's	Yes	satisfied
And		
(ii) Stay in India for 730 days or more in last 7 PY's	700	Not satisfie

Conclusion :- Since Mr Lee satisfied Basic condition but he could not satisfy both the additional conditions so he is treated as Resident but Not Ordinarily Resident.

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	No of Days
PY 25-26	100 → R
PY 24-25	100 → R
PY 23-24	100 → R
PY 22-23	100 → R
PY 21-22	100 → R
PY 20-21	100 → R
PY 19-20	100 → NR
PY 18-19	100 → NR
PY 17-18	100 → NR
PY 16-17	100 → NR
PY 15-16	NIL

Part a(ii) :- Determination of Residential status if he stays 90 days every year.

Particulars	No. of Days	Satisfied / Not satisfied
Basic conditions		
(i) stay in India for 182 days or more in PY	90 days	Not satisfied
or		
(ii) stay in India for 60 days or more in PY	90 days	Not satisfied
And		
365 days or more in last 4 PY's	360 days	

Conclusion :- since he not satisfied any basic condition so he will be treated as Non Resident in India.

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Part a(ii) Determination of Residential status if he stays 110 days every year

Particulars	No of Days	Satisfied / Not satisfied
Basic conditions		
(i) stay in India for 182 days or more in PY	110 days	Not satisfied
OR		
(ii) Stay in India for 60 days or more in PY	110 days	satisfied
And		
365 days or more in last 4 PY's	440	
Additional condition		
(i) Resident in India for 2 PY's or more in last 10 PY's	Yes	satisfied
And		
(ii) stay in India for 730 days or more in last 7 PY's	770 days	satisfied

Conclusion :- Since Mr. Lee satisfied Basic condition and both the additional condition so he is treated as Resident and Ordinarily Resident in India.

(b) If above question is related to srinath an Indian citizen visit India during the PY and stay in India for only 100 days then his Residential status would be Non Resident irrespective of his Income.

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(c) If Srinath's no of days stay in India is 120 days.
— If total income (other than foreign source income) within the limit of 1500000 then there is no need to check 2nd Basic condition so he is treated as Non Resident in India. ✗

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Particulars	No of Days	satisfied / Not satisfied
Basic conditions		
(i) Stay in India for 182 days or more in PY	70 days	Not satisfied
Or		
(ii) Stay in India for 60 days or more in PY	70 days	Not satisfied
And		
365 days or more in last 4 PY's	355 days	

conclusion :- since Mr B not satisfied any condition so he will be treated as Non Resident.

✗ — If his total income (other than foreign source income) is more than 1500000 then we have to check second Basic condition and instead of 60 days, 120 days shall be considered. In this case since he stay : 120 days in current year and 365 days or more in last 4 PY's so he satisfied 2nd Basic condition, so he is treated as [R-NOR]

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Exception of 2nd Basic condition

In the following 3 cases, 2nd Basic condition is not applicable. It means just we have to check first Basic condition

1) Indian citizen leave India during the PY for an employment / Business / Profession outside India.

2) Indian citizen leave India during the PY as a crew member of the Indian ship.

3) Indian citizen or person of Indian origin engaged outside India in any employment / business / profession and visiting India during PY and his Total Income [excluding Income from foreign sources] is upto ₹ 1500000 in PY.

Note:- Person of Indian origin means Assessee or either of his parents or either of his grandparents were born in undivided India.

Note :- In case of Indian citizen or Person of Indian origin having total income (other than foreign income) is more then 1500000 then second basic condition is applicable and instead of 60 days in the PY, 120 days shall be considered. If that person stays in India for 120 days or more but less than 182 days in C.Y and 365 days or more in last 4 PYs then he will be treated as [R - NOR]

There is no need to check the additional condition.

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Indian citizen / or / POIO → Not satisfied 1st Basic condition

↓

Visiting India in PY.

Total Income (other than foreign income) upto ₹ 1500000

↓

No need to check second basic condition

Total income > 1500000

↓

2nd Basic condition

(1) stay in India for 120 days or more in PY

&

(2) 365 days or more in last 4 PY's

- Satisfied → R but NOR
- Not satisfied → Non Resident

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CBDT Notification

In case of Indian citizen being crew member of foreign bound ship leaving India, for calculation of No. of days stay in India following time period shall be excluded.

"From the date entered into continuous discharge certificate in respect of joining the ship and ending on the date entered into continuous discharge certificate in respect of signing off the ship".

Sec 6(1A) :- Deemed Resident.

If any Individual being Indian citizen not satisfied any basic condition as per sec 6(1), having total Income more than ₹15,00,000 (other than foreign income) shall be deemed to be resident in India if he is not liable to Tax in any country due to residency or domicile then he is treated as R but NOR in India.

Eg: Mr Technical Guruji is an Indian citizen and currently working in Dubai. During the PY 25-26 he has visited 55 days in India. During the PY he is not liable to pay tax in any country due to his residency. Determine his residential status if his total income ₹10,

(A) ₹15,000 --> R but NOR

(B) ₹10,000 --> NR

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(B)— Residential status of HUF

If control and Management

Wholly or Partly in India → Resident

Wholly outside India → Non Resident

Resident →
- If karta satisfies both additional conditions as per Sec 6(6) → Resident and OR
- If karta does not satisfies both additional conditions as per Sec 6(6) → R but NOR

-1

Q12 pg 20

(A) Residential status of HUF

Business of HUF is fully transacted from Australia it means it is wholly controlled from outside India so as per Sec 6(2), HUF is treated as Non Resident in India

(B) Residential status of Mr E.

→

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Particulars	No. of days	satisfied/ Not satisfied
Basic conditions		
(i) stay in India for 182 days or more	245 days	satisfied
OR		
(ii) stay in India for 60 days or more in PY	⟶	Not applicable
And		
365 days or more in last 4 PYs		
Additional condition		
(i) Resident in India for 2 PY's or more in last 10 PY's	NIL	NOT satisfied
And		
(ii) Stay in India for 730 days or more in last 7 PY's	NIL	NOT satisfied

Conclusion :- Since Mr E satisfied Basic condition but he has not satisfied both the additional conditions. So he is treated as R but NOR.

(C) Residential status of firm/LLP/AOP/BOI/local authority/AJP - Sec 6(2)

If control and Management

- Wholly or Partly in India → Resident
- Wholly outside India → Non Resident

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— D) Residential status of company Sec 6(3)

- Indian company → Always Resident
- Foreign company
  - Place of effective management in India (POEM) → Resident
  - Otherwise → NR

— Sec 5 :- Scope of Total Income

Total Income

- Indian Income
  - Income Received or deemed to be received in India
  - OR
  - Income accruing or arising or deemed to be accrue or arise in India
- Foreign Income
  - Income other than Indian Income

Taxability of Income for Individual and HUF

	Income	ROR	R-NOR	NR
1)	Indian Income	Taxable	Taxable	Taxable
Foreign Income 2)	Income from Business or Profession controlled / set up in India	Taxable	Taxable	Not Taxable
3)	Other foreign Income	Taxable	Not Taxable	Not Taxable

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Sr. NO	Income	Resident	NR
1)	Indian Income	Taxable	Taxable
2)	Foreign Income	Taxable	Not Taxable

NOTES:-

1) Income received means received for the first time. After receiving income outside India, subsequently if it is remitted into India, it cannot be treated as Receipt of Income.

2) Income may be in cash or in kind.

3) Any income already taxed on accrual basis, consequently remitted to India, is not chargeable to tax at the time of remittance irrespective of the residential status.

4) Income accrual in India means income generated in India or source of Income situated in India.

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1-3, 2-2, 3-1

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Mr. ---- PY 25-26 AY 26-27

Computation of Gross Total Income

		(1) R-OR	(2) R-NOR	(3) NR
1)	Interest on UK Development Bonds			
	→ 50% received in India	5000	5000	5000
	→ 50% outside India	5000	—	—
2)	Income from Business in Chennai	20000	20000	20000
3)	STCG on sale of shares of an Indian company received in London	20000	20000	20000
4)	Dividend from British company received in London	5000	—	
5)	LTCG on sale of plant at Germany			
	→ 50% in India	20000	20000	20000
	→ 50% outside India	20000		
6)	Income earned from Business in Germany → Received in India	40000	40000	40000
	→ outside India	30000	30000	—
7)	Profits from a business in Delhi	15000	15000	15000
8)	Income from HP in London deposited in Bank of London	50000	—	—
9)	Interest on debentures in an Indian company received in London.	12000	12000	12000

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10)	Fees for technical services rendered in India but received in London	8000	8000	8000
11)	Profits from a business in Mumbai managed from London	26000	26000	26000
12)	Income from property situated in Nepal received there	16000	—	—
13)	Income from Agriculture land in Nepal received there and brought to India	18000	—	—
14)	Income from profession in Kenya, ~~was~~ set up in India, received there, spent in India.	5000	5000	—
15)	Interest on savings bank deposit in SBI	12000	12000	12000
16)	Income from Russia, controlled from Russia	20000	—	—
17)	Dividend from Reliance Petroleum	5000	5000	5000
	Gross Total Income	352000	218000	183000

1) Note :- As per sec 10(1) Agriculture income from land in India is exempt from tax.

2) As per sec 56(2)(x), Gift received on occasion of marriage is exempt from tax

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3) Income taxable on accruable basis so past untaxed income remitted in India in current year shall be ignored.

Q16 HW pg 24 computation of Total income

Mr Ramesh & Mr Suresh PY 25-26, AY 26-27

	Particulars	NR Mr. Ramesh	ROR Mr. Suresh
1)	Interest on canada development bonds (50% received in India)	17500	40000
2)	Dividend from British company recd in London	–	20000
3)	Profits from a business in Napur, managed directly from London	100000	140000
4)	STCG on sale of shares of an Indian company received in India.	60000	90000
5)	Income from business in chennai	80000	70000
6)	fees for technical services rendered in India, received in canada	100000	–
7)	Interest on savings bank deposit in UCO Bank, Delhi.	7000	12000
8)	Rent Received in respect of HP at Bhopal	70000	42000
	Gross Total Income	434500	414000

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3) Income taxable on accruable basis so past untaxed income remitted in India in current year shall be ignored.

Q16 HW Pg 24 computation of Total income

Mr Ramesh & Mr Suresh PY 25-26, AY 26-27

	Particulars	NR Mr. Ramesh	ROR Mr. Suresh
1)	Interest on canada development boonds (50% received in India)	17500	40000
2)	Dividend from British company recd in London	—	20000
3)	Profits from a business in Napur, managed directly from London	100000	140000
4)	STCG on sale of shares of an Indian company received in India.	60000	90000
5)	Income from business in Chennai	80000	70000
6)	Fees for technical services rendered in India, received in canada	100000	—
7)	Interest on savings bank deposit in UCO Bank, Delhi.	7000	12000
8)	Rent Received in respect of HP at Bhopal	70000	42000
	Gross Total Income	434500	414000

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WN1:- IFHP

	R	S
Rent Rec'd	100000	60000
(-) Ded^{n} 30%	(30000)	(18000)
IFHP	70000	42000

Q7
Pg 11

Mr. Dhruv — PY 25-26 AY 26-2

(a) Determine Residential status.

Particulars	No. of Days	Satisfied/ Not satisfi
Basic conditions		
(i) Stay in India for 182 days or more in PY	164 days	Not satisfie
OR		
(ii) Stay in India for 60 days or more in PY	→	Not applica -ble
And		
365 days or more in last 4 PY's		

Conclusion :- He is treated as NR for PY 25-26

A M J J A S O N D J F M
30 31 30 31 12 - - - - 12 18 -

PY 25-26 = 164 days
PY 26-27 = ~~8~~ 40 days

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Calculation of Tax liability

→ Taxes as per Default Tax Regime U/S 115BAC

upto 282000	—	—
		Nil

→ Taxes as per Normal Prov. (opt out from 115BAC)

upto 250000	—	—
> 250000 upto 282000	5%	1600
		1600
(-) Rebate U/S 87(A)		N.A
		1600
Add: HEC 4%		64 i.e 1660
		1664

(b) If Gift from wife friends is ₹16,00,000 instead of ₹2,82,000.

If Indian citizen or person of Indian origin visit India and his total Income (other than foreign source Income) is more than ₹1500000 then we have to check 2nd Basic condition and instead of 60 days, 120 days shall be considered.

Particulars	No of Days	Satisfied / Not satisfied
Basic condition		
(i) Stay in India for 182 days or more in PY	164 days	Not satisfied
or		
(ii) Stay in India for 120 days or more in PY	164 days	→ Satisfied
and		
365 days or more in last 4 PY's	400 days	

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conclusion :- He is treated as R but NOR

calculation of tax as per default tax regime

upto 400000	—	—
>400000 upto 800000	5%	20000
>800000 upto 1200000	10%	40000
>1200000 upto 1600000	15%	60000
		120000
Add:- HEC 4%		4800
		124800

Calculation as per old tax Regime (Normal Prov.)

upto 250000	—	—
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 1600000	30%	180000
		292500
Add:- HEC 4%		11700
		304200

Note:- As per sec 56(2)(x) any gift received from relative shall not be taxable. Parents of spouse and sister of spouse is covered in the definition of relative. so gift from them is exempt.

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Q4 / Pg 16

Mr Raghu PY 25-26 AY 26-27

Determine Residential status

	No of Days	Satisfied/ Not
Basic condition		
(i) Stay in India for 182 days or more in PY	179 days	Not satisfied
or		
(ii) Stay in India for 60 days or more in PY	179 days →	→ satisfied
And		
365 days or more in last 4 PY's	380 days →	
Additional condition		
(i) Resident in India for 2 PYs or more in last 10 PY's	—	—
And		
(ii) Stay in India for 730 days or more in last 7 PY's	700 days	Not satisfied

Conclusion :- since Mr Raghu satisfied Basic condition but he could not satisfy both the additional conditions so he will be treated as R but NOR.

When Assessee is a R but NOR then only Indian income is taxable and foreign income is taxable only if business is controlled from India or profession was set up in India.

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Computation of Total Income

Salary from Indian company	1500000	
(-) Standard deduction u/s 16	(50000)	1450000
Interest on Bank FD with PNB		10500
	GTI	1460500
(-) :- 80TTB interest on FD		(10500)
		1450000

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Q8 HW pg 14

Miss Charlie PY 25-26 AY 26-27

Determine Residential status

Particulars	No of days	Satisfied/ Non satisfied
Basic conditions		
(i) Stay in India for 182 days or more in PY	177 days	Not satisfied
or		
(ii) stay in India for 60 days or more in PY	→	Not applicable
And		
365 days or more in last 4 PY's		

Conclusion :- She is treated as Non Resident

Income from House Property

Particulars	₹
Gross Annual value	275000
(-) Municipal Taxes	—
Net Annual value	275000
(-) Deduction u/s 24	
(a) standard deduction @30% NAV	(82500)
(b) Interest on loan	(97500)
IFHP	95000

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Calculation of Tax liability

As per Normal provision (opt out from default tax Regime 115BAC)

₹ 267000 (95000 + 172000)

upto 250000	—	—
> 250000 upto 267000	5%	850
		850
Add:- HEC 4%		34
		884
	i.e	880

b) If Miss charlie was a person of Indian origin and her total Income from Indian sources was 18,00,000

Particulars	No of Days	satisfied/ Not satisfie
Basic condition		
(i) Stay in India for 182 days or more in PY	177 days	Not satisfie
or		
(ii) Stay in India for 120 days or more in PY	177 days	satisfied
And		
365 days or more in last 4 PY's	16 days	Not satisfied

Conclusion:- She is treated as Non Resident as any of the basic condition ~~are~~ is not fully satisfied.

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Calculation of Tax as per default tax Regime

upto 400000	—	—
>400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
>1200000 upto 1600000	15%	60000
>1600000 upto 1800000	20%	40000
		160000

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Sec 7:- Income deemed to be received in India

1) Employees contribution in excess of 12% in RPF ~~of~~ salary and Interest credited in excess of 9.5% in RPF

2) Employer contribution to Nation Pension scheme of employee

3) Amount transfer from URPF (Unrecognised Provident fund) to RPF.

Sec 9:- Income deemed to be accrued / Arise in India

1) Dividend paid by Indian company outside India.

2) Salary received by Indian citizen from Indian government for service rendered outside India

Note:- As per sec 10(7) Perquisite and Allowances are exempt.

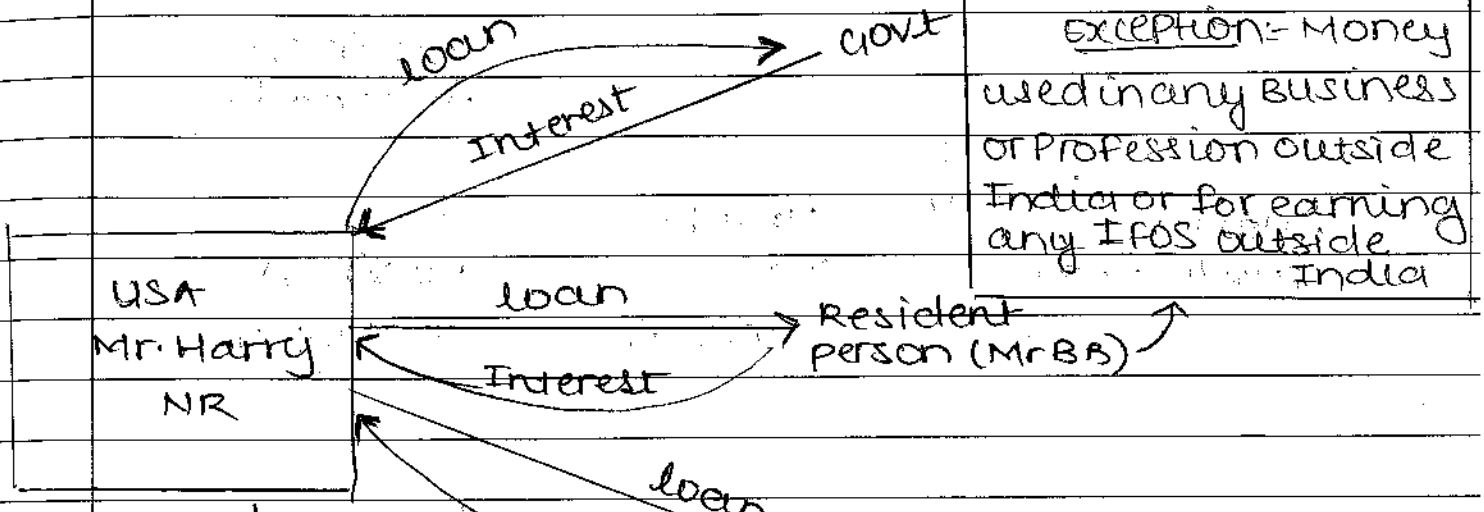
3) Salary Income for service rendered in India whether such amount is received before or after the service.
Eg:- Gratuity, pension etc.

Sec 9(1)(v) :- Interest

If any Interest is received by NR shall be deemed to be accrued or arised in India in following cases -

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Exception:- Money used in any Business or Profession outside India or for earning any IFOS outside India

Interest deemed to be accrued or arise in India

Money used for any Business or Profession carried on by NR in India

Mr Harry (NR/ R but NOR) → Mr BB (Resident)

- Business in Mumbai → Yes
- Business in Nepal → No
- Flat in Dubai → No
- Shares of Tata ltd → Yes

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Business in canada → No

Harry (NR/R-NOR) —loan→ Mr Lobo (NR) (canada) → Business in Nagpur → Yes

Mr Lobo (canada) → Shares of Bajaj Finance (Investment) → No

Sec 9(1)(vi)/(vii) :- Royalty / fees for technical services

In following cases Royalty / FTS is ~~de~~ treated as deemed to be Accrued or Arise in India

Exception :- If service / Right used for any Business / Prof. outside India or earning any IFOS outside India

USA Mr Elon Musk (NR) —service→ Govt

Resident person Tata Motors —service→ Mr Elon Musk (NR)

Mr Elon Musk (NR) —Royalty / FTS→ NR (Mr Putin)

Deemed to be Accrued or Arise in India

Service / Right used for any Business / Prof in India or for earning any Income from any source in India

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sec 9(1)(viii) :- If any gift or money is made by resident to NR or R but NOR or foreign company outside India then it is treated as deemed to be accrued or arise in India for resident.

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CAPITAL GAIN

Sec 45(1) :- Charging Section

Any profit/gain from transfer of capital Asset shall be taxable under the head capital gain in the year in which transfer took place.

Sec 2(14):- Meaning of capital Asset

Capital Asset means property of any kind held by Assessee (movable / Immovable / Tangible/Intangible) whether it is connected with Business Profession or not.

But exclude :-

1) Stock in Trade (RM | WIP | FG)
2) Movable personal Asset (used by Assessee or family member for personal purpose)
   except :- Jewellery, drawings, painting, sculpture Archaeological collection or any other work of art.
3) Rural Agriculture land in India
4) Gold Bonds 1999, Deposit certificate issued under gold monetization scheme, 2015.
   ↖ Interest on this instrument also exempt

Note:- Meaning of Rural Agriculture land:-
It means agriculture land situated in Rural Area
Rural Area is a area which is not urban area.
-for urban area refer pg 29.

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Transfer includes:-

1) Sale of capital Asset
2) Exchange of capital Asset
3) Relinquishment of capital Asset
4) Extinguishment of any right in capital Asset
5) Compulsory acquisition of capital Asset under any law
6) Conversion of capital Asset into STOCK in Trade
7) In case of Immovable property if possession is transfered in the part performance of contract.
8) In case of co-op society, its share certificate/ membership Right is transferred.
9) Redemption of zero coupon bonds

Types of capital Asset

a) Any security listed in recognised stock exchange of India
Any other Asset → 2 years

b) Mutual fund (Equity oriented)
c) Unit of UTI (Unit Trust of India)
d) ZCB (zero coupon Bond) → 1 year

If Asset held for more than 1 year / 2 year → LTCA → LTCG

If Asset held for 1 year / 2 year or less → STCA → STCG

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	Asset	POH
1)	House Property	2 years
2)	Shares of TCS ltd listed in BSE	1 year
3)	Gold	2 years
4)	Shares of Apple inc. listed in USA stock exchange	2 years
5)	Equity oriented unit of Kotak MF unlisted	1 year
6)	Debt oriented unit of SBI MF unlisted	2 years
7)	Debt oriented unit of HDFC MF listed in NSE	1 year
8)	Equity shares of BD Virtuals Pvt ltd	2 years
9)	ZCB unlisted	1 year
10)	Debentures unlisted	2 years

Sec 48 :- Computation of capital gain

In case of STCA

full value of consideration (FVOC)	xxx
− Transfer expense	(xxx)
Net consideration	xxx
− cost of acquisition (COA)	(xxx)
− cost of improvement (COI)	(xxx)
STCG	xxx

Imp Note :- If any immovable property acquired before 1/4/2001 then FMV as on 1/4/2001 is restricted to SDV on 1/4/2001 if SDV available.

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In case of LTCA

If transfer before 23/7/24		If transfer on or after 23/7/24	
Full value of consideration	xxx	Full value of consideration	xxx
– Transfer expenses	(xxx)	– Transfer expenses	(xxx)
Net consideration	xxx	Net consideration	xxx
(Note 1) – Index cost of acquisition	(xxx)	– Cost of acquisition	(xxx)
– Index cost of Improvement (Note 2)	(xxx)	– Cost of Improvement	(xxx)
LTCG	xxx		xxx

Note 1:- Index cost of Acquisition

$$\text{Cost of Acquisition} \times \frac{\text{Index of the year of Transfer}}{\text{Index of the year of Acquisition}}$$

Note 2:- Index cost of improvement

$$\text{Cost of Improvement} \times \frac{\text{Index of the year of Transfer}}{\text{Index of the year of Improvement}}$$

Note 3:- Asset Acquired before 1/4/2001

COA ↑ (i) Cost xxx
(ii) FMV as on 1/4/2001 xxx
Whichever is Higher

Note 4:- If any improvement before 1/4/2001 → IGNORE

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Residence

Q10 / pg 17 — Determine Residential status

Particulars	No of Days	Satisfied / Not satisfied
Basic conditions		
(i) stay in India for 182 days or more in PY	133 days	Not satisfied
or		
(ii) Stay in India for 60 days or more in PY	→	Not applicable
and		
365 days or more in last 4 PYs		

Conclusion :- is treated as NR for PY 25-26

Computation of Tax liability

→ As per Normal Prov. (shifting out of Default Tax Regime)

upto 250000	—	—
>250000 upto 262000	5%	600
		600
	Add	24
	HEC 4%	624

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FY	C.I.I	FY	C.I.I	FY	C.I.I
2001-02	100	2010-11	167	2019-20	289
2002-03	105	2011-12	184	2020-21	301
2003-04	109	2012-13	200	2021-22	317
2004-05	113	2013-14	220	2022-23	331
2005-06	117	2014-15	240	2023-24	348
2006-07	122	2015-16	254	2024-25	363
2007-08	129	2016-17	264	2025-26	376
2008-09	137	2017-18	272		
2009-10	148	2018-19	280		

Ex:- Mr Meet Acquires a House Property on 16/8/1986 for ₹ 200000

He incurred following expenses on Improvements

PY 93-94	100000
PY 05-06	250000
PY 23-24	180000

FMV of Asset as on 1/4/2001 is ₹ 850000. He sold this HP for ₹ 53,00,000

Calculate capital gain if he sold on

a) 22/7/2024

b) 23/7/2024

→

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Part A :- Computation of capital gain if sold on 22/7/2024

		PY 24-25 AY 25-26
Full value of consideration		5300000
(-) Transfer expenses		—
Net consideration		5300000
(-) Index cost of Acquisition		
↑ Cost	200000 × 363/100	(3085500)
FVOC 1/4/1	850000	
(-) Index cost of Improvement		
05-06	250000 × 363/117	(775641)
23-24	180000 × 363/348	(187759)
		125/100

Part B :- Computation of capital gain if Asset transfer on 23/7/24

Full value of consideration	5300000
(-) Transfer expense	—
Net consideration	5300000
(-) Cost of Acquisition	(850000)
(-) Cost of Improvement	
PY 05-06	(250000)
PY 23-24	(180000)
	4020000

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computation of capital gain

PY 24-25 AY 25-26

Particulars	Amt
Full value of consideration	3700000
(-) Transfer expense (2%)	(74000)
Net consideration	3626000
(-) Index cost of acquisition	(1165596)
350000 × 363/109	
(-) Index cost of improvement	(642478)
200000 × 363/113	
capital Gain	1817926

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Sec 112 :- Tax Rates in case of LTCG

a) If Asset transfer before 23/7/24 — 20%.
b) If Asset transfered on or after 23/7/24 — 12.5%.

Note (Imp) :- If following conditions are satisfied the Tax on LTCG shall be 12.5% without indexation or 20% with indexation whichever is lower.

a) Assessee should be Resident Individual / HUF
b) Asset should be immovable property
c) such Asset acquired before 23/7/24
d) such Asset transfered on or after 23/7/24

Ex 2 :- M/s Avani acquired a House Property on 10/7/2005 for ₹ 500000. She has incurred improvement cost on such property in PY 12-13 for ₹ 200000. She transfered such property on 10/12/25 for ₹ 5000000. Her income from other sources is ₹ 10,00,000 calculate Tax liability of Ms Avani as per Default tax regime U/S 115BAC

Note :- CG with Index

FVOC — 5000000

(-) ICOA

$500000 \times \frac{376\ (25-26)}{117\ (05-06)}$ (1606838)

(-) ICOI

$200000 \times \frac{376\ (25-26)}{200\ (12-13)}$ (376000)

3017162

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Ms. Avani PY 25-26 AY 26-27

Capital Gain		
Full value of consideration	5000000	
(-) Transfer expense	-	
Net consideration	5000000	
(-) cost of Acquisition	(500000)	
(-) cost of Improvement	(200000)	
LTCG		4300000
other income		1000000
GTI/NTI		5300000

Calculation of Tax liability

(i) Tax on LTCG

a) 12.5% without Index (4300000 × 12.5%) 537500

b) 20% with index (3017162 × 20%) 603432

(Note 1) 537500

(ii) Tax on Balance income

upto 400000	—	—
>400000 upto 800000	5%	20000
>800000 upto 1000000	10%	20000
		577500
Add:- surcharge @ 10%		57750
		635250
Add:- HEC @ 4%		25410
		660660

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LTCA	Transfer before 23/7/24	Transfer on or after 23/7/24
While calculation of Capital Gain	Index Benefit available	Index Benefit Not available
While calculation of Tax liability on LTCG u/s 112	Tax Rate :- 20%.	Tax Rate :- 12.5%. Resident Individual + Immovable property + Acquired before 23/7/24 (i) 12.5% without Index (ii) 20% with Index

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Particulars	₹	₹
Full value of consideration		1250000
(-) Transfer expense		
Net consideration		
(-) cost of acquisition		1600000
(-) cost of improvement		

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Sec 45(2) - Conversion of capital Asset into stock in Trade.

Normally year of tax is equal to year of transfer but in case of conversion of capital Asset into stock in trade transfer took place in the year of conversion. However the tax is paid in the year in which the stock in trade is sold. In this case, income is divided in 2 parts.

computation of capital gain

FVOC (FMV on date of conversion)	xxx
- Transfer expenses	(xxx)
Net consideration	xxx
- COA | ICOA	(xxx)
- COI / ICOI	(xx)
STCG | LTCG	xxx

PGBP

Sale value of stock	xxx
(-) FMV of capital Asset on sale of conversion	(xxx)
PGBP	xxx

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Q4/Pg92

Mr X — PY 25-26 AY 26-27

Particulars	₹
Full value of consideration (FMV on conversion)	550000
(-) Index cost of Acquisition	
60000 × 348 (23-24) / 113 (04-05)	(184778)
LTCG	365222

PY 25-26 AY 26-27

PGBP	₹
SP of stock	600000
(-) FMV on conversion	(550000)
PGBP	50000

Imp
Note :- If stock in trade is sold in part then capital gain is also taxable in part.

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Q5
29/12

Plot of land	Transfer	Conversion into ST	Cost of sales per flat → 5 flats ct. sto
1982-83		01/04/2010	15 flats sold
Cost :- 1000000		PY 10-11	@ 20 lakhs per flat
FMV 1/4/1 :- 930000		FMV :- 15000000	(PY 25-26)

Computation of capital gain

			₹
FVOC (FMV on date of conversion)			15000000
(-) Transfer expenses			—
Net consideration			15000000
(-) Index cost of acquisition			
↑ (i) Cost	1000000	× 167 (10-11) / 100 (01-02)	(1670000)
(ii) FMV 1/4/1	930000		
Gross LTCG			13330000

∴ Capital gain taxable in PY 25-26 (AY 26-27)

$$13330000 \times \frac{15 \text{ flats}}{20 \text{ flats}} = 9997500 \text{ LTCG}$$

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	PY 25-26 AY 26-27
PGBP	
SP of stock (15 Flats x 20 lakhs)	30000000
(–) FMV of Plot on the conversion $\left(150 \text{ lakhs} \times \frac{15 \text{ Flats}}{20 \text{ Flats}}\right)$	(11250000)
(–) Cost of construction (8 lakhs x 15 Flats)	(12000000)
PGBP	6750000

Note 1:- As per sec 45(2), in case of conversion of capital asset into stock in trade, transfer took place in the year of conversion but the capital gain is taxable in the year in which the stock is sold. In the present question Preeti sold 15 flats in PY [25-26], so proportional capital gain taxable is PY [25-26]

2) If any asset acquired before 1/4/2001 then COA shall be Actual cost or FMV as on 1/4/2001 whichever is higher. In the present qn Actual cost is 10,00,000 i.e higher than FMV 1/4/2001 i.e 9,30,000 so we have to consider ₹ 10,00,000.

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Sec 45(5) :- Compulsory acquisition of Capital Asset

Normally year of Tax is equal to year of transfer but in case of compulsory acquisition of capital Asset, transfer is took place in the year in which the Asset is compulsorily acquired but capital gain is taxable in the year in which compensation is received.

Part A :- For Initial compensation

Computation of CG

	Initial compensation
FVOC	
(-) Transfer exp.	(xx)
Net consideration	xx
(-) COA / ICOA	(xx)
(-) COI / ICOI	(xx)
ST/LTCG	xxx

Part B :- For additional compensation

Computation of CG

	₹
FVOC	Additional comp.
(-) legal charges / litigation charges	(xx)
ST/LTCG	xxx

— Compensation received in Installment —

A) Initial compensation :- If it is received in installment then total initial compensation taxable in the year in which 1st installment is received.

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B) Enhanced / Additional compensation → If it is received in installment then it is taxable as and when received.

Note:- If Interest is received on late compensation then such Interest is taxable under [IFOS] in the year in which it is received.

Taxable Amt = Interest Received × 50%. [50% standard deduction u/s 57]

Q7 / Pg 93

Mr Naveen — PY 25-26, AY 26-27

Computation of capital gain on Initial compensation

Full value of consideration (Initial compensation)	1400000
(-) Transfer expense	-
Net consideration	1400000
(-) Indexed ~~cost of Acquisition~~ [200000 × 148/100]	(296000)
LTCG	1104000

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For Addition compensation — PY 25-26, AY 26-27

RVOC (Additional)	250000
↳ legal charges	(6000)
LTCG	244000

Note 1:- If initial compensation is received in installment then total initial compensation in the year in which 1st installment is received. In the present case 1st installment of ₹10,000 is received in PY [25-26] so total compensation of 1400000 taxable in the year

Note 2:- Nature of capital gain on additional compensation depends upon nature of capital gain on original compensation. If capital gain on original compensation is long term then CG on enhanced compensation shall be long term as well.

Q8 / g93

Mr shivam

Computation of CG on initial compensation

RVOC (Initial compensation)	2000000
(-) Transfer expense	(30000)
Net consideration	1970000
(-) Indexed cost of Acquisition $\left[1200000 \times \frac{317}{113}\right]$	(3366372)
LTCG	(1396372)

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For additional compensation — PY 25-26 AY 26-27

FVOC Additional	1800000
(-) legal charges	(100000)
	1700000
(-) LTCL OF PY [25-26] AY [26-27]	1396372
	303628

Imp Note :- If any enhance compensation is received due to interim (temporary) order of any court, then such compensation shall be taxable in the year in which final order is made.

Interim order passed in PY 25-26 and Award compensation of ₹ 500000 (Received in PY 25-26)

↓

Final order passed in PY 27-28 and decided compensation ₹ 700000

₹ 500000 Already Received	Remaining ₹ 200000
↓	↓
Taxable in PY 27-28	Received in PY 29-30
	↓
	Taxable in PY 29-30

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NOTE:- As per CBDT if compensation is exempted as per sec 96 of Fair compensation and Transperancy in the Land Acquisition, Rehabilitation and Resettlement Act, 2013, such compensation also exempted under Income Tax Act.

Sec 45(1A) Destruction/Damage of Capital Asset

Normally Destruction is not treated as transfer of capital Asset however if destruction of capital Asset is due to following 4 reasons and Insurance claim is received then it is treated as transfer and capital gain is applicable.

1) Natural Calamities (flood, Tsunami, earthquake)
2) Riots
3) Enemy Attack
4) Fire explosion

In above cases, Asset is transfered in the year of destruction but capital gain is taxable in the year in which Insurance claim is received.

Computation of capital gain

FVOC [Insurance claim] (money/FMV of Asset Received in claim]	xxx
(-) Transfer expensed	(xx)
Net consideration	xxx
(-) COA/ICOA	(xx)
(-) COI/ICOI	(xx)
ST/LTCG	xxx

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Eg:- Miss Diksha acquired a HP in PY 25-26 ₹ 500000 On 1/11/2025, the HP was destroyed due to fire. Insurance claim of ₹ 20000000 was received on 19/7/2026. Compute capital Gain

Capital Gain	PY 25-26 AY 26-27
Full value of consideration	20000000
(-) Cost of Acquisition	(500000)
LTCG	19500000

Sec	Cases	Year of Transfer	Year of Tax
45(2)	Conversion of capital Asset into stock in trade	Conversion into SIT	Stock sold
45(5)	Compulsory fees of capital Assets	Compulsory Acquisition	Compensation Received
45(1A)	Destruction of capital Assets	Destruction year	Insurance Claim Received

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Special case 1

Sec 50C:- Stamp Duty value (SDV) shall be treated as FVOC

In case of immovable property held as capital ASSET if SDV is more than 110% of consideration then such SDV shall be treated as FVOC.

	case I	II	III	IV	V
SP	100000	100000	100000	200000	200000
SDV	107000	112000	110000	2100000	2700000
FVOC	100000	112000	100000	200000	2700000

If Assessee not satisfied with SDV and he claimed that SDV is more the Market value then his case may transfer to valuation officer by Assessing officer. If value determined by VO is more than SDV then value of VO shall be ignored and SDV is treated as FVOC.

If value determined by VO is less than SDV then value of VO shall be treated as FVOC

SDV on the date of Registration or Agreement

Normally SDV considered on the date of registration but if date of Agreement and Registration are not same then Assessee can take SDV on the date of Agreement if he received consideration or part there of upto the date of agreement by account pay check, account pay, demand draft or any other electronic mode through Bank Account.

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Electronic mode :- Debit card, Credit card, Net Banking,
→ RTGS, NEFT, IMPS, BHIM UPI and QR code.

Mr BB acquired HP on 16/7/2002 for ₹ 15,00,000 on 14/2/2026 he sold the property to Mr. Lakshman for ₹ 62,00,000. Lakshman paid stamp duty of ₹ 552000 i.e 6% at the time of registration. Assessee (BB) paid Brokerage @ 1% of consideration. Calculate capital Gain Income of Mr BB

Mr BB PY 25-26 AY 26-27

Capital Gain.

Particular		Amt
FVOC SP = 6200000		9200000
SDV = 552000 / 6%		
(-) Transfer fees [1% on 6200000]		(62000)
		9138000
(-) COA		(1500000)
	LTCG	7638000

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— Special case 2 —

Sec 51 :- Advance money forfeited (token money)

SP = 100000
SDV = 112000
VO = 107000

FVOC = 107000

If any Advance money is forfeited before 1/4/2014 then it should be reduced from :-

a) Cost of Asset (If Asset acquired on or after 1/4/2001)
b) FMV as on 1/4/2001 (Asset Acquired before 1/4/2001 and FMV as on 1/4/2001 > Cost)
c) WDV in case of depreciable Asset

Note 1 :- Advance money deduced before indexation if Indexation is applied.

Note 2: Advance money forefeited by previous owner shall not be reduced.

Sec 56(2)(ix) :- If any advance money forefieted on or after 1/4/2014 then it shall be taxable under income from other sources in the year of forefeiture.

∴ Forfeiture cost se jyada ho to NIL

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— Special case 3 —

Sec 47 :- Following transactions not regarded as Transfer (Exempt Transfer)

1) Distribution of capital Asset by HUF to members on partition.

2) Transfer of capital Asset by Individual or HUF under gift, will or inheritance.

Exception :- If shares alloted under ESOP and gifted to someone, then it is treated as transfer and capital gain is applicable. for computation of CG, FMV as on date of gift is considered as FVOC.

3) Transfer of capital Asset by holding 100% subsidiary company and subsidiary company is an Indian company.

4) Transfer of capital asset by 100% subsidiary co. to holding co. and holding co. is an Indian company.

1) COA = Cost to Previous owner [49(1)]
2) COI = Incurred by Previous owner as well as present owner shall be considered.
3) Period of Holding :- POH of the previous owner as well as present owner shall be considered
4) ICOA = COA × (Index of the year of Transfer / Index of the year in which previous owner acquired the Asset.)

↓
If Asset is transfered before 23/7/24

[case law :- Manjula J. Shah - Bombay HC]

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Benefit of FMV as on 1/4/2001 ⟶ Available

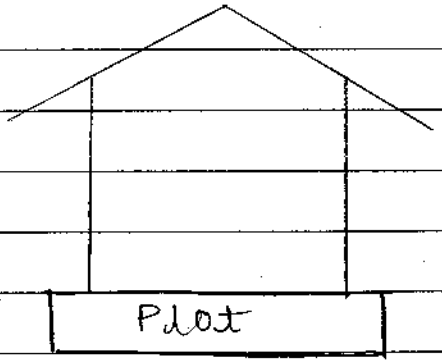
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Mr. Dinesh — PY 25-26 AY 26-27

Full value of consideration	6500000
SP = 5500000	
SDV = 6500000	
[As per sec 50C If SDV > 110% of consideration so SDV treated as FVOC]	
(-) Transfer expenses	—
Net consideration	6500000
(-) COA	
Plot (Previous owner)	(700000)
Building	(1500000)
(-) COI	(500000)
LTCG	3800000

Eg:-
Mr Akshat

Sale on 10/12/25
SP:- 50,00,000



PY 24-25
Cost:- 700000

PY 12-13
Cost:- 500000

TELEGRAM: CA NOTE HUB

SP = 50,00000

	Plot	Building
	3000000	2000000
-COA	(50000)	(700000)
LTCG	2500000	1300000

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Mr Dee PY 25-26 AY 26-27

Computation of capital Gain

		₹
FVOC		2200000
(-) Transfer expenses		—
Net consideration		2200000
(-) Cost of Acquisition (cost to previous owner)		
(i) Actual cost	65000	
(ii) a) FMV on 1/4/2001	270000	(270000)
b) SDV on 1/4/2001	290000	
(-) COI (Mr Kay)		(235000)
LTCG		1695000

Note:- As per sec 51, Advance money forfeited before 1/4/14 by Assessee shall be reduced from COA but in the present question advance money is forfeited by previous owner (Mr Kay) shall not be reduced.

TELEGRAM: CA NOTE HUB

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Mr X PY 25-26 AY 26-27

Computation of capital gain

full value of consideration		5800000
(-) Transfer expenses		—
Net consideration		5800000
(-) COA		
(i) cost	525000	
(ii) FMV as on 1/4/11	1190000	
SDV as on 1/4/11	1290000	
[1190000 - 40000]		(1150000)
	LTCG	4650000

Note:- Advance money forfeited before 1/4/01 should be reduced from COA as in the present question ₹40000 forfeited by Mr X shall be reduced

TELEGRAM: CA NOTE HUB

5) Capital Asset transfer by Amalgamating company to Amalgamated company in the scheme of amalgam-ation and Amalgated company is an Indian company.

6) shareholder transfer share of amalgamating company and received share of amalgatnated company is not treated as transfer.

7) Capital Asset transfered by Demerged company to resulting company and Risulting company is an Indian company

8) conversion of Bonds / Debentures / Deposit certificate into shares or debentures of that company.

9) Conversion of preferance shares into equity share of that company

Mr BB purchased 1000 Rs. of Adani ltd on 16/7/2012 @ 100 each. During the PY 22-23, preferance shares converted into equity shares and he has received 1700 eq. share FV of 10. On 19th Dec 2025 he sold all the equity shares @ 200 each. Discuss Tax treatment

a) Conversion of Preference share into equity share is not treated as transfer so in PY 22-23 Capital gain is not applicable.

TELEGRAM: CA NOTE HUB

b) Computation of capital gain on sale of Equity share PY 25-26 AY 26-27

Particulars	Amt
FVOC (1700 x 200)	340000
(-) COA (Pref share) (1000 x 100)	(100000)
LTCG	240000

10) Redemption of Sovereign Gold Bond (SGB) issued by RBI in case of individual.

11) Transfer of capital Asset under Reverse Mortgage scheme of senior citizen.

Note:- Any money received by senior citizen under Reverse Mortgage scheme is fully exempt u/s 10(43)

12) Conversion of Gold into Electric Gold Receipt (EGR) or conversion of EGR into Gold is not treated as transfer and capital gain is not applicable at the time of conversion.

Eg:- Mr Ganesh purchase 10gm Gold for ₹9000 in PY 12-13 on 16/4/2024 he converted such Gold into EGR. On 14/2/2026 he sold such EGR for ₹100,000. Discuss Tax Treatment.

a) On conversion of Gold into EGR is not treated as transfer so capital gain is not applicable at the time of conversion of Gold into EGR

TELEGRAM: CA NOTE HUB

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b) Capital gain on sale of EGR

	PY 25-26 AY 26-27
FVOC	100000
(-) Transfer expense	—
Net consideration	100000
(-) COA (cost)	(9000)
LTCG	91000

- Special case 4 —

Capital gain in case of Bonus shares and Right shares

Bonus shares

Allotted before 1/4/1	Allotted on or after 1/4/1
↓	↓
COA	
(i) Cost	Nil
(ii) FMV on 1/4/1	xxx
COA	xxx
	Always Nil

POH :- from Allotment date to transfer date.

TELEGRAM: CA NOTE HUB

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Right share

Acquired by Shareholder

COA :- Amt paid to company

POH :- from Allotment date to transfer date

Renouncement of Right (Relinquishment of Capital Asset)

Capital Gain

FVOC :- Renouncement price

(-) COA :- Nil

STCG xxx

POH :- From offer date to Renouncement date.

In hands of Purchase of Right

COA :- Amt paid to company + Amt paid for Purchase of Right

POH :- from Allotment Date of shares till date of transfer.

TELEGRAM: CA NOTE HUB

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MS Usha PY 25-26 AY 26-27

Computation of capital gain

	1000 original shares [95-96]	100 Bonus [01-02]	1100 Bonus shares [05-06]
FVOC [SP 200 per share]	200000	20000	220000
↳ Transfer expense (2% Brokerage)	(4000)	(400)	(4400)
Net consideration	196000	19600	215600
↳ COA			
a) 1000 original shares			
(i) cost 30300			
(ii) FMV 1/4/1 80000	(80000)		
b) 100 Bonus shares			
(i) cost NIL			
(ii) FMV 1/4/1 8000		(8000)	
c) 1100 Bonus shares			NIL
	116000	11600	215600
	LTCG = 343200		

TELEGRAM: CA NOTE HUB

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Mr R — PY 25-26 AY 26-27

Computation of capital gain

	1000 eq shares	200 Right shares	200 Right
FVOC	300000	60000	6000
	(1000×300)	(200×300)	(200×30)
(-) Transfer	—	—	—
Net consideration	300000	60000	6000
(-) COA			
i) 1000 original shares	(75000)		
ii) 200 Right shares (200×160)		(32000)	
iii) 200 Right	—	—	Nil
	225000	28000	6000
	↓	↓	↓
	LTCG	STCG	STCG

Mr Q — PY 25-26 AY 26-27

FVOC (200×280)	56000
(-) COA (160+30) : 190×200	(38000)
STCG	18000

TELEGRAM: CA NOTE HUB

— Special case 5 —

Capital Gain in case of Intangible Asset.

In case of :-

1) Goodwill of Business / Profession or other Intangible Asset.
2) Trademark or Brand Name
3) Patent or copyright
4) Right to carryon any Business or Profession
5) Tenancy Right, Routepermit, Looms hours or any other Right

COA → Self Generated → NIL

→ Purchase → Purchase price

Note :- 1) In case of above asset FMV as on 1/4/2001, Benefit is not available

2) In case of Goodwill of Business, patent, copyright, Right to carryon any Business or Profession or any other Intangible Asset. Cost of Improvement is always treated as NIL.

TELEGRAM: CA NOTE HUB

— Special case 6 —

Sec 50 CA :- Capital Gain in case of unquoted (unlisted) shares

In case of transfer of unlisted share if sale value is less than FMV then FMV is ~~co~~ treated as full value of consideration.

Eg :- Mr BB acquired 10,000 shares of BB Virtuals Pvt Ltd @10 on 15/10/2017. On 10/12/2025 He transfered ~~50~~ 5100 shares to Anupam Mittal @ 1000 per share. FMV of share is ₹ 20000 per share. Compute capital gain

Mr BB		PY 25-26 AY 26-27
Full value of consideration		102000000
(-) Transfer exp		—
		102000000
(-) COA [5100 × 10]		51000
	LTCG	101949000

TELEGRAM: CA NOTE HUB

— special case 7 —

Sec 50B :- Slump sale

It means transfer of undertaking, units, Business for lumpsum consideration without assigning value of Individual Asset and liabilities.

Computation of capital gain

FVOC* :- FMV as per Rule 11 UAE
(-) Transfer exp (XXX)
Net consideration XXX
(-) COA [Net worth*] XXX
↳ [No Index] ST/LTCG XXX

* Networth

Asset	₹
Depreciable Asset	WDV as per Income Tax Act
Other Assets	Book value
(-) Liabilities	(Book value)
Net Worth	XXXX

* FVOC : FMV as per Rule 11 UAE

↑ FMV 1 : FMV of undertaking transfer
FMV 2 : FMV of consideration received
Whichever is Higher

Note :- 1) Revaluation of Asset shall be ignored.
2) Index benefit is not available in case of slump sale even if it transfered before 23/7/2024.

TELEGRAM: CA NOTE HUB

3) If undertaking is held for more then 3 years then LTCG otherwise STCG.

4) For Net worth calculation value of self generated Asset shall be taken as NIL

5) for calculation of Net worth value of Asset on which deduction u/s 35AD claim is taken as NIL

6) NO Profit under PGBP shall arise even if stock is transfered in slumps sale.

In case of exchange of Asset FVOC is equal to FMV of Asset received in return

TELEGRAM: CA NOTE HUB

Note:-
Since unquoted shares held more than 3 years so capital gain is long term capital gain.

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MRA PY 25-26 AY 26-27

computation of capital gain

FVOC (FMV as per Rule 11UAE)	3000000
(-) Transfer expenses	(28000)
Net consideration	2972000
(-) COA [Networth] [WN1]	(1250625)
LTCG	1721375

WN1:-

Asset	₹
Building [1200000 - 300000]	900000
Machinery	300000
Debtors	100000
Other Asset [150000 - 50000]	100000
Patent (Note 2)	28125
	1428125
(-) Liability	
Bank loan (200000 × 70%)	(140000)
Creditors (150000 × 25%)	(37500)
	1250625

WN2:-

Patent	₹
Cost	50000
(-) Depr. PY 23-24 @ 25%	(12500)
WDV 1/4/24	37500
(-) Depr. PY 24-25 @ 25%	(9375)
WDV 1/4/25	28125

TELEGRAM: CA NOTE HUB

— Special case 8 —

Sec 50D :- Capital Gain if consideration not determinable

FVOC is equal to FMV of Asset transferred [Asset jo dàa rahi hai]

— Special case 9 —

Sec 50AA :- Capital Gain in case of Debt Mutual fund, MLD (Market linked debenture), unlisted debentures and bonds.

In case of :-

a) Unit of specified Mutual fund acquired on or after 1/4/23
b) Market linked Debenture
c) unlisted debentures / Bonds transfered on or after 23/7/2024.

- The capital shall be calculated as follows and it is always STCG

Computation of capital Gain	₹
FVOC on transfer / Redemption or maturity	XXX
(-) Transfer exp	(XX)
Net consideration	XXX
(-) COA	(XX)
STCG	XXX

TELEGRAM: CA NOTE HUB

Note 1) :- In above cases capital gain is always STCG irrespective of POH.

2) Specified Mutual fund (Debt MF) means Mutual fund where Mutual fund company invests more than 65% of investible fund into debt security.

TELEGRAM: CA NOTE HUB

— Special case 10 —

Capital Gain in case of NR

If following conditions are satisfied then CG is calculated in foreign currency and reconvert it into Indian currency.

1) Assessee should be NR
2) Assessee should purchase share or Debenture of Indian company.
3) Such Asset purchased in foreign currency.

Eg:- Miss Sunny is a NR acquire shares of BB ltd an Indian company for ₹ 75000 on 16/7/2017 in US Dollar. She transferred all the shares on 10/12/2025 for ₹ 5,00,000. Transfer expenses is ₹ 20,000. Compute Capital Gain.

Exchange Rate	TTBR	TTSR
16/7/2017	50	52
10/12/2025	63	65

→ Ms Sunny

Capital Gain		₹
FVOC [Avg Rate on date of Trf]	$\left[\frac{62+65}{2}\right] = 64$	7812.5
	$\left[\frac{500000}{64}\right]$	
(-) Transfer expenses [Avg Rate on date of Trf]	$\left[\frac{20000}{64}\right]$	(312.5)
Net consideration		7500

TELEGRAM: CA NOTE HUB

(-) COA [Avg Rate on date of requisition] $\left[\frac{50+52}{2}\right] = 51$ (147059)

$\left[\frac{75000}{51}\right]$

LFCG in $ $6029.41

↳ convert into Indian ₹ by applying TTBR on date $6029.41 × 63

= 379853

TELEGRAM: CA NOTE HUB

SUMMARY

Set A Basic

★ 45(1) Charging Section

★ 2(14) Capital Asset

★ 2(47) Transfer

★★★ 48 Computation of Capital Gain

★★ Types of capital Asset

Set B ⊢ Tax Year ≠ Transfer year

★★★ 45(2) Conversion of capital Asset into STI

★★★ 45(5) Compulsory acquisition of capital Asset

★★★ 45(1A) Destruction of capital Asset

Set C Special cases

★★★ 1) 50C SDV → FVOC

★★★ 2) 51/56(2)(ix) Adv money forfeited

★★ 3) Exempt Transfer Sec 47

★★ 4) Bonus / Right Shares

★ 5) Intangible Assets

★★ 6) 50CA Unlisted Shares FMV → FVOC

★★★ 7) 50B Slump Sale

★ 8) 50D Consideration Not Determinable

★ 9) 50AA Debt MF / MLD / Unlisted Debentures / Bonds

★ 10) NR → CG → Sunny wala case

TELEGRAM: CA NOTE HUB

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MRC — PY 25-26 AY 26-27

FVOC			6800000
(-) Transfer exp			(50000)
Net consideration			6750000
(-) COA			
(i) Cost		106000	
(ii) a) FMV on 11/11		850000	
b) SDV on 11/11		810000	(810000)
(-) COI			
PY [2-3]			(735000)
PY [12-13]			(550000)
	LTCG		4655000

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As per sec 45(1A) if capital asset is destroyed due to fire and assessee received Insurance claim then it is treated as transfer and capital gain is applicable so, in the present case.

Computation

FVOC		600000
(-) COA (WDV)		(208800)
	STCG	391200

TELEGRAM: CA NOTE HUB

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Mr A — PY 25-26 AY 26-27

FVOC	1500000
(-) Transfer expense	(20000)
Net consideration	1480000
(-) COA [cost to HUF]	(120000)
(-) COI [Mr A]	(235000)
LTCG	1125000

TELEGRAM: CA NOTE HUB

— EXEMPTIONS —

Sec 54 :- Exemption for Residential House Property

a) Elegible Assessee :- Individual / HUF

b) Asset Transfered :- Residential House Property

c) Capital Gain on Transferred Asset :- LTCG

d) Asset to be acquired :- 1 Residential House Property in India.

Note :- If LTCG is upto ₹ 2 crore then Assessee can acquire 2 residential House Property within prescribed limit. This benefit of 2HP is available only once in the lifetime.

e) Time limit :- New House Property should be purchased within 1 year before the date of transfer or purchase within 2 years after the date of transfer or construct it within 3 years after the date of Transfer. (-1, +2, +3)

f) Capital Gain Account Scheme (CGAS) :- Assesse should acquire House Property or deposit desired amount in CGAS Account upto the due date of Return filing. Deposited Amount should be utilised for the purpose of HP within prescribed time limit. If the deposited amount is misutilised or unutilised then exemption claim earlier should be withdrawn.

TELEGRAM: CA NOTE HUB

g) Amount of exemption

(i) Capital Gain — xx
(ii) Cost of New Asset / deposited Amount (CGAS) — xx
Whichever is lower — xx

Note:- If cost of New Asset is more than 10 crore then Amt exceeding 10 cr shall not be taken into account for the purpose of exemption. It means maximum exemption can be 10 cr in this section.

Case	LTCG on transfer of Old House	Cost of New House	Exemption
I	5 cr	7 cr	5 cr
II	15 cr	12 cr	10 cr
III	15 cr	7 cr	7 cr
IV	7 cr	10 cr	7 cr
V	15 cr	17 cr	10 cr

h) Lockin-period :- New House Property should not be transfered within the period of 3 years from the date of acquisition. If it is transfered within the period of 3yrs, the exemption claimed earlier shall be withdrawn and it shall be reduced from cost of acquisition of New HP.

COA = Cost of Acquisition - Exemption claimed earlier

TELEGRAM: CA NOTE HUB

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Mr Ravi — PY 25-26 AY 26-27

computation of capital gain

Full value of consideration			2700000
(-) Transfer expenses			(15000)
Net consideration			2685000
(-) COA			
(i) Cost		80000	
(ii) FMV as on 1/4/1	200000		
SDV as on 1/4/1	190000	190000	(190000)
Gross LTCG			2495000
(-) Exemption u/s 54			
(i) capital gain		2495000	
(ii) cost of New Asset		500000	(500000)
LTCG			1995000

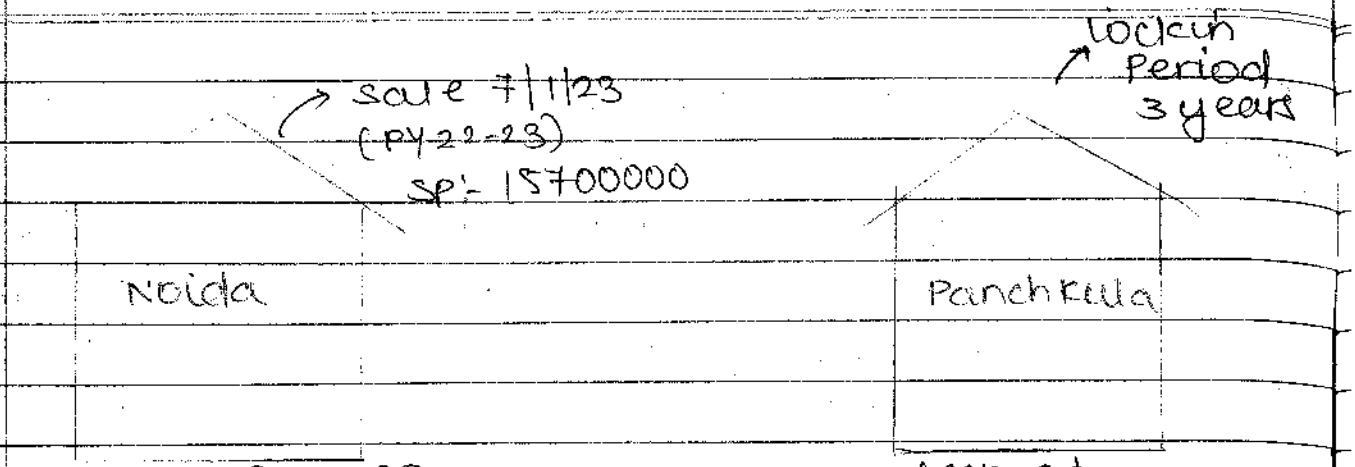
PY 25-26 AY 26-27

computation of capital gain

FVOC		900000
(-) Transfer expense		
Net consideration		900000
(-) COA		
[cost - Exemption claimed earlier]		—
[500000 - 500000]		
STCG		900000

TELEGRAM: CA NOTE HUB

Q22/97 PB



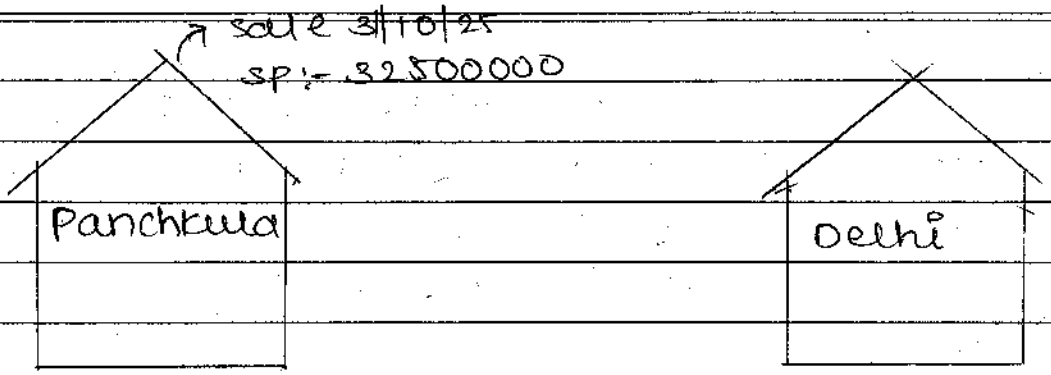
Computation of capital gain on sale of Noida Property

[POH 9/9/12 to 6/1/23]

FVOC		15700000
(-) Transfer exp		—
Net consideration		15700000
(-) ICOA		
3000000 × 331 [22-23] / 200 [12-13]		(4965000)
		10735000
Less:- Exemption u/s 54 (Note 1)		
(i) capital gain	10735000	
(ii) Cost of New Asset	20500000	10735000
		NIL

Note 1:- since Assessee acquired HP in Panchkula within the period of 2 years from date of transfer so he is eligible for exemption u/s 54.

TELEGRAM: CA NOTE HUB



Acquired
20|7|23
COST :- 20500000

2|3|26
COST :- 25700000
PY 25-26 AY 26-27
[POH 20|7|23 to 30|10|25

Capital gain on sale of Panchkula Property

FVOC	32500000
(-) Transfer exp	—
Net consideration	32500000
(-) Cost of Acquisition [Note 2] [cost - exemption claimed earlier] [20500000 - 10735000]	(9765000)
	22735000
Less :- Exemption u/s 54 [Note 3]	
(i) Capital Gain 22735000	
(ii) Cost of New Asset 25700000	(22735000)
Net LTCG	NIL

TELEGRAM: CA NOTE HUB

Note 2 :- As per sec 54 Assessee cannot transfer the New House within the period of 3 years from the date of acquisition. If it is transfered within 3 yrs then exemption claimed earlier shall be reduced from cost of New House while calculating capital gain.

In the present question, Panchkula House transfered within 3 years, so exemption claimed earlier reduced from COA of Panchkula House.

Note 3 :- There is a LTCG on Transfer of panchkula House and Assessee purchase Delhi property within 2 yrs from date of Transfer so exemption can be claimed u/s 54.

TELEGRAM: CA NOTE HUB

Sec 54 B:- Exemption for urban Agriculture land

A) Eligible Assessee :- Individual / HUF

B) Transferred Asset :- Urban Agriculture land which was used by Assessee or his parents for agricu purpose for 2 years before the date of transfe

C) CG on transferred asset :- STCG / LTCG

D) Asset to be acquired :- urban / Rural Agriculture la

E) Time limit :- New Agriculture land should be acquired within 2 years after the date of transf (+2

F) CGAS

G) Amount of exemption → same as Sec 54 (10cr limit was only for Sec 54)

H) Lock in period

Note :- If Assessee acquired New Asset as Rural Agricultu land and if he transfer that new Asset within the perio of 3 years then also exemption claimed earlier shall n be withdrawn because Rural Agriculture land is not Capital Asset.

TELEGRAM: CA NOTE HUB

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Mr. Suman PY 25-26 AY 26-27

Computation of capital Gain		₹
FVOC		2200000
(-) Transfer expense		(50000)
Net consideration		2150000
(-) COA		(200000)
Gross LTCG		1950000
Less:- Exemption u/s 54B		
(i) Capital Gain	1950000	
(ii) Cost of New Asset / Deposit Amt (800000+400000)	1200000	(1200000)
Net LTCG		750000

TELEGRAM: CA NOTE HUB

Sec 54D:- Exemption for compulsory acquisition of Industrial land and Building

a) Eligible Assessee :- All Assessee

b) Transferred Asset :- Compulsory Acquisition of Industrial land and Building which was used by Assessee for Industrial purpose for 2 yrs before the date of transfer.

c) CG on Transfered Asset :- LTCG/STCG

d) Asset to be acquired :- Industrial land and Building

e) Time limit :- New Industrial land and Building should be purchased or constructed within 3yrs after the date of Receipt of compensation.

f) CGAS

g) Amount of exemption

h) Lock in period.

→ same as Sec 54 (10 cr limit was only for sec 54)

TELEGRAM: CA NOTE HUB

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POR Ltd — PY 25-26 AY 26-27

Computation of capital gain		₹
FVOC		14000000
(-) Transfer expense		—
Net consideration		14000000
(-) COA		(350000)
Gross LTCG		1050000
(-) Exemption u/s 54D		
(i) Capital Gain	1050000	
(ii) Cost of New L&B	200000	(200000)
Net LTCG		850000

TELEGRAM: CA NOTE HUB

Sec 54EC :- Exemption for Immovable property

a) Eligible Assessee :- All Assessee

b) Transferred Asset : Immovable property (land / Build
land & Build

c) CG on transfered Asset :- LTCG

d) Asset to be acquired :- Bonds of specified compan
redeemable after five years.

NHAI :- National Highway Authority of India
RECL :- Rural electrification corporation ltd.
PFCL :- Power finance corporation ltd
IRFCL :- Indian railway finance corporation ltd
with effect of 1/4/25 HUDCO :- Housing and urban development corporation
with effect of 9/7/25 IREDA :- Indian Renewable energy Development agency ltd.

e) Time limit :- Bonds should be acquired within 6 months after the date of transfer

f) CGAA :- Not applicable

g) Amount of exemption :-

a) capital gain xx
b) Cost of Bonds xx

Note :- Assessee can claim max exemption of 50 Lac for bonds acquired within the period of 6 months

TELEGRAM: CA NOTE HUB

h) Lock in period :- Assessee cannot transfer Bonds or convert it into money within 5 years from the date of acquisition. If it is transfered / converted into money, exemption claimed earlier shall be withdrawn and it is treated as LTCG the year in which Bonds transfered or convert it into money.

Note 1 :- Convert it into money means loan / advance taken on the security of Bonds.

Note 2 :- U/S 54 EC, Time limit of 6 months calculated from the date of transfer but as per CBDT in case of conversion of capital Asset in SIT this time limit of 6 month calculated from the date of stock sold.

TELEGRAM: CA NOTE HUB

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Mr. Rahul — PY 25-26 AY 26-27

Computation of capital Gain

FVOC		10000000
(-) Transfer expense		—
Net consideration		10000000
(-) COA		(999300)
Gross LTCG		9000700
less:- Exemption u/s 54EC		
(i) capital Gain	9000700	
(ii) Cost of Bonds	7000000	
	7000000	
Max exempt	5000000	(5000000)
Net LTCG		4000700

Transfer
28/10/25

20/3/26 — 27/4/26

RECL + NHAI

5000000 + 2000000

Max 50,00000

TELEGRAM: CA NOTE HUB

Sec 54 f :- Exemption for Any LTCA

a) Elegible Assessee :- Individual / HUF

b) Transfered Asset :- Any LTCA except Residential House Property.

c) CG on Transfered Asset :- LTCG

d) Asset to be acquired :- One Residential House Property in India.

e) Time limit :- same as sec 54 (-1, +2, +3)

f) CGAS :- same as sec 54

g) Amount of exemption :-

(i) If Net consideration is fully utilised then capital gain is fully exempt

(ii) NC is partly utilised then capital gain is partly utilised

$$LTCG \times \frac{\text{Cost of New Asset / Deposit Amt}}{\text{Net Consideration}}$$

Note :- If cost of New house is more than 10 cr, amt in excess of 10 cr shall not be considered for purpose of exemption under this section.

h) Lock in period :- Assessee should not transfer HP within the period of 3 years from the date of its acquisition.

TELEGRAM: CA NOTE HUB

If it is transferred within 3 yrs, exemption claimed earlier shall be withdrawn and it is treated as LTCG in the year in which New HP transferred.

Note 1:- On the date of transfer of any LTCA, Assessee should not own more than one Residential HP (other than acquired under this section)

Note 2:- Assessee should not purchase any other HP within 2 yrs after the date of transfer or construct within 3 yrs after the date of transfer.

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MrD PY 25-26 AY 26-27

Computation of capital gain

	₹
FVOC	1150000
(-) Transfer expense	7000
Net consideration	1143000
(-) COA	(252000)
Gross LTCG	891000
Less: Exemption u/s 54F	
LTCG × Cost of New Asset / Net consideration	
891000 × 500000 / 1143000	(389764)
Net LTCG	501236

TELEGRAM: CA NOTE HUB

Example :- Mr. BB purchase gold in PY 12-13 for 13 crore. On 16/3/26 he sold such gold for ₹ 40.05 crores. Transfer expenses is ₹ 0.05 crore. On 28/06/26 he has purchased a residential house property in Mumbai for ₹ 28 crores. He does not own more than 1 HP on the date of transfer of gold. On 30/3/28 he has transferred Mumbai HP for ₹ 34 crores. Discuss Tax treatment.

Mr. BB PY 25-26 AY 26-27

Computation of capital gain on sale of gold.

FVOC	400500000
(-) Transfer	500000
Net consideration	400000000
(-) COA	130000000
Gross LTC	270000000
less :- Exemption u/s 54F	
LTCG x CNA / Net consideration	
270000000 x 100000000 / 400000000	(67500000)
Net LTCG	202500000

TELEGRAM: CA NOTE HUB

PY 27-28 AY 28-29

[POH: 28|6|26 to 29|3|28]

Computation of capital gain on sale of HP

RVOC	340000000
(-) Transfer expense	—
Net consideration	340000000
(-) COA	(280000000
STCG	60000000

Add: Exemption claim earlier is now taxable as LTCG in PY 27-28 i.e 67500000

TELEGRAM: CA NOTE HUB

Sec	Assessee	Transferred Amount	Capital Gain on transfer Asset
54	Individual HUF	Residential House Property	LTCG
54B	Individual HUF	urban Agriculture land (used 2 years)	ST / LT
54D	All	Industrial L & B ~~compulsory Acquisition~~ [used 2 years]	ST / LT
54EC	All	Immovable property	LTCG
54F	Individual HUF	Any LTCA (except RHP)	LTCG

TELEGRAM: CA NOTE HUB

Asset to be acquired	Time limit	CAGS	Amt of exemption	Lock in Period
1 RHP in India [LTCG upto 2 cr – 2HP] [Max. 10 cr for New HP]	-1+2+3	Yes	(i) CG (ii) CNA / Deposit	3 years (Reduced cost)
urban / Rural Agriculture land	+2	"	"	"
Industrial L & B	+3	"	"	"
NHAI / RECL / PFCL / IRFCL / HUDCO / IREDA	+6 months	NO	[Max. 50 lakhs]	5 years [Full cost]
1 RHP in India [Max 10 cr for New HP]	-1+2+3	Yes	LT × CNA / NC	3 years [Full cost]

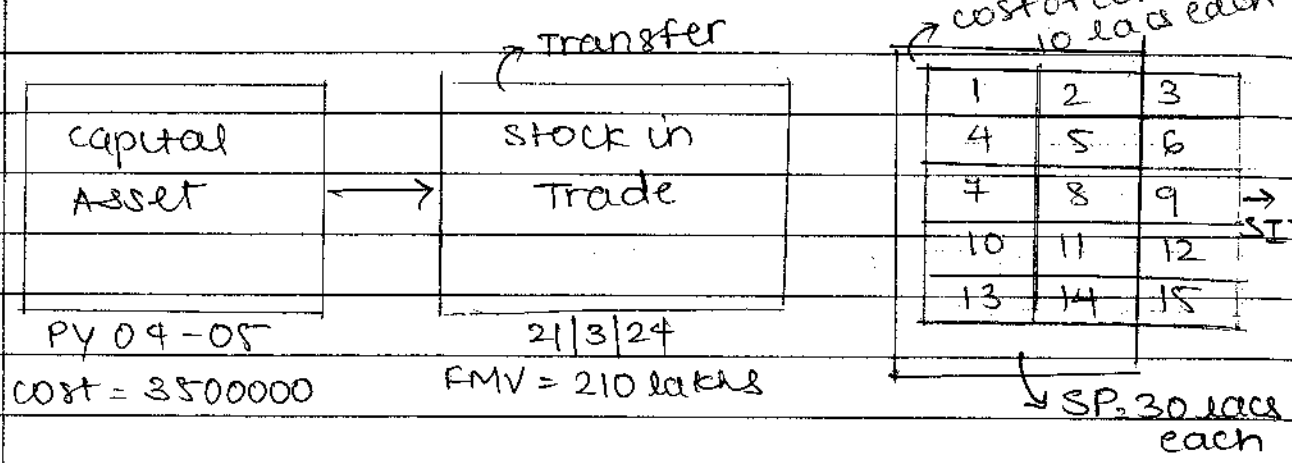
TELEGRAM: CA NOTE HUB

PAGE NO.:

(54, 54B, 54D, 54EC, 54F)

Note :- As per sec 54H, In all the exemptions, time period for acquiring New Asset is considered from the date of transfer if Asset is compulsorily acquired and time limit is calculated ~~o~~ from the date on which compensation is received.

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Computation of capital gain

FVOC (FMV on date of trf)	21000000
(-) Transfer expense	—
Net consideration	21000000
(-) $3500000 \times \frac{348\ (23-24)}{113\ (04-05)}$	(10778761)
Gross LTCG	10221239

LTCG taxable in PY 25-26 (AY 26-27)

$10221239 \times \frac{10 \text{ flats}}{15 \text{ flats}}$	6814159

TELEGRAM: CA NOTE HUB

Ans:- Exemption u/s 54EC

(i) LTCG	6814159	
(ii) Cost of Bonds (Max 50 lacs)	5000000	(5000000)
	Net LTCG	1814159

PGBP (PY 25-26, AY 26-27)

SP of flat (10 Flats x 30 lacs)	30000000
(-) FMV of Plot $\left(\frac{210 \text{ lacs}}{15 \text{ flats}} \times 10 \text{ flats}\right)$	(14000000)
(-) Cost of construction (10 Flats x 10 lakhs)	(10000000)
PGBP	6000000

Note :- In case of conversion of capital asset into SIT transfer took place in the year of conversion but tax is paid in the year in which SIT is sold.
In the present question since stock in trade is sold proportiona so capital gain is also taxable proportionately

Note 2:- For the purpose of sec 54EC exemption, time limi of 6 months calculated from the date when stock in Trade sold

TELEGRAM: CA NOTE HUB

Sec 112A :- LTCG on transfer of Equity shares, Equity oriented mutual fund, unit of Business Trust

LTCG on transfer of above Asset shall taxable:-

(i) 10% transfer took place before 23/7/24

(ii) 12.5% If transfer took place on or after 23/7/24

→ Excess of ₹ 1,25,000

Conditions:-

a) STT (Security Transaction Tax) paid on Acquisition and transfer of Equity shares.

b) STT paid on transfer of Equity oriented units or unit of Business Trust.

Notes:-

1) Rebate u/s 87A not available against long term capital gain u/s 112A

2) Index benefit not available in case of sec 112A when transfer took place before 23/7/24.

Ex :- Mr Kammo (Age 52 years) is a Resident individual. from following information compute tax liability. (Assume Assessee opted out from sec 115BAC)

Income from PGBP		310000
LTCG u/s 112A		180000
	GTI/NTI	490000

TELEGRAM: CA NOTE HUB

Computation of Tax liability

			₹
(i) Tax on LTCG u/s 112A @ 12.5% in excess of 125000 (180000 − 125000) 55000 × 12.5%			6875
(ii) Bal Income Tax			
upto 250000	—	—	
> 250000 upto 310000	5%	3000	3000
			9875
(−) Rebate u/s 87A			(3000)
(i) Tax		3000	
(ii) 12500		12500	
			6875
Add: HEC 4%			275
Net Tax Liability			7150

Sec 55 :- Cost of Acquisition

If sec 112A apply and shares/unit acquired before 1/2/2018, COA shall be higher of step1 and step2.

Step 1:	Cost of Acquisition		xxx
Step 2:	lower of		
	(i) FMV on 31/1/18	xxx	
	(ii) FVOC	xx	xxx
			xxx

TELEGRAM: CA NOTE HUB

FMV as on 31/1/2018:

Incase of listed shares units on 31/1/2018

→ FMV is equal to Highest price quoted 31/1/2018 in recognised stock exchange. If there is no trading on 31/1/2018, highest price of the last trading session

In case of shares or unit not listed on 31/1/2018

In case of units	In case of shares
FMV = NAV on 31/1/18 (Net Asset value)	FMV = COA × Index of PY 17-18 (ie 272) / Index of year of acquisition

Note:-

1) Sec 112A is applicable in case of equity shares if it is listed at the time of sale and STT paid at the time of acquisition and sale.

2) Sec 112A is applicable in case of Equity oriented Mutual fund unit and unit of Business Trust even if it is listed or unlisted but STT should be paid at the time of sale.

3) Equity Oriented Mutual fund means mutual fund company invest 65% or more out of investible fund in listed equity shares of domestic company.

TELEGRAM: CA NOTE HUB

Sec 111A :- STCG in case of Equity shares / Equity Oriented Mutual funds, units of Business Trust

In case of STCG on above assets shall be taxable.

a) 15%. If transfer took place before 23/7/24

b) 20%. If transfer took place on or after 23/7/24

Condition :- STT shall be paid at the time of sale.

— Common Notes for Sec 112A and 111A —

1) STT not allowed under the head capital gain. STT paid at the time of sale it is not treated as transfer expenses if STT paid at the time of purchase, it is not included in the COA.

2) Sale transaction took place recognised stock exchange located in International financial service center (IFSC) consideration is received in foreign currency. Benefit of Sec 112A and Sec 111A available even if STT is not paid (STT not applicable in IFSC).

TELEGRAM: CA NOTE HUB

Tax Rates under Capital Gain (other than 112A & 111A)

LTCG u/s 112

Transfer took place before 23/7/24

Tax Rate :- 20%

Transfer took place on or after 23/7/24

Tax Rate :- 12.5%

Exception

(i) Assessee :- Resident Individual / HUF

(ii) Asset :- Immovable property

(iii) Asset acquired before 23/7/24

(iv) Asset transfered on or after 23/7/24

Tax Rate :- a) 20% with Index
b) 12.5% without Index
whichever is lower

STCG

Normal Tax Rate (Slab Rate)

TELEGRAM: CA NOTE HUB

Q33 / Pg 105 — Mr Naveen — PY 25-26 AY 26-27

A) 10000 shares of Y Ltd @ 650 per share on 5/4/2025

Computation of capital gain

	₹
FVOC	6500000
(-) Transfer expense	—
Net consideration	6500000
(-) COA (WN1)	(3000000)
LTCG 112A	3500000

WN1

(i) Cost		100
(ii) a) FMV 31/1/18	300	
b) FVOC	650	300
		300

B) 1000 unit of AB mutual fund @ 50 per unit on 20/5/25

FVOC (1000×50)	50000
(-) Transfer expense	—
Net consideration	50000
(-) COA (WN2)	50000
	NIL

WN2

(i) Cost		10
(ii) a) FMV 31/1/18	55	
b) FVOC	50	50
		50

TELEGRAM: CA NOTE HUB

c) Sale of shares of C ltd on 27/5/25 @ 200 (unlisted shares)

			₹
FVOC (200×100)			20000
(–) COA			
(i) Cost	NIL		
(ii) FMV 1/4/01	50	(50×100)	(5000)
		LTCG u/s 112	15000

Calculation of Tax liability

a) LTCG u/s 112A taxable @ 12.5% in excess of 125000
(3500000 – 125000)
= 3375000 × 12.5% = 421875

b) LTCG u/s 112 taxable @ 12.5%
[15000 × 12.5%) 1875

TELEGRAM: CA NOTE HUB

Special Tax Rate — [Income Tax Rate 1961]

Sec	Particular	Tax Rate
112	LTCG	12.5%
112A	LTCG on shares/ MF	12.5% in excess of 125000
111A	STCG on shares/ MF	20%
115BB	Winnings from lottery, game show, card game	30%
115BBJ	Winnings from online game (Dream11)	30%
115BBE	Deemed Income (68, 69, 69A, 69B, 69C 69, D)	60%

TELEGRAM: CA NOTE HUB

Eg :- Mr BB is a Resident Individual (Age 35 yrs) Compute Tax as per Default tax regime u/s 115BAC as well as Normal Tax Regime.

PABP	120000
LTCG u/s 112	50000
LTCG u/s 112A	1500000
STCG u/s 111A	70000
Winnings	80000
GTI/NTI	1820000

— As per Default tax Regime 115BAC —

S.NO.	Nature of Income	Rate	Income (₹)	Tax (₹)
1)	LTCG 112	12.5%	50000 - 50000	
2)	LTCG 112A	12.5% in excess of 125000	1500000 - 160000	
3)	STCG 111A	20%		
4)	winnings	30%		
5)	Bal NTI	Slab Rate		

TELEGRAM: CA NOTE HUB

— As per Default Tax Regime 115BAC

SNo	Nature of Income	Rate	Income (₹)	Tax (₹)
1	LTCG 112	12.5%	50000 − 50000	—
2	LTCG 112A	12.5% on excess of 125000	1500000 − 160000 (1340000 − 125000)	151875
3	STCG 111A	20%	70000 − 70000	—
4	winnings	30%	80000	24000
5	Balnti	Slab Rate	120000 + 280000	—
			1820000	175875
			Add:- HEC 4%	7035
			Net tax liability	182910

TELEGRAM: CA NOTE HUB

Tax as per Normal Prov (opt out from sec 115BAC)

S No	Nature of Income	Rate	Income (₹)	Tax (₹)
1	LTCG 112	12.5%	50000 – 50000	—
2.	LTCG 112A	12.5% in excess of 125000	1500000 – 100000 [1475000 – 125000]	170625
3.	STCG 111A	20%	70000 – 70000	—
4.	winnings	30%	80000	24000
5.	Bal NTI	Slab Rate	120000 + 1500000	—
			1820000	194625
			Add :- HEC 4%	7785
			Net tax liability	202410

— Benefit of Basic exemption againut special income —

In case of Ris. Ind and HUF if Balance total Income (other than special Rate Income) is less then Basic exemption then unutilized basic exemption would be set off against LTCG 112, LTCG 112A and STCG 111A, never against winning or deemed income.

TELEGRAM: CA NOTE HUB

Sec 10(37) :- Exemption for capital gain Urban Agriculture land.

STCG/LTCG compulsory acquisition of urban agriculture land will be exempt if following conditions are satisfied :-

1) Assessee should be Individual/HUF
2) such agriculture land used by Assessee or his parents for agriculture purpose for 2 years before the date of transfer.
3) consideration is determined by RBI or central government.

Note :- If bonus share alloted before 1/2/2018 and if section 112A applies then FMV as on 31/1/18 benefit is available in case of Bonus shares also.

TELEGRAM: CA NOTE HUB

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Mr Selvan PY 25-26 AY 26-27

FVOC		7500000
SP 7500000		
SDV 8000000		
[since SDV is not more than 110% of consideration, so consideration is treated as FVOC]		
(-) Transfer expense		—
Net consideration		7500000
(-) COA		(1000000)
(-) COI		(200000)
Gross LTCG		6300000
Less :- Exemption u/s 54		
(i) capital gain	6300000	
(ii) cost of Net Asset	2500000	(2500000)
Net LTCG		3800000

Exemption u/s 54EC is not available because Assessee acquired bonds after period of six months from the date of transfer. [Jan 26 to March 27]

PY 26-27 AY 27-28

Computation of capital gain on Transfer of HP

FVOC	4000000
(-) Trf expenses	—
Net consideration	4000000
(-) COA	
[cost - Exemption claimed earlier]	NIL
STCG	4000000

TELEGRAM: CA NOTE HUB

PY 25-26 AY 26-27

Q 32 / Pg 104

Mr Shiva

₹

FVOC

(i) SP 3050000

(ii) SDV on date of Agreement 3900000 3900000

(-) Transfer expenses (3050000 × 1%) (30500)

Net consideration 3869500

(-) COA

(i) Actual cost (324000 + 35000) 359000

(ii) a) FMV as on 1/4/1 1185000

b) SDV on 1/4/1 1070000 1070000 (959000)

Adv money before (1070000 − 111000) 1/4/14

(-) COI (390000)

LTCG 2820500

Notes :- As per sec 50C if SDV is more than 110% of consideration then such SDV is treated as full value of consideration. Normally SDV consider on the date of registration but if date of registration and Agreement are not same, then SDV can be considered on the date of Agreement, if assessee received any consideration or part there of upto the date of agreement by account pay cheque or account pay demand draft or any mode of electronic clearing system.

TELEGRAM: CA NOTE HUB

INCOME FROM OTHER SOURCES

Any income which is not taxable under the head salary, house property, PGBP or capital gain that income shall be taxable under the head Income from other sources.

Taxation of Gift

a) If any employee received gift from employer then it is taxable under the head salary in hands of employee
   - Money :- fully taxable
   - In kind :- Value of 5000 or more → Taxable

b) Any gift received due to business or profession is taxable under the head PGBP.
   Eg :- Gift from supplier

c) Other Gift :-

→

TELEGRAM: CA NOTE HUB

Note 1 :-

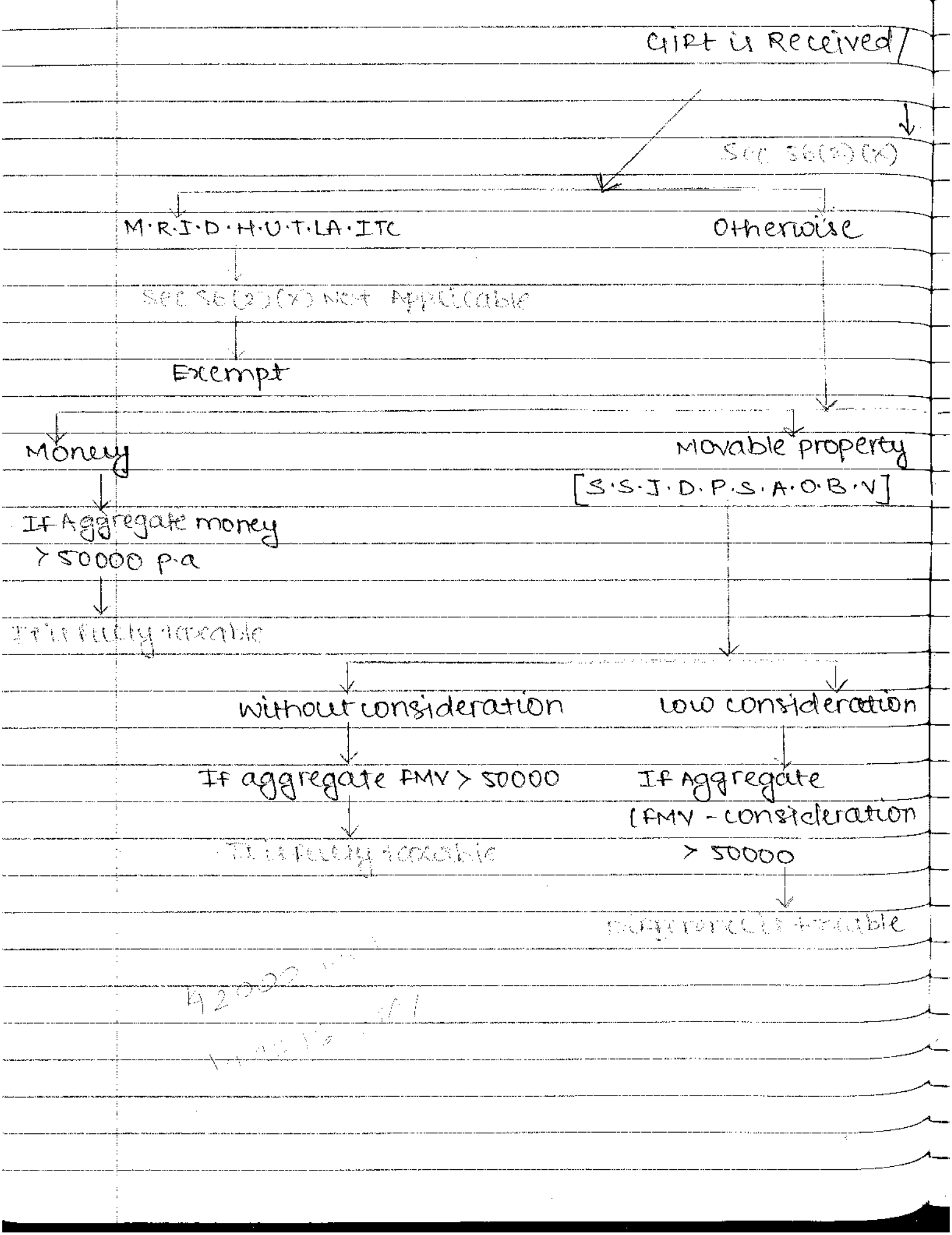
1) S.S :- Shares and Security
2) J :- Jewellary
3) D :- Drawings
4) P :- Paintings
5) S :- Sculpture
6) A :- Archaeological collection
7) O :- Any other work of Art.
8) B :- Bullion
9) V :- Virtual Digital Assets

Note 2 :- M.R.I.D.H.U.T.L.A.I.T.C

1) M :- On the occasion of Marriage
2) R :- from Relative
3) I :- Inheritance
4) D :- In contemplation of Death
5) H :- from Hospitals or medical Institutions
6) U :- from university or educational institution
7) T :- from or by any Trust
8) LA :- from local Authority
9) I :- from Individual by Trust and Trust for benefit of relative of Individual
10) T :- By Hospital, university, Trust, medical institution.
11) C :- certain transaction reffered u/s 47 (partition of HUF, Holding to 100% subsidiary, amalgamation and demerger.

Note 4 :- Any Asset received as gift or acquired for Lolo consideration if Assessee paid taxes, FMV/SDV u/s 56(2)(x) IFOS such FMV/SDV treated as COA of such Asset.

TELEGRAM: CA NOTE HUB



TELEGRAM: CA NOTE HUB

Asset is acquired by
Any person

→ w.e.f. 1/4/2017

Immovable property
[L/B/L&B]

Without consideration
(Gift)

If per property SDV > 50000

Fully Taxable

Low consideration

If per property
(SDV − consideration) > 50000

And

SDV > 110% of consideration

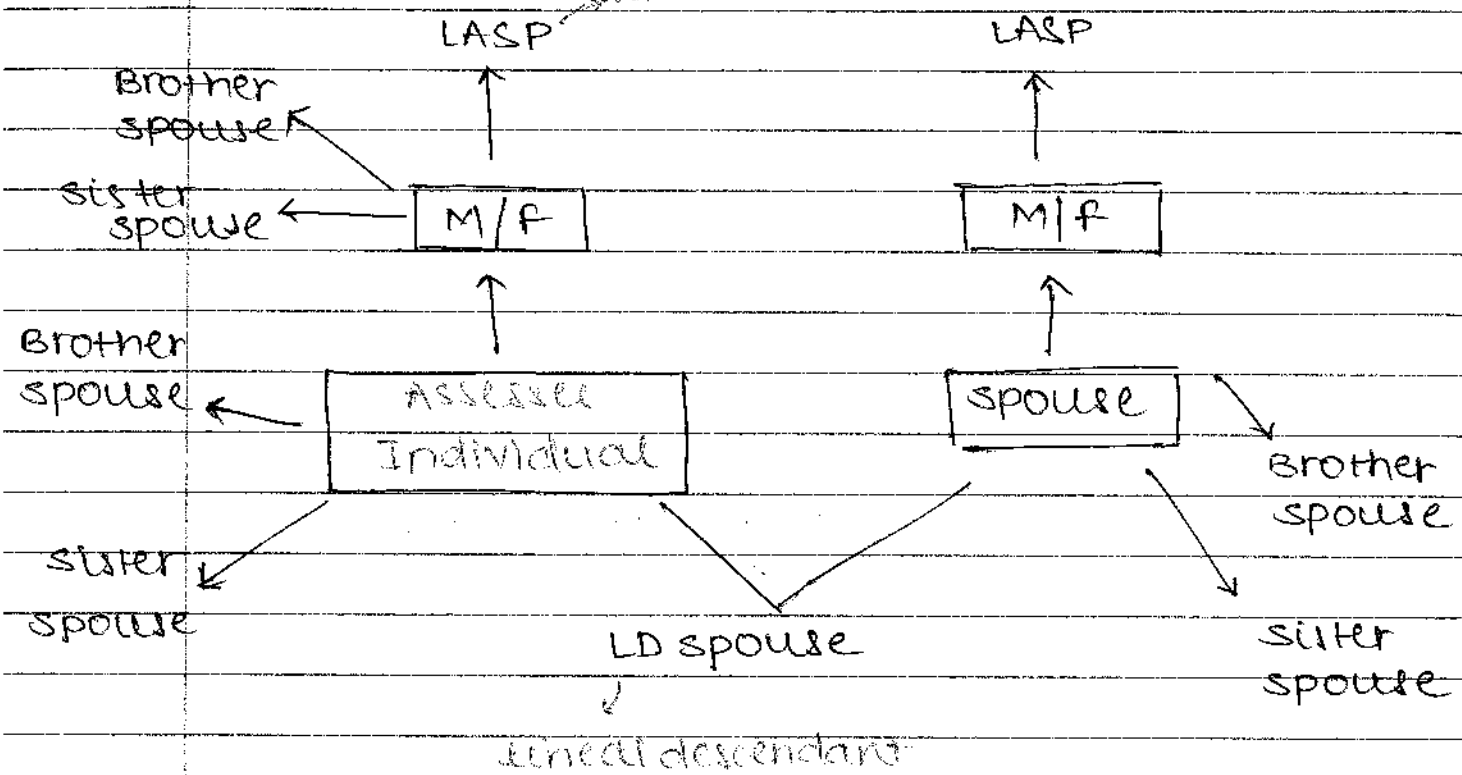
Difference is taxable

TELEGRAM: CA NOTE HUB

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Note :- Relatives

a) for Individual → lineal ascendant



b) for HUF → Any member of HUF

Eg :- From following information calculate Gross Total Income of Payal

1) Salary Income (computed) ₹ 720000
2) Received gift of ₹30000 each from her 4 friends
3) She received gift of gold chain worth ₹20000 from her father's friend.
4) She received gift of car worth ₹ 40,00,000 from her best friend
5) Received gift of gold ring worth ₹ 80,000 from her ex boyfriend.

TELEGRAM: CA NOTE HUB

6) She received gift of 2BHK flat from her mother's brother and SDV is ₹ 2,00,00,000

7) She received gift of ₹20,000 from her father

8) She purchased jewellary of ₹80,000 from BB Jewellars (FMV 110000)

9) She has purchased 1BHK flat from Rohan Builders for ₹2,00,00,000 and SDV of same is 2·3cr

10) She received gift of ₹420 from her husband

11) Gift of iPhone 17 worth 1·5 lakhs from her cousin

Mrs Payal PY 25-26 AY 26-27

Computation of Gross Total Income

Particulars	₹	₹
Income from salary (computed)		720000
Income from other sources		
(i) Money		
Gift from friends (30000×4)	120000	
Taxable		120000
(ii) Movable property (Gift) [SSJDPSAOBV]		
Gift from gold chain from father's friend	20000	
Gift of gold ring from ex bf.	80000	
	100000	100000
[since agg. FMV > 50000, so it is fully taxable]		
(iii) Movable property (Not covered)		
Purchase of Jewellary from BB Jewellars [FMV − consideration]		

TELEGRAM: CA NOTE HUB

	[110000 - 80000] 30000	—	—
	[since aggregate FMV & consider-ation diff. is not more than 50000 This is not taxable.]		
iv)	Immovable property (free)	—	—
v)	Immovable property (Low cons.)		
	Purchase of flat from Rohan Builders (SDV - consideration)		
	(2.30cr - 2cr) = 30,00,000		
	If per property (SDV - consdn) > 50000		
	And		
	∴ SDV > 110% consideration	3000000	3000000
	then diff. of ₹3000000 is taxable		
		GTI	3940000

Note :- 1) As per sec 56(2)(x) any gift received from relative is not taxable so in the present question, gift received from father, husband, mother's father is not taxable because they are covered in the definition of relative.

2) Car and iPhone 17 are not covered in the definition of property so this is not taxable.

TELEGRAM: CA NOTE HUB

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Mr Karan PY 25-26 AY 26-27

Computation of Total Income

Particulars		₹
Income from House Property		62000
IFOS		
Dividend from Indian company		12600
Interest on Bank Deposit		25000
Gift		
Gift from friend	10000	
Gift from mother's friend	25000	
Gift from fiancee	75000	
Gift from sister	Exempt	
	110000	110000
since gift in money > 50000, so it is fully taxable		
	GTI	209600

TELEGRAM: CA NOTE HUB

Eg

Mr Doraemon purchase aHP of ₹ 200000 in PY 01-02. Doraemon gifted this property to his friend Nobita on 14/02/2025. SDV of such property that dates is ₹ 40 lakh. Mr. Nobita sold such property to Shizuka on 10/12/2025 for ₹ 72 lakhs. Discuss Tax treatment in hands of Doraemon and Nobita

a) In hands of Doraemon

As per sec 47 gift is not treated as transfer, CG is not applicable.

b) In hands of Nobita

– I] As per sec 56(2)(x) if any immovable property received as gift, SDV > 50000 per property then it fully taxable in hands of recipant.

In present case SDV is 40 lakhs ie more than 50000 so it is taxable in hands of Nobita u/s 56(2)(x) in PY 24-25.

II] capital gain is applicable on sale of property

Computation of capital gain PY 25-26 AY 26-27

FVOC		7200000
(-) COA	49(1)	(4000000)
STCG		3200000

TELEGRAM: CA NOTE HUB

Q2 Suppose in the above example Doraemon is the relative of Nobita

a) In hands of Doraemon

As per sec 47 Gift is not treated as transfer so capital gain is not applicable.

b) In hands of Nobita

I] Gift received from relative ~~to~~ u/s sec 56(2)(x) not applicable.

II] Computation of capital gain on sale of Property

	PY25-26 AY 26-27
FVOC	7200000
(-) COA [49(1)]	(200000)
(cost to previous owner)	
LTCG	7000000

TELEGRAM: CA NOTE HUB

Mr Ramesh acquired a HP in PY 01-02 for ₹ 5 lakhs. 19/7/2025 he sold such property to Mr Suresh for ₹ 40 lakhs SDV on that date was ₹ 60 lakhs. Discuss Tax treatment in hands of Ramesh and Suresh.

a) In hands of Ramesh

Computation of capital gain

FVOC	6000000
[IF SDV > 110% consd. SDV is FVOC]	
(-) Transfer exp.	—
Net consideration	6000000
(-) COA	(500000)
LTCG	5500000

b) In hands of Suresh

Suresh acquired immovable property for low consideration, difference between SDV and consideration is more than 50000 as well as SDV is more than 110% of considerationso difference between SDV and consideration is 20 lakhs taxable u/s 56(2)(x) PY 25-26

suppose in this eg. Suresh sold such property to Mukesh for ₹ 92 lakhs on 10/12/2025

Computation of capital gain PY 25-26 AY 26-27

FVOC	9200000
(-) COA	(6000000)
STCG	3200000

TELEGRAM: CA NOTE HUB

Q2 pg 118

Mr X & Mr Y

In hands of Y (seller)	I	II	III	IV	V
SP	400000	400000	400000	600000	600000
SDV	439000	446000	470000	659000	680000
FVOE [50CA]	400000	446000	470000	600000	680000
In hands of X (Buyer)					
(i) Per property (SDV + consideration) > 50000	NO	NO	Yes	Yes	Yes
And					
(ii) SDV × 110% < cons'dn	NO	Yes	Yes	NO	Yes
Taxable u/s 56(2)(x)	Nil	Nil	70000	Nil	80000
COA [49(4)]	400000	400000	470000	600000	680000

Note 5:- If Assessee is not satisfied with SDV then he can request to AO, his case may transfer to valuation office [same as sec 50 C]

Note 6:- SDV on the date of Registration or Agreement
As per sec 56(2)(x) normally SDV considered on date of registration. If date of registration and agreement are not same Assessee (buyer) can take SDV on the date of agreement if he paid any consideration part there of account pay cheque, account pay

TELEGRAM: CA NOTE HUB

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In hands of Y (seller)	I	II	III	IV	V
SP	381000	381000	427500	427500	710000
SDV	400000	470000	450000	490000	780000
FVOC (SOC)	381000	470000	427500	490000	710000
In hands of X (Buyer)					
i) Per property (SDV − consdn) > SDK And SDV > 110% consdn	NO	Yes	NO	Yes	Yes
	NO	Yes	NO	Yes	NO
Taxable u/s 56(2)(x)	Nil	89000	Nil	62500	Nil
COA [49(4)]	381000	470000	427500	490000	710000

TELEGRAM: CA NOTE HUB

Q10 / Pg 1.17

Mr Ganesh PY 25-26 AY 26-27

Computation of Income from other sources

(i)	Gift of cash from sundar	51000
	[since aggregate money > 50000, so it is fully taxable]	
(ii)	Movable property [S.S.J.D.P.S.A.O.B.V]	
	50 shares Beta ltd 60000	
	100 shares Alpha ltd 70000	
	130000	130000
	[since aggregate FMV of movable property > 50000, so it is fully taxable]	
(iii)	Immovable property (low consideration)	
	Land acquired from sister's mother in law	
	(SDV − consdn) > 50000	
	And (7 lac − 5 lac)	
	SDV > 110% consideration	
	so difference of ₹ 200000 taxable under IFOS.	200000
	IFOS	381000

Computation of capital gain on sale of shares of Alpha ltd.

FVOC	100000
(→ COA [49(4)]	(70000)
STCG	30000

TELEGRAM: CA NOTE HUB

In case of immovable property held as SIT, if SDV > 110% consideration then SDV is treated as FVOC while calculating Business Income.

If Assessee not satisfied with SDV then his case may transfer to VO (same as sec 50C).

Normally SDV considered on the date of registration but if date of registration and agreement are not same then Assessee can relice SDV on the date of agreement if he rec'd consdn or part there off by account pay check, account pay demand draft, ECS upto date of agreement.

Immovable property → Capital Asset → 50C → CG

TELEGRAM: CA NOTE HUB

Note: Sec 56(2)(x) is not applicable if asset is acquired is a SIT. In the question Mr A is a share dealer and he acquired shares from Mr C as a SIT. So sec 56(2)(x) is not applicable.

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Q2 / Pg 111

Mr A PY 25-26 AY 26-27

	Income from other sources	
(i)	Gift of cash from Mr B	75000
	(since aggregate money > 50000, so it is fully taxable)	
(ii)	Movable property (S.S.J.D.P.S.A.O.B.V)	60000
	Gift of Bullion from friend Mr B	
	(since aggregate FMV > 50000, so it is fully taxable)	
(iii)	Immovable property (without consideration)	500000
	Gift of plot at faridabad from Mr B	
	(since per property SDV > 50000, so it is fully taxable)	
(iv)	Immovable property (low consideration)	300000
	Office building purchased	
	(SDV − consideration) > 50000	
	and	
	SDV > 110% consideration	
	(since SDV > 110% of consideration and Diff of SDV and consideration > 50000 so Diff is taxable.	
	IFOS	935000

TELEGRAM: CA NOTE HUB

Computation of capital gain PY 25-26 AY 26-27

FVOC		700000
(-) COA [49(4)]		(500000)
	STCG	200000

* Amendment by FA-22 w.e.f AY 20-21

Sec 56(2)(x) not applicable in the following cases,

Money received:-

(i) By [redacted], from any person, for expense, actually incurred on treatment of covid 19 related illness of him or any family member.

(ii) By family [redacted] of [redacted] person, within 12 months of death (death due to covid 19 illness)

(a) from the employer of the deceased person (without any limit) or

(b) from any other person or persons upto ₹ 10 lakh

TELEGRAM: CA NOTE HUB

Dividend —

from Domestic company

from Foreign company

Always taxable in hands of shareholder under [IFOS] [even shares are STT] as per Normal Tax Rate

— Deemed Dividend —

Sec 2(22)(a) :- Any Distribution of Assets

If any domestic company distributes its assets to shareholders, it will be treated as Deemed Dividend to the extent of accumulated Profit (capitalised or not) of a company and taxable in hands of shareholde

Divya ltd B/S → Asset → Dist (S.H.S)

Share capital (Bonus 200000)	1200000
Ries & surplus	1000000
Liability	300000
	2500000

To Assets 2500000
2500000

TELEGRAM: CA NOTE HUB

cases	Book value	FMV	Deemed Dividend
1	700000	1000000	1000000
2	700000	1500000	1200000
3	1200000	2000000	1200000
4	1200000	700000	700000

(c) Distribution of debenture / deposit certificate etc

If any domestic company distributes debenture, debenture stock, deposit certificate to any shareholder or Bonus share to Pref. shareholder then it will be treated as Deemed Div. to the extent of accumulated profit (capitalised or not) of company and taxable in hands of shareholder.

(d) Distribution of asset (liquidation)

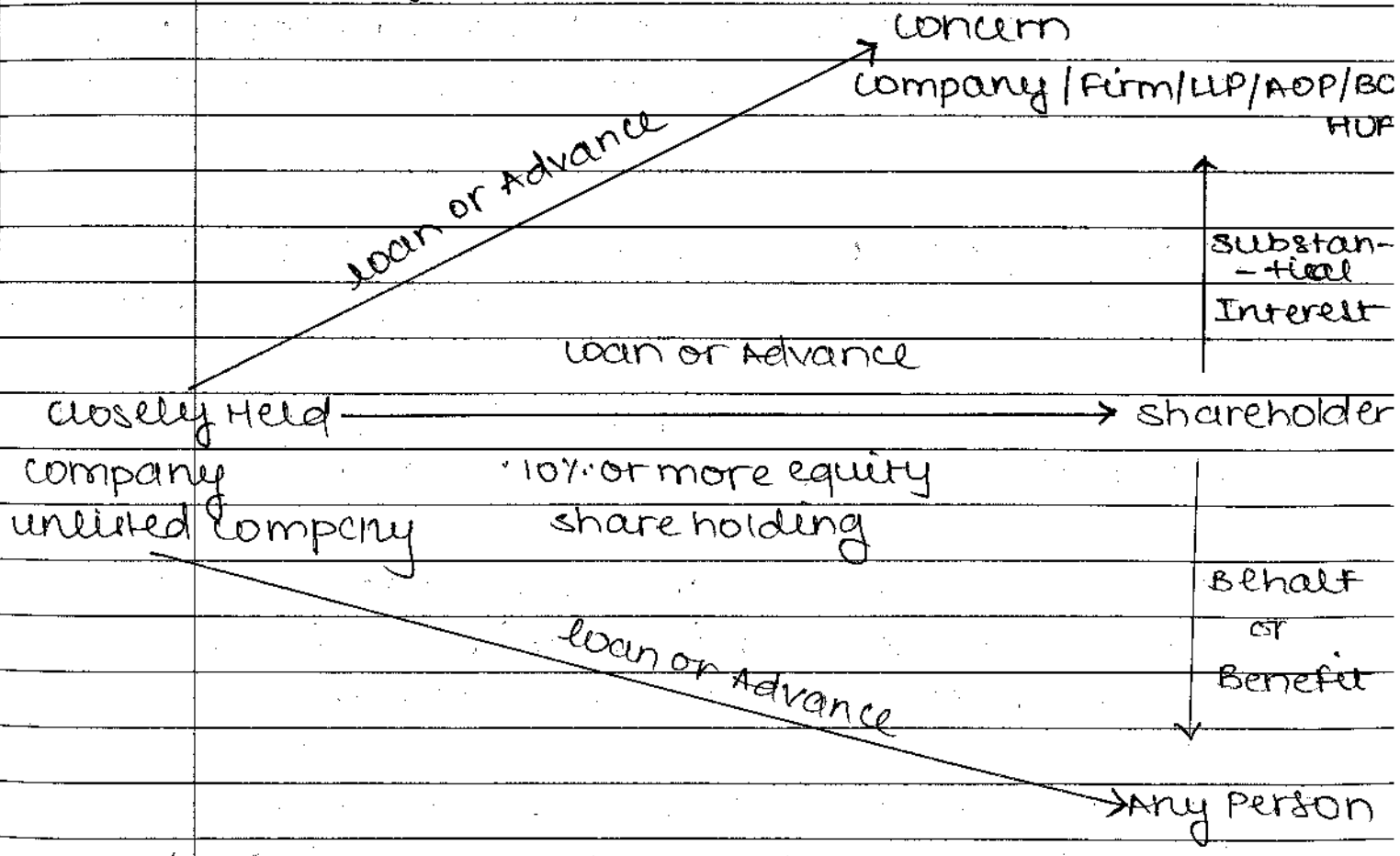
If any Domestic Co. distribute Asset to shareholder on its liquidation then it will be treated as Deemed Dividend to the extent of accumulated profit (capitalised or Not) of company and taxable in hands of shareholder

TELEGRAM: CA NOTE HUB

Sec 2(22)(d) :- Reduction in share capital

If any Domestic Co. reduces its share capital and distribute its Asset (Money) to the shareholder, it will be treated as Deemed Dividend to the extent of Accumulated profit (capitalised or Not) of company and taxable in hands of shareholder.

Sec 2(22)(e) :- Loan or Advances by closely Held company.



TELEGRAM: CA NOTE HUB

substantial Interest

company | firm | AOP | BOI | LLP | HUF

In above case loan or advance are treated as deemed Dividend to the extent of Accumulated profit of company and taxable in hands of shareholder

TELEGRAM: CA NOTE HUB

2(22)(a)(b)(c)(d)	2(22)(e)
(i) All companies (Pvt/Public Co.)	(i) Closely Held Co. (Unlisted Co.)
(ii) Accumulated Profit (capitalised or not)	(ii) Accumulated Profit

Following Incomes are Taxable under IFOS

1. Gift ⟶ Already covered
2. Dividend and Deemed Dividend ⟶ Already covered
3. Income (Dividend) from UTI / Mutual fund ⟶ Taxable
4. Income from winnings (lottery, crossword, puzzles, game & show, Horse Races, online games ⟷ Taxable @ 30%.
5. Income from MP / MLA / MLC

- Salary → Taxable under IFOS
- Daily Allowances or constituency allowance → Exempt u/s 10(17)

TELEGRAM: CA NOTE HUB

6 Awards

from Govt. (Bharat Ratna etc)	from Others

7. Agriculture Income

from land in India	from land outside India

8. Rental Income
   (i) Rent of Asset (other than HP)
   (ii) Composite Rent (If Agreement Not seperable)
   (iii) Rent from subletting House Property.

9. Keyman Insurance Policy

Amt from KeyMan Insurance Policy

Amt Rec'd by employer	Amt Rec'd by employee	Amt Rec'd by any other person

TELEGRAM: CA NOTE HUB

10. Royalty → Taxable

11. Director fees for attending Board Meeting → Taxable under IFOS

12. Paper checking, Paper setting, Seminar fees received by Professor from Non employer organisation → Taxable

13. Family Pension → Taxable

Exempt u/s 57

(i) 1/3 of family pension Rec'd xxx

(ii) 15000 p.a / 25000 p.a xxx

(Assessee opted Sec 115BAC)

NOTE

1) Family Pension Received by legal Heir of member of Armed forces including Paramilitary forces shall be exempt where death of such member occured in course of operational duties.

2) Family pension rec'd family member of person who was awarded with Veer chakra, Paramveer chakra Mahaveer Chakra shall be exempt.

TELEGRAM: CA NOTE HUB

14. Interest Received.

Interest

- Interest rec'd from
  a) Gold Bonds 1999
  b) Deposit certificate issued under Gold monetisation scheme 2015
  c) Public Provident Fund (PPF)
- Interest on late compensation of compulsory Acq. of Property
- Other Interest

d) Interest on post office saving Acc

15. Advance money forfeited on or after 1/4/2014

→

16. Compensation Rec'd on Termination or modification of employment from Non Employer Organisation

→

TELEGRAM: CA NOTE HUB

Sec 57 :- Allowability of Expenses

	Income	Expenses
(i)	Taxable	Allowed
(ii)	Exempt	Ignore
(iii)	Winnings	Ignore
(iv)	Interest on late compensation	Ignore (50% std dedn allowed)
(v)	Dividend / Income from UTI / MF	Only Interest Expense allowed if loan is taken for Investment into shares / MF that too 20% of Dividend / Income from UTI / MF

TELEGRAM: CA NOTE HUB

1) Personal Expenditure
2) Any expenditure related to casual Income (winning)
3) Payment made to Relative to the extent of unreasonable
4) Cash Expenditure more than 10000 in a single day to a single person.
5) Interest or salary paid outside India on which TDS not deducted or deducted but NOT paid to Government.
6) Any expenditure paid to Resident and if TDS not deducted or deducted but NOT paid to Government then 30% of such expenditure shall be disallowed.

— following Incomes are Exempt :-

:- Share of Income rec'd by member from HUF

:- Share of Income rec'd by Partner from Partnership firm.

:- Any compensation recd by Bhopal Gas victim

:- Any compensation rec'd on Amount of disaster from central Govt, state Govt or local authority

:- Any Amt rec'd under Sukanya Samriddhi Account Scheme (including Interest)

TELEGRAM: CA NOTE HUB

sec 10(16) :- Educational scholarship

sec 10(18) :- Any Pension recd by Individual who was awarded with veer chakra, Mahaveer Chakra, Paramveer chakra or other Gallentry Award.

TELEGRAM: CA NOTE HUB

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Gani Bhai

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Computation of Income from other sources

Particulars	₹	₹
Directors fees from company		10000
Interest on Bank Deposit		3000
Income from undisclosed sources		12000
Winnings from lotteries 100 × ?		50000
Net To 35000		
Royalty on Bonus	9000	
(-) Typing manuscript charges	(1000)	8000
lectures in seminars		5000
Interest on loan to Relative		7000
Interest on Debenture		3600
Interest on P.O. saving Bank A/c	500	
less:- Exempt upto 3500	(500)	—
Interest on Govt securities		2200
Interest on monthly Income scheme of Post office		33000
IPOS		133800

TELEGRAM: CA NOTE HUB

* Taxcation in case of liquidation *

Katora Pvt ltd

B/s as on scale of liquidation on 15/12/24

share capital [A:B:C:D:Z]	500000		
Res & surplus	1500000	Asset	2200000
liability	200000		
	2200000		2200000

Shares of company held by 5 shareholders ie A.B.C.D & Z and acquired on 19/7/2020 for 100000 per shareholder

On 15/12/2024, company goes into liquidation and distributes Assets to shareholders on 15/7/25

cash	250000
Assets (FMV)	450000
	700000 each shareholder

Total distribution :- 700000 × 5 shareholders

= 3500000

TELEGRAM: CA NOTE HUB

In hands of company

If company distributes Asset on liquidation to shareholders then it is not treated as Transfer and CG NOT Applicable in Hands of Company.

In hands of shareholders

(I) When company distributes Asset to shareholder on liquidation then it is treated as Deemed Dividend u/s 2(22)(c) in the year of distribution to the extent Accumulated Profit of company (capitalised or Not). In the present case company distributes total Asset of ₹ 3500000 to the shareholders and accumulated profit on the date of liquidation is ₹ 1500000, so ₹ 1500000 is treated as Deemed Div. u/s 2(22)(c). In this case ₹ 300000 (1500000/5) is treated as Deemed Div and taxable under IFOS in hands of each shareholder in PY 25-26.

(II) Capital gain in Hands of each shareholder i.e.

Mr. A — PY 25-26 AY 26-27

		₹
FVOC		
Cash (Money)	250000	
Assets	450000	700000
(-) Deemed Dividend u/s 2(22)(c)		(300000)
	FVOC	400000
(-) COA		(100000)
	LTCG	300000

In case of distribution of profit on liquidation is treated as dividend in company's hand on liquidation

TELEGRAM: CA NOTE HUB

Taxation of BuyBack by Domestic company

Mr BB acquired 10000 shares of BBVPL @ 70 per share (FV ₹10) on 10/12/2022. On 10/10/2025 company buyback 4000 shares from Mr BB @ 300 p. share On 15/4/26 Mr BB sold 6000 shares to Mr AK for ₹ 450 per share. Discuss tax treatment

Taxability in case of BuyBack on or after 1/10/24

- In Hands of company → No Tax treatment
- In hands of shareholders
  - Total BuyBack Price → Treated as Deemed Dividend u/s 2(22)(f) → Taxable under IFOS in the year of BuyBack
  - Capital Gain → Always Nil
    - FVOC (-) COA (xxx)
    - STCL/LTCL (xxx)

TELEGRAM: CA NOTE HUB

— In hands of BB

A) As per sec 2(22)(f) BuyBack Price is treated as deemed dividend . 4000 shares × 300 per share i.e 1200000 is treated as deemed Dividend and it is taxable under IFOS in PY 25-26 (AY 26-27)

B) Computation of capital Gain on BuyBack
(PY 25-26 AY 26-27)

	₹
FVOC	Always NIL
(-) COA (4000×70)	(280000)
LTCL	280000

c) Computation of CG on sale of shares to Mr A1c
PY 26-27, AY 27-28

FVOC (6000×450)	2700000
(-) COA (6000×70)	(420000)
LTCG	2280000

TELEGRAM: CA NOTE HUB

— Amalgamation and Demerger :-

Sec 2(1B) : Meaning of Amalgamation

Merger of one or more company with another company or merger of two or more companies to form one company.

condition :-

1) All Asset and liability of Amalgamating company should be transfered to Amalgamated company.

2) Shareholder holding minimum 75% equity shares in A'ing co. should become shareholder of A'ed co.

— Taxation in hands of Amalgamating company

As per sec 47, Amalgamation is not treated as transfer so CG Not applicable.

— Taxation in hands of Amalgamated company (New company)

a) COA of Asset := COA of Amalgamating company i.e. previous owner.

b) POH of Asset held by Amalgamating and amalgamated company both considered.

TELEGRAM: CA NOTE HUB

Taxation in hands of shareholder

a) As per sec 47 when shareholder received shares of A'ed company in the scheme of Amalgamation then it is not treated as transfer an CG not applicable

b) COA of shares in A'ed company := COA of shares in A'ing company

c) POH of shares held in A'ed co. and A'ing co. both considered.

Eg:- Mr Bablu purchased shares of Idea ltd, 1000 shares @ 100 each in 2002. Idea ltd A'ed with VI ltd in 2022 and Bablu received 1200 shares of VI. Bablu transfer all the shares of VI on 10/12/2024 @ 300 per share. Calculate capital gain.

a) When Bablu rec'd shares of VI in exchange of shares of Idea, it is not treated as Transfer so CG is NOT applicable.

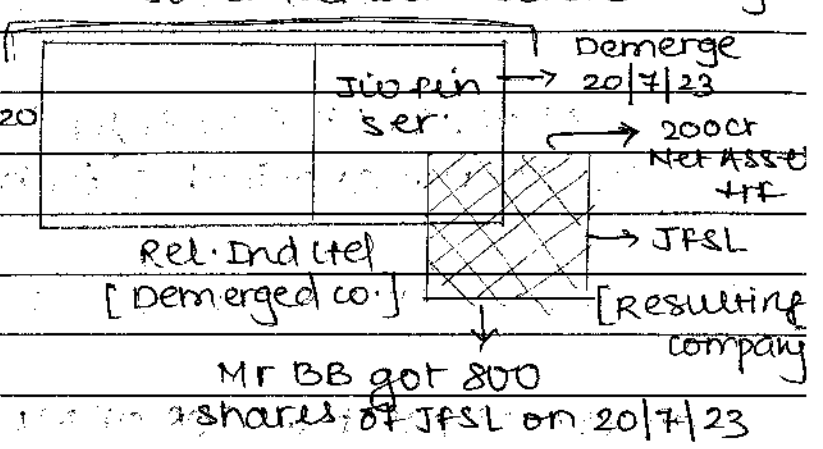
b) Computation of CG on sale of shares of VI

	PY 24-25 AY 25-26
FVOC (1200 × 300)	360000
(-) COA (1000 × 100)	(100000)
LTCG	260000

TELEGRAM: CA NOTE HUB

— Demerger

Mr BB Acquired 800 shares of RIL on 16/7/20 for 500 per share



— Meaning of Demerger

It means undertaking transfer by demerged company to resulting co. and following conditions are satisfied

1) All Asset and Liab. of undertaking should be transferred to resulting company.

2) It should be transferred at Book Value

3) Transfer of undertaking on going concern basis

4) shareholders holding min. 75%. eq. shares of dem. co. should become SHs of Resulting co.

5) Shs of demerged co. should recive shares from resulting co. on proportionate basis

(SHs → Shareholders)

TELEGRAM: CA NOTE HUB

— Tax treatment in hands of Demerged Co. (RIL)

As per sec 47, Demerger is not treated as transfer so CG not applicable in hands of RIL

— Tax treatment in hands of Resulting Co. (JFSL)

a) COA of Asset = COA of RIL ltd.
(COA to previous owner)

POH of Asset held by RIL and JFSL should be considered.

Eg Mr BB acquired 800 shares of RIL on 16/7/20 for ₹500 per share.
Mr BB got 800 shares of JFSL on 20/7/23 due to the demerger.
COA of shares in JFSL =

$$\text{COA of shares in RIL} \times \frac{\text{Net Asset transfered in Demerger}}{\text{Net worth of Demerged Co. just before demerger}}$$

$$\frac{400000 \times 200\text{ cr}}{500\text{ cr}} = 160000$$

÷ NO of shares 800

200 per share cost of JFSL

TELEGRAM: CA NOTE HUB

COA of shares of RIL = Total cost − cost of resulting co. shares

= 400000 − 160000

= 240000

No of shares = 800

= 300 per share (RIL).

Note:- POH of shares in JFSL shall be considered from the date on which Mr BB acquired shares of RIL

TELEGRAM: CA NOTE HUB

[15 to 20 marks]

PROFIT AND GAIN FROM BUSINESS AND PROFESSION

sec 28 :- Charging Section

followings Incomes are Taxable under the head PGBP

1) Any Profit or Gain from Business or Profession carried on by Assessee at any time during the PY

2) Duty Drawback or cash compensatory support (subsidy) rec'd against export.

3) Sale of Import Entitlement license.

4) salary, comission, remuneration or Interest rec'd by partner from Partnership firm / LLP

5) Any amt rec'd under keyman Insurance Policy

6) Any Gift, perquisite, benefit rec'd due to Business or Profession.

7) Non compete fees (Not carrying out any Business or Profession or not sharing any knowhow, Patent, copyright etc)

8) Any compensation rec'd on termination or modification of Business contract

9) FMV of stock in Trade is converted into capital Asset

TELEGRAM: CA NOTE HUB

Speculative Business

It means transaction in which contract for sale or purchase is ultimately settled otherwise then actual delivery.

following transaction are NOT treated as speculative

1) Hedging contract
2) forward contract
3) Derivatives (future and option)

Speculative business and Normal business are treated as seperate business

— Sec 29 :- How to compute PGBP

PGBP computed as per sec 30 to 43D

— Sec 30 :- Rent, Rates, Taxes, Insurance and Repair of Building.

	Rent	Rates & Taxes	Insurance	Revenu repair	Capital repair
Owner	Not Allowed	Allowed	Allowed	Allowed	Not Allowed
Tenant	Allowed	Allowed	Allowed	Allowed	Not Allowed

Add to cost of Asset

— Sec 31 :- Insurance & Repair of P&M / furniture

	Rent	Insurance	rev repair	Capital Rep
Owner	Not Allowed	Allowed	Allowed	Not Allowed
Tenant	Allowed	Allowed	Allowed	Not Allowed

Add to cost of Asset

1) Note :- Expenses u/s 30 & 31 allowed only if Asset used for Business or Profession purpose

TELEGRAM: CA NOTE HUB

2) Note:- Capital Repair incurred by Tenant is treated as Deemed Building and Depriciation allowed to Tenant.

— Sec 32:- Depreciation

A) Conditions

Depreciation is allowed if two conditions are satisfied :-

(i) Asset should be owned by Assessee (wholly or partly)

(ii) Asset should be used for Business of Profession purpose (Active / Passive)

1) Note :- Dep^n is allowed if Assessee is the beneficial owner of the Asset

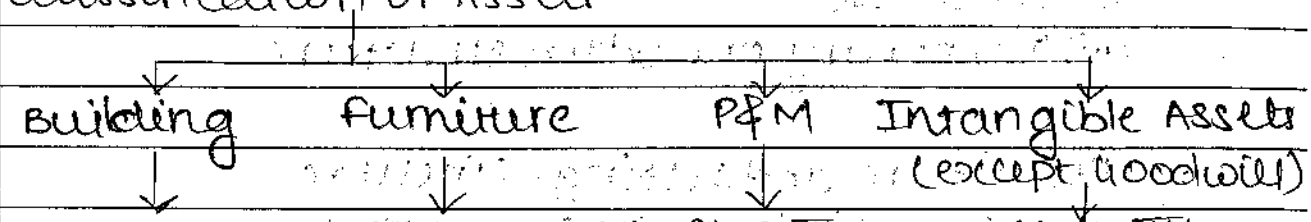
2) In case of Hire Purchase Assesse get ownership only after the payment of last installment but he can claim depn from beginning

3) In case of lease Dep^n is always allowed to lessor

4) Dep^n is allowed from the date on which Asset is actually put to use and not from Ready to use.

TELEGRAM: CA NOTE HUB

B) Classification of Assets

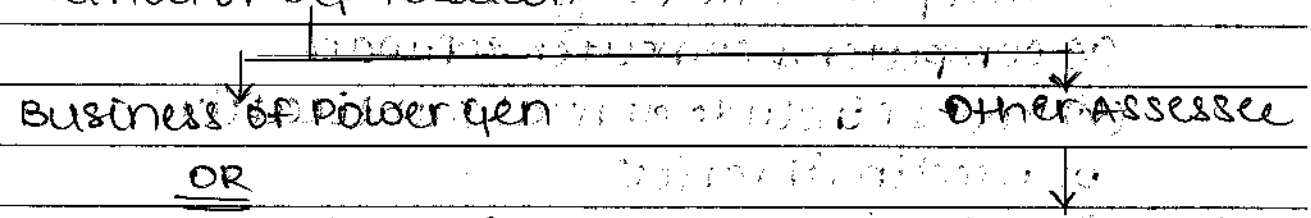


Notes

1) Intangible Asset includes knowHow, Patent, copyright, trademark etc but other than Goodwill of Business or Profession

2) Plant and Machinery includes ships, Aircraft, vehicles, surgical equipments, Books used for B & P but does not include livestock and Tea bushes

C) Method of Depriciation



D) Rate of Depreciation (WDV method)

	Assets	Rate
1.	Building (includes roads, bridges, wells and tubewells)	
	(i) Residential use (except hotels)	5%

TELEGRAM: CA NOTE HUB

	(ii) Other use	10%
	(iii) Temporary or wooden structure	40%
2.	Furniture and fittings (include electrical fittings like fans, wires, switches etc.)	10%
3.	Plant and Machinery	
	(i) Motor vehicles	15%
	- Acquired & put to use between 23/8/19 to 31/3/20	30%
	(ii) Motor vehicles (lorries, buses, taxi) used in hire business	30%
	- Acquired & put to use between 23/8/19 to 31/3/20	45%
	(iii) Ships, vessels, speed Boats	20%
	(iv) Aeroplanes, Aeroengines	40%
	(v) Computer & computer software	40%
	(vi) Books (include annual publication or used in libraries)	40%
	(vii) Pollution control Equipments	40%
	(viii) Windmills & its equipment installed before 1/4/14	15%
	- Windmills & its equipment installed on or after 1/4/14	40%
	(ix) Renewable energy Devices (include E vehicles)	40%
	(x) Oil wells	15%
	(xi) Other P & M	15%
4.	Intangible Assets	25%

TELEGRAM: CA NOTE HUB

NOTE:-

1) Computer Accessories like printer, UPS, scanner etc eligible for depn 40%.

2) Mobile Phones EPABX are not computer so depn allowed @ 15%.

E) System of Depreciation

- SLM Method (Power utility)
  - Individual Asset system (same as Adv Ac.)
- WDV Method
  - Block of Asset system
    - Group = same + same of Assets class Rate

Eg

Building @ 10% = 500000	Block I :- Build @ 10% = 500000
Furniture @ 10% = 100000	II :- Furniture @ 10% = 100000
P&M @ 15% = 200000	III :- P&M @ 15% = 450000
Patent @ 25% = 200000	IV :- P&M @ 40% = 180000
Car @ 15% = 200000	V :- Int. Assets @ 25% = 200000
Computer @ 40% = 60000	
Pollution control equipment @ 40% = 20000	
Books @ 40% = 10000	
P&M @ 15% = 50000	
Windmill @ 40% = 90000	

TELEGRAM: CA NOTE HUB

F) Calculation of Depreciation / WDV method / Block of Assets.

Opening WDV of Block of Asset	xxx
Add:- Actual cost of Asset Acquired during PY (Purchase)	
→ Asset acq. put to use 180 days or more	xxx
→ Asset acq put to use less than 180 days	xxx
→ Asset Acquired but not put to use	xxx
	xxx
less: sale value (Money Recd)	(xxx)
WDV for Depⁿ	xxx

"WDV for Depⁿ

Acquired but NOT Put to use	Asset acquired and put to use for less than 180 days	Balance WDV

Asset Acquired and Put to use for 180 days (upto 3/10/25) or more :-

Asset Acquired and Put to use for less than 180 days :-

(179) (4/10/25 onwards)

4th and 5th October in case of leap year

TELEGRAM: CA NOTE HUB

NOTE:- If Asset acquired during the PY put to use for less than 180 days in that PY then depn allowed at half rate.

eg1 Opening WDV of Block :- 1000000
Asset acquired & put to use on 10/2/2025 :- 400000
Asset sold on 15/1/2026 :- 300000
calculate depn allowed for PY 25-26 Assume Rate is @15%.

Opening WDV of Block	1000000
Add:- Asset acq and put to use on 10/2/2025	400000
	1400000
(-) Money rec'd (sale value)	(300000)
WDV for Depn	1100000
(-) Dep Actually allowed	(135000)
	965000

WDV for Depn 1100000

Put to use less than 180 days	Balance
	700000 x 15%
400000 x 7.5%	= 105000
= 30000	

TELEGRAM: CA NOTE HUB

eg. Suppose in the above eg. the sale value of Asset is 1200000 instead of 300000. Calculate Depreciation.

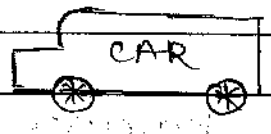
Opening WDV of Block	1000000
Add:- Actual cost of Asset Acq. during PY	
Put to use less than 180 days	400000
	1400000
(-) Money rec'd (sales value)	(1200000)
WDV for Dep	200000
(-) Dep Actually Allowed	15000
Closing WDV	185000

WDV for Dep 200000

Put to use less than 180 days	Balance
200000 × 7.5% = 15000	

TELEGRAM: CA NOTE HUB

eg Mr BB

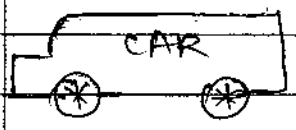


Acquired	Put to used
19|7|25	10|12|25

Cost: 1000000 Depⁿ for PY 25-26 = 1000000 × 7.5%

= 75000

Mr BB



Acquired	Put to used
19|7|25	10|12|26

Depⁿ in PY 25-26 :- NO Dep

PY 26-27 :- 1000000 × 15% = 150000

Q3 / Pg 64 Mr CA Dhaval PY 25-26 AY 26-27

		P&M @ 40%	Furniture @ 10%
	Opening WDV of Block	—	—
Add:-	Actual cost of Assets acquired		
	→ Put to use 180 days or more	60500	300000
	→ Put to use for less than 180 days	51500	—
		112000	300000
	Less:- Sale value	—	—
	WDV for Depⁿ	112000	300000
	Less:- Depⁿ Actually allowed	(34500)	(30000)
	closing WDV	77500	270000

TELEGRAM: CA NOTE HUB

WDV for Depn 112000

Less than 180 days	Balance
51500 x 20%	60500 x 40%
= 10300	= 24200

TELEGRAM: CA NOTE HUB

4) Additional Depreciation (Sec 32(1)(iiA))

(i) Assessee - Engaged in Manufacturing, Power Generation, Power distribution, Power transmission

(ii) Additional dep^n allowed @ 20% on New P&M except
- 2nd Hand P&M
- Any P&M installed in office premises or residential accomodation
- Ship, Aircraft and Transport vehicle
- P&M on which 100% deduction allowed

(iii) Additional Dep^n allowed only in the 1st year in which Asset first put to use. If Asset put to use for less than 180 days then 10% allowed in CY and 10% allower in Next year

(iv) Additional Dep^n allowed only if Assessee follows WDV method.

(v) Printing or Printing and publishing is treated as Manufacturing business and eligible for additional dep^n.

(vi) Forklift truck used in factory is not treated as transport vehicle so eligible for additional dep^n.

(vii) Additional dep^n not allowed if Assessee opted out of Default Tax Regime U/S 115BAC.

TELEGRAM: CA NOTE HUB

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Mr X PY 25-26 AY 26-27

Computation of Depreciation and Additional Depn

		P&M @ 15%	P&M @ 40%
	Opening WDV of Block	3000000	—
Add:-	Actual cost of Asset Acq. during PY		
	→ Put to use 180 days or more	2000000	—
	→ Put to use less than 180 days	800000	300000
		5800000	300000
	Less:- Sale value	—	—
	WDV for Dep	5800000	300000
Less:	Depn Actually allowed		
	→ Normal Depn	(810000)	(60000)
	→ Additional Depn	(480000)	—
	[(2000000 × 20%) + (800000 × 10%)]		
	[400000 + 80000]		
	Closing WDV	4510000	240000

WDV for Dep :- 5800000

Less than 180 days	Balance
↓	↓
800000 × 7.5% = 60000	5000000 × 15% = 750000

TELEGRAM: CA NOTE HUB

Q8 / Pg 7.10

Mr Vidya PY 25-26 AY 26-27

Computation of Depⁿ and Additional Depⁿ

	P&M @ 15%	P&M 40%
Opening WDV of Block	578000	—
Add: Actual cost of Asset acquired		
→ Put to use 180 days or more	1100000	250000
→ Put to use less than 180 days	525000	—
	2203000	250000
Less: sale value	(310000)	—
WDV for Depⁿ	1893000	250000
(-) Dep Actually allowed		
Normal Dep	(244575)	(100000)
Additional Dep [(800000 × 20%) + (325000 × 10%)]	(192500)	(50000)
closing WDV	1455925	100000

WDV for Dep 1893000

less than 180 days	Balance
525000 × 7.5%	1368000 × 15%
= 39375	= 205200

TELEGRAM: CA NOTE HUB

H] Actual cost

Cost of Asset [Purchase price]	xxx
Add:-1) Transportation expenses	xxx
2) Installation expense	xxx
3) Trial Run/Test run exp	xxx
4) Taxes and Duties	xxx
5) Interest on loan [upto the date on which asset put to use]	xxx
	xxx
Actual cost	xxx

Actual cost	₹
Cost of Building	xxx
(-) National Dep at current Rate	(xxx)
Actual cost	xx

TELEGRAM: CA NOTE HUB

Ex. Mr BB purchased a Building for ₹ 1500000 on 19th Feb 2023. On 19/7/25 he brought such building into business use. Calculate Actual cost.

Actual cost	1500000
(-) Notional depn	
PY (22-23) (5%)	75000
(23-24) (10%)	142500
(24-25) (10%)	128250
Actual cost	1154250

→ The above provision is applicable only for building and not for any other asset. So if any other Asset brought into the business actual cost shall be cost of which such asset were acquired.

(3) If any Asset acquired by way of gift, will or inheritance

Actual cost = Cost to Previous owner − Depn Actually allowed to P. owner

(4) If any, stock in Trade is converted into capital Asset and such capital Asset used in the business then actual cost shall be FMV as on date of conversion.

Lodha Builder

Building Office SIT → Convert into capital Asset → Add to Block of Asset

Convert into capital Asset → FMV = 1200000 → Taxable under PGBP

Add to Block of Asset → Actual cost → FMV = 1200000

TELEGRAM: CA NOTE HUB

(5) If any Asset is acquired at higher value to claim depn on higher cost then Actual cost of such Asset shall be determined by Assessing officer with a prior approval of Joint commissioner.

(6) If any Asset transferred by Assessee and after sometime Reacquired same Asset by same Assessee then Actual cost shall be

Actual cost

(i) WDV at the time of original transfer	xx
(ii) Reacquisition cost	xx
whichever is lower	xx

(7) If any Asset is acquired from any person and last back to same person then Actual cost shall be WDV of seller

TELEGRAM: CA NOTE HUB

I] Sec 50 :- Sale of Asset / WDV Method / Block of Asset

SP = 1170000 SP = 630000 SP = 920000 SP = 490000

Block can be NIL but Never Negative	Full Block Transfer				Part Block Transfer			
	₹	No	₹	No	₹	No	₹	No
Opening WDV	600000	5	600000	5	600000	5	600000	5
(+) Purchase	200000	2	200000	2	200000	2	200000	2
	800000	7	800000	7	800000	7	800000	7
(-) Sale value	800000	7	630000	7	800000	4	490000	4
WDV for Depn	—	-	170000	-	—	3	310000	3
	Asset ✗		Asset ✗		Asset ✓		Asset ✓	
	WDV ✗		WDV ✓		WDV ✗		WDV ✓	
	Dep ✗		Dep ✗		Dep ✗		Dep ✓	
	CG ✓		CG ✓		CG ✓		CG ✗	

CG

FVOC 1170000

(-) COA (WDV) (800000)
(OP + Pur)

STCG 370000

CG

FVOC 630000

(-) COA (800000)

STCL (170000)

CG

FVOC 920000

(-) COA (800000)

STCG 120000

TELEGRAM: CA NOTE HUB

Q9 Pg NO 7.1

M/s Singhania Co. PY 25-26 AY 26-27

i) Calculation of Dep

		₹	No of Asset
	Opening WDV	850000	6
Add:	Actual cost of Asset acq Put to use, less than 180 days	850000	1
		1700000	7
Less:-	Sale value (Money Recd)	1100000	3
	WDV for Dep	600000	4
Less:-	Dep Actually Allowed	45000	
		555000	

WDV for Dep 600000

Less than 180 days

600000 × 7.5% = 45000

ii) In this case capital Gain is not applicable since the block of Asset continue to exist

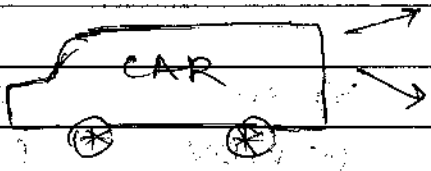
iii) If sale price of Asset is 21 lacks i.e. more than OP WDV and Purchase so CG is applicable.

Computation of capital Gain	₹
FVOC	2100000
(-) COA (WDV + Purchase)	(1700000)
STCG	400000

TELEGRAM: CA NOTE HUB

JJ Asset partly used in Business and partly for personal purpose.

If Asset not exclusively used for Business or Profession Purpose then proportionate expenditure towards Business and professional use only allowed.



Depⁿ = 400000 × 15% = 60000

	60% Allowed	40% Disallowed
	36000	24000
Opening WDV		400000
+ Purchase		–
– Sale		–
WDV for Dep		400000
(–) Dep Actually allowed		(36000)
Closing WDV		364000

TELEGRAM: CA NOTE HUB

K] Sale of Asset / SLM Method / Power unit / Individual Asset system

Cost :- 100
Dep Rate :- 10% SLM
3rd year Asset sold
a) 72 b) 89, c) 117

₹-

Cost	100
- 1st year Dep	10
WDV	90
- 2nd year Dep	10
WDV	80

a) SP :- 72
- WDV :- 80
(8) → Terminal dep Allowed in 3rd year (P&L Dr side)

b) SP 89
(-) WDV (80)
9 → Balancing charge
Taxable under PGBP u/s 41(2) (P&L cr side)

c) SP :- 117
(-) WDV :- 80
37

20 (Normal Profit) → Balancing charge taxable under PGBP u/s 41(2) (P&L cr side)

(SP > WDV) 17 (Real Profit) → STCG

TELEGRAM: CA NOTE HUB

Part B :- Donation / Contribution to outsiders

- To Approved Rsrch Research Association
  - I :- Institute
  - C :- College
  - U :- University
    - For scientific Research
      - 100% Ded^n
    - For social & statistical Research
      - 100% Ded^n
- To I.I.T National lab
  - For scientific Research
    - 100% Deduction
- To Approved Indian company engaged in R & D
  - Scientific Research
    - 100% Ded^n

TELEGRAM: CA NOTE HUB

Sec 35 :- Scientific Research

Part A : Inhouse

Research during the course of Business

- Revenue expenses — Sec 35(1)(i) — 100% deduction
- Capital expense — Sec 35(1)(iv)
  - Land — No Ded^n
  - Other capital expenses — 100% Ded^n

TELEGRAM: CA NOTE HUB

Research (Research for Assessee's Business)

Research before commencement of Business
[Max 3 years before the date of commencement of Business]

- Revenue expense — 35(1)(i)
  - Material
  - Salary (excluding perquisite)
    - → 100% Ded^n
  - Other Revenue
    - → No Ded^n
- Capital expense — 35(1)(iv)
  - Land
    - → No ded^n
  - Other Cap. expense
    - → 100% Ded^n

TELEGRAM: CA NOTE HUB

NOU 1:-
Depⁿ is not allowed if dedⁿ u/s 35 claimed.

2:- If Land and Building is purchased together then cost of L & B shall be bifercated and dedⁿ not allowed in case of cost of land

3:- Dedⁿ shall not be denied if approval of institution is withdrawn after payment by Assessee.

4:- If Assessee opted 115BAC Default tax Regime then dedⁿ given in part B(Donation) not allowed.

TELEGRAM: CA NOTE HUB

Q.10 (A) Pg 72

(i) If Mr A is paying Tax under default tax regime u/s 115BAC

Computation of Ded^n u/s 35 for AY 26-27

Particulars	₹	section	Allowability	Amount of deduction
Payment for scientific Research				
Indian Institute of science, Bangalore	100000	35(1)(ii)	Not allowable under default Tax regime	Nil
IIT, Delhi	250000	35(2AA)		Nil
x Ltd	400000	35(1)(iia)		Nil
Expenditure incurred on in-house research and Dev. facility				
Revenue expenditure	300000	35(1)(i)	Allowable under default Tax Regime	300000
Capital Expenditure (excluding cost of acquisition of land ₹ 500000)	250000	35(1)(iv) read with 35(2)(ia)		250000
Deduction allowed under section 35				550000

TELEGRAM: CA NOTE HUB

(ii) If MRA has exercised the option of shifting out of the default tax regime provided under section 115BAC (1A)

Computation of ded^{n} u/s 35 for the AY 2026-27

Particulars	₹	Section	% of Deduction	Amt of ded^{n}
Payment for scientific research				
Indian Institute of scienc	100000	35(1)(ii)	100%	100000
IIT Delhi	250000	35(2AA)	100%	250000
x ltd	400000	35(1)(iia)	100%	400000
Expenditure incurred on inhouse research and development facili				
Revenue expenditure	300000	35(1)(i)	100%	300000
capital expenditure (excluding cost of acquisition of land ₹ 500000)	250000	35(1)(iv) read with 35(2)(iia)	100%	250000
Deduction allowable u/s	35			1300000

TELEGRAM: CA NOTE HUB

Sec 35D :- Preliminary Expenses

(i) Preliminary exps means :-
a) Preparation of project report, feasibility study report.
b) Market survey
c) Drafting and Printing of MOA and AOA
d) Engineering service
e) Legal charges
f) Expenditure on public issue of shares & Debentures

(ii) Preliminary exps are allowed only to Resident Assesse who incurred such expenses before commencement of business or after comm for extention or setting up New unit

(iii) Limit

Indian Co.	Other Resident Assesee
(i) Eligible prelm exp xx	(i) Eligible Prelm exp xx
(ii) 5% of COP/CE xx	(ii) 5% of COP xx
Whichever is lower xx	whichever is lower xx

It is allowed in 5 equal instalments

COP :- Cost of Project
CE :- Capital employed

COP means :- Amt invested in fixed Asset of New project or extension or for new unit as per Books of Account on the last date of PY.

TELEGRAM: CA NOTE HUB

— CE means :- share capital + Debentures + long term Borrowings for New project or for extension or for New unit in
(Reserve and surplus not considered in capital employed)

(iv) Audit is mandatory for the year in which expenditure are incurred. (other than company and co-op society)

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Allowable Preliminary exps.

(i) Prelim exp	900000	
(ii) 5% of COP/CE	175000	(3500000 × 5%)
whichever is lower	175000	

COP :- Cost of Project = 3000000
CE :- Capital employed 3500000
3500000

Allowed in PY 25-26 = 175000 / 5 years

= 35000 per year from PY 25-26

TELEGRAM: CA NOTE HUB

Sec 35DDA :- Expenses on VRS compensation

- This ded^{n} is allowed to all assessee
- This ded^{n} is allowed in five equal installment

Common Note for Sec 35D & 35DDA

- If there is a amalgamation or demerger then remaining ded^{n} is allowed to A'ed or resulting company

Sec 35AD :- Specified Business

No	Business	Commence-ment on or after
Under this sec ded^{n} @ 100% allowed for capital expense and this section is optional for Assessee.		
1.	Setting up and operating a cold chain facility	1/4/2009
2.	Setting up and operating a warehousing facility for Agriculture produce.	1/4/2009
3.	Laying and operating cross country pipeline for distribution of petroleum oil, natural gas.	Nat gas 1/4/07 Petro 1/4/09
4.	Building and operating a Hotel of 2 star or above	1/4/2010
5.	Building and operating a Hospital with min. 100 patient beds	1/4/2010
6.	Developing and Building a Housing Project under Slum Development scheme	1/4/2010

TELEGRAM: CA NOTE HUB

7.	Developing and Building a Housing Project under affordable Housing scheme	1/4/2011
8.	Production of fertilizers in India	1/4/2011
9.	Setting up and operating inland container depot or container freight station	1/4/2012
10	Bee keeping and production of bee's Honey and Wax	1/4/2012
11.	setting up and operating a semi conductor wafer fabrication manufacturing unit.	1/4/2014
12	Setting up and operating a warehousing facility for sugar	1/4/2012
13.	Laying and operating a slurry pipeline for transportation of Iron ore.	1/4/2014
14	Developing or maintaining and operating or developing, maintaining and operating a New Infrastructure facility	1/4/2017

TELEGRAM: CA NOTE HUB

Notes and conditions

1) Above business should be New, it should not be split up or reconstruction of existing business

2) P&M required should be New except

(i) — 20% of total plant and Machinery can be second hand.

(ii) — Imported secondhand plant and Machinery shall be treated as New only for this section

(iii) — under this section 100% deduction allowed for all the Capital expenditure except.
   a) Land
   b) Goodwill
   c) financial instruments

(iv) — Deduction is allowed only if more than ₹10000 in a single day to a single person paid by Account pay cheque, or account pay demand draft or any mode of electronic clearing system.

(v) — Depⁿ is not allowed if dedⁿ claimed under sec 35AD

(vi) — Expenditure incurred before commencement of business is also allowed as dedⁿ in the year in which business commence.

(vii) — loss from specified business can be set off only against Income from specified business and remaining losses can be carry forward for unlimited period.

(viii) — Petroleum and Natural Gas pipeline business and New Infrastructure facility business should be owned by Indian company or group of Indian co. and it is approved from prescribed authority.

TELEGRAM: CA NOTE HUB

(ix) — In case of Hotel if operation is transferred to any other person then also ded^{n} allowed under section 35AD.

(x) — New Infrastructure facility means Road, Toll Road, Bridge, Rail system, Highway project, water supply project, water treatment system, irrigation system, sanitation system, solid waste management, port, Airport.

(xi) — If any Asset is sold (on which ded^{n} claimed u/s 35AD) selling price of such asset is taxable under the head PGBP.

(xii) — Ded^{n} under this sec not allowed if Assessee opted 115BAC

TELEGRAM: CA NOTE HUB

Q11 / Pg 73

Mr A — PY 25-26 AY 26-27

computation of PGBP of specified Business

	Warehouse facility for food grains	Warehouse facility for sugar
Profit before ded^{n} u/s 35AD (A)	16000000	14000000
Less :- Ded^{n} u/s 35AD		
Building	3000000 (80-50)	2000000 (60-40)
Add :- Extension of Building	2000000	1500000
	5000000	3500000
× Ded^{n} u/s 35AD @ 100%.	100%	100%
(B)	5000000	3500000
PGBP (A-B)	(3400000)	(2100000)

PGBP for warehouse facility of edible oil (Non specified Business)

Net Profit		3100000
(-) Dep^{n} u/s 32		
Building (50-30) =	20	
Add :- Extension	10	
	30 lacs	
Dep^{n} on Building @ 10% (3000000 × 10%)		(300000)
PGBP		2800000

Note :- Losses from specified business of ₹ 5500000 cannot be set off against profit from warehousing facility of edible oil (Non specified business) so it will be carry forward.

TELEGRAM: CA NOTE HUB

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Note :- Loss of specified business can be set off only against income of any other specified business irrespective of whether the other specified business is eligible for Ded^{n} u/s 35AD or not.

TELEGRAM: CA NOTE HUB

— If any Asset acquired for specified business should not be transferred to Non specified business within 8 years from the year of acquisition. If it is trf. within 8 yrs the following shall be taxable under the head PGBP

Particulars

Amount of ded^{n} claimed u/s 35AD earlier	xx
(-) Dep^{n} that would have been allowable if sec 35AD not there	(xx)
PGBP	xx

— For Non specified business following shall be added to BLOCK OF ASSET (Actual cost)

Particulars

Cost of such Asset	xx
(-) dep^{n} allowable if such asset used for non specified business from acquisition	(xx)
Actual cost	xx

Q13 / pg 74 — Mr Amav — PY 25-26 AY 26-27

PGBP

	₹
Amt of Ded^{n} claimed u/s 35AD	5000000
(-) Dep^{n} Allowable if sec 35AD Not claimed	(500000)
~~(PY 24-25) 5000000 × 10%.~~	
PGBP	4500000

TELEGRAM: CA NOTE HUB

In Non specified Business

	₹
Cost of Asset	5000000
(-) Depn allowable if Asset used in Non Specified business from its acquisition (500000)	
PY 24-25 5000000 x 10%	
Actual cost	4500000

Note :-
If Asset transferred to Non specified business after 8 years or Asset acq. under gift, Amalgamation, demerger and previous owner already claimed ded^n u/s 35AD then Actual cost of such Asset shall be Nil.

TELEGRAM: CA NOTE HUB

Sec 36(1) :- certain deduction u/s 36(1)

1) Insurance premium for stock in Trade → Allowed

2) Health Insurance premium paid for employee → Allowed if premium not paid in cash.

3) Animals used in the Business (other than SIT)
→ Ded^n is allowed in the year in which such Animal died or became permanent business

Amt of ded^n = Cost of Animal + Scrap value

4) Bad debts [Sec 36(1)(vii)]

- Actual Bad debts
  - Related to sales → Allowed
  - Related to loan → Not Allowed
    [Exception :- Money lending Business]
- Provision for Baddebts → Not Allowed

Note :- There is no need to prove that debt is bad for claiming Bad debts Assessee should write off debtors

TELEGRAM: CA NOTE HUB

5) Sec 41(4):- Bad Debts Recovery

If dedn of Bad debts is already allowed then recovery of Bad debts will be taxable in the year in which it is recorded even if Assessee is not doing the same business. Recovery is taxable only if Assessee who claimed the bad debts and recovered is same

Eg:- Mr BB sold goods to Mr Mannu for ₹ 5,00,000 in PY 23-24. Mr Mannu refused to pay the amt. AO allowed ₹ 3,00,000 as Bad debts.

— BB recovered ₹ 3,50,000 in PY 25-26.
Taxable Amt = Recovery − Disallowed earlier
350000 − 200000
= 150000

— Suppose in the above example recovery amount is 170000 → In this case nothing is taxable

— Suppose examiner provides that recovery is in final settlement of ₹ 170000 in above example. In this case nothing is taxable and ₹ 30,000 further Bad debts allowed to Assessee

TELEGRAM: CA NOTE HUB

6) Bonus and commission to employee → Allowed
[As per sec 43 B, it is allowed only if it is actually paid up to due date of Return filing]

Employer contribution

→ Statutory Provident fund	→ unrecognised Provident fund
→ Recognised Provident fund	→ unapproved Gratuity fund
→ Approved Gratuity fund	→ unapproved super Annuation fund.
→ Approved super Annuation fund	
→ fund as per law	→ Any other fund
↓	↓
Allowed	Not Allowed

As per sec 43 B, it is allowed only if it is actually paid upto date of return filing.

7] Employer contribution to Pension u/s 80CCD / National Pension scheme / New Pension scheme

Deduction Amt

(i) Actual contribution xxx
(ii) 14% of salary xxx
whichever is lower

[salary = Basic + DA(T)]

not

As per sec 43B, it is allowed only if it is Actually paid upto due date of Return filing.

TELEGRAM: CA NOTE HUB

8) If any sum received by employer from employee as a contribution to Provident fund (PF) or ESI (Employee state Insurance) etc has to be deposited by employer upto the due date of such fund otherwise it will be treated as PGBP income of employer

NOTE: PF due date is 15th of subsequent month

9) family planning expenditure of employee

Ded^n allowed only to company

- Revenue expense → 100% Ded^n
- capital expenditure → Allowed in 5 equal instalments

10) Discount on zero coupon Bonds

— ZCB means bonds issued at discount and redeemed at par. Discount is allowed as ded^n on pro rata basis over the life of bonds [calender month]

Adani ltd issued 100000 ZCB on 1/11/2025 @ 80 per bond (FV is 100). Life of Bond is 12 months. Calculate discount allowed for PY 25-26.

Total discount = 20 (100 - 80) × 100000 Bonds
= 2000000

TELEGRAM: CA NOTE HUB

$\frac{2000000}{12 \text{ months}} = 166667 \times 5 \text{ months}$

$= 833333$

11) Interest on loan

- Loan for Business / Profession purpose
  - Loan from schedule Bank (include co-op Bank)
  - Public financial Institution (PFI)
  - state financial corp (SFC)
  - state industrial investment corp (SITC)
  - Non Banking financial company (NBFC)
  - → Allowed
- Loan for personal purpose
  - → Not Allowed
- Loan from other
  - → Paid o/s
  - → Allowed

[As per 43B it is allowed only if it is Actually paid upto duedate of Return filing]

12) Security Transaction tax and commodity transaction tax (STT and CTT)

← It is allowed as ded^n if Assessee engaged in shares or commodity trading business.

TELEGRAM: CA NOTE HUB

Sec 37:- General Ded^{n}

Any expenditure not covered u/s 30 to 36 shall be allowed as ded^{n} u/s 37 if following conditions are satisfied.

1) Expenditure should be wholly and exclusively for Business or Profession purpose

2) Expenditure should be Revenue in Nature

3) Expenditure should be legal.

Note:- following expenses are treated as illegal and Not allowed.

a) For any purpose which is offense / prohibited under any law in India or outside India.

b) To provide any benefit/ perquisite to any person & Acceptance of such benefit by such person is violation of any law, rules, regulation. (freebies to DRs)

c) To compound any offense under any law.

Eg(1) Salary

a) Salary to employee → Allowed
b) Salary to working partner → Allowed
c) Salary to sleeping partner → Not Allowed
d) Salary to Directors → Allowed

TELEGRAM: CA NOTE HUB

2) Advertisement Expenses → Allowed

Note :- If Advertise-ment in the newspaper, pamplets, Brochures etc of Political party then it is not allowed

3) Diwali pooja exps / New office Opening exps → Allowed

4) Gift to employees / customers → Allowed

5) Keyman Insurance Policy Premium → Allowed

6) Corporate social responsibility exp → Not Allowed (CSR exps)

7)

	Taxes	Interest	Penalty
Direct Tax (Income Tax) including surcharge and HEC	Not Allowed	Not Allowed	Not Allowed
Indirect Tax (GST, Customs)	Allowed	Allowed	Not Allowed

As per sec 43B if is allowed only if it is actually paid upto due date of Return filing.

Penalty for Breach of law → Not Allowed

Penalty for Breach of contract → Allowed

TELEGRAM: CA NOTE HUB

8) Other expenses

- → Telephone expenses
- → Printing expenses
- → Audit fees
- → Travelling expenses
- → Sundry expenses etc

→ Allowed if it is for Business or Profession purpose

Sec 40 :- Amount specifically Disallowed

1) Sec 40(a)(i) :- Payment made to NR/foreign company

Amount paid / credited to Non Resident or foreign company shall be 100% disallowed if :-

a) TDS not deducted in PY OR

b) TDS deducted in PY but not paid to Govt upto due date of Return filing

2) Sec 40(a)(ia) :- Payment made to Resident

Amount paid / credited to Resident person shall be 30% disallowed if :-

a) TDS not deducted in PY OR

b) TDS deducted in PY but not paid to Govt upto due date of Return filing.

NOTE :- If TDS deducted in subsequent year or deducted in PY but paid to Govt after due date of return filing then such expenditure (100% / 30%) shall be allowed in PY in which TDS has been paid to Government.

TELEGRAM: CA NOTE HUB

— Exception of above section —

If any amount paid / credited and TDS not deducted but payee :-

a) Taken into Account such amount in Total Income and.

b) Has paid the taxes to govt. on total income and

c) filed his return of income and

d) Payer has furnished a certificate from CA (form NO 26 A)

then whatever amt (100% / 30%) disallowed earlier shall be allowed in PY in which payee furnishes his return of income

eg. BBVPltd paid 500000 to AK sir on 29/7/2025 as a professional fees without deducting TDS. AK sir consider this amount in his income and he paid taxes to government and he has filed his return on 31/8/26. BBVPltd obtain a certificate from CA

→ a) ₹ 150000 (50000 × 30%) expense disallowed in PY 25-26 to BBVPL

b) ₹ 150000 expenses allowed in PY 26-27 (year in which AK sir files his return)

3) Sec 40(a)(iii) :- TDS on salary payment outside India or to NR in India.

Any salary paid outside India or to NR in Indiif

a) TDS not deducted OR

b) TDS deducted in PY but NOT paid to Govt upto

TELEGRAM: CA NOTE HUB

due date of TDS payment then such salary shall be disallowed.

Note:- If TDS deposited late even by one day then also salary not allowed.

4) Sec 40(a)(v) :- Tax on Non monetary perquisite of employees

If any tax on Non monetary perquisite of employee is paid by employer from own pocket then such tax not allowed to employer.

5) Sec 40A(2) :- Payment to Relative (specified person)

If any payment paid to relative then AO can disallow excessive or unreasonable amount.

	Assessee	Relative
i)	Individual	(spouse, mother, father, Brother, sister, linear ascendant, linear descendant)
ii)	HUF/AOP/BOI	Members and their Relatives
iii)	Firm/LLP	Partners and their Relatives
iv)	Company	Directors and their Relatives

TELEGRAM: CA NOTE HUB

v) Substantial Interest

Assessee — Any other person

Substantial Interest

- company → 20% or more equity shareholding
- firm / LLP / AOP / BOI → 20% or more profit sharing ratio (PSR)

vi)

Holding company (TATA)

- → subsidiary company (TCS)
- → Titan subsidiary company

Relative

TELEGRAM: CA NOTE HUB

6) Sec 40A(3):- Cash payment more than 10000 to single person in a single day.

If Assessee makes payment for any expenditure to single person in a single day more than 10000 by any mode other than Account payee cheque, Account payee demand draft, Electronic clearing system then such expenses shall be disallowed.

TELEGRAM: CA NOTE HUB

— Exception :-

In the following cases cash payment is allowed

1) Payment made to Govt, Bank, RBI, LIC

2) Payment made to producer of Agriculture product, forest products, fish products, poultry products etc

3) Payment by BOOK entry (Adjustment)

4) Payment of Retirement Benefit upto ₹ 50,000

5) Payment made where banking feicility is not available

6) Payment from employer to employee who is posted at any other place or ship for 15 days or more other than his normal place of duty.

7) Payment made by authorised dealer or money changer for purchase of foreign currency.

8) Payment for product manufactured without aid of power in cottage industry.

9) Payment made to agent who is required to make payment in cash for G&S on behalf of Assessee.

7) Sec 40A(7) :- Provision for Gratuity → Not Allowed

Note :- Any payment of Actual Gratuity or contribution to approved Gratuity fund is allowed as ded^{n}.

TELEGRAM: CA NOTE HUB

8) Sec 43B :- Exp allowed on payment basis

following exps are allowed only if it is actually paid upto the due date of return filing u/s 139(1).

1) Bonus and commission to employee

2) Any taxes, duties, cess, fees (IDT)

3) Employer contribution to SPF, RPF, AYF, ASF or any other fund under law.

4) Interest on loan taken from schedule Bank / including co-op bank PFI, SFI, SMC, NBFC

5) Leave salary (encashment of utilized leave)

6) Any sum payable to Indian railways for use of Railway Asset

Note

1) If above payment is made after due date then expense is allowed in the year in which actual payment is paid

2) Any o/s interest is converted into loan, debor any instrument then it is not treated as Actual payment Interest shall be allowed as ded^{n} in the year in which such instalment is paid

TELEGRAM: CA NOTE HUB

Sec 43B(h) :- Goods or service purchased / procured from Micro / small enterprise

If any goods or services procured from micro or small enterprise then payment should be made within the time given u/s 15 of MSME Act, 2006 then exp will be allowed in current PY otherwise exp will be allowed in the year in which Actual payment is made

Time limit u/s 15 of MSME Act 2006

Within agreement between supplier and buyer	No Agreement
Date agreed in agreement [It shall not be more than 45 days]	15 days from acceptance of goods or service

* Meaning of Micro and small enterprise

	Micro	Small
Investment in P&M and Equipment and	upto ₹2.5 cr	upto ₹25 cr
Turnover	upto ₹10 cr	upto ₹100 cr

Eg :- BB ltd purchased goods from Ganesh ltd (small enterprise) for ₹15 lakhs on 2/3/26. As per agreement payment is to be made upto 30/4/26. However, payment was made as follows.

200000 paid on 30/3/26
400000 " " 6/4/26
300000 " " 15/4/26

TELEGRAM: CA NOTE HUB

600000 " " 8/5/26

— Solution —

As per sec 15 of MSME Act, 2006, Payment should be made within time agreed in the agreement or 45 days whichever is earlier. In the present eg that due date is 16/4/26. Payment of ₹ 900000 made till 16/4/26 is allowed in current PY 25-26 and remaining 600000 will be allowed in the year of Actual payment that is PY 26-27

Eg 2) suppose in above eg there is no agreement b/w parties. Payment should be made within 15 days - No payment made so allowed in the year of actual payment. 200000 allowed in PY 25-26 and 1300000 allowed in PY 26-27

TELEGRAM: CA NOTE HUB

HOW TO SOLVE PGBP?

Direct Method		Indirect Method
↓		
Receipts and payment A/c		Profit and loss as per A/c
↓		↓
Income as per Sec 28/41	xx	Net profit as per P&L A/c xxx
⇀ Exps allowed		
Sec 30	(x)	Add:- Disallowed/
31	(x)	Items consider
32	(x)	seperately xx
35	(x)	less:- Allowed/
35D	(x)	Items considered
35DDA	(x)	seperately (xx)
35AD	(x)	PGBP xxx
36	(x)	
37	(x)	
PGBP	xxx	

TELEGRAM: CA NOTE HUB

Q32/Pg 88

Mr Raju PY 25-26 AY 26-27

Computation of Total Income under default tax regime u/s 115BAC.

	₹	₹
Income from House Property		
Interest on Housing loan for SOP		—
(Note :- since Assessee opted sec 115BAC so interest on Housing loan incase of SOP not allowed)		
Profit and Gain from Business or Profession		
Net profit as per P/L A/c		500000
Add:- Disallowed / Items considered seperately		
(i) SGST Penalty	5000	
(ii) Depn as per BOOKS OF Accounts	200000	
(iii) Commission to Brother [Note 2]	10000	
(iv) Interest on Bank Term Loan [Note 3]	40000 →	255000
		755000
Less:- Allowed / Items considered seperately.	—	
(i) Dividend	15000	
(ii) Agriculture Income	180000	
(iii) Depn as per IT Rules [Note 1]	223500	
(iv) Salary not recorded (4000 x 12m)	48000 →	(466500)
	PGBP	288500

TELEGRAM: CA NOTE HUB

Income from other sources			
Dividend		15000	
Agriculture Income	180000		
(-) Exempt u/s 10(1)	(180000)	—	15000
Gross Total Income			303500
(-) Ded^{n} u/s VI A [Not allowed in case of Sec 115BAC]			—
NTI			303500

Note 1:- Dep^{n} as per IT Rules / Act	₹
WDV as on 31/3/25	14000000
(-) Dep^{n} for PY 24-25	(210000)
Opening WDV as on 1/4/25	1190000
Add:- Actual cost of Asset acquisition	
(i) Put to used 180 days or more	200000
(ii) Put to use less than 180 days	200000
WDV for Dep^{n}	1590000
(-) Dep^{n} actually allowed	(223500)
	1366500

WDV for Dep^{n} 1590000

Less than 180 days	Balance
200000 × 7.5%	1390000 × 15%
= 15000 ⟶ 223500 ⟵	= 208500

TELEGRAM: CA NOTE HUB

Note 2) As per sec 40A(2) Any Payment made to relative shall be disallowed to the extent unreasonable. In the present qn, commission to brother is unreasonable so ₹ 10,000 disallowed

Note 3) As per sec 43B, Interest on loan taken from bank is allowed as dedn only if it is actually paid upto the due date of return filing. In the present qn, Interest of ₹ 40,000 paid in NOV 2026 is not allowed as dedn in PY 25-26

Note 4) As per sec 40A(3) any payment of expense more than ₹ 10,000 in a single day to a single person is disallowed if it is paid in cash. Provided that if payment is made to transporter, then limit is ₹ 35000. so in the present qn, ₹ 33000 paid in cash to transporter is fully allowed.

Note 5) Salary of ₹ 4000 per month paid to staff has not been recorded in BOA due to genuine mistake so it will be allowed as dedn.

TELEGRAM: CA NOTE HUB

Q3) Pg 87

Mr Shivam PY 25-26 AY 26-27

Computation of PGBP

	₹	₹
NP as per P&L A/c		50000
Add :- Disallowed / Items considered seperately		
(i) Depⁿ as per BOOKS of A/c	105000	
(ii) Loss on sale of shares	8100	
(iii) Closing stock omitted	18000	
(iv) Salary to Brother (unreasonable)	2000	
(v) Printing and stationary	23200	
(vi) Donation to Public Charitable trust	2000	158300
		208300
Less :- Allowed / Items considered seperately		
(i) Income from UTI [Taxable under IFOS]	2400	
(ii) Depⁿ as per Income Tax Law [Note 1]	66000	
(iii) Opening stock omitted	9000	(77400)
	PGBP	130900

Note 1 :- Calculation of Depⁿ

Opening WDV of block	420000
Add :- Actual cost of Asset Acq.	70000
Less :- Asset sold (sale value of Asset)	(50000)
WDV for Depⁿ	440000
Less :- Depⁿ Actually Allowed (440000 x 15%)	(66000)
	374000

TELEGRAM: CA NOTE HUB

Note 2) As per sec 40A(2) Any payment made to relative which is unreasonable shall be disallowed. In the present qn, salary to brother is unreasonable to the extent of 2000 thus it is disallowed

Note 3) sec 40A(3) Any payment of exp to a single person in a single day more than 10000 in cash shall be disallowed. so in present qn exp of printing and stationary disallowed.

Note 4) As per sec 43B, indirect taxes is allowed as ded^{n} only if it is actually paid upto the due date of return filing. In the present qn, GST liability is paid on 1/4/26 is allowed in PY 25-26 only.

Note 5) Donation to public charitable Trust is not a business exp so it is not allowed.

Note 6) If Mr. Shivam declare income as per section 44AD then his PGBP income shall be

112,11,500 × 6% = ₹ 672690

TELEGRAM: CA NOTE HUB

Sec 43A :- Asset Acquired from Foreign company

If any asset acquired from outside India through foreign currency loan or supplier credit, then any loss or gain at the time of actual payment shall be adjusted with block of Asset.

Eg. AK ltd acquired a P&M for $100,000 from USA on supplier credit on 16/7/25. Payment to supplier made as follows

15/2/25	$ 40,000
19/10/26	$ 60,000

Calculate depn for PY 25-26 and 26-27. Exchange rate

16/7/25 - $1 = ₹70
15/2/25 - $1 = ₹78
19/10/26 - $1 = ₹67

Calculation of Depn	PY 25-26		PY 26-27
Opening WDV		Op. WDV	6222000
(+) Actual cost of Asset ($1L × ₹70)	7000000	(+) ACOA	
	7000000		6222000
(-) Sale value	—	(-) Sale value	—
	7000000		6222000
(+) Loss in case of payment due to sec 43A	320000	(-) Gain in case of payment due to sec 43A	(180000)
WDV for Depn	7320000		6042000
(-) Depn actually allowed	(1098000)		(906300)
Closing WDV	6222000		5135700

TELEGRAM: CA NOTE HUB

Sec 41 :- Deemed Income

Sec 41(1) :- Recovery of any dedn claimed earlier

If Assessee claims any exp or loss or trading liability and subsequently, Assessee got refund or remission shall be taxable under the head PGBP

Eg:- GST refund, waiver of electricity bill, stock destroyed by fire and insurance compensation recd

Note :- Waiver of working capital loan (principle amount) then sec 41(1) is applicable and taxable under the head PGBP.

Sec 41(3) :- Sale of Scientific Research Asset

Sale without use in Business			Sale after used in the Business
(A)			(A)
Taxable u/s 41(3) under PGBP	SP	xx	Add to Block of Asset by NIL value
	Dedn u/s 35	xx	
	whichever is lower	xx	
			(B)
(B)			Sale → sec 50 Apply [Part Block / Full Block Trf]
If SP > cost			
Capital gain			

TELEGRAM: CA NOTE HUB

Sec 44AA :- compulsory maintainence of BOA

Part A

In this case, Assessee is required to maintain specified books if Gross receipts is more than ₹ 1500000 in all three years preceding the PY (or likely to more than ₹ 150000 in case of New profession) otherwise assessee is required to maintain normal BOA from which AO can complete the assessment.

specified Profession [MALE FIT CO]

M → Medical
A → Accountancy, Architect, Authorised Representative
L → Legal
E → Engineering
F → film Artist
I → Interior decorator, IT Profession
T → Technical consultant
CO → CS

specified Books as per rules 6F

1. cash Book
2. Journal
3. ledger
4. carbon copy of bill more than ₹ 25
5. Original bill of expense more than ₹ 50
6. In case of medical profession, daily case register and stock register has to be maintained.

TELEGRAM: CA NOTE HUB

Part B :- Other Assessee (Business)

In this case, in any of the last 3 PY, PGBP more than ₹ 120000 or T/O more than 10L (likely to be more than in case of New Business) then Assessee is required to maintain normal BOA from which AO can complete the Assesment otherwise Assessee not required to maintain any BOA

In case of Individual, HUF ⟶ PGBP more than ₹ 250000/T/O more than ₹ 250000 limit apply.

Note :- As per section 27/A if Assessee fails to maintain BOA then penalty of ₹ 25000 may attract

Sec 44AB : Compulsory Audit of BOA (Tax Audit)

1. In case of Business, Audit is compulsory if T/O of PY is more than ₹ 1cr

Note :- T/O limit is ₹ 10 cr if
a) cash receipt out of total receipt is upto 5% in PY
AND
b) cash payment out of total payment is upto 5% in PY

* cross cheque, bearer cheque is treated as cash only.

2. In case of Profession, Audit is compulsory if Gross Receipt of Profession is more than ₹ 50L in PY.

3. Audit can only be by CA Holding cop.

TELEGRAM: CA NOTE HUB

4. Due date of Audit is one month before the due date of return filing.

Eg. Suppose due date of return filing is 31/10/26 then Audit due date 30/9/26

5. As per sec 271B if Assessee fails to get A/cs Audited then penalty is applicable

(i) 0.5% of T/O or GR	xx
(ii) 150000	xx
whichever is lower	xx

TELEGRAM: CA NOTE HUB

* Claim benefit of sec 44AD for 5 years subsequent to the year in which Assessee did not declare income as per sec 44AD.

Sec 44AD :- Presumptive PGBP for Business

a) Elegible Assesse-Resident Individual / Res. HUF / Res firm (other than LLP)

b) This section is applicable if Assesse is engaged in Business except
   (i) Profession
   (ii) Sec 44AE Business
   (iii) Agency Business
   (iv) Commission and Brokerage Business

c) This section is applica-ble if T/o is upto ₹ 2 cr

NOTE:- if Amt rec'd during the PY in cash is upto 5% of Total T/o then limit is 3cr instead of 2cr

d) PGBP = Turnover × 8%.*

* If T/o realised by Account payee cheque / DD / ECS upto due date of Return Filing then 6% instead of 8%

e) Assessee can declare higher income. If assessee declare income as per this section then he is not required to maintain BOA and get it Audited.

f) If Assessee declare lower income and his total Income (NTI) is more than basic exemption then he is required to maintain BOA and get it Audited

*g) If Assessee declare income as per this section in any PY and he does not declare in income as per this sec in any of the 5 consecutive PY then he shall not eligible to

TELEGRAM: CA NOTE HUB

Sec 44ADA :- Presumptive PGBP for Profession

a) Eligible Assessee :- Res. Individual / Firm (exclude LLP)

b) The section is applicable only if profession's gross receipt is upto ₹ 5000000

Note :- If Amt received during PY in cash is upto 5% of Gross receipt of PY then limit is 75 lacs instead of 50 lacs

c) PGBP = Gross Receipt x 50%.

d) Assesse can declare Higher Income. If Assesse declare lower income and his total Income (NTI) is more than Basic exemption then he is required to maintain BOA and get it audited.

— Common points for Sec 44AD and Sec 44ADA —

1) Ded^{n} u/s 30 to 37 not allowed (Assume it is deemed to be allowed)

2) Partner Remuneration and Interest not allowed.

TELEGRAM: CA NOTE HUB

Sec 44AE :- Presumtive PGBP for transporter

a) Eligible Assessee :- Any Assessee engaged in the Business of Plying, Hireing, leasing of Goods, carriages vehicles (Transporter)

b) PGBP =

(i) Heavy vehicle :- ₹1000 per ton of Gross Vehicle weight or Unladen weight as the case may be per month or part of the month
[Gross vehicle weight > 12 tons (12000 kg)]

(ii) Other vehicle :- ₹7500 per month or part of the month.

c) This section is applicable if Assessee own max. 10 vehicles. If Assessee own more than 10 vehicle at any time during the PY then this section is not applicable

d) Income is calculated even if vehicle is not put to use but owned by Assessee

e) If Gross vehicle weight is not available then Assessee can take unladen weight.

f) Assessee can declare higher income in his return of Income

g) If Assessee opting this sec then he is not required to maintain BOA and get it audit. However if assessee declared lower income then he is required to maintain BOA and get it audited

TELEGRAM: CA NOTE HUB

b) Ded u/s 30 to 37, Not allowed (Assume it is deemed to be allowed.

c) Partner Remuneration and Interest u/s 40(b) allowed against income computed under this section

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Mr X

Computation of PGBP

Sno	Vehicle	Acquired Date	Calculation	Income
1.	2	10/4/25	7500 x 2 vehicles x 12m	180000
2	1	15/3/26	7500 x 1 vehicle x 1m	7500
3	3	16/7/25	7500 x 3 vehicles x 9m	202500
4	1	2/1/26	7500 x 1 vehicle x 3m	22500
5	2	29/8/25	15000 x 2 vehicles x 8m	240000
6	1	23/2/26	15000 x 1 vehicle x 2m	30000
			PGBP as per Sec 44 AE	682500

TELEGRAM: CA NOTE HUB

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Rao and Jain firm PY 25-26 AY 26-27

Net profit as per P&L A/c			1700000
-(i) Depn as per sec 32			(150000)
(ii) Interest to partner (500000 x 12%)			(160000)
	Book Profit		1490000
– Rem. as per sec 40(b)			
(i) Allowable Remuneration			
first 600000 x 90% or 300000 Higher		540000	
Balance BP 890000 x 60%		534000	
		1074000	
(ii) Actual Rem. (40000 pm x 2 partners x 12 m)		960000	960000
	PG BP		530000

TELEGRAM: CA NOTE HUB

Sec 40(b) :- Remuneration and Interest by firm / LLP to Partners

Rem. and Interest shall be allowed if following conditions are satisfied.

(i) Remuneration should be paid to working partner

(ii) Rem & Int. should be authorized by Partnership deed.

(iii) Rem & Int should relate to period following after the date of partnership deed it means it should be prospective and not retrospective

(iv) Interest on partner capital and loan allowed max 12% per annum simple Interest.

(v) Rem. allowed on Book Profit Based

Book Profit [PUBP just before Rem.]

First 600000 of BP → BP x 90% OR 300000

Balance BP → x 60%

Max Allowable Rem. = XX

TELEGRAM: CA NOTE HUB

Calculation of Book Profit

Net Profit as per P&BP	xxx
Add :- Remuneration (if debited to P&L A/c)	xxx
	xxx
Less :- Depn of CY + unabsorbed depn	(xxx)
Book Profit	xxx

→ Remuneration and Interest

Allowed 40(b)

Transfer (P&BP)

firm / LLP

Partners

Disallowed / Share in profit

Exempt u/s 10(2A)

Remuneration / Interest

TELEGRAM: CA NOTE HUB

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firm PY 25-26 AY 26-27

Computation of PGBP

Net Profit		700000
Add :- Rem. to Partner A (sleeping partner)		60000
Interest to Partner D (12% Disallowed)		18000
$\left(\frac{36000}{150000} \times 100\%\right) = 24\%$		
		778000
Add :- Rem. to Part B & C (80000 + 90000)		170000
Book Profit		948000
Less :- Rem. Allowed u/s 40(b)		
(i) Actual Rem.	170000	
(ii) Max Allowable	748800	(170000)
PGBP		778000

BP = 948000

First 600000	Bal. BP
(i) 600000 × 90% = 540000	348000
ii) 300000	× 60%
540000	208800

Total Allowable

Rem = 748800

TELEGRAM: CA NOTE HUB

Computation of PGBP of Partner

	A	B	C	D
Rem	Exempt	80000	90000	—
Interest	—	—	—	18000
PGBP	—	80000	90000	18000

TELEGRAM: CA NOTE HUB

Sec 145(1) : Method of Accounting

for computing an IBOS, Assessee can follow cash method or accrual system of Accounting.

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ICAI module
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Calculation of Book Profit

NP as per Pfl A/c		2586000
(-) Int on capital (15L x 12% x 2)		(360000)
(-) Revenue exp on scientific research		(240000)
(-) Capital exp on scientific research		(345000)
(-) CY Depn		(470000)
(-) Unabsorbed depn		(52000)
(-) Unabsorbed capital exp on scientific research		(85000)
Book Profit		10,34,000
(-) Rem to Partners		
(i) Actual Remuneration (40000 + 50,000) x 12	1080000	
(ii) Allowable Interest	800400	(800400)
		233600

TELEGRAM: CA NOTE HUB

Book Profit 1034000

	First 600000	Balance
BP x 90%	540000	434000 x 60%
or	300000	
300000	5400000 → 800400 ←	260400

Remuneration taxable in hands of partner

Anand $\left(\frac{800400 \times 5}{9}\right)$ 444667

Bhelm $\left(\frac{800400 \times 4}{9}\right)$ 355733

NOTE:- Book Profit means Profit calculated as per section 28 to 43C. So current year depn, unabsorbed depn covered by sec 32, scientific research related exp are covered by sec 35. So it is reduced while calculating Book Profit.

Brought forward Business loss is covered by sec 72. So it is not reduced.

TELEGRAM: CA NOTE HUB

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[4 to 5 marks]

CLUBBING OF INCOME

Income of other person included in Total Income of Assessee

Sec 64(1A) :- Income of Minor child.

Income of Minor child taxable in hands of Parents whose income is more before clubbing minor's income

— Exemption —

In the following cases, minors income is taxable in hands of minor only.

i) Income due to manual work
ii) Income due to skill and talent
iii) Minor child suffering from disability

Notes :-

1) If minor child's income club in hands of parent then exemption U/S 10(32) of ₹ 1500 p.a per child is available to parent. (Not applicable when Assessee opted default Tax Regime U/S 115BAC)

2) Once minor child is clubbed with one parent it will continue to be clubbed with that parent only in subsequent years. AO may club minor's income with other parent after giving an opportunity of being heard

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

3) When the marriage of parent not exists, income of minor will be included in the income of that parent who maintains the minor child in relevant PY.

4) Clubbing provision are attracted even in respect of Income of minor married daughter.

5) Child includes step child and legally adopted child of Individual.

Sec 64 (1)(iv) :- Asset transfered to spouse

If any individual transfer any Asset to his or her spouse without consideration or inadequate consideration then income from such is received by spouse but tax on such income is paid by transferer (Assessee)

Note :-

1) The above provision is applicable only if relationship of Husband and wife exists at the time of transfer of Asset as well as at the time of generating the income

2) This provision is not applicable if Asset is transferred in connection with agreement to live apart.

3) If AHP is transferred by Individual to his spouse or minor child (not being a minor married daughter) for without / inadequate consideration then such individual is treated as deemed owner as per sec 27 and section 64 shall not apply.

TELEGRAM: CA NOTE HUB

— Sec 64(1)(vi) :- Asset transferred to son's wife.

If any Individual transfer any Asset to his/her son's wife without/inadequate consideration then income from such asset is rec'd by son's wife, tax on such income is paid by transferer

Note:- This provision is applicable only if Relationship of mother/father in law and daughter in law exist at the time of transfer of Asset as well as at the time of generating the income

— Sec 64(1)(vii)/(viii) :- Asset transferred to Any person for Benefit of spouse or son's wife (Indirect transfer)

If an Individual transfer any Asset to any person without consideration or for inadequate consideration for the benefit of spouse or son's wife then Income from such Asset is rec'd by any other person (transferee) but tax on such income is paid by transferer

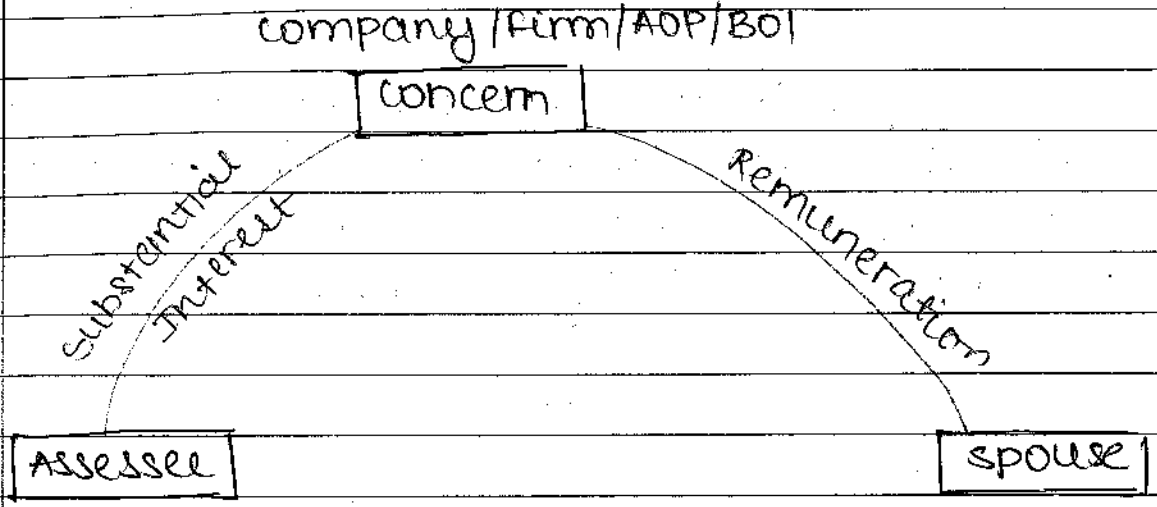
— Sec 64(1)(ii) :- Income of spouse from concern where Assessee has substantial Interest.

Income of spouse is taxable in hands of Assessee if following conditions are satisfied.

i) Income should be in the nature of salary, commission, Bonus (Remuneration)
ii) Such Rem. should be received from concern where Assessee is having substantial interest

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB



substantial Interest

- company → 20% or more equity shareholding
- firm/AOP/BOI → 20% or more PSR

— Exception —

If Rem is rec'd by spouse due to technical or professional qualification and such Rem is attributable to such qualification then above provision not applicable.

Note:-

where both husband and wife have substantial Interest and both rec'd Remuneration and both are not having any professional or technical qualification then Rem

TELEGRAM: CA NOTE HUB

shall be clubbed in hands of that spouse whose total income other then Rem. is higher.

In this case in subsequent year also Rem clubbed in that person's hand only however AO may change it.

— Sec 60 :- Income transfer without transfer of Asset.

If an Individual transfer income without transfer of Asset then such Income taxable in hands of transferer

— Sec 61 :- Revocable Transfer

In case of Revocable Transfer, income is rec'd by transferee but taxes paid by transferrer.

Exception.

— If transfer is revoked after death of transferee or beneficiery then above provision is not applicable

— Sec 64(2) :- Asset transferred to HUF

If any individual transfer Asset to his HUF without consideration or for low consideration then income from such Asset is rec'd by HUF but tax on such income is paid by transferer.

Note :- After partition of HUF, income from such Asset rec'd by spouse is taxable in hands of Individual (member).

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Note:-

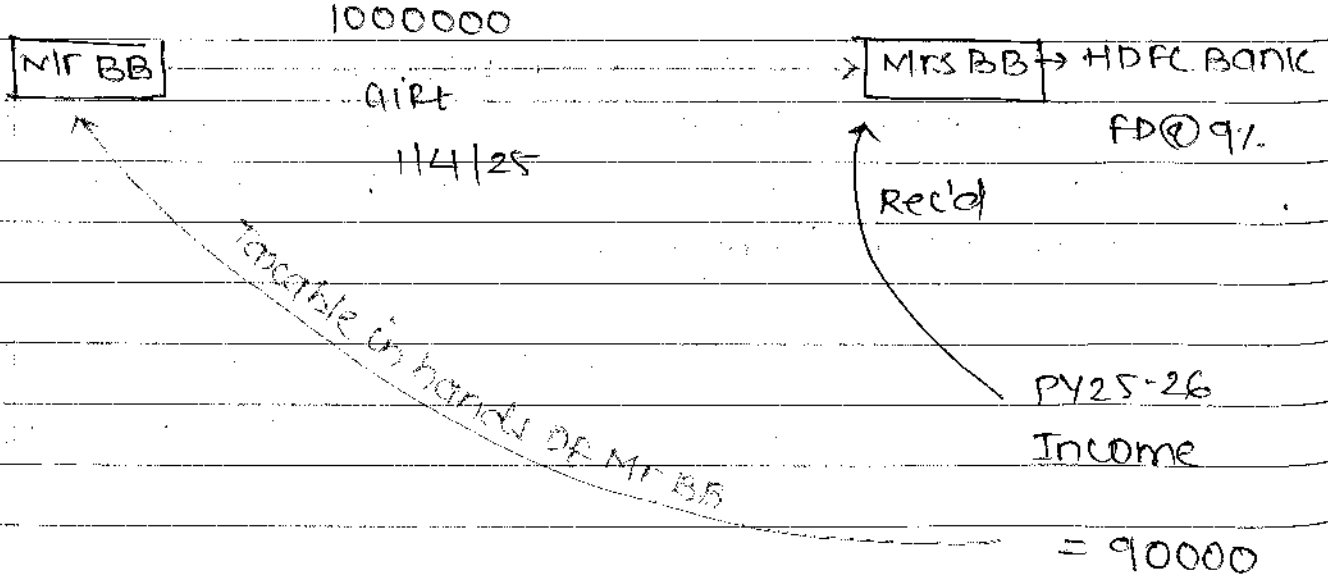
1) Income include loss also so if there is a loss then also clubbing provisions are applicable

2) Where an asset transferred is converted into other form, Income derived from such converted asset shall be clubbed.

3) Natural love and affection may be a good consideration but it is not a adequate consideration

4) If the asset transferred is sold by transferee then capital gain is treated as Income and shall be clubbed

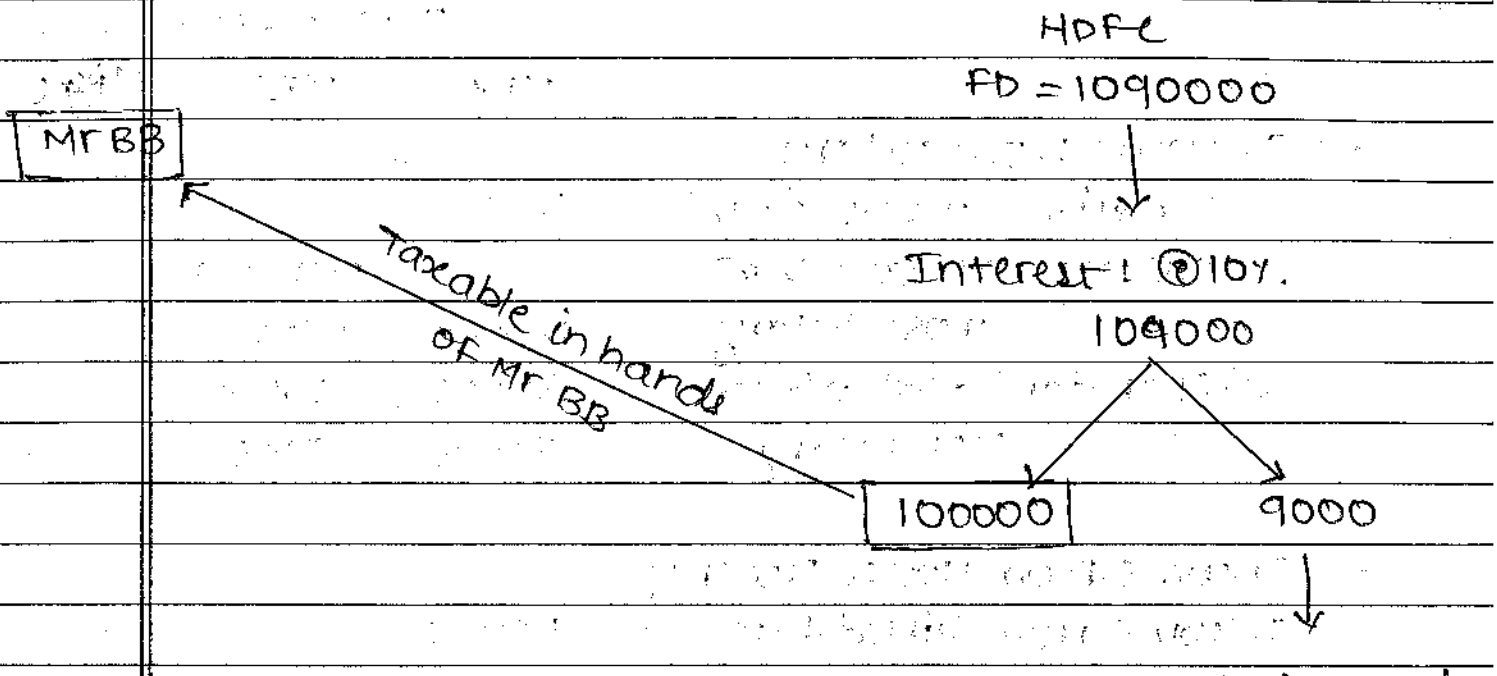
5) All the clubbing provisions are not applicable to second generation income ie income from accretion of Income on transferred Asset



Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Next year PY 26-27



Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

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Computation of Total Income

	PY 25-26 AY 26-27		
	Mr A	MRB	Minor Son
→ Income from salary			
Pension (10000 × 12 m)	120000		
Salary (20000 × 12 m)		240000	—
Gross salary	120000	240000	
(-) Standard ded^{n} u/s 16	50000	50000	
Net salary	70000	190000	—
→ Income from House Property			
Income from Gifted flat (Note 6)	52000	—	—
→ Income from other sources			
Interest on FD (500000 × 9%) (Note 2)	45000	—	—
commission to Mrs (Note 3)	25000		
	192000	190000	—
Add: Income of Minor child from investment (20000 − 1500) (Note 4)	18500	—	—
	210500	190000	—
Income of minor due to skill and Talent	—	—	20000
Total Income	210500	190000	20000

Teacher's Signature: .....

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Notes:-

1) As per sec 27 if any HP is transferred by individual to his/her spouse for without consideration or low consideration then such individual is treated as deemed owner. In the present qn, Mr A gifted a flat to Mrs A, so Mr A is treated as deemed owner and income is taxable in hands of Mr A.

2) As per sec 60, Any income is transferred without trf. of Asset such income is taxable in hands of transferer In present case Interest on Bank FD is taxable in hands of A

3) Any rem. rec'd by spouse from a concern where individual is having substantial Interest and spouse is not having any professional or technical qualification. such rem. is taxable in hands of Assessee. In present case, commission of ₹25000 rec'd by Mrs A is taxable in hands of Mr A

4) As per sec 64(1A), Any income rec'd by minor shall be taxable in hands of parents whose income is more. In the present case since income of Mr A is more the minor child's income of ₹20000 clubbed with income of Mr A Exemption u/s 10(32) available to Mr A of ₹1500 p.a so only ₹18500 shall be taxable.
Any Income of minor child due to skill and talent shall be taxable in hands of minor only. So in the present case ₹20000 rec'd due to skill is taxable in hands of minor's only.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

→ Where any asset is transferred by an individual to his spouse / son's wife and such amt. is invested in business by transferee then proportionate profit of such business shall be clubbed as per following formula.

$$\text{Income from Business} \times \frac{\text{Gifted by Assessee}}{\text{Capital of Business as on 1st day of PY (opening cap.)}}$$

Note:- Clubbing shall be applicable only if gifted money is included in opening capital.

Q6 / pg 128

Opening capital of Mrs Rani on 1/4/24	300000
Add:- Gifted by Husband on 16/4/24	200000
	500000
Add:- Profit of PY 24-25	150000
Capital on 1/4/25	650000

Profit of PY 25-26 : 390000

Taxable in Hands of Husband

$$\text{Profit} \times \frac{\text{Gifted Amount}}{\text{opening capital}}$$

$$390000 \times \frac{200000}{650000}$$

$= 120000$

Taxable in hands of Rani

$(390000 - 120000)$

$= 270000$

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Note:- We have assumed that profit of PY 24-25 of ₹ 150000 has been reinvested in business only. It means Assessee has not withdrawn the Profit.

* Profit of PY 24-25 Not clubbed in hands of husband become gifted money not included in opening capital.

Q 5 / pg 122

Capital as on 1/4/24	500000
(-) Losses of PY 24-25	(200000)
	300000
Add: Amt Gifted by Vaishaly on 1/4/25	500000
Capital as on 1/4/25	800000

Profit for PY 25-26 :- 400000

Vaishaly →

Income x Gifted Amt / Op. capital	Income taxable in hands of Mr Vaibhav
400000 x 500000 / 800000	(400000 - 250000)
= 250000	= 150000

Note:- In this case if Vaishaly gave loan to Vaibhav instead of Gift then clubbing prov. not applicable because clubbing prov. is applicable only in case of Gift or Low consideration

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— Cross Transfer —

If there are two transactions and they are interconnected and part of same transaction. It shall be considered to be device for evasion of Tax and clubbing provision shall apply.

Eg Mr Roshan gifted ₹ 700000 to his brother's wife Mrs Meera and his brother Meet gifted ₹ 500000 to his brother's wife Mrs Roshani. Roshani deposited ₹ 500000 in Bank @ 7%. and earn income of ₹ 35000. Meera deposited ₹ 700000 @ 10%. and earned income of ₹ 70000.

Clubbing provision is applicable only to the extent of income ~~for~~ matching Amt of cross GIFT. In the present qn, ₹ 500000 is the matching Amt so income on ₹ 500000 is rec'd by Roshani i.e ₹ 35000 clubbed in hands of Roshan. Income on ₹ 500000 rec'd by Meera i.e 50000 $\left[\frac{70000}{700000} \times 500000\right]$ shall be clubbed in hands of Mr Meet and remaining income of ₹ 20000 is tenable in hands of Meera only.

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(4 to 7 marks)

SET OFF AND CARRYFORWARD OF LOSSES

— Sec 70 :- Intra Head Adjustment

It means loss from one source of Income can be set off against income from another source of income but in the same head of Income

— Exception -

1) Specified Business loss (35AD) can be set off only against income from specified business.

2) Speculative Business loss can be set off only against speculative Business Income.

3) Long term capital loss can be set off only against long term capital Gain.

4) loss from owning and maintaining race horses can be set off only against income from owning and maintaining race horses.

— Sec 71 :- Inter Head Adjustment

It means loss under one head of income can be set off against income from another head of income but in the same PY.

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* Mind Map *

1) Income from salary :- Losses not possible

2) Income from House Property :-

loss from HP → Intra head adjustment
→ Inter head adjustment [Max 200000]
→ carried forward (c/f)

3) PGBP

i) Loss from specified business (35AD) → Income from specified business
→ c/f

ii) Loss from speculative Business → Income from speculative business
→ c/f

iii) Other Business loss → Intra head adjustment
→ Inter head adjustment
→ c/f

4) Capital Gain

i) LTCL → Set off against LTCG
→ c/f

ii) STCL → Set off against STCG or LTCG
→ c/f

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5) IFOS

i) Loss from owning and maintaining Race horses → Set off against owning and maintaining Race horses
→ C/F

ii) Other Losses of IFOS → Intra head adjustment
→ Inter head adjustment
→ c/f not allowed.

— NOTE —

1) If Loss from House Property can be set up against any other head income is max ₹ 200000.
If Assessee opted default tax regime u/s 115BAC then House Property loss not allowed to be set off against any other head of Income and it is not allowed to be carried forward.

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— Exception —

1) Specified business loss can be set off only against income from specified business.

2) Speculative Business loss can be set off only against speculative Business income.

3) Long Term capital loss can be set off only against long term capital gain.

4) Loss from owning and maintaining Race Horses can be set off only against income from owning and maintaining race horses.

5) Short term capital loss can be set off only against STCG and LTCG.

6) Losses from Business cannot be set off against salary.

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— Carried forward and set off losses

It is to be remembered that once loss is carried forwarded it can be set off against only income from same [Intra head] in subsequent year.

Section	Losses to be c/f	Brought forward losses set off against	Time limit	Return file on time
71B	Losses from HP	Income from HP	8 years	NO
72	Normal Business Losses	Business Income	8 years	Yes
73	Speculative Business Losses	Speculative Business Income	4 years	Yes
73A	Specified Business Losses	Specified Business Income	unlimited time	Yes
74	STCL	STCG/LTCG	8 years	Yes
	LTCL	LTCG	8 years	Yes
74A	Losses from owning and Maintaining Race Horses	Income from owning and Maintaining Race Horses	4 years	Yes
32	Unabsorbed Depreciation	Any Income other than salary	unlimited time	NO

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— Notes —

1) Loss from lottery, card game, horse races etc. not eligible to set off and carry forward and any other losses cannot be set off against income from lottery, card games etc.

2) Any losses cannot be set off against deemed income u/s 68, 69, 69A, 69B, 69C, 69D

3) Brought forward losses from Business can be set off even if that Business is discontinued.

4) Order of set up
   i) Current year Depreciation
   ii) Brought forward Business losses
   iii) Unabsorbed depreciation.

5) If there is income under any Head and Eligible loss under any head then such losses shall be first set off against the income before set off brought forward losses.

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Q12 / Pg 140

Mr Srivatsan PY25-26 AY26-27

Computation of Total Income

Particulars	₹	₹
Income from salary	220000	
(-) Loss from House Property	(190000)	
	30000	30000
Income from speculative business	30000	
(-) Loss from cloth Business (240000 + 30000)	(30000)	—
LTCG on sale of urban land	250000	
(-) Loss from cloth business	(210000)	40000
Income from Betting		450000
Gross Total Income		115000
(-) Ded^{n} U/c VI A		
80C Life Insurance premium (45000)		(30000)
Net Taxable Income		85000

Losses to be C/F to Net AY (AY27-28)

Losses from specified Business ₹ 20000

Notes —

1) Losses from card game not allowed to be set off and C/F

2) Any losses not allowed to be set off against betting Income.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

3) Deduction u/c VI A not allowed against special rate of Income, so in the present it is restricted to ₹ 30000, i.e. Salary Income

Q7 / pg 136

Mr. Sohan — PY 25-26 AY 26-27

Particulars	₹	₹
Income from salary	300000	
(-) Loss from House Property	(40000)	260000
Income from Sugar Business	50000	
(-) Loss from Iron ore Business	(50000)	—
LTCG	40000	
- STCL (60000 - 40000)	(40000)	—
Dividend	5000	
Income from lottery	50000	
Income from card game	6000	
Bank Interest on FD	5000	66000
	GTI	326000

Losses to be C/F to Next AY (AY 27-28)

Loss from Iron ore Business (120000 - 50000)	70000
STCL (60000 - 40000)	20000
STCL 111A	10000

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Q8 / Pg 136

Mr. Batra — PY 25-26 AY 26-27

Particulars	₹	₹
Income from salary	100000	
(-) Losses from House Property	(40000)	
	60000	60000
Income from Textile Business	50000	
(-) Loss from Business of AY 18-19	(50000)	—
LTCG on sale of land	30000	
(-) LTCL on sale of unlisted shares	(30000)	—
STCG	140000	140000
Income from owning and maintaining Race Horses	15000	
(-) Loss from Owning & Main. Race Horses	(15000)	—
	GTI / NTI	200000

Losses to be C/f to Next AY [AY 27-28]

Losses from speculative Business	60000
long term capital loss on unlisted shares (100000 - 30000)	70000
~~Long~~ loss from O & M Race Horses (25000 - 15000)	10000

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Note -

1) Business loss can be carried forward for max 8 years loss from textile business incurred in PY 17-18 (AY 18-19) can be carried forward and set off till PY 25-26 that is CY. so in the present qn, out of the loss of ₹60000, ₹50000 is set off in CY and remaining ₹10000 shall be lapse.

2) Losses from owning and maintaining Horse races can be set off against Income from owning and maintaining Horse Races so losses of PY 22-23 set off in cy to the extent of Income from owning and maintaining Horse Racing ₹15000 and remaining shall be carried forward to next AY.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Q10

Mr Aditya PY 25-26 AY 26-27

Computation of Total Income	₹	₹
Income from salary	300000	
(-) Loss from House Property (max 200000 can be setoff)	200000	100000
Income from speculative Business	5000	
(-) Loss from speculative Business	(5000)	—
Income from trading Business	45000	
(-) Loss from trading Business AY 21-22	(5000)	40000
LTCG on sale of urban land	200000	
(-) LTCL on sale of shares	(75000)	
LTCL on sale of listed shares	(102000)	23000
	GTI/NTI	163000
Losses to be c/f to Next AY [PY 26-27, AY 27-28]		—
Speculative Business losses (25000-5000)		20000
Specified Business losses		20000
loss from House Property (250000 - 200000)		50000
loss from O & M Race Horses		2000

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TELEGRAM: CA NOTE HUB

Q15 / Pg 143 Computation of Total Income

Income from salary	18000	18000
Income from House Property		
Net Annual value	70000	
(-) Std dedn 30% of NAV	(21000)	
	49000	49000
Income from Business	80000	
(-) current year depn	(8000)	
	72000	
(-) unabsorbed depn	(9000)	63000
Income from speculative Business	12000	
(-) loss from speculative Business	(12000)	
LTCG on sale of land	15800	
(-) STCL (AY 25-26)	(7800)	8000
	GTI / NTI	138000

losses to be c/f to Next AY [PY 26-27, AY 27-28]

1) loss from owning and Maintaining Race Horses 9000

2) loss from speculative Business (16000 - 12000) 4000

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TELEGRAM: CA NOTE HUB

— NOTE —

IF Assessee follow presumptive taxation u/s 44AD/ 44ADA or 44AE then this section over rides sec 28 to 43, so against this income, unabsorbed dep^ cannot be set off because it is governed by sec 32(2) but brought forward business losses can be set off.

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(5 to 8 marks)

INCOME FROM SALARY

Sec 15 :- Charging section

Income is taxable under the head salary if there is a Employee - Employer relationship (Master-servant relationship)

- Contract of service → salary
- Contract for service → PGBP

Salary received by MP, MLA, MLC → Taxable under IFOS

Salary rec'd by partner from partnership firm → Taxable under PGBP

- Note :-

1) Salary is taxable on the basis of due or received whichever is earlier.

2) Salary is taxable even in case of part-time job like employee working two employer.

3) Salary forgone → It is taxable since it is application of Income.

4) Salary surrendered to central government → It is not taxable.

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TELEGRAM: CA NOTE HUB

5) Any Amt recd before joining the job or after leaving the job is always taxable under the head salary and it is known as Profit in lieu of salary.

7 In this topic we have to find out salary income of Employee.

Statement of salary PY 25-26 AY 26-27

Particulars	₹
Basic salary (Note 1)	xxxx
Dearness Allowance (D.A) (Note 2)	xxxx
Commission (Note 3)	xxxx
Bonus (Note 4)	xxxx
Advance salary / Arrears salary (Note 5)	xxxx
Gratuity (Note 6)	xxxx
Pension (Note 7)	xxxx
Leave salary (Note 8)	xxxx
Allowances (Note 9)	xxxx
Provident fund (Note 10)	xxxx
Voluntary Retirement Compensation (VRS) (Note 11)	xxxx
Super Annuation fund (Note 12)	xxxx
Retrenchment compensation (Note 13)	xxxx
Perquisite (Note 14)	xxxx
Gross salary	xxxx
less: Deduction u/s 16 :	
(i) Professional Tax (Note 15)	(xxx)
(ii) Entertainment Allowance (Note 16)	(xxx)
(iii) Standard deduction (Note 17)	(xxx)
Net salary	xxxx

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TELEGRAM: CA NOTE HUB

— Note 1 —

Basic Salary → It is a Base salary of employee. It is fully Taxable. If Net Basic salary is given then we have to convert it into Gross Basic salary.

— Note 2 —

Dearness Allowance (DA) → DA is fully taxable whether it is "In terms" or "Not in terms".
DA In terms means DA which is forming part of Retirement Benefit calculation. In all the RBC formulas, DA is considered only if it is "In terms"
→ If nothing is given about DA then assume it is Not in terms.

— Note 3 —

Commission: It is fully taxable whether commission is based on Turnover or Not.

— Note 4 —

Bonus :- It is fully Taxable on receipt basis. If only Bonus declared is given then it should be ignored. If in the qn only Bonus is given then assume it is recd and it is taxable.

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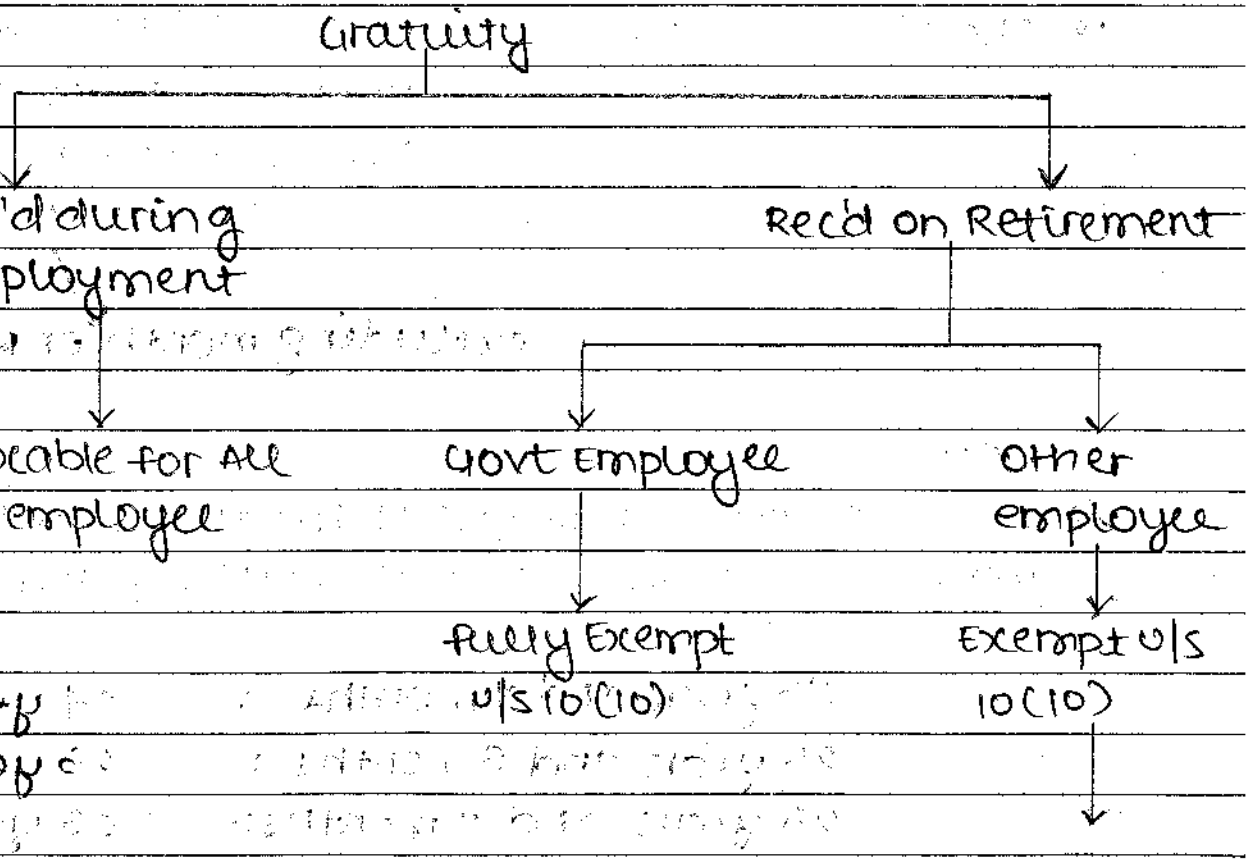
— Note 5 —

Advance salary :- It means salary rec'd in advance. It is taxable on receipt basis. If advance against salary or only advance is given then it should be ignored because it is treated as loan.

Arrears salary :- It means salary under dispute or increase of salary retrospectively. It is taxable in the year of receipt.

— Note 6 —

Gratuity :-



→

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TELEGRAM: CA NOTE HUB

POGA EE
(Covered by Payment of Gratuity Act 1972)

Non POGA

Exempt

(i) 15/26 x Salary pm x No. of years of completion of service
(ii) Actual Amt Recd
(iii) Max :- 20,00,000

Salary pm
Latest Basic Salary xxx
DA (Both) xxx
xxx

Exempt

(i) 1/2 x Avg salary pm x No of years of compen of servi
(ii) Actual Amt Recd xxx
(iii) Max 20,00,000 xxx

Advance salary pm
Avg Basic salary of last 10 months xxx
Avg DA (T) of last 10m xxx
Avg T/o Comm. of last 10 months xxx
xxx

excluding month of Retirement

NOTE

1) In case of POGA employee if fraction of month is more than 6 months then it should be rounded off.

26 years and 7 months :- 27 years
26 years and 6 months :- 26 years
26 years and 4 months :- 26 years

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TELEGRAM: CA NOTE HUB

2) In case of NON POCIA employee fraction should be ignored

26 years and 11 months = 26 years
26 years and 4 months = 26 years
26 years and 6 months = 26 years.

Q4 / Pg 29

Part A = He is Pvt employee and covered by POCIA 1972

PY 25-26 AY 26-27

Computation of Taxable Gratuity		₹
Actual Gratuity Recd		1500000
Less: Exempt u/s 10(10)		
(i) 15/26 x Salary pm x No of years of completion of service		
15/26 x 60000 x 27 years	: 934615	
(ii) Actual Amt Rec'd	: 1500000	
(iii) Max	: 2000000	(934615)
Taxable Amt		565385

Salary pm	₹
Basic salary	50000
DA (Both)	10000
	60000

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Part B :- He is Pvt employee and Not covered by POCIA 1972.

PY 25-26 AY 26-27

Computation of Taxable Gratuity		₹
Actual Gratuity Rec'd		1500000
(-) Exempt u/s 10(10)		
(i) 1/2 x Avg Salary pm x No of years of completion of service		
1/2 x 66000 x 26 years	:- 858000	
(ii) Actual Amt rec'd	:- 1500000	
(iii) Max	:- 20,00,000	(858000)
Taxable Gratuity		642000

Avg salary pm.

Avg Basic salary of last 10 m	50000
Avg DA(T) of last 10 months	6000
Avg T/O comm of last 10 m	10000
	66000

$$12000000 \times 1\% = \frac{120000}{12m} = 10000$$

Part C :- He is a Government Employee.

Gratuity Rec'd	1500000
(-) Exempt u/s 10(10)	(1500000)
	-

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TELEGRAM: CA NOTE HUB

— NOTE —

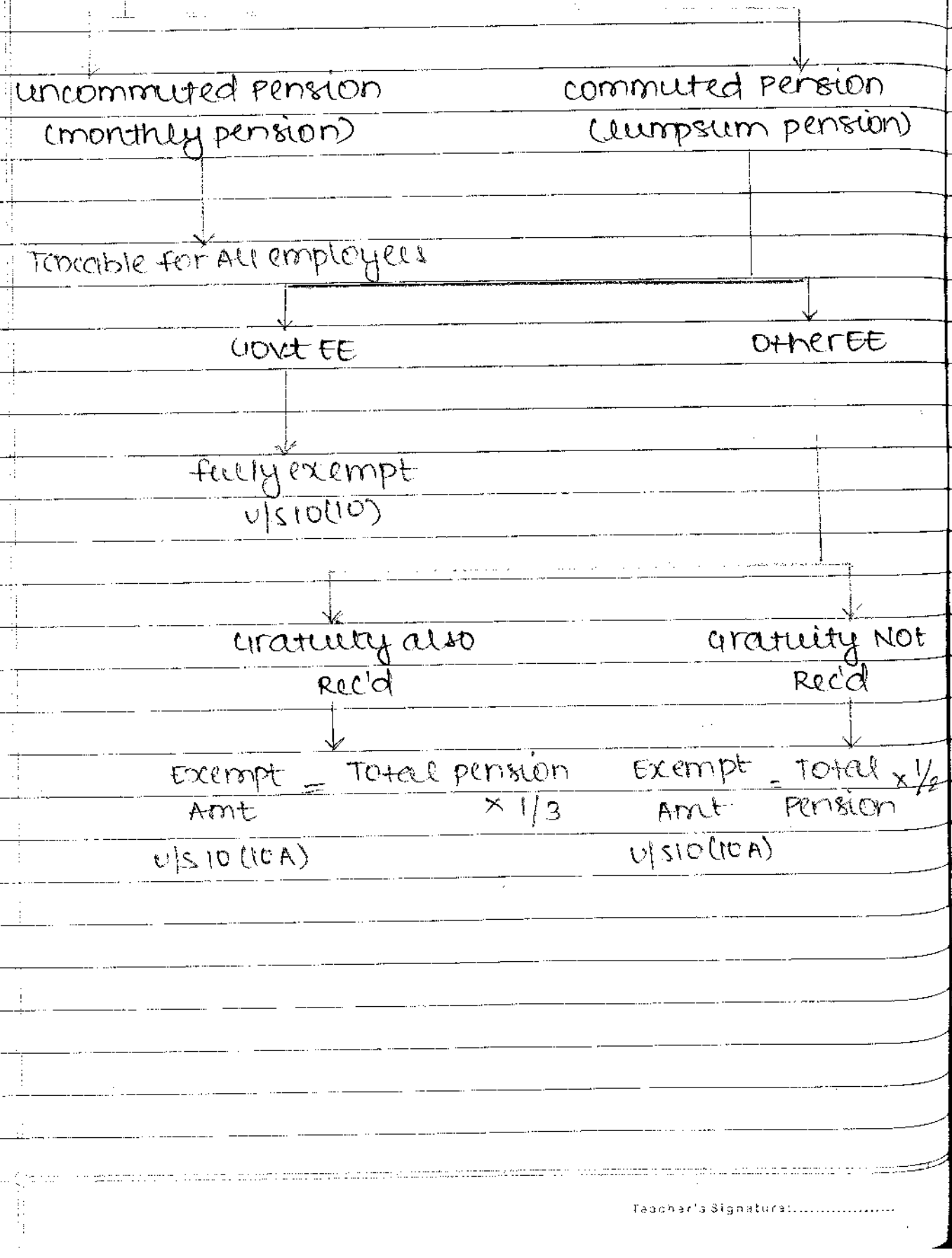
1) If Gratuity rec'd from more than employer in the same PY then max exemption can be claim is ₹ 20L

2) If Gratuity already rec'd by employee from earlier employer in earlier PY and in the current PY he rec'd Gratuity from other employer then limit of ₹ 20L is reduced by exemption claimed earlier.

TELEGRAM: CA NOTE HUB

-- Note 7 --

Pension :-



TELEGRAM: CA NOTE HUB

Q3 / Pg 29

Mr. Sagar PY 25-26, AY 26-27

Part A :- He is a Govt Employee

Uncommuted Pension

1/10/25 to 31/1/26 (5000 pm x 4m)	20000	
1/2/26 to 31/3/26 (2000 pm x 2m) [5000 x 40%]	4000	24000

Commuted Pension

Rec'd	300000	
(-) Exempt u/s 10(10A)	300000	-
Taxable		24000

Part B :- He is a Pvt EE and Gratuity Rec'd

Uncommuted Pension		24000
Commuted Pension Rec'd	300000	
(-) Exempt u/s 10(10)	(166667)	133333
Taxable Pension		= 157333

Total Pension x 1/3
= 500000 x 1/3

Pension rec'd	Total pension
60%	100%
300000	500000

Part C :- He is a Pvt EE and Gratuity Not Rec'd.

Uncommuted Pension		24000
Commuted pension rec'd	300000	
(-) Exempt u/s 10(10)	(250000)	50000
Taxable pension		74000

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Note 8 –

Leave Salary :- (Encashment of unutilised leave)

- **Rec'd during employment**
  - fully taxable for All employees
- **Rec'd on Retirement**
  - Exempt u/s 10(10AA)
    - **Govt. Employee** → fully exempt
    - **Other Employee**

Exempt Amt

(i) Leave credit × Avg salary pm* (months)	
(ii) 10 months × Avg salary pm	
(iii) Actual Amt Rec'd	xx
(iv) Max ₹ 2500000	xx

Leave credit = Leave Allowed − Leave taken
(max 30 days for every completed year)

* Avg salary pm

Avg Basic salary of last 10 m	xxx
Avg DA(T) of last 10m	xxx
Avg T/O Comm of last 10m	xxx
	xxx

↓

Just before retirement

Teacher's Signature .....

TELEGRAM: CA NOTE HUB

Q5 / Pg 29

Mr Gupta PY25-26 AY 26-27

Part A :- He is Govt Employee ₹

Leave salary Recd	500000
(-) Exempt U/S 10(10AA)	500000
	-

Part B: He is a Non Gov employee

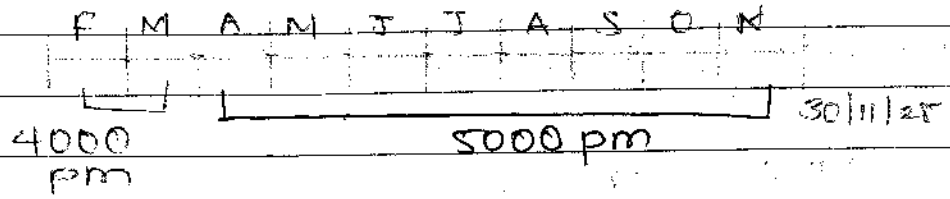
Leave salary Recd		500000
(-) Exempt U/S 10(10AA)		
(i) Leave credit × Avg salary pm		
4 months × 6600	= 26400	
(ii) 10 months × Avg salary pm		
10m × 6600	= 66000	
(iii) Actual Amt Recd	500000	
(iv) Max	2500000	(26400)
Taxable leave salary		473600

Leave credit = Leave Allowed - Leave taken
(20 years × 30 days)
600 days - 480 days
= 120 days i.e 4 months

Avg salary pm	₹
Avg Basic salary of last 10m	4800
Avg DA(Ti) of last 10m	1800
Avg T/O comm of last 10m	-
	6600

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TELEGRAM: CA NOTE HUB



(4000 x 2m) + (5000 x 8m)

8000 + 40000

48000 / 10m = 4800.

Eg :- Mr Babu, retired from Reliance industries ltd on 1/2/26 after rendering services of 20 years. His Avg salary of last 10 months is ₹ 17000 per month, company paid leave salary of ₹ 800000 for the leave credit of 12 months.
As per company policy, employee is allowed 1.5 month leave for every completed year. Compute taxable leave salary.

Solution

Leave salary Rec'd		800000
(-) Exempt u/s 10(10AA)		
(i) Leave credit x Avg salary pm (2 months x 17000)	: 34000	
(ii) 10 months x Avg salary pm (10 months x 17000)	: 170000	
(iii) Actual Amt Rec'd	: 800000	
(iv) Max 2500000	: 2500000	(34000)
Taxable leave salary :-		766000

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

As per company policy leave Allowed is 1.5 months for completed year.

Leave credit = Leave Allowed − Leave taken

12 months = 30 months − Leave (1.5×20) taken

Leave taken = 18 months

IT Act :- Leave credit = Leave Allowed − Leave taken

2 months = (20 months − 18 months)

30 days for completed year

TELEGRAM: CA NOTE HUB

13 HRA (House Rent Allowances)

Exempt u/s 10(13A)

(i) 40%/50% of salary (Basic + DA(T) + T/O comm)

(ii) Actual Amt Recd

(iii) Rent paid − 10% of salary (Basic + DA(T) + T/O comm)

* 50% in Metro (Mumbai / Delhi / Chennai / Kolkata)
40% in other cities

Q1 / Pg 28

Mr Rajkumar

Computation of Taxable HRA

		₹
HRA Recd (15000 × 12m)		180000
Less: Exempt Amt		
(i) 40% of salary (Basic + DA(T) + T/O comm) (480000 + 72000 + −)	220800	
(ii) Actual Amt Recd (15000 × 12m)	180000	
(iii) Rent paid − 10% of salary (160000 × 12m) 192000 − 55200 (552000 × 10%)	136800	(136800)
Taxable HRA		43200

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Eg From following particulars compute gross salary of Vaishnavi.

Basic salary :- 20000 pm
DA :- 40% of Basic salary (60% in terms)
T/O commission :- 700 p.m
Children Hostel Allowance :- 600 p.m (for 3 children)
Children education Allowance :- 400 p.m (for 3 children)
Tiffin Allowance :- 1200 p.m (Actual amt spent 9600 p.a)
Helper Allowance :- 1000 p.m (Actual Amt spent - NIL)
HRA :- 15000 p.m (Actual Rent paid in Amravati ₹ 12000 P.m)
Commutation Allowance :- 1700 p.m (Actual Amt spent 1000 p.m)
Daily Allowance :- 600 p.m (Actual Amount spent 6000 p.a)
Assume Assessee not opted 115BAC

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Computation of Gross Salary

	₹	₹
Basic salary (20000 × 12m)		240000
DA (40% of Basic)		96000
T/O commission (700 pm × 12m)		8400
Children Hostel Allowance (600 pm × 12)	7200	
(-) Exempt u/s 10(14) (200 pm × 2 × 12)	(4800)	2400
Children Education All. (400 × 12)	4800	
(-) Exempt u/s 10(14) (100 × 2 × 12m)	(2400)	2400
Tiffin Allowance (1200 × 12)		14400
Helper Allowance (1000 × 12)	12000	
(-) Exempt u/s 10(14)	Nil	12000
Commutation Allowance (1700 × 12m)		20400
Daily Allowance (600 × 12m)	7200	
(-) Exempt u/s 10(14)	(6000)	1200
HRA (15000 × 12m)	180000	
(-) Exempt u/s 10(13A) (Note 1)	(113400)	66600
Gross Salary		463800

— Note 1 —

Exempt u/s 10(13A) 306000

(i) 40% of salary [Basic + DA(T) + T/O comm) [240000 + 57600 + 8400] — 122400

(ii) Actual Amt Recd — 180000

(iii) Rent paid - 10% of salary — 113400
(12000 pm × 12m)
144000 - 30600
(306000 × 10%)

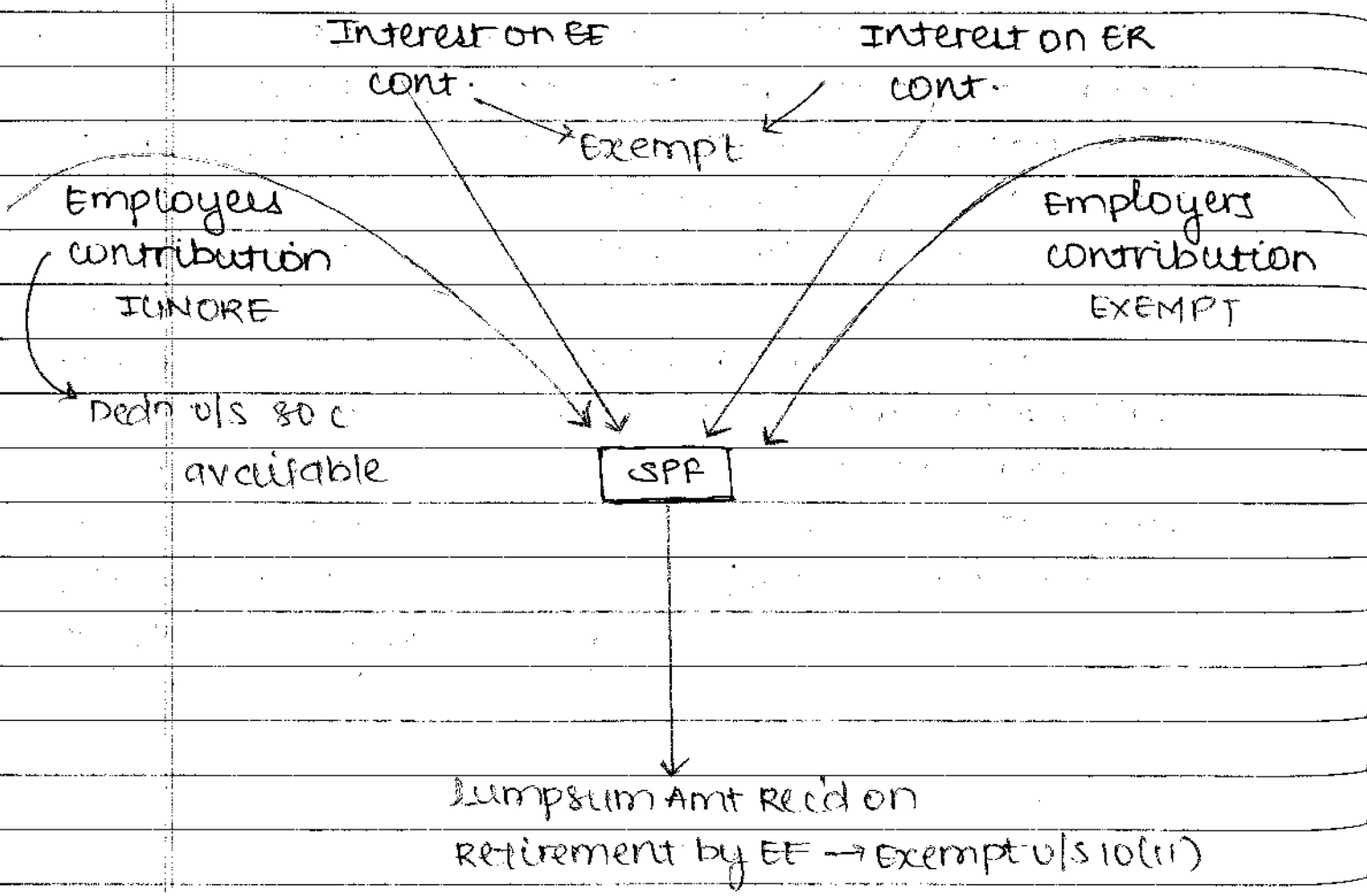
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TELEGRAM: CA NOTE HUB

— NOTE 10 —

Provident fund :-

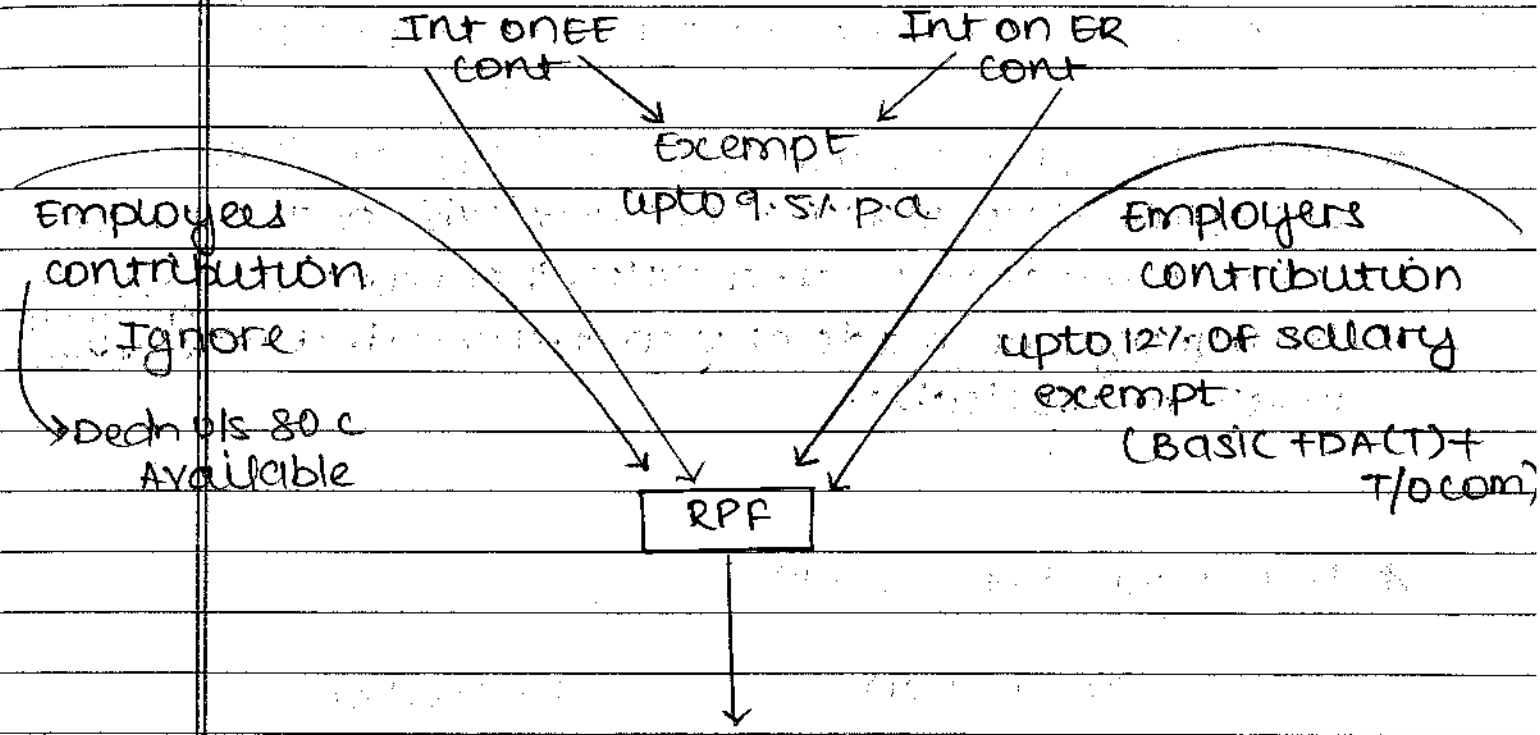
(i) Statutory Provident fund (SPF)



Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

ii) Recognised Provident fund (RPF)



Lumpsum Amt Rec'd on Retirement by EE ⟶ Exempt u/s 10(12)

— Notes —

1) Lumpsum amt rec'd from RPF is exempt u/s 10(12) if employee has rendered service of 5 years or more. If employee rendered service less than 5 years then exemption allowed in respect of employer contribution and Interest shall be texable (withdrawn). However in the following cases exemption shall not be withdraw even though service is less than 5 years.

i) Employee retired due to ill health.
ii) Employee retired due to shut down of employers business.

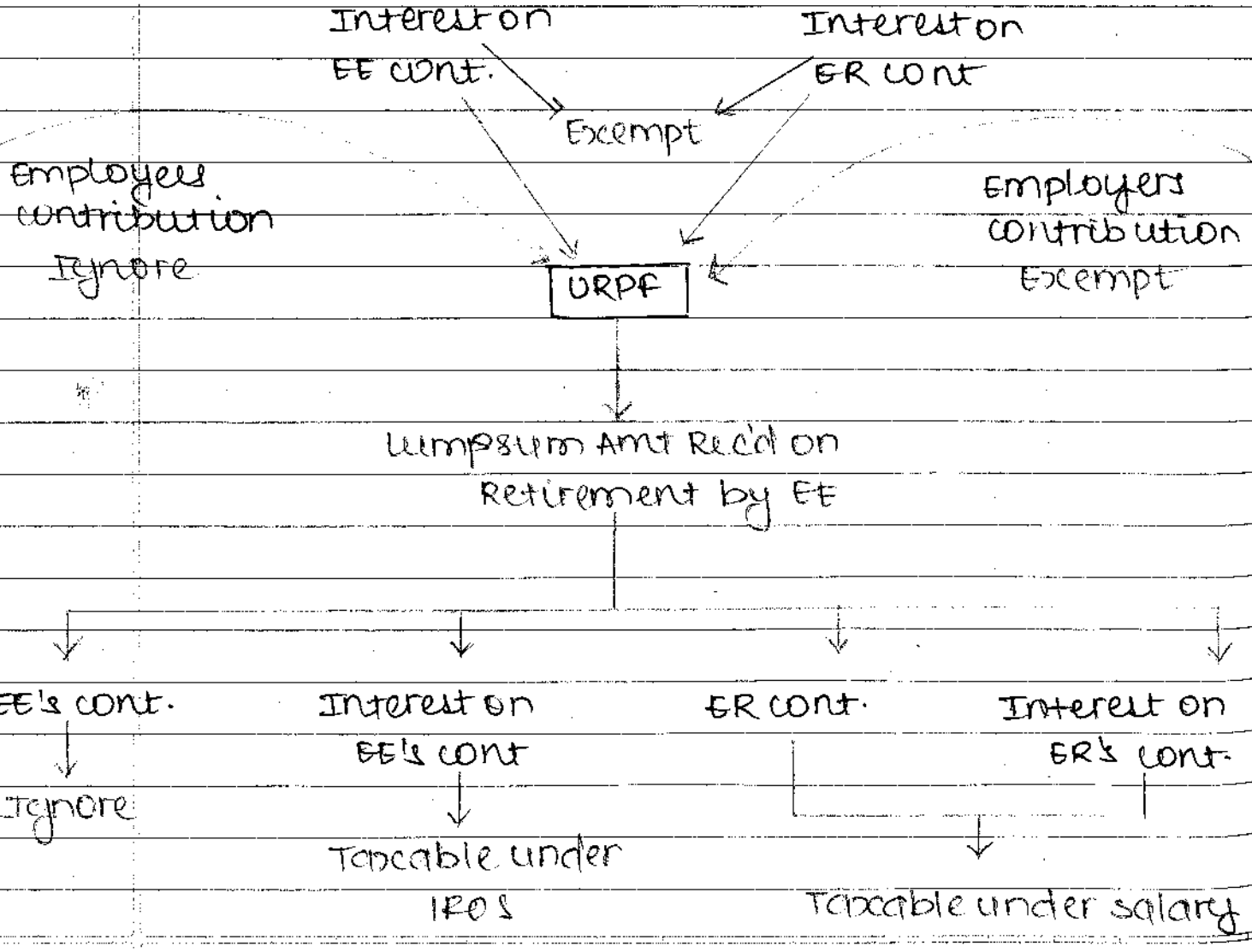
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iii) Employee has retired with the instruction that his balance in RPF should be transferred to New employer or to NPS Account reffered u/s 80CCD

* Interest on EE's contribution towards SPF/RPF Exemption u/s 10(11) & 10(12) not available on Interest on EE's cont. made on or after 1/4/21. If EE's cont. is > 2,50,000 in a year. If employer not made any cont. then limit of ₹5,00,000 would be applicable.

* Unrecognized PF (URPF)



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Q7 / pg 30

Mr. B

Computation of Gross salary PY 25-26 AY 26-27

			₹
Basic salary (10000 × 12m)			120000
D.A. (8000 × 12m)			96000
T/O commission (5000000 × 0.1%)			5000
Bonus			40000
Gratuity (Recd during employment)			25000
ER cont. to RPF (120000 × 20%)		24000	
(-) Exempt upto 12% of salary (173000 × 12%)		20760	3240
(Basic + DA(T) + T/O comm)			
(120000 + 48000 + 5000)			
Interest on RPF	13%	13000	
(-) Exempt upto 9.5% = 9.5%		9500	3500
Gross salary			292740

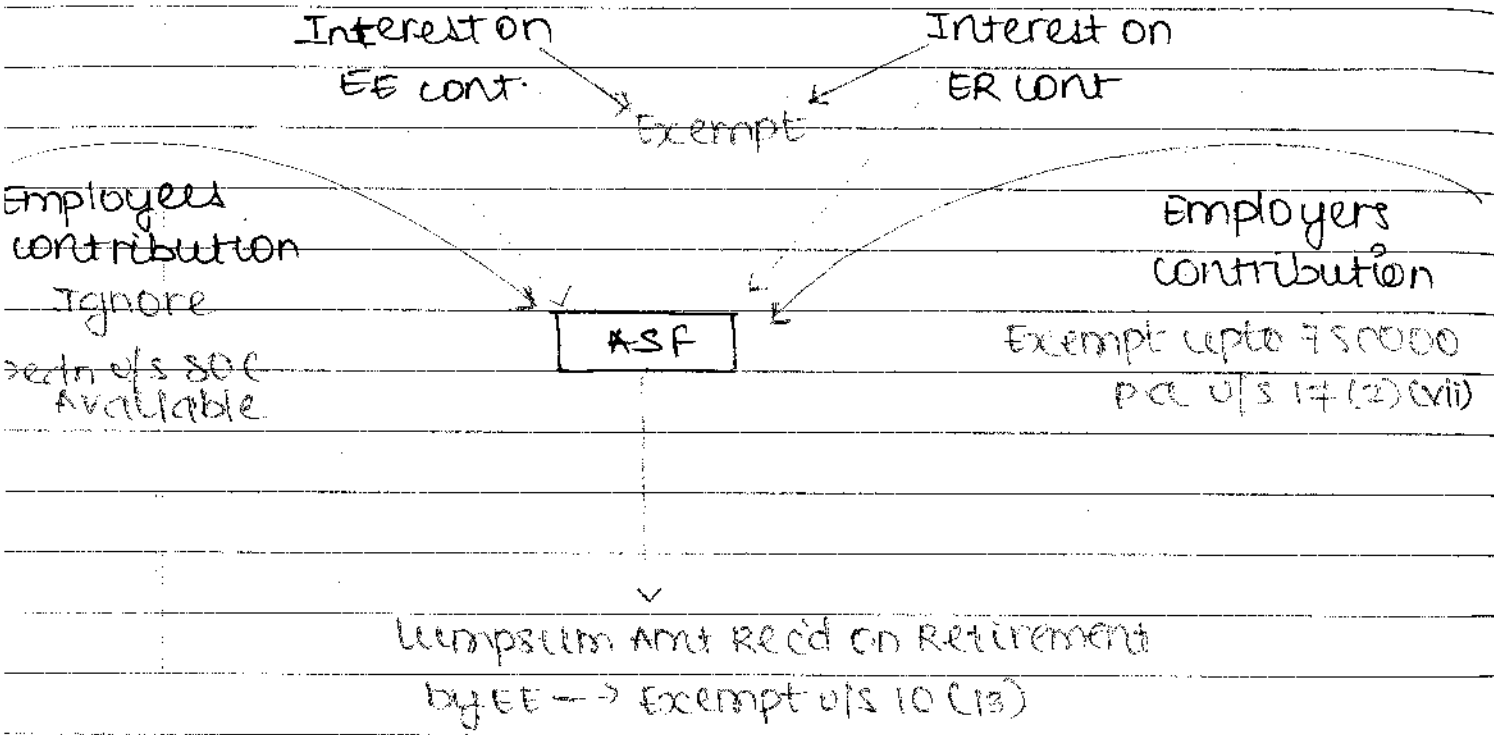
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— Note 12 —

Super Annuation fund :-

(i) Approved super Annuation fund :-



(ii) Unapproved super Annuation fund

→ same as URPF

Teacher's Signature:.....

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— NOTE 14 —

Perquisite :- [sec 17(2)]

It means extra benefit offered by employer to employee. It may be monetary or non monetary.

* Difference between Allowance and Perquisite *

a) Allowance :- It means monthly fix amount recd by employee from employer whether actual expenditure is incurred or not. It is part of salary.
Eg:- HRA, Medical Allowance etc.

b) Perquisite :- It means Benefits or facilities provided by employer. It is recd when Actual expenditure is incurred.
Eg:- Medical facility, Travel facility, House facility etc.

1. Leave Travel concession (LTC)

Exempt u/s 10(5)

- Travel by Air
  - Exempt
    - (i) Actual expn xx
    - (ii) Economy class fare xx
- Travel by any other mode
  - Railway facility available
    - Exempt
      - (i) Actual Exps xx
      - (ii) 1st class Railway AC fare xx
  - Railway facility Not available

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Recognised Transport facility available	Recognised Transport facility Not available
Exempt	Exempt
(i) Actual Expt xx	(i) Actual Expt xx
(ii) Deluxe class fare xx	(ii) 1st class Railway AC fare of similar distance xx

– NOTES –

1) LTC exemption is available for the travel in India for employee, his/her spouse, children and dependent relative (mother, father, brother, sister).

* Children :- Exemption of LTC is available only for 2 children born on or after 1st October 1998

→ 1st time = 1 child 2nd Time = Twin
Total 3 children :- Exemption allowed to all three children

→ 1st time = Twin 2nd Time :- 1 child
Total 3 children :- Exemption allowed to only 2 children

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

2) LTC exemption is available for 2 years during the block of 4 years (current block is 2022 to 2025)

2. Medical facility

Treatment in India

- Treatment in Govt Hospital
- Treatment in Employers own Hospital
- Treatment in Govt. Recog. Hospital
  → fully Exempt
- Otherwise
  → fully Taxable

Treatment outside India

- Benefit of Treatment
- Benefit of stay
  → Exempt upto limit prescribed by RBI
- Benefit of Travel
  → It is fully exempt if Gross Total Income upto ₹00000 otherwise it is fully taxable

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Note --

1) Medical insurance premium paid by employer for employee is fully exempt.

2) Exemption for treatment is allowed for employee, spouse, children and dependant relative (mother, father, brother, sister)

3) Exemption of stay and travel is allowed only for one patient and one attendent.

4) Exemption allowed in respect of treatment of covid 19 related illness. In this case employee have to be submit following document to employer

a) covid 19 positive report

b) Documents of medical treatment of covid 19 related illness, suffered within 6 months from the date of being determined covid 19 positive.

c) A certificate of all the expenditure incurred on treatment.

Teacher's Signature: .....

TELEGRAM: CA NOTE HUB

3. Gift to Employee

- Gift in money → Fully Taxable
- Gift in kind → FMV of Gift is less than 5000 then it is exempt, Otherwise it is fully taxable.

4. ESOPS :- Employee Stock Option Plan

It means company offer shares to employee at concessional Rate.

Taxable Amount = FMV of share − Issue price of share

★ FMV should be taken on the date on which employee exercise the option.

5. Loan given to employee without Interest or concessional Rate of Interest

$$\text{Taxable Amt} = \text{Loan Amt O/S (at the end of month)} \times \left[\text{SBI Int rate on 1st April of PY} - \text{Actual Interest Rate}\right]$$

— Notes –

1) If loan Amt is upto ₹ 20,000 then Interest Benefit is not taxable.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

2) If loan is taken for treatment of specified disease then interest benefit is not taxable even if loan Amt is more than ₹ 20,000

6. Use of Movable Asset

- Computer / Laptop → Fully Exempt
- Car → Discuss later
  - Owned by Employer → Taxable Amt = 10% of cost
  - Hired by employer → Taxable Amt = Hire charges paid by ER
- Any other Asset (Bike, TV, furniture) → Discuss later
  - Owned by Employer → Taxable Amt = 10% of cost
  - Hired by employer → Taxable Amt = Hire charges paid by ER

7. Transfer of Movable Asset

- Computer / Laptop → Taxable Amt = WDV − consideration → Dep @ 50% on WDV method
- Car → Taxable Amt = WDV − consideration → Dep @ 20% on WDV method
- Any other Asset → Taxable Amt = WDV − consideration → Dep @ 10% on SLM method

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

— NOTE —

Depn should be computed for every completed year from the date of Acquisition of Asset by Employer till the date of Transfer of Asset to Employer

Eg. Payal ltd acquired a car for ₹600000 on 10/12/2021. car is transferred to Mr Jeet on 7/7/25 for ₹30,000 Calculate value of perquisite taxable in hands of Mr. Jeet.

→ Taxable Amount = WDV − consideration

= 307200 − 3000

= 277200

Cost of CAR	₹600000
(-) Dep for 1st year @ 20%.	(120000)
	480000
(-) Dep for 2nd year @ 20%.	(96000)
	384000
(-) Dep for 3rd year @ 20%.	(76800)
WDV	307200

10/12/21 ✓ → 9/12/22

10/12/22 ✓ → 9/12/23

10/12/23 ✓ → 9/12/24

10/12/24 ✗ → 9/12/25

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Q15 / Pg 34

Mr X PY 25-26 AY 26-27

Computation of Gross Total Income

Income from salary		
Basic salary (20000 x 10m)		200000
DA (50% of Basic salary)		100000
Gratuity Rec'd	600000	
(-) Exempt u/s 10(10) (Note 1)	(519231)	80769
Uncommuted Pension (5000 x 2m) (1/2/26 to 31/3/26)		10000
Commuted Pension rec'd	300000	
(-) Exemp u/s 10(10A) (Note 2)	(150000)	150000
Leave salary rec'd	330000	
(-) Exempt u/s 10(10AA) (Note 3)	(200000)	130000
car transfer to EE (Note 4)		56000
Gift voucher		6000
Gross salary		732769
(-) Standard dedn u/s 16		(50000)
Net salary / Gross Total Income		682769

Teacher's Signature.....

TELEGRAM: CA NOTE HUB

→ Note 1:- Gratuity Exempt u/s 10(10) [POGA Employee]

(i) 15/26 x Salary pm x No. of years of completion of service

15/26 x 30000 x 30 years	519231
(ii) Actual Amt Recd	600000
(iii) Max 2000000	2000000
	519231

Salary pm

latest Basic salary :	20000
latest DA (Both) :	10000
	30000

→ Note 2:- Commuted Pension [Gratuity Recd]

Exempt Amt = Total Pension x 1/3

= 450000 x 1/3 = 150000

300000 → 2/3

1

300000 x 3/2 = 450000

→ Note 3:- leave salary exempt u/s 10(10AA)

(i) Leave credit x Avg salary pm (330 days / 30 days) 11m x 20000	220000
(ii) 10 months x Avg salary pm 10 m x 20000	200000
(iii) Actual Amt Recd	330000
(iv) Max 2500000	2500000

Teacher's Signature:.....

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Teacher's signature.....

TELEGRAM: CA NOTE HUB

→ Note 6 :-

In the present qn nothing is given about DA so assume it is not in terms.

8. Lunch facility :-

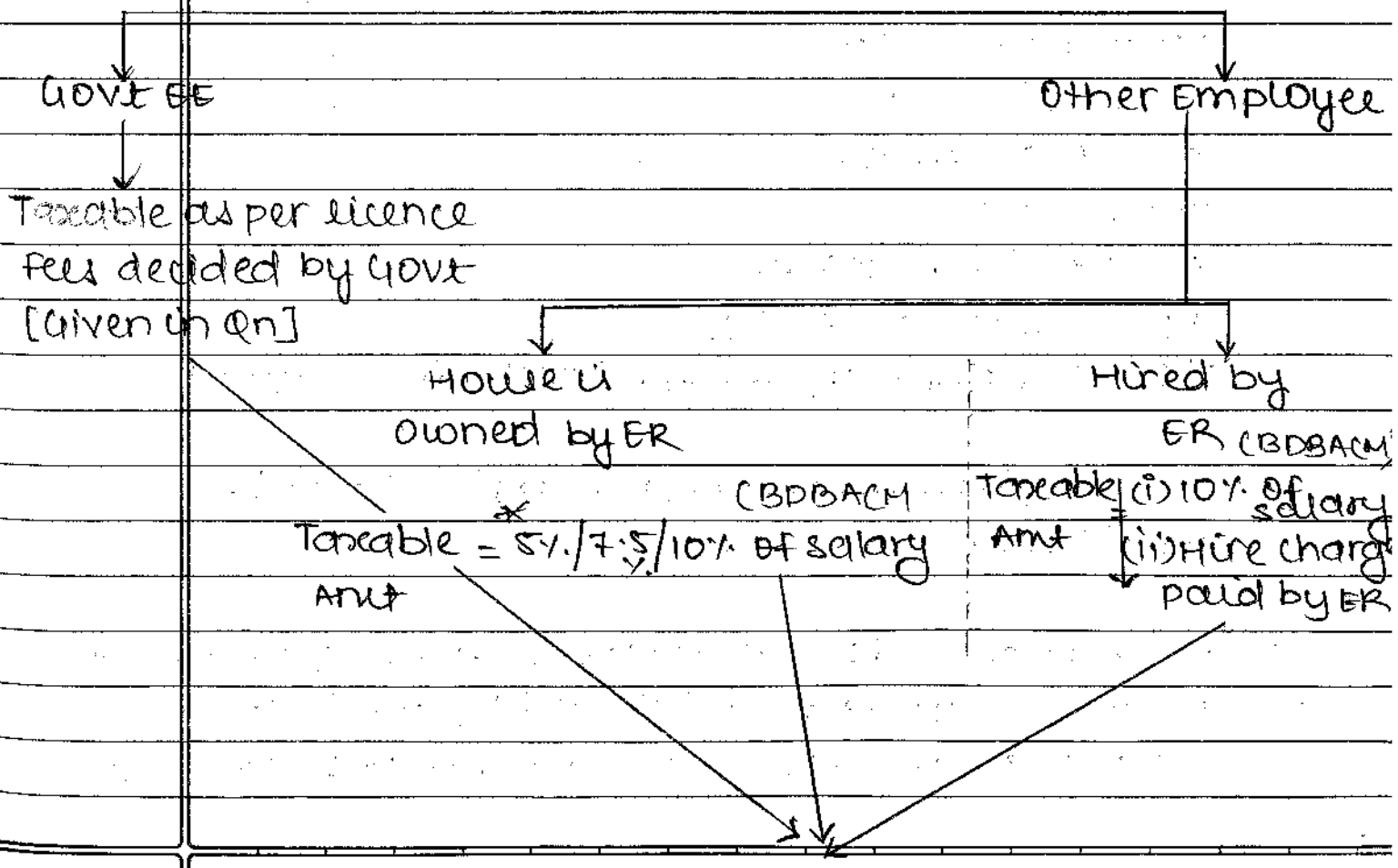
It is exempt upto ₹50 per meal if lunch is provided in office premises or through paid voucher.

— Note -

1) Tea, coffee or breakfast provided in office → Not Taxable

2) Lunch is provided in remote area ⇒ Not Taxable

9. House facility (Rent free Accomodation)



Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Furniture & fittings provided

Owned by ER

Taxable : 10% of cost
Annual

Hired by ER

Taxable : Hire charges
Actual paid by ER

* Population as per 2011 census
  upto 15 lakhs → 5%.
  > 15 lakhs upto 40 lakhs → 7.5%.
  > 40 lakhs → 10%.

Basic :

1) Meaning of salary
2) Basic salary
3) DA (Inclusive)
4) Bonus
5) Taxable allowance
6) Non-taxable allowance
7) Perquisites (Taxable & Non-taxable)

* In computing bonus, perquisites & allowances are not to be considered.

8) Arrears should be calculated on basic salary + DA only.
   Salary of current period should be considered.
   Advance salary / current salary should be considered.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

4) for computing BDBACM, retirement benefit should not be considered ie gratuity, pension, leave, salary, VRS, Retrenchment compensation

5) BDBACM should be considered for the time for which Assessee had occupied the house.

6) Employer contribution towards PF and interest on PF should not be considered.

7) If Employee is provided [on his transfer from one place to another] a house, at the new place of posting. while retaining the house at other place, the taxable Amount shall be determined for 1 house having low perquisite value for period of 90 days and thereafter the value of perquisite should be charged for both the houses.

8) If house is provided for more than 1 Previous Year then value of perquisite shall not be more than :-

$$\text{value calculated for 1st PY} \times \frac{\text{Index of current PY}}{\text{Index of first PY}}$$

(Applicable from PY 23-24)

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Eg. M/s Diksha working with Reliance Industry ltd from 1/4/23 in Mumbai. company provided house to Diksha which is owned by company. salary of PY 23-24 is ₹4000000 and PY 25-26 is ₹7000000 [BDBACM]- calculate value of perquisite for PY 23-24 and 25-26

→ value of perquisite for PY 23-24

4000000 × 10% = 400000

* Mumbai → Population > 40 lakh

Value of perquisite for PY 25-26

7000000 × 10% = 700000

or

$400000 \times \frac{376\ (25\text{-}26)}{348\ (23\text{-}24)} = \underline{432184}$

perquisite taxable in PY 25-26 = 432184

10. Hotel facility

Taxable Amt =	(i) 24% of salary (BDBACM)	xxx
	(ii) Rent (Hire charge) paid by ER	xxY
		xxx

- Note:-

1) If Hotel facility is provided at the time of transfer of employee and it is upto 15 days then it is not taxable

2) If House and Hotel facility is provided by employer and if employer recovered any rent from employee then such rent should be deducted from Above Taxable Amount

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Q13 / pg33

Mr C PY 25-26 ; AY 26-27

a) Computation of taxable value of perquisite

Taxable Amt = 10% of salary (BDBACM)
= (73000 × 10%)
= ₹ 7300

B = 62500 (12500 × 5M)
D(T) = 3000 (600 × 5m)
B = 7500 (1500 × 5m)
A = –
C = –
M = –
73000

b) Mr C required to pay rent 1000 pm

	₹
Value of perquisite	7300
(-) Rent paid by C (1000 × 5m)	5000
Taxable perquisite	2300

c) IF ABC ltd taken House on Rent

Taxable Amt
(i) Salary × 10% : 7300
(ii) Hire charges paid by ER : 5250
(1050 × 5m) 5250
(-) Rent Recd from Mr C (5000)
Taxable perq. 250

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

d) Computation of value of furnished accomodation

Value of House	7300
Add:- Budget of TV	
(cost x 10% x 3/12)	625
(25000 x 10% x 3/12)	
Add:- Benefit of AC	
(400 x 2 x 5m)	4000
	11925
(-) Rent paid by EE (1000 x 5m)	(5000)
Taxable perq:	6925

e) If MrC - Govt Employee

Taxable perquisite = 700 x 5 months

= ₹ 3500

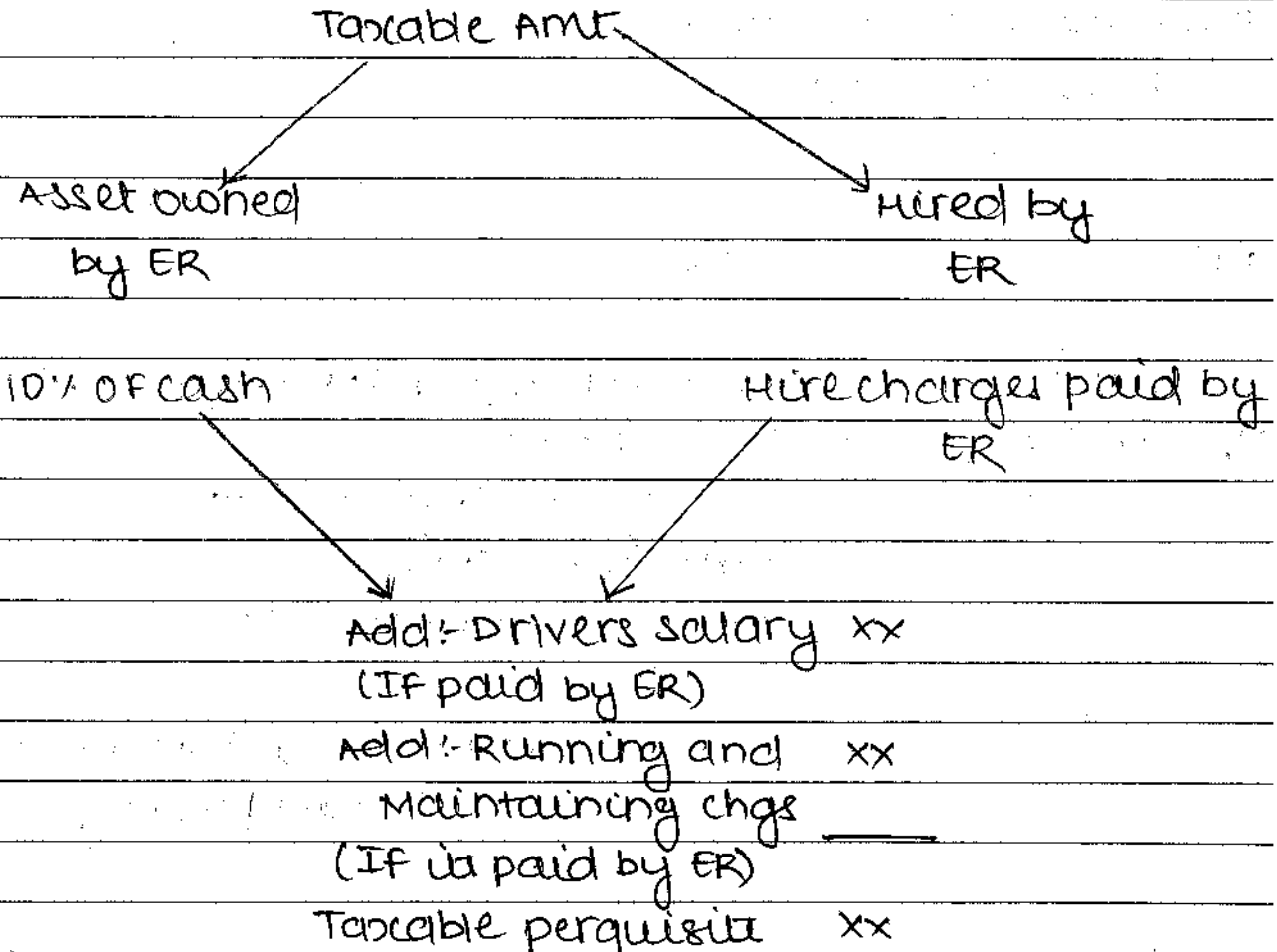
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TELEGRAM: CA NOTE HUB

11. car facility :-

(A) car is used for fully office purpose :- Fully Exempt
In this case employer has to maintain record of each journey and employer issue a certificate that car is exclusively used for office purpose.

(B) car is used for fully personal purpose :



Add :- Drivers salary (If paid by ER)	xx
Add :- Running and Maintaining chgs (If is paid by ER)	xx
Taxable perquisite	xx

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

c) car is used for partly office or partly personal purpose:

POPP (Partly office partly personal)

car is owned by EE

owned by ER

Running and Maintaing charges paid by

EE

ER

No benefit - Not taxable

taxable - Amt

Running and maintaining charges

xxx

upto 1600 cc (1.1.21 : 1800 pm / 2400 pm (xxx)

>1600 cc

Taxable perquisite xxx

Running and Maintaining charges paid by

EE

ER

Taxable Amt = 600 pm / 900 pm

upto 1600 cc

>1600 cc

Taxable Amt : 1800 pm / 2400 pm

upto 1600 cc

>1600 cc

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

— Note —

1) If employer also provided driver then 900 pm should be added above taxable Amt.

2) If more than car is provided for POPP then 1 car is taxable according to above standard Amt and other car shall be taxable on the Assumption that it is fully used for personal purpose.

12. Transport facility for transport employer [free tickets]

1) For Airlines and Railway employee :- Airlines and Railway facility is fully exempt

2) For other employee :- fully taxable

13. Electricity, gas or water supply :- Taxable

14. Free servant :- Fully taxable

15. Education facility :-

1) For employee :- Fully exempt

2) For children :- It is exempt if value of education is upto to ₹1000 pm/per child and education is provided in employer own institution or institution where employer have tie up.

3) For other relative :- Fully taxable.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

16. Any other perquisite :- Fully taxable

— Note —

1) Perquisite No 11 to 15 are taxable only if the employee is specified employee. If employee is non specified employee then it is exempt.

2) Specified employee means

a) Director employee
b) Employee having cash salary of more than ₹ 400000 pa.
c) Employee having substantial interest in employer's business

-- Following perquisites are fully exempt

1) Telephone or Mobile bill paid or reimburse by employer

2) Scholarship to employee's children

3) Goods sold to employee by employer at reasonable price

4) Tax on non monetary perquisite is paid by employer

5) Personal Accidental policy premium paid by employer

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

– Note 14 –

Standard deduction u/s 16(ia)

- Opted sec 115BAC
  - (i) Salary
  - (ii) 75000
- Not opted 115BAC
  - (i) Salary
  - (ii) 50000

– Note 15 –

Professional Tax

It means tax on employment. If it is paid by employer on behalf of employee then first it should be taxable and their after dedn allowed u/s 16 and if it is paid by employee then only dedn is allowed.

PT paid by

- ER
  - Add to statement (Taxable)
  - Deduction u/s 16(iii)
- EE
  - —
  - deduction u/s 16(iii)

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Q23 / pg 42

Mr Balaji PY 25-26 AY 26-27

Computation of taxable salary

Particulars	₹	₹
Basic salary (50000 x 7m)	350000	
(60000 x 5m)	300000	650000
DA (40% of Basic salary)		260000
Bonus (50000 + 40%)		70000
Employer contribution to RPF (650000 x 16%)	104000	
(-) Exempt 12% of salary (Basic + DA (T)) + T/o comm (650000 + - -)	78000	26000
Professional Tax paid by ER		2000
Motor car facility (2400 pm x 5m)		12000
Gross salary		1020000
less: Deduction u/s 16		
a) Standard u/s 16	50000	
b) Professional Tax	2500	(52500)
Taxable salary		967500

- Note:

1) We have assumed that RA is not a part of retirement benefit.

2) Facility of computer and laptop is fully exempt in hands of employee.

3) Motor car is owned by employer and running and maintaining charges if also paid by employer so taxable cost is ₹2400 as motor car is more than 1600 cc

Teacher's Signature: .....

TELEGRAM: CA NOTE HUB

4) Professional Tax paid by employer is 2000 first it is taxable under the head salary and after that dedn allowed u/s 16.

5) As per sec 10 (V) facility of leave travel concession facility within India is fully exempt provided employee travel in Economy class. Restriction of 2 children is not applicable if multiple birth after birth of one child.

— Note 11 —

Voluntery Retirement scheme compensation (VRS)

*Exempt u/s 10(10C)

(i) *Salary pm x 3 months x No. of years of completion of service (fraction ignore)
(ii) *Salary pm x No of Remaining months of service
(iii) Actual Amt Recd
(iv) Max. 500000

*Salary pm = Basic salary + DA (T) + T/o comm.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Q8 / Pg 80

Mr Dutta PY25-26 AY26-27

Computation of Taxable VRS		₹
VRS compensation Recd		700000
Less:- Exempt u/s 10(10C)		
(i) Salary pm x 3m x No of years of completion of service 2.5000 x 3 x 30 years	225 0000	
(ii) Salary pm x No of Remaining months of service 25000 x 72 m (6 x 12m)	1800000	
(iii) Actt. Act. Recd	700000	
(iv) Max 500000	500000	(500000)
Taxable VRS =		200000

Salary pm = Basic + DA(T) + T/o comm
= 20000 + 5000 –
= 25000

Teacher's Signature: .....

TELEGRAM: CA NOTE HUB

Eg Mr Shivam joined Indian Railway on 1st August 2020 on a pay scale of 20000 - 1000 - 23000 - 2000 - 29000 - 2500 - 34000

Compute salary for PY 25-26

→ 1|8|20 ---- 20000 pm ---- > 31|7|21

1|8|21 ---- 21000 pm ---- > 31|7|22

1|8|22 ---- 22000 pm ---- > 31|7|23

1|8|23 ---- 23000 pm ---- > 31|7|24

1|8|24 ---- 25000 pm ---- > 31|7|25

1|8|25 ---- ~~27000 pm~~ ---- > 31|7|26

31|3|26

(27000 x 8m)

= 216000

= 316000

TELEGRAM: CA NOTE HUB

Q24 / Pg 43

Mr X PY 25-26 AY 26-27

Computation of Taxable salary

	₹	₹
Basic salary (20000 × 9m) + (21000 × 3m)		243000
DA (10% of Basic salary		24300
Bonus (Salary of march month)		21000
ER. cont. to RPF (15% of 267300)	40095	
(-) 12% of salary (Basic + DA(T) + T/O com (267300 × 12%)	(32076)	8019
Facility of laptop		Exempt
Medical treatment of Brother		25000
House keeper facility (1000 × 12m)		12000
Gift voucher		10000
Conveyance Allowance	12000	
(-) Exempt (Actual exps	(12000)	—
Telephone Allowance (500 × 12m)		6000
Premium for personal Accidental		Exempt
House facility Benefit (Note 1) policy		29430
Gross salary		378749
Less :- standard deduction		(50000)
Net salary / Net Taxable income		328749

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Benefits not available when Assessee opted sec 115BAC

1. HRA Exemption u/s 10(13A)
2. LTC exemption u/s 10(5)
3. Allowance exemption u/s 10(14)

4. Dedn u/s 16(ii) & (iii) for professional tax and entertainment allowance

5. Exemption for free meal upto ₹ 50.

TELEGRAM: CA NOTE HUB

Q20/Pg39

Mr. Hari PY 25-26 AY 26-27

Computation of Total Income and Tax liability

Income from salary (computed)		1020000
Arrears salary recd in CY		345000
	GTI / NTI	1365000

Tax liability

upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 1365000	30%	109500
		219500
Add:- HEC @ 4%		8780
		228280
Less:- Rebate u/s 89 (Note1) (107640 - 92185)		(15455)
Net Tax liability ie		212825 / 212830

Note1 :- Rebate u/s 89 [Step1 - Step2]

Step1 :- Tax on CY income (Including Arrears salary)
(1020000 + 345000) = 1365000
= 228280

(-) Tax on CY income (excluding Arrears salary) (120640)
(1020000)

Step1 107640

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 1020000	30%	6000
		116000
Add : HEC @ 4%		4640
		120640

Step 2 computation of total income and tax liability of the year of Arrear Salary

	PY 10-11 (AY 11-12) 58 yrs	PY 11-12 (AY 12-13) 59 yrs	PY 12-13 (AY 13-14) 60 yrs
Total income (including arrear salary)	813000 (Note 1)	942000 (Note 3)	1075000 (Note 5)
Tax on Total Income (including Arrear salary) (A)	100837	138638	151925
Total income (excluding Arrears salary)	710000 (Note 2)	825000 (Note 4)	950000 (Note 6)
Tax on Total Income (excluding Arrear salary) (B)	(78280)	(102485)	(118450)
Step 2	22557	36153	33475

92185

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

Note 1:- Tax on 813000

upto 160000	—	—	
>160000	upto 500000	10%	34000
>500000	upto 800000	20%	60000
>800000	upto 813000	30%	3900
			97900
Add:- Ed cess @ 3%			2937
			100837

Note 2:- Tax on 710000

upto 160000	—	—	
>160000	upto 500000	10%	34000
>500000	upto 710000	20%	42000
			76000
Add:- Ed cess @ 3%			2280
			78280

Note 3:- Tax on 942000

upto 180000	—	—	
>180000	upto 500000	10%	32000
>500000	upto 800000	20%	60000
>800000	upto 942000	30%	42600
			134600
Add:- Ed cess @ 3%			4038
			138638

Note 4:- Tax on 825000

upto 180000	—	—	
>180000	upto 500000	10%	32000
>500000	upto 800000	20%	60000
>800000	upto 825000	30%	7500
			99500
Add:- Edu cess @ 3%			2985
			102485

Note 5:- Tax on 1075000

upto 250000	—	—	
>250000	upto 500000	10%	25000
>500000	upto 1000000	20%	100000
>1000000	upto 1075000	30%	22500
			147500
Add:- Edu cess @ 3%			4425
			151925

Note 6:- Tax on 950000

upto 250000	—	—	
>250000	upto 500000	10%	25000
>500000	upto 950000	20%	90000
			115000
Add:- Edu cess @ 3%			3450
			118450

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

(Ref pg 47 - 48 Question)

Mr Anish joined a job on 1/4/24 on a salary of ₹10,00,000 p.a. EE and ER both contribute 10% of salary to RPF. on 1st April every year. Calculate Interest taxable for PY 24-25 & PY 25-26. Assume RPF Int. Rate is 8%.

PY 24-25 Interest on RPF

ER cont : 400000 x 8% = 32000 [Exempt]

EE cont :- 400000 → 250000 x 8% = 20000 → Exempt
400000 → 150000 x 8% = 12000 → Taxable

PY 25-26

Tax free RPF		Taxable RPF	
ER cont	: 432000	EE cont	: 150000
and Int		Int	: 12000
EE cont	: 270000	Op Bal	162000
and Int			
Op Bal	702000		

↓

Int @ 8% : 56160

current year cont.

ER cont : 400000 x 8% = 32000

EE cont :- 400000 → 250000 x 8% = 20000 → Exempt
400000 → 150000 x 8% = 12000 → Taxable

Taxpayer's Signature

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Sec 17(2)(vii) :- Employer contribution towards RPF/ASF/NPS

Employer cont toward Recognised Provident fund, Approved Super Annuation fund, National Pension scheme in excess of 750000 is treated as perquisite in hand of employee and it is taxable

Sec 17(2)(viia) : Annual Accreation

Annual Accreation by way of Interest, Dividend, similar amount on cont of more than 750000 by ER also treated as perquisite and taxable in hands of EE.

Calculation of Annual Accreation of Int, Div. etc

$$\text{Taxable Amt} = \frac{PC}{2} \times R + (PC_1 + TP_1) \times R$$

PC :- Employer cont. in RPF/ASF/NPS in excess of ₹750000 in CY.

PC_1 :- ER cont in RPF/ASF/NPS in excess of ₹750000 in last PYs.

TP_1 :- Interest/Dividend already taxable u/s 17(2)(viia) in last PY

R :- I/Favg

I :- Income from RPF/ASF/NPS in CY

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Favg :- Agg Bal of RPF/ASF/NPS on 31/3/25 + Agg Bal of RPF/ASF/NPS on 31/3/26

2

Q9 / pg 31

Mr X

for PY 23-24

Basic salary (600000pm x 7m) =	4200000
DA (8% of Basic salary) =	336000
	4536000

ER cont to RPF :- (4536000 x 10%) = 453600

NOTE : since ER cont to recognised RPF is not more than 7.5 lakhs per annum therefore taxable u/s 17(2)(vii) and 17(2)(viia)

PY 24-25 (AY 25-26)

Basic salary (600000 x 12m)	7200000
DA (8% of Basic salary)	576000
	7776000

ER cont to RPF :- 10% of 7776000

= 777600

Taxable u/s 17(2)(vii) : (777600 - 750000) = 27600

Taxable u/s 17(2)(viia) = $\frac{PC}{2} \times R + (PC_1 + TP_1) \times R$

= $\frac{27600}{2} \times 0.1110$

= 1532

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$R = \frac{I}{F_{avg}} = \frac{206711}{1862092} = 0.1110$

Interest Income for PY 24-25

Closing Bal of RPF	2743048
(-) Op. Bal	(981137)
	1761911
(-) EE cont	(777600)
(-) ER cont	(777600)
Int. for PY 24-25	206711

$F.avg = \frac{981137 + 2743048}{2}$

$= 1862092$

for PY 25-26 (AY 26-27)

Taxable perquisite u/s 17(2)(vii) :-

ER cont (7776000 x 10%)	777600
	750000
Taxable Amt	27600

Taxable Amt u/s 17(2)(viia)

$\frac{PC}{2} \times R + (PC_1 + TP_1) \times R$

$\frac{27600}{2} \times 0.0945 + (27600 + 1532) \times 0.0945$

$= 4079$

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$$R = \frac{I}{f.avg} = \frac{350307}{3695802} = 0.094$$

Closing Bal.	4648555
(-) Op. Bal	2743048
	1905507
(-) EE Cont.	777600
(-) ER Cont	777600
	350307

$$f avg = \frac{2743048 + 4648555}{2}$$

$$= 3695802$$

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Salary

- Ext Allowance → Basic Salary
- Gratuity (POGA) → Basic + DA (Both)
- House/ Hotel facility → BDBACM
- Gratuity (Non POGA) HRA, leave salary, ER (Cont to RPF
  - VRS → Basic + DA(T) + T/O comm

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DEDUCTION U/C VI A

Dedn u/s 10AA : Special provision for unit located in SEZ.

1] In computing total income of an undertaking which begins manufacturing business or computer software in any SEZ.
Dedn under this section is available only if SEZ unit has received approval upto 31/3/2020 and begins Man. or software development business 31/3/2021

Amount of Deduction:

1. For first 5 AY ⟶ 100% of Export Profit
2. For Next 5 AYs ⟶ 50% of Export Profit
3. For Next 5 AYs ⟶ (i) Amt. credited to SEZ reinvestment Allowance Reserve A/c
   OR
   (ii) 50% of Export Profit whichever is lower.

2] Export Profit = PBIBP of unit located in SEZ × Export T/O / Total T/O

* Export T/O means consideration in respect of export brought into India in convertible foreign currency within 6 months from the end of the PY or time permitted by RBI

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— NOTES —

1) Sale proceed deemed to have been recd in India if such amt is credited to a seperate A/c maintained by Assessee outside India with the approval of RBI

2) Amt credited to Ex reinvestment Allowance Reserve A/c should be utilised for acquiring new plant and Machinery and put to use within 3 yrs from the end of the PY in which reserve was created.
If Amt is misutilised or unutilised then dedn claim earlier shall be taxable as PGBP.

— Deemed Income —

a) If Reserve is misutilised → In the year of misutilisation.

b) If Reserves is unutilised → In the yr after 3 yrs peria

3] Export T/o and Total T/o, does not include freight, insurance, telecommunication charges, expenses incurred for providing technical services outside India.
Further ET/o and Total T/O does not include cash compensatory support, duty drawback and Profit on sales of Import Entitlement license

4] Dedn u/s 10AA available after claiming all the dedn u/c VI A from GTI

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Q25 / Pg 171 Calculation of Dedn u/s 10AA [6th year of operation]

$$\text{Export Profit} = \text{PCIBP} \times \frac{\text{Export T/O}}{\text{Total T/O}}$$

$$= 3000000 \times \frac{5000000}{10000000}$$

$$= 1500000$$

Dedn u/s 10AA :- 1500000 × 50% = 750000.

Q26 / Pg 171 Calculation of Dedn u/s 10AA (10th year of operation)

$$\text{Export Profit} = \text{PCIBP unit in SEZ} \times \frac{\text{Export T/O}}{\text{Total T/O}}$$

$$= 6000000 \times \frac{3cr}{4cr}$$

$$= 4500000$$

Dedn u/s 10AA = 4500000 × 50%

= 22250000 ↓ (10th year)

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DEDUCTION U/C VI A / DEDUCTION FROM GTI

1. Deduction u/c VI A is restricted to Gross Total Income (GTI) and dedn cannot be carried forward

Income from Salary	50000
Income from HP	20000
PGBP	—
CG	—
IFOS	—
GTI	70000
(-) Dedn u/c VI A	
LI Premium	70000
120000	×

2. Deduction u/c VI A not allowed against LTCG, LTCG 112A, STCG 111A or any special Rate of Income like winnings or deemed income

	₹
PGBP	90000
LTCG	200000
STCG 111A	150000
Winnings	50000
GTI	490000
(-) Dedn u/c VI A	(90000)
PPF 150000	
NTI	400000

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3. Deduction u/c VI not allowed if Assessee opted sec 115BAC Default Taxation regime except 80CCD(2) 80CCH(2) and 80JJAA

* Payment Related Deduction

Sec 80C :- Specified Investment

a) Eligible Assessee :- Individual / HUF

b) Amt of Deduction :- Max 150000

c) Elegible Investment :-

I] Life Insurance Premium

Individual → Self, spouse, children
HUF → Any member of HUF

Policy issued before 1/4/2012

(i) Premium paid xxx
(ii) 20% of policy value xxx
(sum assured)

Policy issued on or after 1/4/2012

(i) Premium paid xxx
(ii) 10% of policy value xxx
(sum assured)

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Policy issued for person with disability (U/s 80U) or person suffering from specified disease (U/s 80DDB) on or after 1/4/2013

(i) Premium paid xxx
(ii) 15% of policy value (sum assured) xxx

II] Amount deposited in Public Provident Fund (PPF)

Individual → self / spouse / children
HUF → Any member

III] Employee contribution to statutory Provident fund (SPF), Recognised Provident fund (RPF), Approved super Annuation Fund (ASF)

IV] fixed deposit in schedule Bank or Post Office for minimum 5 years

V] Tuition fees paid for education of Max 2 children for full time education in India.

VI] Amount invested in National saving certificate (NSC) as well as Interest accrued on NSC.

VII] Deposit in senior citizen saving scheme (SCSS)

VIII] Investment in unit linked Insurance Policy (ULIP)

IX] Deposit in Sukanya samriddhi scheme a/c (for any girl child of Individual or Girl child for whom such

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individual is a legal gaardian.

X] Deposit in Notified bonds of NABARD.

XI] Deposit in Notified units of mutual fund / UTI

XII] Deposit in Notified pension scheme of MF/UTI

XIII] Repayment of Housing loan (Principal Amt) for purchase or construction of House and loan taken from Bank and financial institution.

XIV] Stamp Duty or Registration charges for acquiring House property.

XV] Contribution to National Housing Bank.

XVI] By Employee of central Govt. to NPS Tier II for a fixed period of 3 years or more.

XVII] Investment in Equity linked saving scheme (ECSS)

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* Dedn u/s 80CCD(1B) is allowed to the parent or guardian for amt deposited for minors (NPS vatsalya) is allowed upto max ₹ 50

— Sec 80CCC :- Contribution to Pension Fund of LIC or any other Insurance company.

a) Eligible Assessee :- Individual

b) Amount of Deduction :- Max 150000

— Sec 80CCD :- Contribution to Pension scheme of central Govt / National Pension scheme / Atal Pension Yojana)

a) Eligible Assessee :- Individual

— Sec 80CCD(1)

Salaried employee		Other Individual (Self Employed)	
(i) Employees cont.	xxx	(i) Assessee's cont	xxx
(ii) 10% of Salary	xxx	(ii) 20% of GTI	xxx

* — Sec 80CCD (1B) :- Aeldiitional Dedn upto ₹ 50000 shall be allowed Other than contribution covered U/s 80CCD (1)

Eg: Mr BB is a businessman, contributed 130000 towards NPS, GTI of Mr BB is ₹ 500000.

→ In this case Assessee can claim ₹100000 (20% of GTI) U/s 80CCD(1) and remaining 30000 U/s 80CCD (1B). Alternatively he can first claim U/s 80CCD (1B) of

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Note:- As per sec 10(12BA) any amt rec'd on the partial withdrawal from NPS vatsalya is exempt to the extent of 25% of contribution made by Assessee. In case of death of minor any Amt is rec'd by parent / guardian is fully exempt

₹ 50000 and remaining u/s 80CCD(1) of ₹ 80000.

80CCD(2) :- Employer contribution towards NPS for the benefit of Employee.

ER contribution is first taxable under the head salary in hands of employee and then EE can get dedn u/s 80CCD(2)

(i) Employer cont.	xxx
(ii) 10%/14% of salary	xxx

* 14% → where contribution made by CG/SG or EE opted sec 115BAC

— Notes —

1) For the purpose of sec 80CCD(1) & (2) salary means Basic + DA (T)

2) On closure of NPS A/c amount rec'd by Assessee is exempt upto 60% and 40% is taxable.
In case of death of Assessee if any amt rec'd by legal heir is fully exempt.

3) In case of partial withdrawal by EE, withdrawal upto 25% of total cont. made by him is exempt.

4) Assessee can transfer fund from his RPF A/c or Super Annuation Fund to NPS A/c without any Tax implications.

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— Sec 80CCE :- Aggregate Dedn u/s 80C + 80CCC + 80CCD(1) is restricted to max ₹ 150000.

Q3 / Pg 153 — Part A :- Employee opted out from sec 115BAC

(i) ER contribution to NPS (1200000 × 15%) : 180000
Taxable under salary in hands of EE.

(ii) Dedn u/s 80CCD(1) & 80CCD(1B) :- Dedn for own contribution.

a) 80CCD(1)

(i) EE contribution	180000
(ii) 10% of salary [Basic + DA(T)] (1200000 + 240000) 1440000	144000
	144000

b) 80CCD(1B) : [180000 − 144000] = 36000
Allowed u/s 80CCD(1B)

Note :- Alternatively 80CCD(1B) : 50000
80CCD(1) : 130000

(iii) Dedn u/s 80CCD(2) :- ER cont towards NPS

(i) ER contribution	180000
(ii) 10% of salary (1440000)	144000
	144000

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Part B :- If Employee opted 115BAC

(i) Dedn u/s 80CCD(1) and 80CCD (1B) Not Available
(ii) Dedn u/s 80CCD(2)

(i) ER contribution	:	180000
(ii) 14% of salary (14~~4~~0000)	:	201600 / 180000

Dedn allowed u/s 80CCD(2) to EE

Sec 80CCH :- Contribution to Agnipath scheme

Eligible Assessee :- Individual enrolled in Agnipath scheme subscribing to Agniveer corpus fund on or after 1/11/2022

80CCH(1) :- 100% of his cont. to Agniveer corpus fund.
80CCH(2) :- 100% of CG's cont to Agniveer corpus fund.
[first it is taxable under salary then employee can claim ded u/s 80CCH(2)]

-- Note --

1) Any amt. rec'd by Assessee or his legal heir from Agniveer Fund is fully exempt.

2) As per Agnipath scheme 30% of package should be contributed to Agniveer Fund by Assessee and CG

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← Sec 80D :- Medical Insurance Premium, CG Health scheme, Preventive health checkup, medical treatment.

a) Eligible Assessee :- Individual / HUF

b) For whom :- Individual → self, spouse, parents, dependent children.

HUF → Any member of HUF

c) Mode of Payment :- Any mode other than cash but payment of preventive health checkup can be made in cash.

d) Amount of deduction

Particulars	Individual		HUF
	self, spouse dependent children	parents	Members
A (i) Medical Insurance Premium	Yes	Yes	Yes
(ii) CG Health scheme	Yes	NO	NO
(iii) Preventive Health checkup	Yes	Yes	No
General Deduction [i + ii + iii]	Max 25000	Max 25000	Max 25000
+			
Additional Dedn (when Mediclaim taken for senior citizen Age 60 or more)	Max 25000	Max 25000	Max 25000
B. Medical exps of senior citizen (Age 60 or more) & mediclaim premium not paid for such person	Max 50000	Max 50000	Max 50000
Maximum Deduction (A+B)	Max 50000	Max 50000	Max 50000

NOTE :- Aggregate payment for preventive health checkup of self, spouse, dependent children and parents cannot exceed ₹ 5000/-

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Q6 / pg 155 — MrY — PY 25-26 AY 26-27

Computation of Dedn u/s 80D

a) for self, spouse and dependent children	Actual Amt	Max dedn
(i) Medical Insurance prem.	22000	22000
(ii) CG Health scheme	6000	3000
	28000	25000

b) for parents		
(i) Medical Ins. premium	33000	33000
(ii) Medical treatment	20000	17000
	53000	50000

∴ Max Deduction = ₹ 75000

— Note —

If Medical Insurance is paid in lumpsum for more than one year then dedn is allowed :-

$$\frac{\text{lumpsum premium}}{\text{PY's in which Insurance in force}}$$

Ex Mr BB paid Health Insurance premium of ₹ 60000 for 5 years on 1/11/2024. Policy tenure is 5 years i.e from 1/11/24 to 31/10/29. Calculate deduction allowed for PY 24-25

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→ In this case dedn is allowed in 6 PY's i.e. PY 24-25 till PY 29-30. 80 dedn in CY is

$$\frac{60000}{6 \text{ PY's}} = 10{,}000$$

— Sec 80U :- Deduction for handicapped Assessee

a) Eligible Assessee :- Resident Individual

b) Amount of Deduction :-

(i) Normal Disability :- ₹75000
(ii) Severe Disability :- ₹125000
(80% or more disability)

Sec 80DD :- Medical treatment and maintenance of Handicapped dependent relative.

a) Eligible Assessee :- Resident Individual / HUF

b) Amount of Deduction :-

(i) Normal Disability :- ₹75000
(ii) Severe disability :- ₹125000
(80% or more disability)

— Notes —

1) Above dedn is flat dedn irrespective of Actual Exps.

2) Dedn under this section is allowed if Assessee incurred expenses on medical treatment or deposit

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any Amt for maintenance of Handicapped dependent relative. (HDR)

3) Relative :- Individual ⟶ spouse, children, mother, father, brother, sister.

HUF ⟶ Any member of HUF

— Sec 80DDB :- Deduction in respect of medical treatment of specified disease)

a) Eligible Assessee :- Resident Ind. / HUF

b) Amount of Dedn :-

(i) Actual Exp on treatment	xxx
(ii) Max* 40000 / 100000	xxx
whichever is lower	xxx
(-) Insurance claim Recd	(xxx)
Amt of dedn	xxx

* Normal case :- 40000
Senior citizen patient :- 100000

— Notes —

1) Assessee should incurre exps on treatment of specified disease. for :-
Individual :- Self or dependent member (S.M.F.C.B.S)
HUF :- Any dependent member of HUF

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any Amt for maintenance of Handicapped dependent relative. (HDR)

3) Relative :- Individual ⟶ spouse, children, mother, father, brother, sister.

HUF ⟶ Any member of HUF

— Sec 80DDB :- Deduction in respect of medical treatment of specified disease)

a) Eligible Assessee :- Resident Ind. / HUF

b) Amount of Dedn :-

(i) Actual Exp on treatment	xxx
(ii) Max* 40000 / 100000	xxx
whichever is lower	xxx
(-) Insurance claim Recd	(xxx)
Amt of dedn	xxx

* Normal case :- 40000
Senior citizen patient :- 100000

— Note :-

1) Assessee should incurre exps on treatment of specified disease. for :-
Individual :- Self or dependent member (S.M.F.C.B.S)

HUF :- Any dependent member of HUF

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Sec 80E :- Interest on Education loan for Higher Education (Any course after 12th in India or outside India)

a) Eligible Assessee :- Individual

b) Amount of deduction :- Interest Amt (100%.) for a period of 8 consecutive years starting from the year in which Assessee start paying Interest

- Note -
Dedn is allowed if loan is taken for education of self, spouse, children or any student for whom Assessee is a legal guardian.

- Sec 80EE :- Interest on housing loan

a) Eligible Assessee :- Individuals

b) Amount of Deduction :- Max 50000

Conditions :-

1) Loan should be taken from Bank or financial institutions for acquisition of Residential house property.

2) Purchase price of house should be upto ₹ 50,00000

3) Loan amt should be upto ₹ 35,00,000

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4) loan should be sanctioned between 1/4/2016 till 31/3/2017.

5) Assessee does not own any Residential house on the date of sanction of loan.

∴ Note :-

First deduction of interest upto ₹ 200000 claimed under House property u/s 24(b) and remaining interest allowed here upto ₹ 50,000

— Sec 80EEA :- Interest on Housing loan.

a) Eligible Assessee :- Individual

b) Amount of Deduction :- Max 150000

Conditions

1) loan should be taken from Bank or financial institutions.

2) SDV of House Property should be upto ₹ 45,00,000.

3) loan should be approved between 1/4/2019 till 31/3/2022

4) Assessee does not own any Residential HP on the date of sanction of loan.

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— Note —

first dedn claimed u/s 24(b) of HP and remaining dedn u/s 80EEA

— Sec 80EEB :- Interest on electric vehicle loan (EV)

a) Eligible Assessee :- Individual

b) Amount of deduction :- Max 150000

conditions

1) loan should be taken from Bank or financial Institutions including NBFC.

2) loan should be sanction between 1/4/2019 till 31/3/23

— Note —

If dedn allowed here, then on same interest dedn cannot be claimed under any other section.

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Q9 / Pg 157

Mr A PY 25-26 AY 26-27

Interest deduction for PY 25-26

Total Interest :- 4300000 x 9% :- 387000

Int dedn u/s 24(b) in House Property → 200000

Int dedn u/s 80EEA → 150000

Mr B

Int dedn for PY 25-26

4500000 x 9% = 405000

Int u/s 24(b) in House Property → 200000

Dedn u/s 80EEA Not Allowed since
→ loan taken from HBFC
→ SDV > 4500000

Mr C

Int Dedn for PY 25-26

Total Int :- 2000000 x 10% = 200000

Dedn u/s 80EEB is allowed for loan taken for EV made

Int Allowed:

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Mr D

Dedn u/s 80EEB NOT Allowed as loan sanctioned before 1/4/2019.

— Sec 80G :- Donations

a) Eligible Assessee :- All Assessee

b) Eligible Donations :-

Part A - Unlimited category.

→ National Defence fund
→ P.M. National Relief fund
→ P.M. Armenia Earthquake Relief fund
→ C.M. Relief fund & Lieutenant Governer Relief fund.
→ Zila saksharta samiti
→ National sports development fund
→ National children fund
→ National cultural fund
→ Swacch Bharat Kosh
→ Clean Ganga fund
→ National fund for control of Drug abuse
→ P.M. Citizen Assistance and Relief fund (care fund)
→ Fund for Army, etc

} 100% unlimited

→ P.M. Drought Relief fund — 50% unlimited

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Part B - Limited Category

→ Donation to Govt. or local Authority or approved Institution for promoting family planning (F)

→ Donations by company to Indian Olympics Association (O) or any other institution for development of infrastructure for sports in India.

} 100% Limited

→ Donation to Housing Development Authority (H)
→ Donation for renovation or repair (T) of Temple, gurudwara, mosque or church etc
→ Donation to any Public Charitable Trust (C)
→ Donation for Promoting minority community in India (M)

} 50% Limited

Under Limited category there is a limit of Eligible Donation.

F.O	xxx
HTC Mobile	xxx
Total Donation	xxx
↓ 10% of ATI *	xxx
Eligible Donation	xxx

* Calculation of Adjusted Total Income (ATI)

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GTI (exclude LTCG 112, LTCG 112A, STCG 111A)	XXX
Less: All Deduction u/c VI A (except 80G)	(XX)
ATI	XXX

— Notes —

1) Ddn under this section not allowed if donation made in cash of more than ₹ 2000.

2) Donation paid in kind are not eligible for Ddn under this section.

Q10 / pg 157

Mr. Shiva PY 25-26 AY 26-27

Computation of Total Income

Gross Total Income (GTI)		775000
Less: Ddn u/c VI A		
Sec 80C: Specified Investment		
a) LIP Premium paid 20000	18000	
(since policy taken on or after 1/4/2012 80 it is restricted to 10% of Policy value)		
b) Deposit in PPF	100000	
	118000	
Sec 80CCC: LIC Pension Plan	60000	
	178000	
As per sec 80CCE, Ddn u/s 80C + 80CCC + 80CCD(1) is restricted to 150000	150000	(150000)
Sec 80D Medical Insurance Prem		
Self 12000		
Spouse 14000		
26000		
It is restricted to ₹ 25000		(25000)

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Sec 80G :- Donations		
National Children Fund (100% UL)	25000	
PM Drought Rel. Fund (50% UL) (25000 × 50%)	12500	
Approved inst. for family planning (100% Ltd)	40000	
Public charitable Trust (50% Limited)	10000	(87500)
NTI/Total Income		512500

Family planning	40000
Public charitable trust	50000
Total Donation	90000
↓ 10% of ATI (600000 × 10%)	60000

Eligible Donation 60000

Family planning	Public Ch. trust
40000 × 100%	20000 × 50% (Bal)
= 40000	= 10000

Calculation of ATI	₹
GTI	775000
(-) All Dedn U/C VI A (except 80G)	(175000)
ATI	600000

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— Sec 80GG :- Rent paid of House Property (HRA Not recd)

a) Eligible Assessee :- Individual

b) Amt of Deduction :-

(i) 5000 pm
(ii) 25% of Adjusted GTI
(iii) Rent paid − 10% of Adjusted GTI

Adjusted GTI

Gross Total Income	xxx
(-) All dedn u/c VI A (except 80GG)	(xxx)
Adj GTI	xxx

Note :- Assessee or his spouse or minor child or HUF should not own any House Property at the Place of his duty.

— Sec 80GGB / 80GGC :- Donation to Political Parties and Electoral Trust

80GGB	80GGC
↓	↓
Indian company	Any other person

Amt of Deduction :- 100% of Dedn

Note :- NO Dedn if Donation made in cash

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Advt. in the Newspaper/
Brochure of Political Party

	Indian company	Other Assessee
PABP :-	No Dedn	No Dedn
Dedn u/s 80GGB	Yes (As per Co. Act 2013 it is donation to Polparty)	No Dedn

* — Sec 80JJAA :- Deduction in respect of Employment of New Employees.

a) Eligible Assessee :- Any Assessee engaged in business to whom sec 44AB apply (T/O > 1cr/10cr)

b) Amt of Deduction :- 30% of additional EE cost (Dedn for 3 consecutive yrs.)

Additional EE cost means :-

a) New Business :- Salary/wages paid/payable to EEs employed during PY

b) Existing Business :- Salary/wages paid/payable to Additional EEs employed during PY.

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Eg:- suppose total EE as on 1/4/24 were 100, 20 New EE joined and 15 EE left during PY. In this case dedn allowed on salary paid to 5 employees.

* Conditions *

1) Salary should be paid by A/c payee cheque / A/C Payee D.D / ECS.

2) Salary should not be more than ₹ 25000 per month

3) EE employed atleast 240 days in PY (in case of manufacture of footwear or leather or apparel 150 days.

4) EE should participate in RPF.

— Note —

1) If EE is employed during PY for less than 150 days/ 240 days but employed for period of 240 d or 150 d in Next year then he shall be deemed to have been employed in NY and accordingly Assessee entitled for dedn of 30% of Additional employee cost in the NY

2) Dedn under this section allowed only if BOA is audited of the Assessee and Audit report should be submitted upto date given u/s 44AB

Teacher's Signature:.....

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MrA PY25-26 AY 26-27

Part A

Computation of dedn u/s 80JJAA

Additional EE's cost

24000 pm x 12 months x 75 EE's = 21600000

Dedn u/s 80JJAA :- 21600000 x 30% = 6480000

- Note -

1) Since casual worker do not participate in RPF so dedn not allowed on salary paid to casual worker.

2) Employee employed on 1/8/2025 are not eligible for dedn because salary p.m is more than ₹25000.

3) 100 regular workers employed on 1/9/2025 are not treated as additional employees because they work for less than 240 days.

Part B

If MrA engaged in manufacture of footwear then 100 regular employee employed on 1/9/2025 are also eligible for dedn because they work for 150 days or more in PY 25-26

Additional EE's cost :- 21600000 + 16800000

(100 EE's x 24000 x 7 months)

= 3,84,00,000

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Dedn Amt = 38400000 x 30%
= 1,15,20,000

-- Sec 80QQB :- Royalty from Books of literary, Artistic, Scientific Nature

a) Eligible Assessee :- Resident Individual

b) Amt of Deduction :- (i) Eligible Royalty Recd
(ii) Max 300000
whichever is lower

Eligible Royalty
- lumpsum royalty → Amt recd as Royalty
- Otherwise → Max 15% of value of Book sold

-- Sec 80RRB :- Royalty from Patent

a) Eligible Assessee :- Resident Individual

b) Amt of Deduction :- (a) Royalty Recd
(b) Max 300000
whichever is lower

- Notes for sec 80QQB and 80RRB :-
If Royalty is earned from outside India then dedn is allowed only if such royalty amt brought

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in India in convertible foreign exchange within 6 months from the end of PY or time allowed by RBI.

— SEC 80TTA :- Interest on saving A/c from Bank/ Co-op Bank / Post office

a) Eligible Assessee :- Individual / HUF

b) Amt of Deduction :-

(i) Interest Amt	xxx
(ii) Max 10000	xxy
whichever is lower	xxx

— SEC 80TTB :- Interest on deposit from Bank / co-op Bank / post office

a) Eligible Assessee :- Resident senior citizen.

b) Amt of Deduction :-

(i) Interest Amt	xxx
(ii) Max 50000	xxy
whichever is lower	xxx

— Note :-

Dean under this sec is claimed by senior citizen then he is not eligible for deduction u/s 80TTA.

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ALTERNATE MINIMUM TAX :- (AMT)

AMT is applicable to All Assessee except company.

Sec 115JC :- Income Tax payable by any person higher of

(i) Income Tax payable as per Normal Provision of Income Tax — xxx

(ii) 18.5% of Adjusted Total Income — xxx
[surcharge (if applicable) + 4%]

Note :-

1. Calculation of ATI

Total income (NTI) as per Normal Provision of Income Tax	xxx
Add :- (i) Dedn u/s 10AA (SEZ)	xxx
(ii) Dedn u/s 35AD (14 Business)	xxx
(iii) Dedn u/c VI A (80JJAA, 80QQB, 80RRB)	xxx
	xxx
(-) :- Depn allowable as per sec 32 assuming that dedn u/s 35AD was not allowed on the Assets on which dedn u/s 35A claimed	(xxx)
ATI	xxx

Note :-

1) AMT is applicable only when Assessee claim dedn u/s 35AD, 10AA, 80QQB, 80RRB or 80JJAA.

2) AMT is not applicable if ATI is upto ₹ 20 lakhs in case of Individual, HUF, AOP, BOI, AJP.

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3) AMT not applicable if Assessee pay tax as per sec 115BAC

- Sec 115JD :- AMT credit

1) If AMT is more than Normal tax then excess shall be treated as AMT credit

2) AMT credit can be carry forward for 15 AYs

3) AMT cr. can be set off in the year in which Normal Income tax is more than AMT.

4) AMT cr. is allowed to set off to the extent of differenti between Normal tax and AMT.

5) AMT cr. can be set off even in the year in which AMT is not applicable

AY	Normal Tax	AMT (ATI x 18.5%)	Assessee required to pay	Amt credit Adjusted	Actual paid	Amt credi
AY24-25	500000	800000	800000	—	800000	300000
AY25-26	700000	900000	900000	—	900000	500000
AY26-27	600000	450000	600000	150000	450000	350000
AY27-28	800000	900000	900000	—	900000	450000
AY28-29	1000000	600000	1000000	400000	600000	50000
AY29-30	1200000	700000	1200000	50000	1150000	—

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Ex: Mr Ravi (age 32 yrs) and Kavi (36 yrs) are Resident Ind. From following information calculate rebate u/s 87A and Tax liability for AY 2026-27

Particular	Ravi (opt out from sec 115BAC)	Kavi (opted sec 115BAC)
STCG 111A	80000	240000
LTCG 112A	180000	450000
Salary and HP Income (comp. ulated)	280000	510000
Total Income	490000	1200000
Computation of Tax liab:		
Tax on STCG 111A	16000	48000
Tax on LTCG 112A	625	40625
Tax on Balance Income	1500	5500
or Total	18125	94125
Less:- Rebate u/s 87A	18125	94125
Ravi :- 17500 or 12500, whichever	(12500)	
Kavi :- 5500 or 60000 is lower		(5500)
	5625	88625
Add:- HEC @ 4%	225	3545
Net Tax liability	5850	92170

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Mr X — PY 25-26, AY 26-27

Part A :- Assessee opted out from sec 115BAC [sec 115BAC Not Applicable]

Computation of Total Income

	₹	₹
Profit and Gain from Business & Profession		
(i) Warehousing facility for Agri produce [Profit]	10500000	
less :- Dedn u/s 35AD		
[7500000 − 1000000] land (6500000 × 100%)	6500000	4000000
(ii) Profit from SEZ unit		4000000
Gross Total Income		8000000
less :- Deduction u/c VI A		
10AA → 50% Export Profit (7th yr of operation)		
PBP of SEZ unit × Export T/O / Total T/O		
4000000 × 8000000/10000000 = 3200000 × 50% Dedn		(1600000)
= 1600000		
Total Income (NTI)		6400000

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Computation of Tax liability

upto 250000	—	—
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 6400000	30%	1620000
		1732500
Add:- surcharge @10%		173250
		1905750
Add:- HEC @ 4%		76230
		1981980

Calculation of AMT

Calculation of Adjusted Total Income (ATI)

Total Income	64000000
Add:- Dedn u/s 35AD	6500000
Dedn u/s 10AA	1600000
	14500000
Less:- Depn Allowable if sec 35AD Not claimed	
(6500000 x 10%)	(650000)
ATI	13850000

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Tax on ATI

13850000 × 18.5%	=	2562250
Add:- surcharge @ 15%		384338
		2946588
Add:- HEC @ 4%		117864
AMT		3064452

— Note —

Since AMT is more than Normal Tax so Assessee require to pay AMT i.e. 3064452

Amt credit :- (3064450 − 1981980)

= 1082470

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If 115BAC is more than ANT then apply.

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Part B:- Assessee opted default tax regime sec 115BAC

Computation of Total Income & Tax liability

			₹
PGBP			
Profit from warehousing facility		10500000	
(-) Depn U/S 32 (6500000 × 10%)		650000	9850000
Profit from SEZ units			400000
		GTI/NTI	13850000
Calculation of Tax liability			
upto 400000			
>400000 upto 800000	5%	20000	
>800000 upto 1200000	10%	40000	
>1200000 upto 1600000	15%	60000	
>1600000 upto 2000000	20%	80000	
>2000000 upto 2400000	25%	100000	
>2400000 upto 13850000	30%	3435000	
		3735000	
Add:- surcharge @ 15%		560250	
		4295250	
Add:- HEC @ 4%		171810	
Net tax liability		4467060	

Conclusion :- since Tax as per Normal Provision is lower than tax as per default tax regime U/S 115BAC so Assessee should opt out from Default Tax Regime U/S 115BAC and pay tax as per Normal/old taxation regime

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— ADVANCE TAX —

- Advance Tax means Tax paid in the PY itself.
- Advance Tax shall be calculated on the basis of Estimated Total Income.
- Advance Tax is applicable only if the Adv. Tax liability is ₹ 10,000 or more.

— Exception —

Adv. Tax not applicable in case of senior citizen not having income under the head PGBP.

— Calculation of Advance Tax liability —

Estimated Total Income of Assessee	xxx
Tax liability on Est. total income	xxx
less :- TDS Deducted / TCS collected	(xxx)
less :- Amt credit	(xxx)
Advance Tax liability	xxx

15th June of PY	15th Sep of PY	15th Dec of PY	15th March of PY
upto 15%	upto 45%	upto 75%	upto 100%

— Note —

If Assessee Opt Sec 44AD / A44ADA (Presumptive PGBP) then Adv Tax is required to Pay only in 1 installment i.e 15th March of PY. (100% of Adv. Tax liability)

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2) Last installment of Adv. Tax is 15th March of PY but whatever paid upto 31st March of PY is treated as Advance Tax only.

— INTEREST U/S 234A/234B/234C —

Mr BB is a Resident Individual (Age 36 years) having Total Income of ₹ 30,00,000 for PY 25-26 (AY 26-27)
TDS Deducted of ₹ 20,000.
Advance Tax Paid

12/6/25	40000
15/9/25	30000
15/12/25	80000
15/3/26	40000
15/3/26	15000

Due date of Return filing :- 31/7/26
He actually filed the return on 10/10/26 & paid taxes, Interest and fees on that date. Assume he follows Default tax Regime 115BAC.
Calculate Interest U/S 234A/234B/234C.

→ Calculation of Tax Liability

upto 400000	—	—
> 400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 3000000	30%	180000
		480000
Add :- HEC @ 4%		19200
		499200

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Less:- TDS		(20000)	
		479200	
Less:- Advance Tax		(205000)	
		274200	
Add:- Interest u/s 234A		8226	(Note 1)
	234B	19194	(Note 2)
	234C	14496	(Note 3)
Fees	234F	5000	
Net Tax Payable		321115	
		i.e. 321120	

— Note 1 —

Interest u/s 234A :- Interest for late return filing

Tax payable as per Return Income (After Adj. of TDS/TCS/ Advance Tax)	Rate	Period
	x	x
	1% pm or part of the month	[from Next day of Due date of Return filing till Actual Date of Return filing]
274200 x 1% x 3 months = 8226		[1/8/26 to 10/10/26

— Note 2 —

Interest u/s 234B Net Payment | Short Payment of Advance Tax:

This Interest Not applicable if Adv. Tax paid 90% or more of Adv tax Payable

Short Payment of Adv Tax	x	Rate	x	Period
		[1% Pm or part of month]		[1st April of A.Y till Actual payment of taxes]

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TELEGRAM: CA NOTE HUB

274200 x 1% x 7 months = 19194
[1/4/26 to 10/10/26]

Interest u/s 234C :- Interest for Deferment of Adv Tax Instalments.

Interest u/s 234C shall not apply for deferment of 1st instalment if adv tax is paid upto 12% in 1st instalment.

For 2nd Instalment, Adv Tax is paid upto 36%.

Adv Tax Payable : 479200

Due Date	Adv. Tax Payable		Min Requirement	Actual paid	Defer	Interest calcn.
15/6/25	15%	71880	12%	57504	40000	31800 x 1% x 3m = 954
15/9/25	45%	215640	36%	172512	70000	145600 x 1% x 3m = 4368
15/12/25	75%	359400	75%	359400	150000	209400 x 1% x 3m = 6282
15/3/26	100%	479200	100%	479200	190000	289200 x 1% x 1m = 2892
						(16/3 to 31/3)
						14496

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— NOTE —

Adv Tax in case of capital gain, winning, dividend, PGBP first time.

Assessee is not able to estimate this income so Adv tax on this income shall be paid in remaining instalment after receipt of such income.

If No instalment is due (income between 16 March to 31st March) then Adv tax shall be paid upto 31st March of PY.

In case of above income interest u/s 234C is applicable only from the quarter in which income is recd.

Ex:- Estimated total income of Mr BB is 1200000
LTCG on TF of land on 10/12/2025 = 250000
Calculate Adv. Tax Instalments. Ignore 115BAC

Total Income (excluding LTCG)		1200000
Tax on total income		172500
Add:- HEC@4%		6900
		179420
15/6/25 (179400 x 15%)	=	26910
15/9/25 (179400 x 45%) (80730 - 26910)	=	53820
15/12/25 (211900 x 75%) (158925 - 80730)	=	78195
15/3/26 (211900 - 158925)	=	52975

Taxpayer's Signature.....

TELEGRAM: CA NOTE HUB

Total income (include LTCG)	:	1450000
Tax		
LTCG (250000 × 12.5%)	:	31250
Bal Amt		172500
		203750
Add: HEC @ 4%		8150
		211900

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[3 to 5 marks]

RETURN FILING AND SELF ASSESSMENT

Sec 139 (1) :- Filing of Return of Income (Normal Return)

a) For company, firm & LLP → Return filing is compulsory

b) For other Assessee → If GTI (before claiming exemption U/s 54, 54B, 54D, 54EC, 54F) > Basic exemption then Return filing is compulsory.

c) Following persons compulsory required to file the return

i) Resident Individual – Resident (other than R but NOR)

A

Beneficial owner of any Asset (including financial interest) located outside India

Has signing authority in any Account outside India

B

Beneficiary of any asset (including financial interest) located outside India

– NOTE –

If income already included in the income of person "A" then "B" not required to file ROI.

Teacher's Signature:.....

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2] Person (other than company and firm) not covered in above points required to file ROI, if-

→ Assessee has deposited an aggregate amount exceeding ₹1 crore rupees in one or more current accounts maintained with a bank or a co-operative bank or deposited ₹50 lakhs or more in one or more savings accounts.

→ Assessee has incurred foreign travel expenditure of an aggregate amount exceeding ₹2 lakhs for himself or any other person.

→ Assessee has incurred expenditure of an aggregate amount exceeding ₹1 lakh towards consumption of electricity.

→ Assessee's total sales, T/O or gross receipts, as the case may be, in the business exceeds ₹60 lakhs during the PY or total gross receipts in profession exceeds ₹10 lakhs during the PY.

→ Assessee's aggregate of TDS and TCS during the PY is ₹25,000 or more (in case of senior citizen ₹50,000)

Teacher's Signature:.....

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Due date of ROI

C :- Company

A :- Person required to audit BOA under I.T Act or other law.

P :- Partner of firm & firm's A/c are require to audit * → 31st Oct of AY

Person on which transfer pricing provision applicable u/s 92E → 30th Nov of AY

Other person → 31st July of AY

* If partner is governed by Portuguese civil code 1860 in Goa, Dadra and Nagar haveli and Daman and Diu then for the spouse of such partner the due date of return filing will be 31st October of AY.

Sec 139(3) :- Loss Return

As per sec 80 if there is a loss under the head PGBP, capital gain, owning and Maintaing Race horse from Assessee required to file Return upto due date of ROI u/s 139(1) otherwise such losses cannot be c/f.

— Note —

1) HP loss and unabsorbed depn can be c/f even return file late.

Teacher's Signature:.....

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2) Condition of sec 80 apply only for the year in which losses incurred:

Eg Mr BB PY 25-26, AY 26-27
Due date of Return 31/7/26
Actual date of return file 15/9/26 (late)

1) PGBP (200000) → cannot be c/f
Capital Gain (100000)
HP (150000) → can be c/f
Unabsorbed Depn (50000)

2) Mr BB PY25-26, AY26-27
Due date of Return 31/7/26
Actual date of Return file: 15/9/26 (late)

PGBP (500000) → set off ✓
LTCG : 200000 c/f ✗

Losses of ₹200000 can be set off & remaining loss of 300000 cannot be c/f

3) Mr BB PY25-26 AY26-27
Due date of Return 31/7/26
Actual date of Return file: 19/7/26 (on time)

PGBP loss (500000) → c/f ✓

Next year PY 26-27 AY 27-28

Teacher's Signature:.....

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Due date of Return : 31/7/27
Actual date of Return :- 31/10/27

PGIBP : 1200000

Sec 139(4) :- Belated Return

If Assessee fails to file return within due date then he can file belated return with in the following time limit.

1) Before the three months prior to the end of the relavant A.Y (31st Dec 26 for AY 26-27)

OR

2) Before completion of Assessment.
whichever is earlier.

— consequences of Belated Return.

i) NO C/F of specified loss as per sec 80
ii) No dedn of certain Income u/c VI A (80JJAA, 80QQB, and 80RRB and u/s 10AA
iii) Interest u/s 23AA, i.e 1% pm or part of the month.
iv) Late filing fees u/s 234F i.e 25000/1000

— Sec 234F :- Fees for late Return Filing
If Assesse require to file return and if he file late return then fee of ₹ 5000 apply If NTI is upto ₹ 500000 then fee is ₹ 1000

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— Sec 139(5) :- Revised Return

Any person filed return u/s 139(1) or 139(3) or 139(4) if discover any omission or wrong statement in such ROI filed earlier, then such person can file revised return within following time limit.

1) Before the three months prior to end of the relevant AY (31st Dec 26 For AY 26-27)

OR

2) Before completion of Assessment whichever is earlier.

— NOTES—

1) Belated return filed u/s 139(4) can be revised u/s 139(5)

2) Revised return substitutes original Return from the date the original return was filed.

3) Assessee can revise return any no. of times within time limit.

— Sec 139(9) :- Defective Return.

Return shall be considered as defective if,

a) Return not filled in prescribed form.
b) Proofs of tax not attached with return.
c) Report u/s 44AB not submitted.

If return treated as defective. AO shall intimate the defect to Assessee and give him an opportunity to rectify the defect within 15 days or extended time if Assessee does not rectify the defect then return shall be treated as invalid return (void-ab-initio)

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

— Note for sec 139AA

If PAN is allotted on the basis of enrolment ID then Assesse has to intimate Aadhar no to Income Tax Dept upto 31/12/25

— Tax 100000
+ Int 10000
234 A/B/C
+ Fees 5000
115000

Actual paid = 70000

Fees u/s	Interest	Tax
5000	10000	55000

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TDS (TAX DEDUCTED AT SOURCE)

— Sec 192 :- TDS on salary

a) Payer :- Any Person

b) Payee :- Employee (R/NR)

c) Rate :- Slab Rate

— Sec 192A :- TDS on payment from employee provident fund.

a) Payer :- Any Person

b) Payee :- Employee (R/NR)

c) Rate :- 10%.

d) Limit :- No TDS if Amt is less than 50,000 p.a

Note :- TDS is applicable only if Amt is taxable in hands of Employee.

— Sec 193 :- TDS on Interest on Security

a) Payer :- Any Person

b) Payee :- Resident Person

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TELEGRAM: CA NOTE HUB

c) Rate :- 10%.

d) Conditions / limit :-

NO TDS

(i) Interest upto 10000 p.a

(ii) Interest to LIC / GIC / Insurance company.

(iii) Interest on Govt. security.

Except

a) 8% saving taxable Bonds 2003
b) 7.75% saving taxable bonds 2018
c) floating Rate taxable bonds 2020

→ Int > 10K → TDS ✓

iv) Sec 54EC → PFCL / IRFCL Bonds

— Sec 194 :- TDS on Dividend (including Deemed Dividend)

a) Payer :- Domestic company

b) Payee :- Resident Person

c) Rate :- 10%.

d) Conditions / limit :- NO TDS

(1) Dividend to Individual upto 10000 p.a and paid by any mode other than Cash.

(2) Dividend to LIC / GIC / Insurance co.

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TELEGRAM: CA NOTE HUB

— Sec 194A :- TDS on Interest (other than security)

a) Payer :- Any Person [other than Ind/HUF]

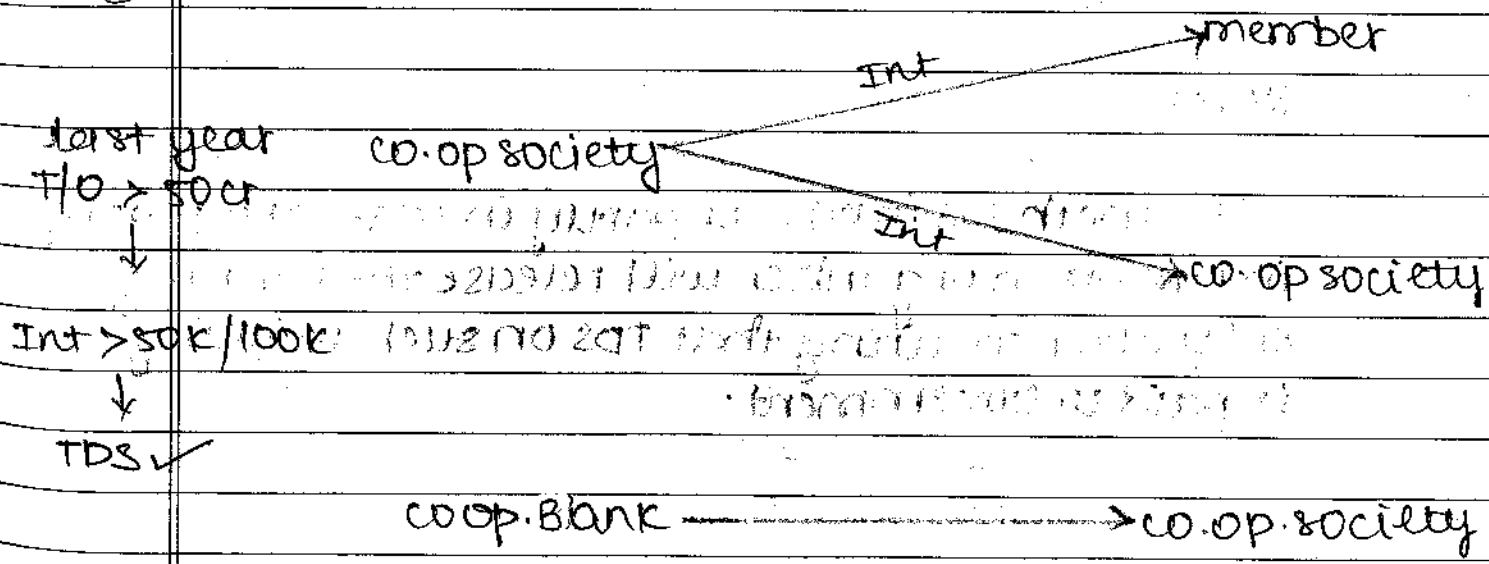
[If Ind/HUF last year T/O Business > 1cr → TDS ✓
OR Profession > 50 lacs]

b) Payee :- Resident person.

c) Rate :- 10%.

NO TDS

① Interest is upto 10000 p.a.
② Interest by Bank/co-op bank/Post office is upto ₹ 50000 p.a [Senior citizen upto 100000 p.a]
③ Saving Bank Interest
④ Interest to Bank/co op Bank/LIC/Insurance company/UTI/financial corp. [NBFC not covered]
⑤ Interest on Income tax Refund.
⑥



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(7) Interest on Mahila samman savings certificate 2023

(8) Interest by the order of MACT → Credit of Interest → NO TDS

→ Payment of Interest → NO TDS if int upto 50000 p.a

Section	Nature	Payer	Payee	Rate	limit
194B	Winnings from lottery, crosswords etc	Any person	Any person	30%	NO TDS if winnings is upto 10000 per transaction
194BB	Winnings from Horse Races	Any Person	Any person	30%	
194BA	Winnings from online games	Any person	Any person	30%	NO limit

- Note -

If winning is in kind or partly in cash and partly in kind then organizer will release the winning only after ensuring that TDS on such winning is paid to Government

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

payee domestic co. 10%.

sec	Nature	Payer	Payee	Rate	limit
					NO TDS
194D	Insurance commission	Any Person	Resident person	2%	upto 20000 p.a
194G	Lottery commission	Any Person	Any Person	2%	upto 20000 p.a
194H	commission & Brokerage	Any person (other than Ind/HUF)	Resident person	2%	upto 20000 p.a

Ind/HUF last year B → T/O > 1cr
Profession → G/R 50 lacs
TDS ✓

— Notes — (for sec 194H)

1) NO TDS if commission paid by BSNL/MTNL to PCO franchise.

2) NO TDS if commission and Brokerage is related to security. ITU

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TELEGRAM: CA NOTE HUB

Sec 194DA :- Maturity Amt of Life Insurance policy

a) Payer :- Any Person

b) Payee :- Resident person

c) Rate :- 2% on Income Component

[Maturity Amt − Premium Paid]

d) Limit / condition

(i) NO TDS if maturity is Exempt U/S 10(10D)

(ii) NO TDS if maturity Amt is less than 100000.

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1) In this case, policy is taken on or after 1st April 2012 and premium is more than 10% of policy value so maturity is taxable. since maturity is taxable and maturity amount is 1 lakh or more so TDS is applicable @ 2% on income component i.e 75000 (450000 − 375000)

2) In this case policy is taken before 1/4/2012 and premium is not more than 20% of Policy value so maturity is exempt hence TDS not applicable

3) In this case Maturity amount is less than 1 lakh so TDS not applicable.

Teacher's Signature:.....

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— Sec 194 I :- TDS on Rent

a) Payer :- Any Person (other than Ind / HUF)
Ind / HUF → last year T/O > 1cr
G/R > 50 lacs
TDS ✓

b) Payee :- Resident person

c) Rate :- a) P & M / equipment : 2%.
b) Building / furniture / land : 10%.

d) Limit / condition
No TDS if Rent is upto 50000 pm or part of the month.

— Sec 194 IA :- TDS on Acq of Immovable Property (Other than Rural Agriculture land)

a) Payer :- Any Person (Buyer)

b) Payee :- Resident person (seller)

c) Rate :- 1% of consideration or SDV).
whichever is Higher

d) condition / limit
TDS applicable only if SDV or consideration is ₹ 5000000 or more.

Teacher's Signature:.....

TELEGRAM: CA NOTE HUB

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In hands of Mr X (seller)

House Property at Banglore	PY 25-26	AY 26-27
Computation of capital Gain		
FVOC [SDC]		8500000
[since SDV > 110% consdn so SDV treated as FVOC]		
(-) Transfer expenses		—
Net consideration		8500000
(-) COA		(4000000)
	STCG	4500000

— Note —
Rural Agriculture land is not a capital Asset so capital Gain is not applicable.

In hands of Mr Y (Buyer)

a) Bangalore HP :- since Immovable property is acq for low consdn, difference between SDV and consdn is more than 50000 and SDV is more than 110% of consdn. so difference is taxable under income from other sources u/s 56(2)(x).
So in the present qn difference of ₹ 2500000 taxable in hands of Mr Y.

b) Rural Agriculture land :- sec 56(2)(x) applicable only in case of capital Asset. since Rural Agri. land in India is not a capital Asset so sec 56(2)(x) not applicable.

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c) TDS u/s 194IA applicable in case of Bangalore House & TDS @ 1% is applicable on SDV or consdn whichever is Higher.

TDS Amt = 8500000 × 1%

= 85000

d) TDS u/s 194IA not applicable in case of Rural Agriculture land.

Sec 194 IB :- Rent of Immovable Property

a) Payer :- Individual / HUF (Not covered u/s 194I)

b) Payee :- Resident Person

c) Rate :- 2%

d) condition / limit :-

No TDS if Rent is upto 50000 pm or part of the month.

Note :-

In this sec, TDS is required to be deducted from the rent of last month of the year or tenancy as the case maybe.

If payee not furnished the PAN then TDS deducted @ 20% but TDS is restricted to Rent of last month.

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In this case, TDS applicable u/s 194IB since Rent per month or part of the month is more than 50000. TDS is applicable in the last month of the year i.e. March 2026

55000 pm x 10 m = 550000 x 2% = 11000

If payee not furnish PAN : 550000 x 20% = 110000 but it is restricted to rent of last month i.e 55000 suppose he vacated the property in Dec 2025

55000 x 7m = 385000 x 2% = 7700

IF payee not furnish PAN : 385000 x 20% = 77000 but restricted to 55000

— Sec 194J :- TDS on Professional fees / Technical fees / Royalty / Non compete fee / Director fees

a) Payer :- Any Person (other than Ind / HUF)
Ind / HUF last year T/O > 1cr] TDS ✓
u/R > 50 lacs]

b) Payee :- Resident Person

c) Rate :- 10%.
- Call centre → 2%.
- Technical fees → 2%.
- Royalty sale / Distribution / Exhibition of film → 2%.

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d) condition / limit

NO TDS

a) Prof fees upto 50000 p.a
b) Technical fees upto 50000 p.a
c) Royalty upto 50000 p.a
d) Non compete fees upto 50000 p.a
e) Director fees → No limit.

— Sec 194LA :- compensation on compulsory acquisition of Asset. (other than Agri land)

a) Payer :- Any person

b) Payee :- Resident Person

c) Rate :- 10%.

d) condition / limit
NO TDS if compensation is upto 500000 in PY.

— Sec 194M :- TDS on contract / professional fees / commission and Brokerage.

a) Payer :- Individual / HUF (Not covered u/s 194C / 194J / 194H)

b) Payee :- Resident Person

c) Rate :- 2%.

d) condition / limit :- NO TDS if Amt is upto 500000.

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i) Ganesh last year T/o > 1cr but he paid to contractor for repair of Residential House, since it is personal nature contract, TDS not applicable u/s 194C.
TDS u/s 194M also not apply since amt is not more than 50,00,000.
Payment of commission to Mr. Vallish is more than 20000 so TDS applicable u/s 194H @ 2% of 80,000 i.e. 1600

ii) Mr Rajesh last year T/o is not more than 1cr as well as contract is for personal nature, so TDS not applicable u/s 194C.
Total Amt of contract is more than 50 lakhs so TDS applicable u/s 194M @ 2% on 55 lakhs i.e 110000.

iii) Mr Satish is salaried individual paid Brokerage then TDS u/s 194H is not applicable but since Brokerage payment is more than 50 lakhs so TDS u/s 194M @ 2% applicable on 51 lakhs i.e 102000.

iv) Mr. Dheeraj not required to deduct TDS u/s 194C since his last year T/o is not more than 1cr and TDS u/s 194M also not apply since Amt. is not more than 50 lakhs.

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— Sec 194C :- TDs on Contract

a) Payer :- Any Person (Contractee)

b) Payee :- Resident Person (Contractor)

c) Rate :- Payee :- → Ind/HUF → 1%.
→ Other than Ind/HUF → 2%.

d) condition/limit

Single contract > ₹30000
or
Aggregate contract > 100000 p.a

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TDS Table

Section	Nature of Payment	Payer	Payee	Rate	Limit (NO TDS)
192	Salary	Any person	Employee (R/NR)	Slab Rate	upto Basic exemption
192A	EPF	Any person	Employee (R/NR)	10%	Less than 50000
193	Interest on security	Any person	Resident Person	10%	Interest upto 10000 pa
194	Dividend	Domestic company	Resident person	10%	upto 10000 p.a to Individual other than cash.
194A	Interest	Any person (other than Ind/HUF)	Res. Person	10%	Interest upto 10000 p.a Bank Co-op Bank → 50000 p.a Post office
194B	Winnings (lottery, crosswords)	Any Person	Any Person	30%	upto 10000 per transaction
194BB	W. from Horse Races	Any Person	Any Person	30%	
194BA	W. from online games	Any Person	Any Person	30%	No limit

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Section	Nature of Payment	Payer	Payee	Rate	Limit (NO TDS)
194C	Contract	Any Person	Res. Person	Ind/HUF → 1%	single contract > 30000 OR Aggregate contract > 100000 pa
				Other than Ind/HUF → 2%	
194D	Insurance commission	Any Person	Res. Person	2%	upto 20000 p.a
				Payee Domestic Co. → 10%	
194DA	Maturity Amt of LIP	Any person	Res. person	2% on Income component	If maturity exempt u/s 10(10D). If maturity Amt less than 100000
194G	Lottery commission	Any Person	Any Person	2%	upto 20000 p.a
194H	Comm. & Brokerage	Any Person	Res. Person	2%	upto 20000 pa
194I	Rent	Any person (other than Ind/HUF)	Res. Person	P&M → 2% equipment	upto 50000 pm or part of the month
				B/L/Furniture → 10%	
194IA	Acq. of Immovable property (other than Rural Agri land)	Any Person	Res. Person	1% of SDV or consdn ↑	TDS applicable only if SDV or consdn ₹5000000 or more

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Section	Nature of Payment	Payer	Payee	Rate	Limit (NO TDS)
194IB	Rent of Imm. Property	Individual HUF	Res. person	2%	Rent upto 50000 pm or part of the month
194J	Professional/ Technical/ Royalty/ Non compete/ Director fees	Any person (other than Ind/ HUF)	Res. person	10% call centr → 2% Tech fees → 2% Royalty sale/ Dist/ exh. film → 2%	Prof fees upto 50000 pa Tech fees upto 50000 pa Royalty upto 50000 pa Non com. fees upto 50000 pa Director fees → No limit
194LA	Compensation on compulsory acq of Asset (other than Agri land)	Any Person	Res Person	10%	If compensation upto 500000 in PY
194M	Contract/ Prof fees/ comm & Brokerage	Individual HUF	Res. Person	2%	If Amt upto 500000

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Q13 i) Mr Gupta's last year T/O > 10 cr and purchase during the CY from Agarwal is more than 50 lakhs so TDS is applicable u/s 194Q @ 0.1% in excess of ₹ 50 lakhs. so TDS deductable as follows

11/6/25	⟶	2000000	NO TDS
12/8/25	⟶	2500000	NO TDS
23/11/25	⟶	2200000 → 500000	NO TDS
		1700000 × 0.1% = 1700	
25/3/26	⟶	2800000 × 0.1% = 2800	

ii) If Gupta's TO of last year is only 8 cr then TDS u/s 194Q is not applicable

iii) If seller i.e Mr. Agarwal not furnished the PAN then Gupta is required to deduct TDS @ 5% instead of 0.1%

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