

## P3A Income Tax – Exceptional and Must Revise Sections

Watch Video on You tube related to this Document – **CLICK BELOW LINK**

<https://youtube.com/playlist?list=PLvLnXEJeVqhMZopRUEMa3LZXZnrqcU402&si=OjCi62kIoRsm7cWH>

### Approach to Total Income Solving [15 Marks] [AY 2025 – 26 and PY 2024 – 25]

#### Total Income Computation – Check Points

1. Identify Residential Status [For Individuals]
2. Identify **The Regime**, [AMT Applicability under OTR]
3. Identify **Major HEAD**
  - a. PGBP Based [Mostly]
    - ✓ P&L Based [For Businesses] [Disallowances u/s 40, 40A] [Check 40(b) Applicability]
    - ✓ R&P Based [For Professions] [No Deduction for disallowed items]
  - b. Salary Based [Rare] [6 Marks Question Possible]
  - c. Capital Gains Based [Extreme Rare]
4. After Computing Major Head, **Compute for Other Heads Incomes.**
5. Clubbing Provisions and Setoff and Carry-forward Provisions
6. **Gross Total Income** [In WN - Split into **Normal Incomes** and Special Incomes]
7. Check For Chapter VIA - Deductions [Remember the Tax Regime here] and **Total of Deductions shall not exceed Normal Incomes.**
8. Arrive Total Income

#### Computation of Tax Liability [Relevant for MCQs as well]

Compute Tax on Total Income [Follow the Below Format for 100% Accurate Computation]

Particulars	Amount
A. Basic Tax	XXXX
B. Add: Surcharge	XXX
C. Sub Total [A+B]	XXXX
D. Less: Rebate 87A / Marginal Relief	(XXX)
E. Sub Total [C-D]	XXXX
F. Add: HEC@ 4%	XXX
G. <b>Gross Total [E+F]</b>	<b>XXXX</b>

9. Basic Tax Computation Check Points:
  - a. Check Tax Regime [Check for Age and Residential Status under OTR]
  - b. While calculating Basic Tax – Apply Rates on Normal Incomes and Special Incomes
  - c. Check [For Resident Individuals] – **whether Unexhausted BEL Applicability** if Normal Incomes are less than Applicable BEL.
  - d. Check for **LTCG on Residential IMP** Immovable Property sold by Individual / HUF of IMP **acquired before 23rd July 2024** and Transferred on or after 23<sup>rd</sup> July 2024. [Consider Indexation at the time of Computation of Basic Tax]
  - e. **No Rebate** for Tax u/s 112A LTCG.
10. Then follow steps as per above Tax Computation Format to arrive Gross Tax Liability.
 

#### AMT Check [Only under OTR]

  - a. Most Important – Check once again AMT Applicability and Compute AMT on ATI at 18.5% + Surcharge + Cess
  - b. If AMT is higher than Regular GTL – then **GTL will be AMT Liability.**
11. Arrive Tax Payable amount after reducing TDS / TCS / Advance Tax Paid from GTL [This info will be Given in Question]

## 2. Residential Status [Section 5 to 9]

Full Chapter - 100% Coverage

## 3. Income from Salaries [Section 15 to 17]

**Gross Salary - Deductions u/s 16 = Income from Salaries**

1. Allowances: [Only Here Regime Diff is There]
  - a. Official Allowances:
    - Helper Allowance, Research Allowance, Uniform Allowance - Fully Taxable under DTR and Exempt to the extent spent for official purpose under OTR
    - Travelling allowance, Daily allowance, Conveyance allowances - Exempt under Both regimes, to the extent of spent for the official purpose.
  - b. Personal Allowances:
    - a. OTR - HRA, Children Education and Hostel Allowance, Tribal area Allowance
    - b. DTR - No Deduction at all
  - c. Transport Allowance for Blind, Deaf, Dumb or Handicap - up to 3200 p.m. [Both regimes]
    - a. [Remember Transport Sector Employee Allowance and Transport Facility]
2. Pension:
  - a. Uncommuted [Treated as Allowance for RFA salary Purpose for respective months]
  - b. Commuted
3. Gratuity:
  - a. Act Applicable
  - b. Act Not Applicable
4. Leave Encashment
5. Contribution to RPF [Excess of 12%] and NPS [Fully treated as Salary]
6. Perquisites:
  - a. Rent Free Accommodation [Govt. / Others] [Owned / Rented / Hotel]<sup>15days Exemption</sup>
  - b. Motor Car
  - c. Food and Non-alcoholic Beverages [under OTR up to 50/- per meal is exempt]
  - d. LTC u/s 10(5) [OTR Only]
  - e. Medical Facility
  - f. Movable Assets [Usage and Transfer]
  - g. Education Facility
  - h. Loan
7. Deductions u/s 16:
  - a. Standard Ded - 50k (OTR) / 75k (DTR)
  - b. Entertainment Allowance [Only under OTR]
  - c. Profession tax [Only under OTR]

**Meaning of Salary for various purposes**

For Rent Free Accommodation

Salary = Basic + D.A. [For Retirement Benefits] + Any Commission + Bonus + Taxable portion of allowances

For Contribution to RPF u/s 17(1), VRS u/s 10(10C), Gratuity (Act NOT Applicable) u/s 10(10)(iii), Leave encashment u/s 10(10AA) and HRA u/s 10(13A)

Salary = Basic + D.A. (For Retirement benefits) + Commission (% of Turnover)

For Gratuity (Act is Applicable)

Salary = Basic + D.A. [Any]

For Retrenchment Compensation

Wages = All Monetary Payments [Except Bonus] + Allowances + Value of RFA + LTC + Commission

Summary of deductions NOT allowed under Default Tax Regime [115BAC]

- ✓ Helper Allowance, Uniform allowance, Research Allowance.
- ✓ Allowances for Judges, Salaries and pensions paid by UNO
- ✓ Rent free official residence to Judges.
- ✓ Leave travel concession [10(5)]
- ✓ House rent allowance [10(13A)]
- ✓ Special allowances for personal expenses [10(14)(ii)]  
[Except transport allowance for differently abled]
- ✓ Entertainment allowance and profession tax [Sec 16(ii) & (iii)]
- ✓ Exemption for free food voucher up to 50/- per meal.



4. Income from House Property [Section 22 to 27]

1. Computation of IFHP:

Particulars	Amount	Amount
Gross Annual Value [Discussed below]		XXXX
Less: Municipal Taxes Paid [Discussed below]		(XXX)
Net Annual Value [Discussed below]		XXX
Less: Deductions u/s 24		
a. Standard Deduction [Flat 30% of NAV]	(XXX)	
b. Interest on Borrowed Loan [Discussed below]	(XXX)	(XXX)
Income from House property		XXXX

2. GAV [Vacancy Point]

3. Interest Deduction

- a. PCPI and CYI
- b. SOP / UOP - Any 2 Houses - NAV = 0 [Interest Limits Apply - That too OTR only]  
[No Deduction for Interest under DTR for SOP / UOP where NAV = 0]
- c. LOP / DLOP - NO Limits on Deductions

4. Arrears of Rent - Flat 30% Deduction [Sec .25A]

5. Property Held as SIT [2 years from end of the year in which CC obtained]

6. Composite Letting [Logic of Separable and Inseparable]

7. Under construction Properties are NOT covered. They are taxable under IFOS

5. PGBP [Section 28 to 44AE]

1. Companies Not covered under Speculation

2. Transactions Not Covered under Speculation Definition

3. Buildings used partly for Business and partly for Residential - Proportionate Ded u/s 30

4. Depreciation u/s 32:

- a. WDV Block Method [Conditions to check as per Sec. 50]
- b. Depreciation Computation Format [Page 79]
- c. WDV Meaning [Before / After Depreciation] ?
- d. Imp Rates of Depreciation [Refer Rates Schedule] [Page 80 in GN] [EVs - 40%]
- e. Additional Depreciation - 20% of Actual Cost
- f. Sec. 43(1) - Explanations 1, 1A, 5, 8, 13

5. Sale of Asset used for Scientific Research:

- a. Directly - Treatment u/s 41(3)



- b. Transferred into Normal business - Block of Asset Concept
- 6. Sec 35AD:
  - a. Asset used for **other purpose within 8 years** - Remember Notional Depreciation reduction and tax balance amount and further the same will be added to Block Value. [P to Expl 13]
  - b. **Amount received on Asset sold / Discarded** [within/after 8 Years]
- 7. Sec 36:
  - a. **Discount** on ZCBs
  - b. Contribution to NPS u/s 80CCD [Max deduction 14% of Salary]
  - c. Bad Debts and **Recovery** [Page 88]
- 8. Sec 40(a)(i) and (ia) - Page 90
- 9. Sec 40(b) - Firms - Interest on Capital, Book Profits, Unabsorbed Depreciation [Page 91]
- 10. 40A(3) and 40A(3A) - Cash Payments.
- 11. 43B - Deductions only on Payment Basis
  - a. **6 Payments** - Linked with **Due Date u/s 139(1)**
  - b. **MSME Payments** - Linked with **15 Days / 45 Days** Logic. [Connect 40A(3), 43B Here]
- 12. 44AA - **Who shall Maintain BOA**
- 13. 44AD, 44ADA and 44AE [Page 98]
- 14. DTR Restrictions - **NO Addl Dep, NO Contributions u/s 35, NO 35AD.**



6. Capital Gains [Section 45 to 55A] [No Link with DTR]

- 1. Reverse Mortgage
  - 2. Capital Gains on **Non-Depreciation Assets** [Sec. 48]
    - a. **FVC - Sec .50C Point**
    - b. Transfer Expenses
    - c. **COA / COI:**
      - i. **Actual Cost, Cost to P.O. or Previous Assets** [49(1) Modes]
      - ii. **Cannot Exceed FMV** on 1<sup>st</sup> April 2001 and **IMP cannot exceed SDV** as on 1<sup>st</sup> April 2001.
      - iii. Indexation Available - Transfer before 23<sup>rd</sup> July 2024 & Manjula Shah - Bombay HC
      - iv. **COA of Listed Securities purchased before 1st Feb 2018**
- | Long-term capital assets referred to in section 112A   |  |
|--|--|
| Listed Equity shares, EOMF and Units of Business trusts which are acquired before 01.02.2018 | The cost is the <b>Higher of 1 or 2:</b> <ol style="list-style-type: none"> <li>1. COA or FMV as on 01.04.2001 [If allotted before 01.04.2001]</li> <li>2. Lower of:                             <ul style="list-style-type: none"> <li>• FMV as on 31.01.2018 or</li> <li>• Actual Consideration on sale</li> </ul> </li> </ol> |
- v. **COI before 1<sup>st</sup> April 2001 - Ignore**
  - 3. Special Cases - 45(1A), 45(2) and 45(5)
  - 4. Exemptions u/s 54, 54B, 54F, 54EC and 10(37)
  - 5. Slump Sale u/s 50B [FVC and Net worth Calculation]
  - 6. Sec 46A - Buy Back on or after 1<sup>st</sup> October 2024. [Page 110]
  - 7. Capital Gains for Depreciable Assets u/s 50 and 50A
  - 8. Sec 50AA STCGs
  - 9. 112A and 111A Rates



### 7. Income from Other Sources [Section 56 to 59]

1. Deemed Dividend u/s 2(22)(c), (e) and (f) and Max deduction 20% of Such Income [Page 130]
2. Interest on Compensation - Flat 50% Deduction
3. Forfeited Advance
4. GIFT Taxation - 5 Categories [Page 133]
5. Amount received under LIPs - 5 Lakhs Premium Policies [Page 136]
6. Exemption for Savings interest from Post Office.
7. Family Pension - Diff between DTR and OTR



### 8. Clubbing Provisions [Section 60 to 65]

1. 100% Content Recommended [Only 4 Pages in GOAT Notes]
2. Remuneration to Spouse in concern the other spouse has SI
3. Income to Spouse on GIFTED Asset or Cash [Capital Gains also will club]. Invested the same in Proprietary Concern - Clubbing in ratio of Capital on 1st April of FY.
4. Minor Income u/s 64(1A).
  - a. HP to Minor marries Daughter - 64 will apply and 1500/- exemption under OTR
  - b. HP to Other Minors - Sec 27 will apply and NO 1500/- deduction

### 9. Setoff and Carry Forward [Section 70 to 80]

100% Content [Only 4 pages in GOAT Notes]

[Remember order of Set off of Dep and Business Losses and Link with 40(b)]

### 10. Chapter VIA Deductions [Section 80C to 80U and 10AA]

1. OTR [All Deductions] and DTR [Only 80CCD(2), 80CCH (2), 80JJAA]
2. Sec 10AA [Page 162]
3. 80C - Important List
4. 80CCC
5. 80CCD
6. 80CCE over all Limit
7. 80CCH
8. 80D [Max answer 25k or 50k or 75k or 1 Lakh]
9. 80DD and 80U [Flat 75k or 125k]
10. 80E
11. 80EE and EEA
12. 80EEB
13. 80G
14. 80GG
15. 80JJAA - 30% of Addl Employee cost - same for 3 years
16. 80TTA and 80TTB



### 11. TDS, TCS and Advance Tax [Section 191 to 206C and 207 to 211 and 234A to 234C]

1. Watch Section Combinations Video - [https://youtu.be/VyrBV7VRIuk?si=ElaC8\\_Ocq\\_yzK-C](https://youtu.be/VyrBV7VRIuk?si=ElaC8_Ocq_yzK-C)
2. 192A, 194A, 194C, 194J, 194H, 194I & 194IB, 194IA, 194M, 194R, 194N, 194Q and 206C(1H), 206C(1G)

3. Interest on **Late Deduction and Remittance** u/s 201(1), Higher Amounts u/s 206AA, 206CC
4. Advance Tax:
  - a. Exemption for **Senior Citizen with NO PGBP**
  - b. 234B [Assessed Tax] and 234C [Returned Tax] Computation
  - c. **12% and 36% logic** - Exemption of Interest while computing 234C

#### 12. Return of Income [Section 139 and 140, 234A and 234F]

1. 100% Content Recommended [Page 188]
2. Updated Return [Theory Purpose]
3. PAN and AADHAR



#### 13. AMT and Total Income

1. 100% Cover [Page 200]
2. Discussed at Beginning itself.