Lecture 2

Chapter 1 :- Basic Concept of Income Tax

1. Meaning of Tax

Tax is a mandatory fee or Financial charge collected by Government under an Act.

Origin of Tax

Latin word "TAXO"

Tax is a wider term, it includes, interest, Penalty, late fees duty and So on .....

2. Types of Tax

1. Direct Tax

2. Indirect Tax

Meaning of Direct Tax

Direct Tax is a tax which is levied and burden of same falls on same person.

Meaning of Indirect Tax

IDT is a Tax which is levied and burden of same falls on other person like Customer.



9643036663 (ONLY WHATSAPP)

3. Difference between DT & IDT ?

	Direct Tax	Indirect Tax
meaning	levy and Burden on same person	levy burden on different person
Nature	It is Progressive in nature Income ↑ Tax ↑ These are linked with paying Capacity of person Rich person will pay more tax in comparison to Poor person	It is Regressive in nature Fixed in Nature These are not linked with paying Capacity of person IDT is uniform whether goods/ services availed by Rich person or Poor person
Department	CBDT Central Board of Direct Tax	CBIC Central Board of Indirect Tax & Custom
Concept of P.Y and A.Y	In Income Tax income of PY assessed in A.Y	There is Not such Concept of PY & A.Y



Distribution of payment of Revenue	Revenue to CG	Revenue to CG & SG
Taxable Event	Income Arise	GST = Supply Customs = Import of Export (बाहर से सामान India में आना / India से सामान बाहर जाना)
Example	– Income Tax – Corporate Tax – Gift Tax	– GST – Custom

4. Why Govt → Levied Taxes ?

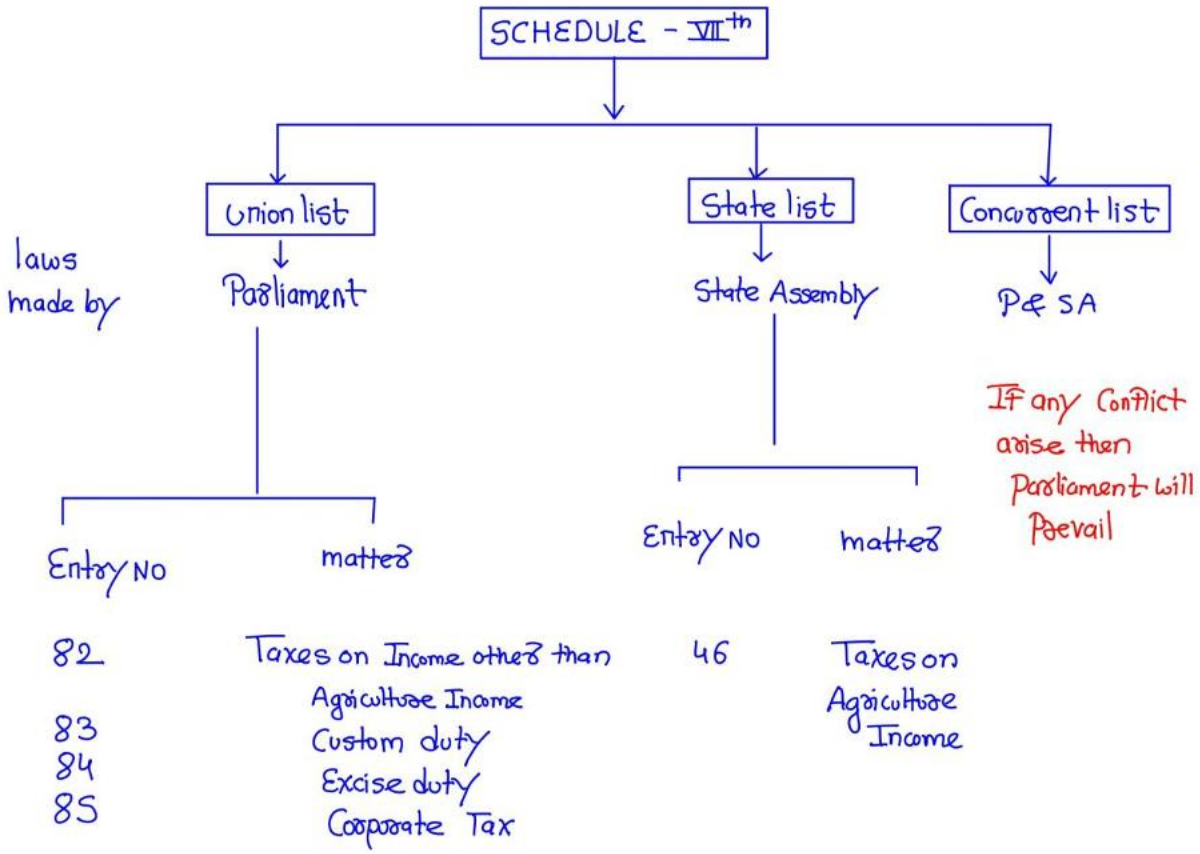
The reason for levy Tax is that they constitute the basic source of the Govt, Hese's the following objectives of collecting TAX :–

1. Raising Revenue
2. Promoting economic growth
3. Encourage Domestic Industry
4. Development of backward region
5. Reducing income inequality
6. Price stability
7. To Increase, defence, Education, Health etc



5. Power to levy Tax ?

Article 245 & 246





Lecture 3

Article - 246 A → Power to levy GST

↓

GST Not Covered in Any list & Any Entry No.

Article - 265

No Tax shall be levied or Collected without Authority of law [ie. Act]

Ex:- For Income Tax = Income Tax Act, 1961

For GST = 3S Act

- 1 CGST Act, 2017
- 31 SGST Act, 2017
- 1 UT GST Act, 2017
- 1 IGST Act, 2017
- 1 GST Compensation Act, 2017

For Custom duty 2 Act

Custom Act, 1962.

Custom Tariff Act, 1975

(Rates)



9643036663 (ONLY WHATSAPP)

Sources of

5. Components of Income Tax laws ?

1. Income Tax Act, 1961
2. Income Tax Rules, 1962
3. Finance Act
4. Circulars & Notifications
5. legal decisions / Caselaws / HC / SC Judgement

1. Income Tax Act, 1961

1. The levy of income Tax in India is governed by Income Tax Act, 1961

2. It Extends to the whole of India including J&K

3. It Came into force on 1st April 1962

4. It Contains 298 Sections and XIV schedule

5. A Sections may have Subsections, clauses, Sub clauses etc.

6. Income Tax Act, 1961 undergoes change every year with additions brought by Annual Finance Act.



9643036663 (ONLY WHATSAPP)

2. Income Tax Rules, 1962

1. The administration of Direct Tax is looked after by the CBDT
2. The CBDI is empowered to make rules for carring out the purpose of the Act
3. Rules also have Sub-rules, proviso, explanation etc.
4. Rules Contains Procedure of provision under Income Tax Act, 1961.
5. Rules Can not override Act.

3. Annual Finance Act

1. Every year, the Finance minister of the GOI Introduces the finance bill in Parliament Budget Session
2. Finance Bill is the passed by the both houses of parliament and gets the assent of president of India and it bcomes an Act.
3. Amendments are made every year to the income Tax Act, 1961 and other tax laws by Finance Act.
4. The Finance Act divided into 4 Parts

    1. Part I
    2. Part II
    3. Part III
    4. Part IV



9643036663 (ONLY WHATSAPP)

Lecture 4

4. Circulars & Notification

Circulars

a] Circulars are issued by "CBDT" from time to time to deal with certain specific problems and to clarify of doubts regarding the scope and meaning of the provisions.

b] Circulars are issued for guidance of the officers and/or Assessee.

c] The department is bound by circulars while circulars are not binding on Assessee and Courts.

Notifications

a] Notifications are issued by CG or CBDT to give the effect of provisions.

b] Notifications are binding on both i.e. department and assessee.

c] To bring any change in the middle of year C.G or CBDT can issue notification



9643036663 (ONLY WHATSAPP)

5. legal decisions / Case laws / Judgement of Courts.

a] SC or H.C Can give judgement only on "Question of law" not on "Question of fact."

b] SC is the "Apex Court" of the Country and the decision of SC is law of land.

c] Decision of HC will apply in the respective states of their jurisdiction.

Meaning of Income Tax

Tax on Total Income / Taxable Income / Net Income.

Meaning of GST

- GST is a tax
- which is levied on supply
- of Goods or Services or Both
- Except Tax on Supply of
- Alcohol liquor for Human Consumption



Alcohol liquor for Human Consumption = GST अभी नहीं & कभी नहीं

Petrol = GST अभी नहीं. बाद में लग सकता है जिस दिन करेंगी !
GST Council Recommend.

Meaning of Custom = Custom is a Duty which is levied on Import or Export of Goods.



Section -4 CHARGING SECTION OF INCOME TAX

→ Every Person → 2(31)
→ Whose Total Income
→ of the previous year
→ Exceeds the maximum amount which is Not Chargeable to Income Tax
→ is an assessee and
→ Chargeable to Income Tax at the Rate or Rates Prescribed in the Finance Act for the relevant Previous years.

Meaning of Person (Inclusive Definition)

Person Includes
→ An Individual *
→ HUF * *
→ Company → Indian Co., Foreign Co. & All types of other Co.
→ Firm (Includes LLP)
→ AOP → Association of Individual or other than Individual
→ BOI → Only Individuals
→ Local Authority → Municipality, Municipal Corporation
→ Every Artificial Juridical Person → University, Collage, machine, God etc.
Person not Covered above

* The Term Individual means only a natural person i.e. Human being
it includes :-

→ Male, Female
→ Major, Minor
→ Married, unmarried
→ Sound mind, unsound mind
→ Indian Citizen, Foreign Citizen
→ Indian origin, Foreign origin
→ R or NR



** HUF = Under Income Tax Act, 1961 HUF is treated as a separate entity for the poopose of Assessment under Income Tax.

HUF not defined under Income Tax Act but defined under Hindu law under Income Tax Act. Jain family and Sikh family can be assessed as HUF but Muslim and Christian family can not create HUF.

School of Hindu Law

Dayabaga School — West Bengal and Assam

Mitakshara School — All over India Except WB | Assam

The basic difference between the two School of hindu law regard to succession is as follows :-

	Dayabaga School of Hindu law	Mitakshara School of Hindu law
1.	Applicable on WB	Assam	All over India Except WB	Assam
2.	Nobody acquise the right, Shase in the propeerty by birth as long as head of the family is living.	one acquise the right to the family propeerty by birth and not by succession irrespective of the Fact that his elders are living.



Lecture 5

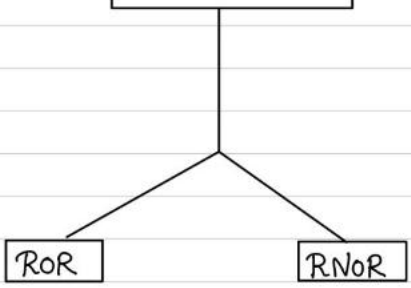
How to Calculate Total Income & Final Tax liability

Income Tax is levied on Assessee "Total Income" such Income has to be Computed as per the provisions Contained under Income Tax Act, 1961.

Let's understand, How to Compute Total Income as well as Final Tax liability of an assessee.

Total = 18 steps

Step 1 :- Determination of **Residential Status** of an assessee



Step 2 :- Classification of income under different heads of income arise from unlimited sources but distributed into **5 heads of Income**

1. Salary
2. House property
3. PGBP
4. Capital Gains
5. Other Sources



Step 3 :- Computation of income under each head of income.

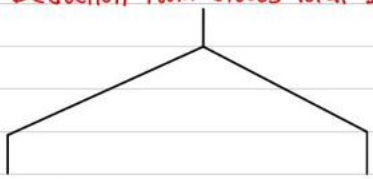
Gross Income under different head	XXX
(-) Deducting Relevant Expenditure	XXX
(-) Internal Deduction	XXX
Total Income under each head	XXX

Step 4 :- Clubbing of income in case of income Transfer to wife, Son's wife, minor child, etc.

Step 5 :- Set off of losses & C/F of losses

Step 6 :- Gross Total Income

Step 7 :- Deduction From Gross Total Income



Deduction U/C VI-A
80C to 80U

Deduction U/S 10AA
SEZ

Step 8 :- Computation of Total Income

Step 9 :- Rounding off of Total Income - Sec -288A

Rounding off in the multiple of ₹ 10

last Digit (Before Decimal) less than 5 = last 10
last Digit (Before Decimal) 5 or more = Next 10



Example	Total Income	Total Income After Rounding off
	444,444	4,44,440
	5,55,555	5,55,560
	5,80,179.20	5,80,180
	5,90,171.90	5,90,170
	5,40,140	5,40,140
	8,88,866.70	8,88,870

What about GST?

Round off in the multiple off ₹1
last Digit 0.5 or more = Next ₹1
last Digit less than 0.5 = lest ₹1

Example :-

1. 848 = 848
2. 845.40 = 845
3. 844.70 = 845
4. 890 = 890
5. 891.80 = 892
6. 877.10 = 877



Gux of above Step-1 to Step-9

Residential Status → Classify Income

- Salary
- HP
- PGBP
- CG
- OS

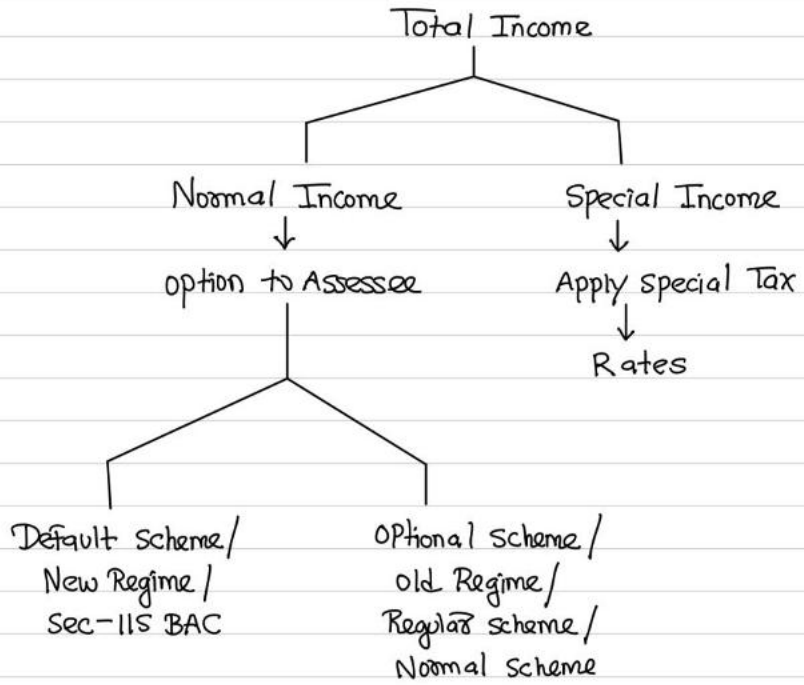
→ Compute 5 HOI = XXX
+ clubbing of Income = XXX
- Set off of losses = XXX

Gross Total Income XXXX
- Deduction u/c VI A (Section 80C to 80U) XXX
- Deduction u/s 10AA XXX

Total Income XXXX
↓
Rounding off u/s 288A



Step 10 :- Application of Tax Rates and Compute Tax



Step 11 :- Applicability of Surcharge or Rebate on above Tax liability.

Step 12 :- Health & Education Cess @ 4% and above Tax liability

Step 13 :- Alternate minimum Tax (AMT)

↓

Applicability only when if assessee opt for "optional Scheme" Not opt default Scheme"



Tax under default Scheme = Final Tax (No AMT)

Tax under optional Scheme = Tax under Normal scheme or AMT

Higher
↳ Final Tax

Step 14 :- Examine whether to pay Tax under Default Tax Regime U/S 115 BAC or Optional Tax Regime.

Tax under Default Tax Regime (or) Tax under optional TAX Regime or AMT

Higher

Lesser
↳ Beneficial to Assessee

Step 15 :- Deduction of TDS / TCS or Advance Tax

more beneficial Tax under step 14	XXXX
(-) TDS / TCS	- XXX
- Advance Tax	- XXX
Balance Tax	XXXX



9643036663 (ONLY WHATSAPP)

Step 16 :- Computation of Tax payable or Tax Refundable

(1) Actual Tax > TDS|Tcs| Adv Tax = Tax Payable

(2) Actual Tax < TDS|Tcs| Adv Tax = Tax Refundable

Step 17 :- Rounding off Final Tax u|s 288B

Round off in the multiple of ₹ 10 |-

last digit 5 or more = Next + 10
last digit less than 5 = last 10

Example :- Final Tax	Final After Round off
848	850
847.20	850
841.20	840

Step 18 :- Payment of Tax to govt if Tax payable arise through Filing of Return of Income

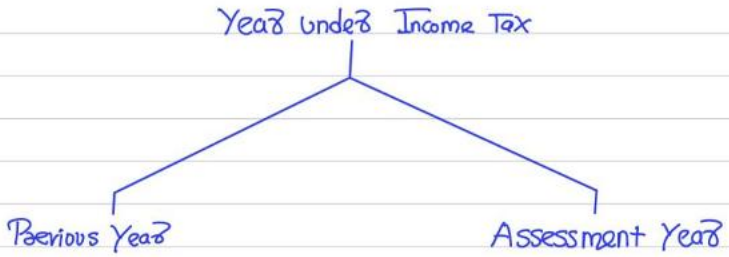


Lectuae 6

Meaning of Paevious yeaa oa Assessment yeaa

↓ Sec 3 of Income Tax Act

↓ Sec 2 (9) of Income Tax Act



Paevious Yeaa	Assessment Yeaa
1. PY means the yeaa in which income is eaaned.	1. AY means the yeaa in which income is chaageable to Tax.
2. It may be 12 m oa less than 12 m	2. It shall be always 12 m
3. Noamal case → staating faom = 1st Apail ending to = 31st maach	3. Staating faom = 1st Apail Ending to = 31st maach
If Newly business set up = Staating faom the date of Business set up ending to = 31st maach	

Foa June / Dec 2025	P.Y = 1/4/2024 – 31/3/2025 = PY 24-25
	A.Y = 1/4/2025 – 31/3/2026 = AY 25-26

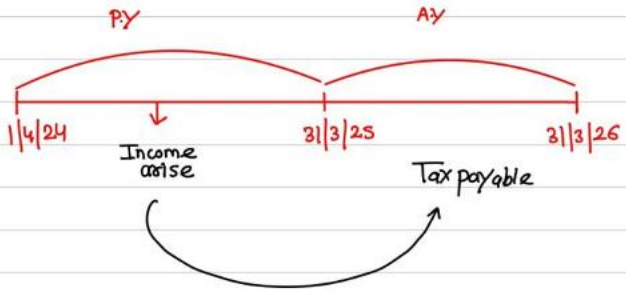


Example

Date of Business set up	Date of Business Commencement	P.Y	A.Y
1) 1/4/24	1/4/24	1/4/24 - 31/3/25	1/4/25 - 31/3/26
2) 1/4/24	18/6/24	1/4/24 - 31/3/25	1/4/25 - 31/3/26
3) 25/9/24	5/12/24	25/9/24 - 31/3/25	1/4/25 - 31/3/26
4) 31/3/25	5/4/25	31/3/25 - 31/3/25	1/4/25 - 31/3/26

Crux

1.



2.

Date of Business set up	Date of Business Commencement	Starting Date
✓	✓	Date of Business set up
✓	X	Date of Business set up
X	✓	Date of Business Commencement
X	X	1st April



General Rule

Income of a previous year is taxable in A.Y

↓

Exception of above Rule

Cases where income of P.Y Taxable in P.Y itself.

1] Shipping business of Non-Resident

2] Person leaving India

3] AOP / BOI / AJP formed for a particular event or purpose

4] Person likely to transfer property to Avoid Tax

5] Discontinued Business



9643036663 (ONLY WHATSAPP)

Lecture 7

Maximum Amount which is not chargeable to Income Tax.
(i.e. Exemption limit / Threshold limit under Income Tax)



Opt Alternative - 1
- Sec 115 BAC
- Default scheme
- Concessional scheme
- New Regime

Applicable — Individual HUF, AOP, BOI, AJP

Exemption limit — ₹ 3L in all cases (whether R, NR, & irrespective of age)

Opt Alternative - 2
- Optional scheme
- Normal scheme
- Regular scheme
- Old Regime
- Shifting out / opt out to Default Tax Regime

Resident in India (ROR / RNOR)

Age less than 60 (upto 59 yrs)	Age ≥ 60 yrs (upto 79 yrs less than 80 yrs)	Age ≥ 80 yrs
2,50,000	3,00,000	5,00,000

Non Resident / HUF / AOP / BOI / AJP → 2,50,000

* Age 60 yrs or more = At any time during the P.Y

* Age 80 yrs or more = At any time during the P.Y



What if DOB on 1st April ?

Case-1

If DOB on 1/4/1945 = Deemed 80 year on 31/3/2025 and Exemption limit ₹5L shall apply for Computation of tax liability for P.Y 24-25.

Case - 2

If DOB on 1/4/1965 = Deemed 60 year on 31/3/2025 and Exemption limit ₹3L shall apply for Computation of tax liability for P.Y 24-25.

Example :-

Person	Age	Residential Status	Scheme	Exemption limit
A	40	R	DS	3L
B	50	R	NS	2.5L
C	60	NR	DS	3L
D	65	R	NS	3L
E	72	NR	NS	2.5L
F	82	NR	NS	2.5L
G	92	R	DS	3L
H	80	R	NS	5L
I	25	R	DS	3L
J	48	R	DS	3L
K	61	NR	DS	3L
L	71	NR	DS	3L
M	85	R	NS	5L
N	49	R	NS	2.5L
O	59	R	DS	3L



9643036663 (ONLY WHATSAPP)

All Assessees are person
but all persons are not an assessee

Meaning of Assessee – Sec 2(7)

Assessee means a person by whom
- → Any tax or
- → Any other sum of money (Interest, Fine, Penalty)

] Payable under I. Tax Act 1961

Includes

a] A person undergoing any Tax-Related proceeding.

b] A person Considered Deemed assessee as per I. Tax Act.

c] A Person who occurred default under I. Tax Act.



9643036663 (ONLY WHATSAPP)

Tax Rates under Default Tax Regime / New Tax Regime / Sec - 115BAC / Concessional Scheme.

Applicability Scheme — Individual, HUF, AOP, BOI, AJP

Under I. Tax Individual / HUF / AOP / BOI / AJP can pay Tax a Concessional Rates of Tax under the default Tax regime.

Bhool Jana

However, he/it has to forgo certain Exemptions and deductions under this Regime.

Alternatively he/it can exercise the option to shift out / opt out to the default tax Regime and pay tax under optional Tax Regime as per the Normal Provisions of I. Tax Act (i.e. allowed deductions & Exemptions)

Default Tax Regime Tax Rates prescribed under Income TAX Act 1961 (i.e. u/s 115BAC), But optional Scheme Tax Rate given under Finance Act.

Individual, HUF, AOP, BOI, AJP <u>others than</u>

→ who exercise the option of old Tax Regime and.

→ Income taxable as per Special Rates of I. Tax (i.e. u/s 112, 112A, 111A, 115BB etc)

Taxable as per the Following Concessional Tax Rate Subject to Certain Conditions



9643036663 (ONLY WHATSAPP)

115BAC

S.No	Total Income	Tax Rates
1.	Upto ₹ 3,00,000	Nill
2.	More than ₹ 3,00,000 upto 7,00,000	5% of Income in excess of ₹ 3,00,000
3.	More than ₹ 7,00,000 upto 10,00,000	10% of Income in excess of ₹ 7,00,000
4.	More than ₹ 10,00,000 upto 12,00,000	15% of Income in excess of ₹ 10,00,000
5.	More than ₹ 12,00,000 upto 15,00,000	20% of Income in excess of ₹ 12,00,000
6.	More than ₹ 15,00,000	30% of Income in excess of ₹ 15,00,000



Find Tax liabiability before cess.

Example :-

Mr. A Total Income 24,00,000

0 to 3L	Nill
3L to 7L	5%
7L to 10L	10%
10L to 12L	15%
12L to 15L	20%
> 15L	30%

3L	=	Nill
4L X 5%	=	20000
3L X 10%	=	30000
2L X 15%	=	30000
3L X 20%	=	60000
9L X 30%	=	270000

→ 410000

Example :-

Mr. A Total Income 18,00,000

0 to 3L	Nill
3L to 7L	5%
7L to 10L	10%
10L to 12L	15%
12L to 15L	20%
> 15L	30%

3L	=	Nill
4L X 5%	=	20000
3L X 10%	=	30000
2L X 15%	=	30000
3L X 20%	=	60000
3L X 30%	=	90000

→ 230000



H.W Calculate Tax liability As Per Default Tax Regime

Assessee	Residential Status (Not Matter in IIS BAC)	Age	Total Income	Tax
A	R	60	9,40,000	45760
B	R	50	12,80,000	99840
C	R	45	16,40,000	189280
D	NR	62	14,80,000	141440
E	NR	82	9,10,000	42640
F	R	69	8,15,000	32760
G	R	71	7,90,000	30160
H	NR	74	11,90,000	81640
I	R	80	18,40,000	251680
J	R	81	46,00,000	1112800



1. Mr. A Total Income 9,40,000

300000	=	Nill
400000 X 5%	=	20000
240000 X 10%	=	24000
		44000
+4% cess		1760
		45760

2. Mr. B Total Income 12,80,0000

300000	=	Nill
400000 X 5%	=	20000
300000 X 10%	=	30000
200000 X 15%	=	30000
80000 X 20%	=	16000
		96000
+4% cess		3840
		99840

3. Mr. C Total Income 16,40,0000

300000	=	Nill
400000 X 5%	=	20000
300000 X 10%	=	30000
200000 X 15%	=	30000
300000 X 20%	=	60000
140000 X 30%	=	42000
		182000
+4% cess		7280
		189280



4. Mr. D Total Income 14,80,000

300000		=	Nill
400000	X 5%	=	20000
300000	X 10%	=	30000
200000	X 15%	=	30000
280000	X 20%	=	56000
			136000
+4% cess			5440
			141440

5. Mr. E Total Income 9,10,000

300000		=	Nill
400000	X 5%	=	20000
210000	X 10%	=	21000
			41000
+4% cess			1640
			42640

6. Mr. F Total Income 8,15,000

300000		=	Nill
400000	X 5%	=	20000
115000	X 10%	=	11500
			31500
+4% cess			1260
			32760



7. Mr. G Total Income 7,90,000

300000		=	Nill
400000	X 5%	=	20000
90000	X 10%	=	9000
			29000
+4% cess			1160
			30160

8. Mr. H Total Income 11,90,000

300000		=	Nill
400000	X 5%	=	20000
300000	X 10%	=	30000
190000	X 15%	=	28500
			78500
+4% cess			3140
			81640

9. Mr. I Total Income 18,40,0000

300000		=	Nill
400000	X 5%	=	20000
300000	X 10%	=	30000
200000	X 15%	=	30000
300000	X 20%	=	60000
340000	X 30%	=	102000
			242000
+4% cess			9680
			251680



10. Mr. J Total Income 46,00,000

300000		=	Nill
400000	X 5%	=	20000
300000	X 10%	=	30000
200000	X 15%	=	30000
300000	X 20%	=	60000
3100000	X 30%	=	930000
			1070000
+4% cess			42800
			1112800



Lecture 8

Question :- Mr. VG is a Resident in India, Age 46 years, he arise 14,80,000 income during the p.y. Compute his final Tax liability for A.Y. 25-26

Solution :- Computation of final Tax liability of Mr. VG for the AY 25-26

Total Income = 14,80,000

			TAX	Tax Amount
1st	₹ 3,00,000	=	Nill	Nill
Next	₹ 4,00,000	=	5%	20,000
Next	₹ 3,00,000	=	10%	30,000
Next	₹ 2,00,000	=	15%	30,000
Balance	2,80,000	=	20%	56,000
			Total Tax	1,36,000
			Add 4% Health and Education cess	5,400
			Final Tax	1,41,440



9643036663 (ONLY WHATSAPP)

3 Most Important Concept in case of if assessee opt sec 115BAC

1] Surcharge
2] Marginal Relief
→ Applicable for Individual, HUF, AOP, BOI, AJP

3] Rebate u/s 87A → Applicable for Individual only.

Surcharge :-

Sr.no	Total Income	Surcharge Rates
1.	If total Income upto ₹ 50,00,000 in a P.Y.	Nill
2.	If total Income more than ₹ 50L upto ₹ 1 cr	10% of Tax
3.	If total Income more than ₹ 1 cr upto ₹ 2 cr	15% of Tax
4.	If total Income more than ₹ 2 cr - प्रभु इच्छा	25% of Tax



9643036663 (ONLY WHATSAPP)

Ex1. TI 65,00,000 − 15L → 50L × 30% → 15,00,000
+ 1,40,000
16,40,000
+ Surcharge @ 10% + 1,64,000
18,04,000
+ 4% Cess + 72,160
18,76,160

Ex2. TI 50,25,000 − 15L → 3525000 × 30% → 1057500
+ 140000
1197500
+ Surcharge @ 10% + 119750
1317250
+ 4% Cess + 52690
1369940

Application of Surcharge and MR

TI 50,25,000

Tax 1197500
S+ 119750
Tax+S 1317250

TI 50,01,000

Tax 1190000
S+ Nill
Tax+S 1190000

Tax ↑ 127250
Income Increase 25000
MR 102250

- MR (102250)
1215000
+4% Cess 48600
1263600



TI ₹8,00,000

₹8L – 15L ⟶	43,00,000 × 30% ⟶	1290000
	+	140000
	Tax	1430000
	10% Surcharge +	143000
	T+S	1573000

TI ₹5000000		TI ₹8000000	
Tax	1190000	Tax	1430000
S	Nill	S+	143000
Tax+S	11900000	Tax+S	1573000

Tax ↓ 383000 → Income jyada he so NO MR

Income Increase ↑ 800000

MR Nill

	1573000
4% Cess	62920
Final Tax	1635920



TI 1,01,00,000

1,01,00,000 − 15L ⟶ 8600000 × 30% ⟶ 2580000
+ 140000
Tax 2720000
15% Surcharge + 408000
T+S 3128000

TI 1,00,00,000

Tax 2690000
10% Surcharge + 269000
Tax+S 2959000

TI 1,01,00,000

Tax 2720000
15% Surcharge 408000
Tax+S 3128000

Tax ↑ 169000
Income Increase 100000
MR 69000

− MR (69000)
3059000
+ 4% Cess 122360
Final Tax 3181360



TI 2,02,00,000

2,02,00,000 − 15L ⟶ 18700000 × 30% ⟶ 5610000

+ 140000

Tax 5750000

25% Surcharge + 1437500

T+S 7187500

TI 2,00,00,000

Tax 5690000

15% Surcharge + 853500

Tax+S 6543500

TI 2,02,00,000

Tax 5750000

25% Surcharge 1437500

Tax+S 7187500

Tax ↑ 644000

Income Increase 200000

MR 444000

− MR (444000)

6743500

+ 4% CESS 269740

Final Tax 7013240



Marginal Relief

How to Compute marginal Relief ?

Step 1 :- Computation of Tax liability on given Income = xxxx

Add : Surcharge (10%, 15%, 25%) = xxxx

T+S (A) xxx

Step 2 :- Computation of Tax liability on 50L/1cr/2cr = xxxx

+ Surcharge @ (10%, 15%) = xxxx

T+S (B) xxxx

Step 3 :- Computation of Tax Increment

Tax under (A) — Tax under (B) = xxxx (C)

Step 4 Computation of Income Increment

Income given under step 1 = xxxx

(-) Income assume under step2 = xxxx

Income Increment xxxx (D)



Step 5 Computation of marginal Relief

Cases

If Tax Incement $\leq$ Income Incement

or

If C $\leq$ D

$\Downarrow$

No MR

If Tax Incement > Income Incement

If C > D

$\Downarrow$

MR Available

$\Downarrow$

(C-D) or (Tax Incement - Income Incement) = XXXX MR

Step 6 :- Computation of final Tax

If MR Not Available

Tax under step 1 + 4% cess = XXXX Final Tax



If MR Available

Tax Computed under step-1 (-) MR under step 5 = xxxx

+4% cess

Final Tax xxxx

H.W

Name	Total Income	Final Tax	MR
Bhindi	51,10,000	1352000	453200
Aalu	1,01,20,000	3202160	55900
Paneer	2,08,00,000	69000	7637240
Gobhi	59,00,000	NOMR	1670240
Tori	1,07,00,000	NOMR	3468400

With Paesentation



Q1. Bhindi

Total Income = 51,10,000

TI 5000000		TI 5110000	
Tax	1190000	Tax	122300
Surcharge +	Nil	10% Surcharge +	12230
Tax + S	1190000	Tax + S	134530

Income Increase MR

Tax	155300
	110000
	453200

- MR	(45300)
	1300000
+4% Cess	52000
	1352000



Q2. Aalu
Total Income : 1,01,20000

Ans:- Step 1 : Computation of Tax liability on Total Income = 101,20000

	Tax liability	= 2726000
(+)	Surcharge (15%)	= 408900
(=)	Tax + Surcharge	= 3134900 (A)

Step 2 : Compulation of tax liability on Total Income = 10000000

	Tax liability	= 2690000
(+)	Surcharge (10%)	= 269000
(=)	Tax + Surcharge	= 2959000 (B)

Step 3 : Computation of Tax increment

(A) - (B) = 3134900 - 2959000

Tax increment = 175900

Step 4 : Computation of Income Increment

101 20000 - 100 00 000

Income Increment = 120000

Step 5 : Computation of marginal Relief

Tax increment > Income Increment

∴ marginal Relief = Tax Increment ↪ Income Increment
= 175900 - 120000
marginal Relief = 55900



9643036663 (ONLY WHATSAPP)

Step 6: Computation of final Tax liability

Tax	2726000
(+) Surcharge (15%)	408900
(=) Tax + surcharge	3134900
(-) Marginal Relief	(55900)
	3079000
(+) Cess 4%	123160
(=) Final Tax	3202160



9643036663 (ONLY WHATSAPP)

Q3. Paneer

Total Income = 2,08,00,000

TI 2,00,00,000		TI 2,08,00,000	
Tax	5690000	Tax	5930000
15% Surcharge +	853500	25% Surcharge +	1482500
Tax+S	6543500	Tax+S	7412500

Tax	869000
Income Increase	800000
MR	69000

	7412500
- MR	(69000)
	7343500
+4% Cess	293740
	7637240



Q4. Gobhi

Total Income = 5900000

TI 5000000		TI 5900000	
Tax	1190000	Tax	1460000
Surcharge	Nil	10% Surcharge +	146000
Tax+S	1190000	Tax+S	1606000

Income Increase MR

Tax 416000

900000

No MR

MR (—)

1606000

+4% Cess 64240

1670240



Qs. Tori

Total Income : 1,07, 00000

Ans:- Step 1 : Computation of Tax liability on Total Income = 107, 00000

	Tax liability	= 29 00000
(+)	Surcharge (15%)	= 435000
(=)	Tax + Surcharge	= 3335000 (A)

Step 2 : Computation of tax liability on Total Income = 10000000

	Tax liability	= 2690000
(+)	Surcharge (10%)	= 269000
(=)	Tax + Surcharge	= 2959000 (B)

Step 3 : Computation of Tax increment

(A) - (B) = 3335000 - 2959000

Tax increment = 376000

Step 4 : Computation of Income Increment

10700000 - 10000000

Income Increment = 700000

Step 5 : Computation of marginal Relief

Tax increment < Inome Increment

Hence , No Marginal Relief



Step 6: Computation of final Tax liability

Tax	2900000
(+) Surcharge (15%)	435000
(=) Tax + surcharge	3335000
(-) Marginal Relief	—
	3335000
(+) Cess 4%	133400
(=) Final Tax	3468400



Lecture_9

Question :- Mr. VG - Total Income = 2,03,40,000 Compute his total / Final Tax liability for AY. 25-26

Solution Computation of Final Tax liability of Mr. VG for AY 25-26

1] Computation of Tax on 2,03,40000

First 3,00000	=	Tax Rate / Nill	= Tax / Nill
Next 4,00000	=	5%	= 20,000
Next 3,00000	=	10%	= 30,000
Next 2,00,000	=	15%	= 30,000
Next 3,00000	=	20%	= 60,000
Balance 1,80,40000	=	30%	= 56,52,000
			57,92,000
	+	Surcharge @ 25% (Since TI > 2Cr)	14,48,000
		Tax + Surcharge	72,40,000 (A)



2] Computation of Tax on ₹ 200,00,000 (Assumption Based)

First	15,00,000	=	14,0000
Balance	18,500,000	=	5550,000
	Tax		56,90,000
+ Surcharge @ 15%			8,53,500
	Tax + Surcharge		65,43,500 (B)

3] Computation of Tax Increment

Tax under Step 1	= 72,40,000
Tax under Step 2	= 65,43,500
Tax Increment	6,96,500

4] Computation of income Increment

Income under Step 1	2,03,40,000
Income under Step 2	2,00,00,000
Income Increment	3,40,000



9643036663 (ONLY WHATSAPP)

5) Computation of marginal Relief

Since Tax Increment > Income Increment hence MR Available.

MR = 6,96,500 - 3,40,000 = 3,56,500

6] Computation of final Tax

Tax under step-1 (i.e. on 2,03,40,000)	=	72,40,000
(-) MR	=	3,56,500
Tax - MR		68,83,500
+4% H&ES		2,75,340
Final Tax		71,58,840



Rebate - Sec 87A ‼ M.Imp

Rebate to Resident Individual paying Tax u/s 115BAC

Rebate Allowed from Income Tax payable if All the below mentioned Conditions are satisfied :-

1) Assessee must be an Individual

+

2) Resident in India (ROR or RNOR)

+

3) Total Income upto ₹ 7,00,000

Quantum of Rebate

a) 100 % of Tax payable
or
b) ₹ 25,000

Whichever is less

Maximum Rebate Allowed upto ₹ 25,000

Note 1 Rebate u/s 87A is allowed from Income Tax Computed before 4% H&EC

Note 2 Rebate u/s 87A is however, Not Available in respect of Tax on long-term Capital Gain u/s 112A



Example :-	I	II	III	IV	V
Total Income	380,000	4,50,000	6,10,000	6,80,000	7,00000
Tax	4000	7500	15500	19000	20000
(-) Rebate U/S 87A	4000 / Nill	7500 / Nill	15500 / Nill	19000 / Nill	20000 / Nil

CRUX अगर कोई Resident Individual एक साल मे 7,00,000 तक की Normal Income कमाएगा तो Tax after Rebate ZERO हो जाएगा

What if Total Income more than 7,00,000 ?

If Total Income of of such Individual more than 7,00,000 and Income tax payable on such income exceeds the amount by which total income is in excess of ₹ 7,00,000 then Rebate would be as follows :-

Step 1 Total Income - 700000 = XXXX (A) Income Increment

Step 2 Compute Income Tax liability on Total Income = Xxxx (B) Tax Increment

Step 3 If B > A, Rebate u/s 87A = (B-A)

The amount of Rebate u/s 87A shall not exceed the amount of Income Tax Computed before allowing such Rebate on Total Income of an assessee.



Example :-

	I	II	II	IV	V
Total Income	7,05,000	7,15,000	7,20,000	7,22,000	7,25,000
Step 1 (TI-7L) A	5000 (705000-700000)	15,000 (715,000-700,000)	20000 (720000-700000)	22000 (722000-700000)	25000 (725000-700000)
Step 2 Tax (B)	20500	21,500	22000	22200	22500
Step 3	B>A	B>A	B>A	B>A	B<A
Rebate	✓	✓	✓	✓	X
Amount of Rebate	15500 (20500-5000)	6500 (21500-15000)	2000 (22000-20000)	200 (22200-22000)	0
Tax after Rebate	5000 (20500-15500)	15000 (21500-6500)	20000 (22000-2000)	22000 (22200-200)	22500 (22500-0)
Cess @ 4%	200	600	800	880	900
Final Tax	5200	15600	20800	22880	23400



H·w

Example	Total Income	Answer
Bablu	1,01,80,000	3264560
Tablu	7,16,000	16640
Arun	6,95,000	Nill
Ganesh	2,04,00,000	7221240
Riya	50,80,000	1320800
Kashish	7,35,000	24440



Q1] TI 1,01,80,000

TI 10180000

Tax 2744000
15% Surcharge + 411600
Tax+S 3155600

TI 10000000

Tax 2690000
10% Surcharge + 269000
Tax+S 2959000

Tax 196600
Income Increase 180000
MR 16600

- MR (16600)
3139000
+4% Cess 125560
3264560

Q2. 716000

Step 1 ⟶ Remove Income Increment

Total Income 700000
716000 − 700000 = 16000 ⟶ (A)

Step 2 ⟶ Tax ⟶ 21600 ⟶ (B)
B>A

Rebate 5600 (21600 − 16000)

Step 3 ⟶ Tax After Rebate 16000 (21600 − 5600)
+4% Cess 640
16640



Q3. TI 6,95,000

300000	Nill	
395000	@5%	19750
87A Rebate		19750
		Nill

Q4. TI 20400000

TI 20400000

Tax	5810000
25% Surcharge +	1452500
Tax+S	7262500

TI 20000000

Tax	5690000
15% Surcharge +	853500
Tax+S	6543500

	Tax	719000
Income Increase		400000
	MR	319000

- MR	(319000)
	6943500
+4% Cess	277740
	7221240



Qs. TI 5080000

	TI 5080000	TI 5000000
Tax	1214000	1190000
10% Surcharge +	121400	Surcharge Nil
Tax+S	1335400	Tax+S 1190000

Tax	145400
Income Increase	80000
MR	65400

- MR	(65400)
	1270000
+4% Cess	50800
	1320800

Q6. 735000

300000	Nil	
400000	@5%	20000
350000	@10%	3500
Tax		23500

Total Income 735000

735000 − 700000 = 35000 → (A)

Tax → 23500 → (B)

B<A → No Rebate

+4% Cess 940

24440



Lecture 10

Section 115 BAC provides that where an eligible assessee pays tax under default tax regime as prescribed u/s 115BAC.

But Assessee has to forego following exemptions or deductions (If Individual / HUF / AOP / BOI / AJP Compute Tax under Sec 115BAC, then such person shall not claim the following exemptions and deductions):

Salary

- Section 10(5) - Leave Travel Concession (LTC)
- Section 10(13A) - House Rent Allowance (HRA)
- Section 10(14) - Special Allowance (13 Approx)

Except

- Daily Allowance
- Travelling Allowance
- Conveyance Allowance
- Transport Allowance (Handicaped)

Exemption Allowed ← he in default scheme also

- Section 16(ii) Entertainment Allowance
- Section 16(iii) Professional Tax
- Free meal upto 50/- per meal

House property

Section 24(b) Interest on loan in respect of SOH / SOP
- SOH: Self Occupied House
- SOP: Self occupied Property



9643036663 (ONLY WHATSAPP)

PGBP

1) Section 10AA = Deduction in respect of SEZ

2) Section 32(1)(iia) = Additional Depreciation

3) Section 35(1)(ii) = Deduction to specified Approved Institute

4) Section 35(1)(iia) = Deduction in respect of Contribution / payment to Comply registered in india.

5) Section 35(1)(iii) = Donation to specified Institute for Social science or Statistical Research

6) Section 35(2AA) = Donation or Payment to IIT for Scientific Research

7) Section 35AD = Donation / Deduction in case of Essential Business

8) Section 35CCC = Expenditure on Agriculture Extension

Capital Gain

No Impact

Other Source

No Impact

Clubbing of Income

Exemption of ₹1500 per child in respect of minor child. Not Allowed.



Set off & c/F of losses

1) House property loss Can't be set off with any other head of Income and Can't be c/f.

2) Unabsorbed depreciation related to Additional depreciation Can't be set off.

Deduction

All Deductions u/s VI-A (sec 80C to sec 80U) Not Allowed

Except
- 80 CCD(2)
- 80CCH(2)
- 80 JJAA

Other Important Point

Section 10(17) — Allowance to MP/MLA



Can I change scheme every year ?

It depends

Assessee does not have any PGBP Income	Assessee have PGBP Income
You have an option of default scheme or Normal scheme every year (Opt for the Due date of filing of ROI)	Ya तो आप Default Scheme मे आए नहीं, अगर Default Scheme ले ली है तो Withdraw मत करो, अगर Withdraw कर रहे हो तो दुबारा Default Scheme नहीं मिलेगी

Tax Rates Prescribed by Annual Finance Act for

"Optional Tax Regime" / "Normal Tax Regime" / "Regular Tax Regime" / "Shifting out to Default Tax Regime".



9643036663 (ONLY WHATSAPP)

Old Regime Tax Rates

PERSON

- Resident Individual
- Non Resident Individual

HUF, AOP, BOI, AJP
ON NEXT PAGE

Resident Individual

- Age less than 60 years (upto 59 years) — Younger age Category
- Age ≥ 60 < 80 — Senior citizen category
- Age ≥ 80 — Super Senior Citizen / Very Senior Citizen

Age less than 60 years		Age ≥ 60 < 80		Age ≥ 80	
TI	Rates	TI	Rates	TI	Rates
Total Income upto ₹2.50L	Nill	Total Income upto ₹3L	Nill	Total Income upto ₹5L	Nill
TI > ₹2.50L - ₹5L	5% of Income exceed ₹2.50L	TI > 3L - 5L	5% of Income exceed ₹3L	TI > ₹5L - ₹10L	20% of Income exceed ₹5L
TI > ₹5L - ₹10L	20% of Income exceed ₹5L	TI > ₹5L - ₹10L	20% of Income exceed ₹5L	TI > ₹10L	30% of Income exceed ₹10L
TI > ₹10L	30% of Income exceed ₹10L	TI > ₹10L	30% of Income exceed ₹10L		



9643036663 (ONLY WHATSAPP)

PERSON

Non Resident Individual

HUF, AOP, BOI, AJP

TI	Rates
Total Income upto ₹2.50L	Nill
TI > ₹2.50L - ₹5L	5% of Income exceed ₹2.50L
TI > ₹5L - ₹10L	20% of Income exceed ₹5L
TI > ₹10L	30% of Income exceed ₹10L



Surcharge :- under Normal Tax Regime ⟶ Subject to MR
Same as Default tax Regime

Sr.no	Total Income	Surcharge Rates
1.	If total Income upto ₹ 50,00,000 in a P.Y.	Nill
2.	If total Income more than ₹ 50L upto ₹ 1 Cr	10% of Tax
3.	If total Income more than ₹ 1 Cr upto ₹ 2 Cr	15% of Tax
4.	If total Income more than ₹ 2 Cr - upto ₹ 5 Cr	25% of Tax
5.	If total Income more than ₹ 5 Cr - प्रभु इच्छा	37% of Tax

Rebate - 87A

Rebate Allowed from Income Tax payable if All the Conditions below mention Conditions are Satisfied:-

1) Individual

+

2) Resident in India (ROR / RNOR)

+

3) Total Income upto upto ₹ 5,00,000

Quantum of Rebate — 100% of Tax or 12,500 — Which ever is less — Max Rebate 12,500



1) Rebate u/s 87A is allowed from Income Tax computed before 4% H&EC

2) Rebate Allowed from All Income Tax liability except Tax on LTCG u/s 112A

3) What if TI > ₹ 5,00,000 ?
No Rebate Allowed in such Cases

Example :-

	I	II	III
Person	X	Y	Z
R·S	R	R	NR
Age	60	59	61
TI	490000	505000	495000
Tax	9500	13500	12250
Rebate	9500	(No Rebate as I·T more than 5L)	(No Rebate as he is Non-Resident)
Cess 4%	—	540	490
Final Tax	Nil	14040	12740



Home work

Person	A	B	C	D	E	F
R·S	R	R	NR	R	NR	R
Age	45	61	71	80	45	70
Total Income	1,01,00,000	5,01,00,000	4,80,000	7,04,000	51,00,000	4,98,000
Scheme	NS	NS	NS	DS	NS	NS

Q1 A – Age 45 – Resident – TI 1,01,00,000 – Normal Scheme

Step 1: Computation of Tax liability on Total Income 1,01,00,000

First	250000	Nill	—
Next	250000	5%	12500
Next	500000	20%	100000
Bal	9100000	30%	2730000

Tax	=	2842500
(+) Surcharge @15%	=	426375
(=) Tax + Surcharge	=	3268875 (A)

Step 2: Computation of tax liability on Total Income 10,000,000 (Assumed)

First 1000000	112500
Balance 9000000	2700000
Tax	2812500
(+) Surcharge @10%	281250
(=) Tax + Surcharge	3093750 (B)



Step 3: Computation of Tax increment

(A) - (B) = 326887S - 3093750

Tax increment = 17S12S

Step 4 : Computation of Income Increment

10100000 - 10000000

Income Increment = 100000

Step 5: Computation of marginal Relief

Tax increment > Income Increment

∴ marginal Relief = Tax Increment ↪ Income Increment
= 17S12S - 100000
marginal Relief = 7S12S

Step 6: Computation of final Tax liability

Tax under 1	326887S
(-) Marginal Relief	(7S12S)
	3193750
(+) Cess 4%	127750
(=) Final Tax	3321500



Q2] B – Age 61 – Resident – TI ₹1,01,00,000 – Normal Scheme

Step 1: Computation of Tax liability on Total Income ₹1,01,00,000

First	300000	Nill	—
Next	200000	5%	10000
Next	500000	20%	100000
Bal	49100000	30%	14730000

Tax	=	14840000
(+) Surcharge @37%	=	5490800
(=) Tax + Surcharge	=	20330800 (A)

Step 2: Computation of tax liability on Total Income ₹1,00,00,000 (Assumed)

First 10,00,000	110000
Balance 49,00,000	14700000
Tax	14810000
(+) Surcharge @25%	3702500
(=) Tax + Surcharge	18512500 (B)

Step 3: Computation of Tax increment

(A) – (B) = 20330800 – 18512500

Tax increment = 1818300

Step 4: Computation of Income Increment

₹101000000 – ₹100000000

Income Increment = 100000



Step 5: Computation of marginal Relief

Tax increment > Income Increment

∴ marginal Relief = Tax Increment (-) Income Increment
= 1818300 − 100000
marginal Relief = 1718300

Step 6: Computation of final Tax liability

Tax under I	20330800
(-) Marginal Relief	(1718300)
	18612500
(+) Cess 4%	744500
(=) Final Tax	19357000

Q3. C − Age 71 − Non Resident − TI 480000 − Normal Scheme

Computation of Tax

First 250000	Nil	−
Balance 230000	5%	11500
Tax		11500
(-) Rebate u/s 87A (Not available to a Non-Resident)		(Nil)
		11500
(+) 4% Cess		+ 460
Final Tax		11960



9643036663 (ONLY WHATSAPP)

Q4. D – Age 80 – Resident – TI 704000 – Default Scheme

Step 1 Computation of Tax liability on 704000

First	300000	Nill	–
Next	400000	5%	20000
Balance	4000	10%	400
Tax			20400

Step 2 Computation of Tax liability on 700000 (Assumed)

Tax on 700000	20000
(–) Rebate u/s 87A	(20000)
	Nill

= Tax

Step 3 Tax increment 20400 – 0 = 20400

Step 4 Income Increment = 704000 – 700000 = 4000

Step 5 Rebate u/s 87A

Rebate = Tax increment – Income increment
= 20400 – 4000

Rebate = 16400

Step 6 Final Tax

= Tax under (1)	20400
(–) Rebate	16400
(=) Tax – Rebate	4000
(+) 4% Cess	160
(=) Final Tax	4160



Q S. E – Age 45 – Non Resident – TI 5100000 – Normal Scheme

Step 1: Computation of Tax liability on Total Income 51,00,000

First	250000	Nill	—
Next	250000	5%	12500
Next	500000	20%	100000
Bal	4100000	30%	1230000

Tax	=	1342500
(+) Surcharge @10%	=	134250
(=) Tax + Surcharge	=	1476750 (A)

Step 2: Computation of tax liability on Total Income 50,00,000 (Assumed)

First	250000	Nill	—
Next	250000	5%	12500
Next	500000	20%	100000
Balance	4100000	30%	1200000
Tax			1312500
+ Surcharge			—
Tax + Surcharge			1312500

Step 3: Computation of Tax increment

(A) - (B) = 1476750 - 1312500

Tax increment = 164250

Step 4: Computation of Income Increment

5100000 - 5000000

Income Increment = 100000



9643036663 (ONLY WHATSAPP)

Steps Computation of marginal Relief

Rebate = Tax increment − Income increment
= 164250 − 100000
Rebate = 64250

step 6 Final Tax =	Tax under ①	1476750
	(−) MR	64250
	(=) Tax	1412500
	(+) 4% Cess	56500
	(=) Final Tax	1469000

Q 6. F – Age 70 – Resident – TI 498000 – Normal Scheme

First	300000	Nill	–
Balance	198000	5%	9900
Tax			9900
(−) Rebate u/s 87A			(9900)
Final Tax			Nill



9643036663 (ONLY WHATSAPP)

Lecture 11

Important Points For Both Tax Regime (Default as well as Normal Tax Regime)

Higher Surcharge (i.e. 25% or 37%) Not Applicable in the Following cases :-

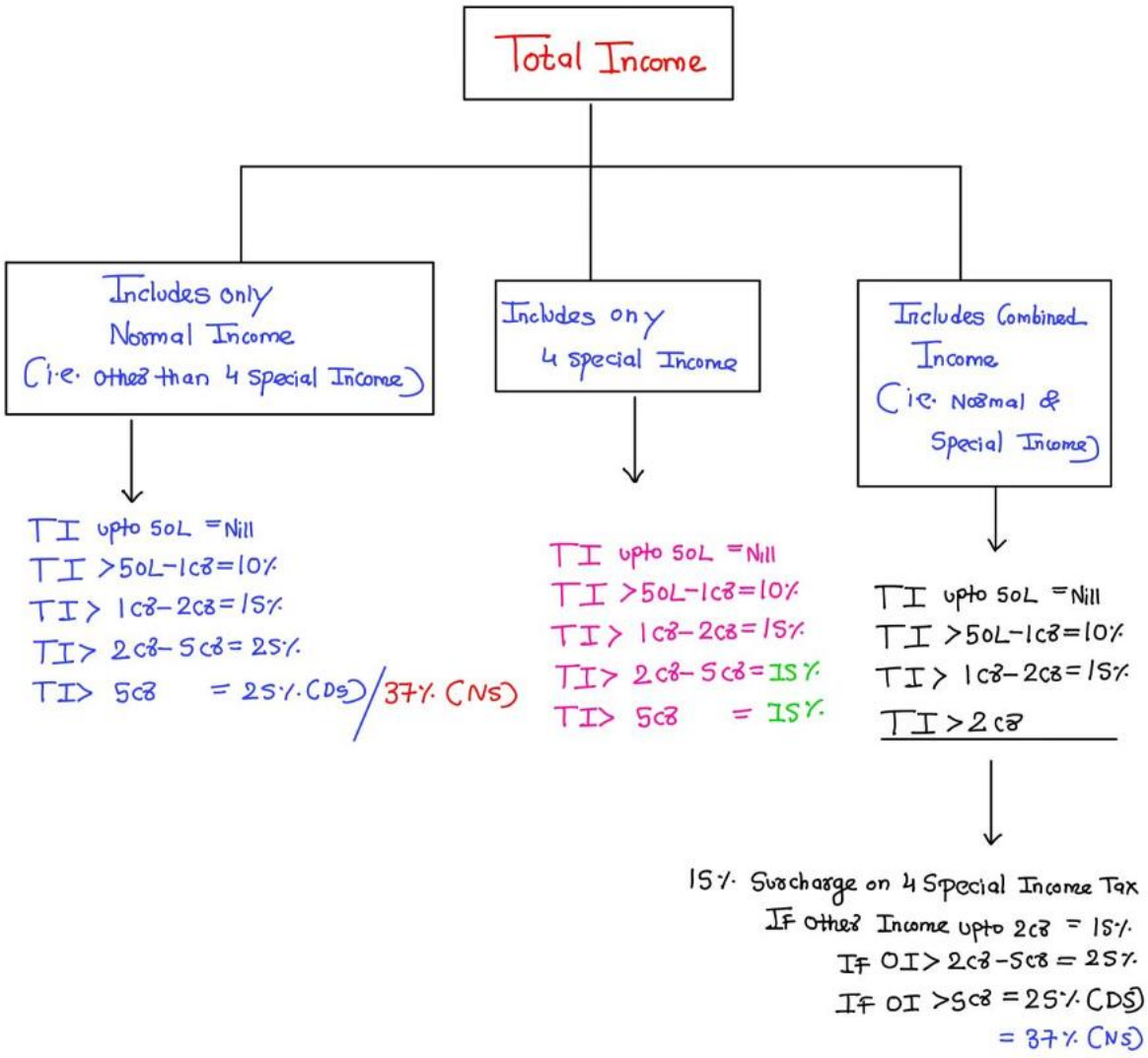
1] LTCG U/S 112
2] LTCG U/S 112A
3] STCG U/S 111A
4] Dividend Income

→ Maximum Surcharge Apply on Such Tax liability @ 15%



9643036663 (ONLY WHATSAPP)

Special Treatement of Surcharge in case of 4 Special Income





(Slab Rates Batana hain)

Example	Total scheme	Scheme	Surcharge on Tax
1.	PGBP = 45,00,000	DS	Nill
2.	LTCG u/s 112 = 40,00,000	NS	Nill
3.	PGBP = 1,40,00,000	NS	15%
4.	PGBP = 5,10,00,000	DS	25%
5.	PGBP = 9,25,00,000	NS	37%
6.	PGBP = 40,00,000 LTCG 112 = 1,70,00,000 2,10,00,000	NS	Other Income → 15% Special Income → 15%
7.	PGBP = 2,25,00,000 STCG 111A = 70,00,000 2,95,00,000	DS	Other Income → 25% Special Income → 15%
8.	PGBP = 5,01,00,000 LTCG 112 = 99,00,000 5,91,00,000	DS	Other Income → 25% Special Income → 15%
9.	PGBP = 1,60,00,000 LTCG 112 = 5,10,00,000 6,70,00,000	NS	Other Income → 15% Special Income → 15%
10.	PGBP = 1,00,00,000 LTCG 112 = 2,40,00,000 2,50,00,000	DS	Other Income → 15% Special Income → 15%



11.

PGBP	= 40,00,000
HP	= 80,00,000
Salary	= 90,00,000
LTCG 112	= 2,10,00,000
T.I	4,20,00,000

NS

Other Income → 25%
Special Income → 15%



Tax Rates in case of Partnership Firm, LLP, Local Authority

Tax Rate = Flat 30% (Without any Exemption limit)

Special Rate For LTCG u/s 112, 112A, STCG 111A, Casual Income etc.

Total Income upto 1cr = Nil
Total > 1cr - ~~प्रथम इकाई~~ = 12% } Subject to MR

H&EC = 4% of Tax liability

Rebate = No Rebate u/s 87A

Example = P.Firm - Total Income = 1,01,00,000
Final Tax liability = ?

TI	1cr	TI	1,01,00,000
Tax =	30,00,000	Tax =	30,30,000
+ Surcharge =	—	+ Surcharge 12% =	3,63,000
Tax	30,00,000	T+S	33,93,000
	Tax = 3,93,600	— MR	2,93,600
	I = 1,00,000		31,00,000
	MR = 2,93,600	+ 4% Cess	1,24,000
			32,24,000



Lecture 12

Tax Rates in Case of Co-operative Society

Normal Scheme

TI upto 10000 - 10% of income
TI > 10000 - 20000 = 20% of Income in excess ₹ 10000
TI > 20000 - प्रभु इच्छा = 30% of Income excess ₹ 20000

Surcharge

Total Income upto 1cr = Nill
TI > 1cr - 10cr = 7%
TI > 10cr = 12%

Subject to MR

Cess

4% of Tax liability

Special Scheme

Sec - 115BAD

Applicable = All Co-operative Society

Tax Rate	22%
+ Surcharge 10%	2.2%
	24.2%
4% Cess	0.968%
Effective Rate of Tax	25.168%

Sec - 115BAE

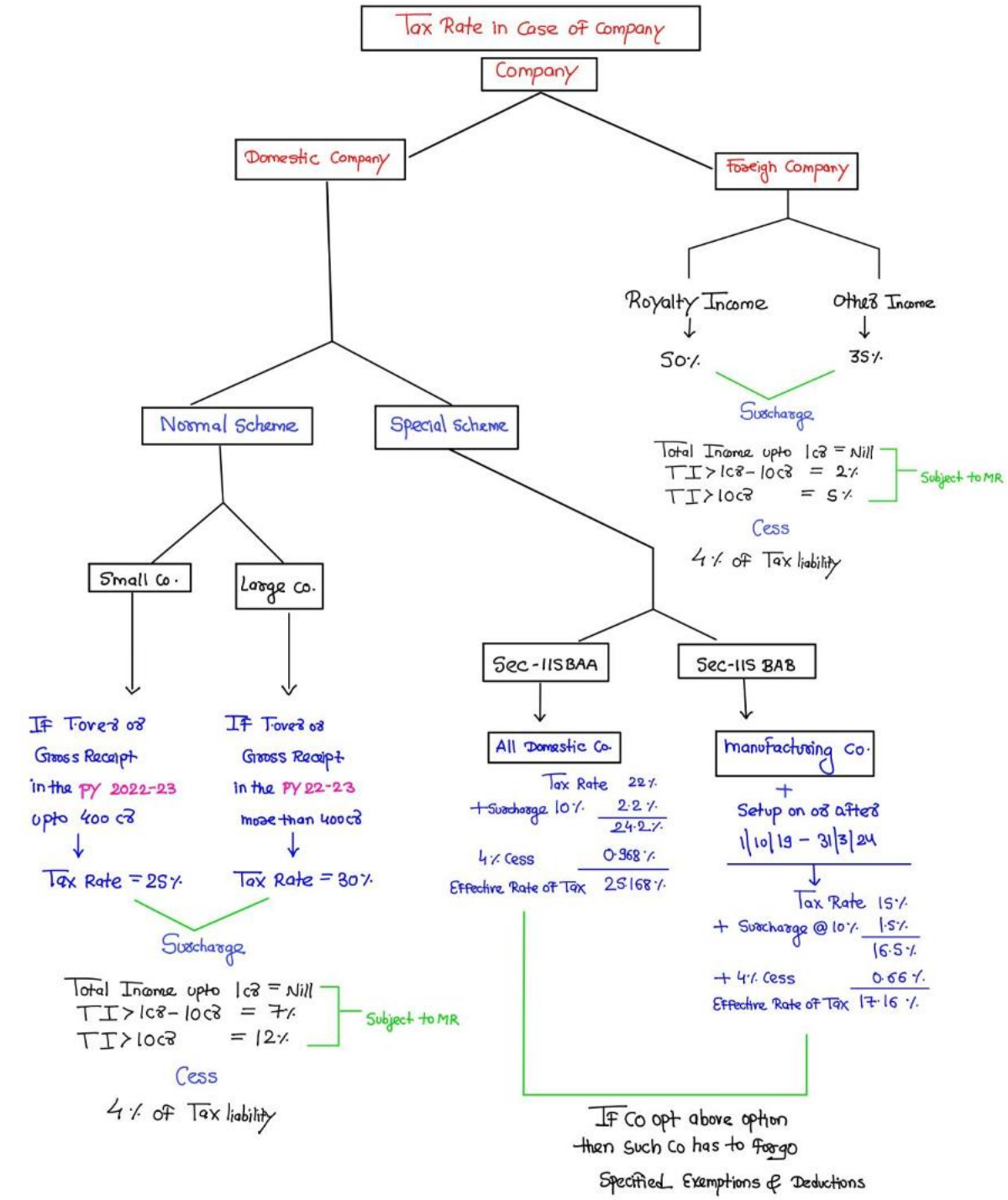
Applicability = Resident Co-operative Society
+
Manufacturing Business
+
Setup on or after 1/4/23 to 31/3/24

Tax Rate	15%
+ Surcharge @ 10%	1.5%
	16.5%
+ 4% Cess	0.66%
Effective Rate of Tax	17.16%

IF Society opt for 115BAD or 115 BAE then Society forgo Specified Exemption and deductions



9643036663 (ONLY WHATSAPP)


Tax Rate in Case of Company
Company
Domestic Company
Foreign Company
Royalty Income
Other Income
50%
35%
Surcharge
Total Income upto 1cr = Nil
TI > 1cr - 10cr = 2%
TI > 10cr = 5%
Subject to MR
Cess
4% of Tax liability
Normal Scheme
Special Scheme
Small Co.
Large Co.
If Turn of or Gross Receipt in the PY 2022-23 upto 400 cr
Tax Rate = 25%
If Turn of or Gross Receipt in the PY 22-23 more than 400cr
Tax Rate = 30%
Surcharge
Total Income upto 1cr = Nil
TI > 1cr - 10cr = 7%
TI > 10cr = 12%
Subject to MR
Cess
4% of Tax liability
Sec-115BAA
Sec-115 BAB
All Domestic Co.
Tax Rate 22%
+ Surcharge 10% 2.2%
24.2%
4% Cess 0.968%
Effective Rate of Tax 25.168%
Manufacturing Co.
+
Setup on or after 1/10/19 - 31/3/24
Tax Rate 15%
+ Surcharge @ 10% 1.5%
16.5%
+ 4% Cess 0.66%
Effective Rate of Tax 17.16%
If Co opt above option then such Co has to forgo Specified Exemptions & Deductions


VG SIR
9643036663 (ONLY WHATSAPP)

Pending Topics

1] Agriculture Income | Partial Integration method

2] Capital Receipt / Revenue Receipt

3] Undisclose Income

4] Special Tax Rates

H.W

Page no:-

1.42 = Q3
1.47 = Q4
1.54 = Q5
1.56 = Q6, 7, 8
1.65 = Q9, 10, 11
1.71 = Q1, 2, 4, 5, 9, (10), (11)



9643036663 (ONLY WHATSAPP)

(will discuss under Capital Gains)

Special Tax Rate under Income Tax Act

1] LTCG u/s 112 = 20% or 12.5%

2] LTCG u/s 112A = upto 1,25,000 = Nill
in excess of 1,25,000 10% or 12.5%

3] STCG u/s 111A = 15% or 20%

4] 115BB — winning from lottery, Crossword puzzle, Races, Card games, other games, Gambling, betting etc = 30%

5] 115BBJ - Net winning from online gaming = 30%

6] 115BBE - Unexplained money = 60%

For detail discussion please refer Capital Gain and other source chapter





CHAPTER - 1 Basic Concepts

IMPORTANT NOTE: If Question is silent, compute tax as per Normal tax regime.

ILLUSTRATION 1 (Difficult)

Mr. B grows sugarcane and uses the same for the purpose of manufacturing sugar in his factory. 30% of sugarcane produce is sold for ₹10 lakhs, and the cost of cultivation of such sugarcane is ₹5 lakhs. The cost of cultivation of the balance sugarcane (70%) is ₹14 lakhs and the market value of the same is ₹22 lakhs. After incurring ₹1.5 lakhs in the manufacturing process on the balance sugarcane, the sugar was sold for ₹25 lakhs. Compute B's business income and agricultural income.

SOLUTION

Computation of Business Income and Agriculture Income of Mr. B

Particulars	Business Income	Agricultural Income	
	(₹)	(₹)	(₹)
Sale of Sugar			
Business income			
Sale Proceeds of sugar	25,00,000		
Less: Market value of sugar- cane (70%)	22,00,000		
Less: Manufacturing exp.	1,50,000		
	1,50,000		
Agricultural income			
Market value of sugarcane (70%)		22,00,000	
Less: Cost of cultivation		14,00,000	
Sale of sugarcane			8,00,000
Agricultural Income			



Sale proceeds of sugarcane (30%)		10,00,000	
Less: Cost of cultivation		5,00,000	
			5,00,000
			13,00,000

ILLUSTRATION 2 (Easy)

Mr. C manufactures latex from the rubber plants grown by him in India. These are then sold in the market for ₹30 lakhs. The cost of growing rubber plants is ₹10 lakhs and that of manufacturing latex is ₹8 lakhs. Compute his total income.

SOLUTION

The total income of Mr. C comprises of agricultural income and business income.

Total profits from the sale of latex= ₹30 lakhs – ₹10 lakhs – ₹8 lakhs= ₹12 lakhs.

Agricultural income = 65% of ₹12 lakhs = ₹7.8 lakhs

Business income = 35% of ₹12 lakhs = ₹4.2 lakhs

Example:

	Area	Shortest aerial Distance from the local limits of a municipality or cantonment board referred to in item a.	Population according to the last preceding census of which the relevant figures have been published before the first day of the previous year	Would Income derived from farm Building situated in this area be treated as agricultural income?
(i)	A	1 km	9,000	Yes
(ii)	B	1.5 kms	12,000	No
(iii)	C	2 kms	11,00,000	No
(iv)	D	3 kms	80,000	Yes
(v)	E	4 kms	3,00,000	No
(v)	F	5 kms	12,00,000	No
(vi)	G	6 kms	8,000	Yes
(vii)	H	7 kms	4,00,000	Yes



(viii)	I	8 kms	10,50,000	No
(ix)	J	9 kms	15,00,000	Yes

ILLUSTRATION 3 (Easy)

Mr. X has a total income of ₹16,00,000 for P.Y.2024-25, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2025-26 under the default tax regime under section 115BAC.

SOLUTION

Computation of tax liability of Mr. X for A.Y. 2025-26

Tax liability:

First ₹3,00,000	- Nil		
Next ₹3,00,001 – ₹7,00,000	- @5% of ₹4,00,000	=	₹20,000
Next ₹7,00,001 – ₹10,00,000	- @10% of ₹3,00,000	=	₹30,000
Next ₹10,00,001 – ₹12,00,000	- @15% of ₹2,00,000	=	₹30,000
Next ₹12,00,001 – ₹15,00,000	- @20% of ₹3,00,000	=	₹60,000
Balance i.e., ₹16,00,000 minus ₹15,00,000	- @30% of ₹1,00,000	=	₹30,000
		=	₹1,70,000
Add: Health and Education cess @ 4%		=	₹6,800
		=	₹1,76,800

ILLUSTRATION 4

Mr. X has a total income of ₹16,00,000 for P.Y.2024-25, comprising of income from house property and interest on fixed deposits. Compute his tax liability for A.Y.2025-26 assuming his age is –

a. 45 years

b. 63 years

c. 82 years

Assume that Mr. X has exercised the option to shift out/ opt out of the default tax regime.

SOLUTION



a. Computation of tax liability of Mr. X (aged 45 years)

Tax liability:

First ₹ 2,50,000	- Nil	
Next ₹ 2,50,001 – ₹5,00,000	- @5% of ₹2,50,000	= ₹12,500
Next ₹ 5,00,001 – ₹10,00,000	- @20% of ₹5,00,000	= ₹1,00,000
Balance i.e., ₹16,00,000 minus ₹10,00,000- @30% of ₹6,00,000		= ₹1,80,000
		= ₹2,92,500
Add: Health and Education cess@4%		= ₹11,700
		=₹3,04,200

b. Computation of tax liability of Mr. X (aged 63 years)

Tax liability:

First ₹3,00,000	- Nil	
Next ₹3,00,001 – ₹5,00,000	- @5% of ₹2,00,000	= ₹10,000
Next ₹5,00,001 – ₹10,00,000- @20% of ₹5,00,000		= ₹1,00,000
Balance i.e., ₹16,00,000 minus ₹10,00,000- @30% of ₹6,00,000		= ₹1,80,000
		= ₹2,90,000
Add: Health and Education cess@4%		= ₹11,600
		= ₹3,01,600

c. Computation of tax liability of Mr. X (aged 82 years)

Tax liability:

First ₹5,00,000	- Nil	
Next ₹5,00,001 – ₹10,00,000	- @ 20% of ₹5,00,000	= ₹1,00,000
Balance i.e., ₹16,00,000 minus ₹10,00,000- @ 30% of ₹6,00,000		= ₹1,80,000
		=₹2,80,000
Add: Health and Education cess@4%		= ₹11,200
		=**₹ 2,91,200**



ILLUSTRATION 5 (Easy)

Compute the tax liability of Mr. A (aged 42), having total income of ₹51 lakhs for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. A has exercised the option to shift out of section 115BAC.

SOLUTION

Computation of tax liability of Mr. A for the A.Y.2025-26

A.	Income-tax (including surcharge) computed on total income of ₹51,00,000		
	₹2,50,000 – ₹5,00,000 @5%	₹12,500	
	₹5,00,001 – ₹10,00,000 @20%	₹1,00,000	
	₹10,00,001 – ₹51,00,000 @30%	₹12,30,000	
	Total	₹13,42,500	
	Add: Surcharge @ 10%	₹1,34,250	₹14,76,750
B.	Income-tax computed on total income of ₹50 lakhs (₹12,500 plus ₹1,00,000 plus ₹12,00,000)		₹13,12,500
C.	Total Income Less ₹50 lakhs		₹1,00,000
D.	Income-tax computed on total income of ₹50 lakhs plus the excess of total income over ₹50 lakhs **(B +C)**		₹14,12,500
E.	**Tax liability: lower of (A) and (D)**		₹14,12,500
	Add: Health and education cess @4%		₹56,500
	Tax liability (including cess)		**₹14,69,000**
F.	**Marginal Relief (A – D)**		**₹64,250**

Alternative method -

A.	Income-tax (including surcharge) computed on total income of ₹51,00,000	
	₹2,50,000 – ₹5,00,000@5%	₹12,500
	₹5,00,001 – ₹10,00,000@20%	₹1,00,000
	₹10,00,001 – ₹51,00,000@30%	₹12,30,000
	Total	₹13,42,500



Add: Surcharge@10%	₹1,34,250	₹14,76,750
B. Income-tax computed on total income of ₹50 lakhs (₹12,500 plus ₹1,00,000 plus ₹12,00,000)		₹13,12,500
C. Excess tax payable (A)-(B)		₹1,64,250
D. **Marginal Relief** (₹1,64,250 – ₹1,00,000, being the amount of income in excess of ₹50,00,000)		**₹64,250**
E. Tax liability (A)-(D)		₹14,12,500
Add: Health and education cess @4%		₹56,500
Tax liability (including cess)		**₹14,69,000**

ILLUSTRATION 6 (Easy)

Compute the tax liability of Mr. B (aged 51) under the default tax regime, having total income of ₹1,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit.

SOLUTION

Computation of tax liability of Mr. B for the A.Y. 2025-26

A.	Income-tax (including surcharge) computed on total income of ₹1,01,00,000	
	₹3,00,000 – ₹7,00,000@5%	₹20,000
	₹7,00,001 – ₹10,00,000@10%	₹30,000
	₹10,00,001 – ₹12,00,000@15%	₹30,000
	₹12,00,001 – ₹15,00,000@20%	₹60,000
	₹15,00,001 – ₹1,01,00,000@30%	₹25,80,000
	Total	₹27,20,000
	Add: Surcharge@15%	₹4,08,000
	Tax liability without marginal relief	₹31,28,000
(B)	Income-tax computed on total income of ₹1 crore (₹1,40,000 plus ₹25,50,000)	₹26,90,000
	Add: Surcharge@10%	₹2,69,000
		₹29,59,000



(C)	Total Income Less ₹1 crore	₹1,00,000
(D)	Income-tax computed on total income of ₹1 crore plus the excess of total income over ₹1 crore (B +C)	₹30,59,000
E. Tax liability: lower of (A) & (D)		₹30,59,000
	Add: Health and education cess @4%	₹1,22,360
	Tax liability (including cess)	**₹31,81,360**
F. Marginal relief (A-D)		**₹69,000**

Alternative method:

A. Income-tax (including surcharge) computed on total income of ₹1,01,00,000

₹3,00,000 – ₹7,00,000@5%	₹20,000	
₹7,00,001 – ₹10,00,000@10%	₹30,000	
₹10,00,001 – ₹12,00,000@15%	₹30,000	
₹12,00,001 – ₹15,00,000@20%	₹60,000	
₹15,00,001 – ₹1,01,00,000@30%	₹25,80,000	
Total	₹27,20,000	
Add: Surcharge @ 15%	₹4,08,000	₹31,28,000

(B)	Income-tax computed on total income of ₹1 crore [(₹1,40,000 plus ₹25,50,000) plus surcharge@10%]	₹29,59,000
(C)	Excess tax payable (A)-(B)	₹1,69,000
(D)	Marginal Relief (₹1,69,000 – ₹1,00,000, being the amount of income in excess of ₹1,00,00,000)	₹69,000
(E)	Tax liability (A) - (D)	₹30,59,000
	Add: Health and education cess @4%	₹1,22,360
	Tax liability (including cess)	₹31,81,360

ILLUSTRATION 7 (Easy)



Compute the tax liability of Mr. C (aged 58), having total income of ₹2,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit. Assume that Mr. C has exercised the option to shift out of section 115BAC.

SOLUTION

Computation of tax liability of Mr. C for the A.Y. 2025-26

A.	Income-tax (including surcharge) computed on total income of ₹2,01,00,000		
	₹2,50,000 – ₹5,00,000 @ 5%	₹12,500	
	₹5,00,001 – ₹10,00,000 @ 20%	₹1,00,000	
	₹10,00,001 – ₹2,01,00,000@30%	₹57,30,000	
	Total	₹58,42,500	
	Add: Surcharge @ 25%	₹14,60,625	₹73,03,125
B.	Income-tax computed on total income of ₹2 crore		
	(₹12,500 plus ₹1,00,000 plus ₹57,00,000)		₹58,12,500
	Add: Surcharge@15%		₹8,71,875
			₹66,84,375
C.	Total Income Less ₹2 crore		₹1,00,000
D.	Income-tax computed on total income of ₹2 crore plus the excess of total income over ₹2 crore **(B +C)**		₹67,84,375
E.	Tax liability (A) or (D), whichever is lower		₹67,84,375
	Add: Health and education cess @4%		₹2,71,375
	Tax liability (including cess)		₹70,55,750
F.	**Marginal relief (A-D)**		**₹5,18,750**

Alternative method

A.	Income-tax (including surcharge) computed on total income of ₹2,01,00,000	
	₹2,50,000 – ₹5,00,000 @ 5%	₹12,500
	₹5,00,001 – ₹10,00,000 @ 20%	₹1,00,000
	₹10,00,001 – ₹2,01,00,000@30%	₹57,30,000
	Total	₹58,42,500



Add: Surcharge@25%	₹14,60,625	₹73,03,125

B. Income-tax computed on total income of ₹2 crore [(₹12,500 plus ₹1,00,000 plus ₹57,00,000) plus surcharge@15%] ₹66,84,375

C. Excess tax payable (A)-(B) ₹6,18,750

D. **Marginal Relief** (₹6,18,750 – ₹1,00,000, being the amount of income in excess of ₹2,00,00,000) **₹5,18,750**

E. Tax liability (A) - (D) ₹67,84,375

Add: Health and education cess@4%	₹2,71,375
Tax liability (including cess)	**₹70,55,750**

ILLUSTRATION 8 (Easy)

Compute the tax liability of Mr. D (aged 65) in a most beneficial manner. He is having total income of ₹5,01,00,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, Income from house property and interest on fixed deposit and is the same under both tax regimes.

SOLUTION

Computation of tax liability of Mr. D under default tax regime for the A.Y. 2025-26

Income-tax (including surcharge) computed on total income of ₹5,01,00,000

₹3,00,000 – ₹7,00,000@5%	₹20,000
₹7,00,001 – ₹10,00,000@10%	₹30,000
₹10,00,001 – ₹12,00,000@15%	₹30,000
₹12,00,001 – ₹15,00,000@20%	₹60,000
₹15,00,001 – ₹5,01,00,000@30%	₹1,45,80,000
Total	₹1,47,20,000
Add: Surcharge@25%	₹36,80,000
	₹1,84,00,000
Add: Health and education cess @4%	₹7,36,000



Tax liability		**₹1,91,36,000**

Computation of tax liability of Mr. D under optional tax regime for the A.Y. 2025-26

A.	Income-tax (including surcharge) computed on total income of ₹5,01,00,000		
	₹3,00,000 – ₹5,00,000 @ 5%	₹10,000	
	₹5,00,001 – ₹10,00,000 @ 20%	₹1,00,000	
	₹10,00,001 – ₹5,01,00,000@30%	₹1,47,30,000	
	Total	₹1,48,40,000	
	Add: Surcharge @ 37%	₹54,90,800	₹2,03,30,800
B.	Income-tax computed on total income of ₹5 crore (₹10,000 plus ₹1,00,000 plus ₹1,47,00,000)		₹1,48,10,000
	Add: Surcharge@25%		₹37,02,500
			₹1,85,12,500
C.	Total Income Less ₹5 crore		₹1,00,000
D.	Income-tax computed on total income of ₹5 crore plus the excess of total income over ₹5 crore **(B +C)**		₹1,86,12,500
E.	**Tax liability (A) or (D), whichever is lower**		₹1,86,12,500
	Add: Health and education cess@4%		₹7,44,500
	Tax liability (including cess)		₹1,93,57,000
F.	**Marginal Relief (A – D)**		**₹17,18,300**

Alternative method

A.	Income-tax (including surcharge) computed on total income of ₹5,01,00,000		
	₹3,00,000 – ₹5,00,000@5%	₹10,000	
	₹5,00,001 – ₹10,00,000@20%	₹1,00,000	
	₹10,00,001 – ₹5,01,00,000@30%	₹1,47,30,000	
	Total	₹1,48,40,000	
	Add: Surcharge @ 37%	₹54,90,800	₹2,03,30,800



B. Income-tax computed on total income of ₹5 crore [(₹10,000 plus ₹1,00,000 plus ₹1,47,00,000) plus surcharge@25%] ₹1,85,12,500

C. Excess tax payable (A)-(B) ₹18,18,300

D. **Marginal Relief** (₹18,18,300 – ₹1,00,000, being the amount of income in excess of ₹5,00,00,000) **₹17,18,300**

E. Tax liability (A) - (D) ₹1,86,12,500

Add: Health and education cess @4% ₹7,44,500

Tax liability (including cess) ₹1,93,57,000

It is beneficial for Mr. D to pay tax under default tax regime under section 115BAC, since his tax liability would be lower by ₹2,21,000 (₹1,93,57,000 - ₹1,91,36,000).

ILLUSTRATION 9 (Easy)

Mr. Raghav aged 26 years and a resident in India, has a total income of ₹6,50,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2025-26 under default tax regime under section 115BAC.

SOLUTION

Computation of tax liability of Mr. Raghav for A.Y. 2025-26

Particulars	₹
Tax on total income of ₹6,50,000	
Tax@5%of ₹3,50,000	17,500
Less: Rebate u/s 87A (Lower of tax payable or ₹25,000)	17,500
Tax Liability	Nil

i. If the total income of the resident individual is chargeable to tax under section 115BAC and the total income of such individual exceeds ₹7,00,000 and income-tax payable on such total income exceeds the amount by which the total income is in excess of ₹7,00,000, the rebate would be as follows.

Step 1 – Total income (-) ₹7 lakhs (A)



Step 2 - Compute income-tax liability on total income (B) Step 3 - If B>A, rebate under section 87A would be a B – A.

The amount of rebate under section 87A shall not exceed the amount of income-tax (as computed before allowing such rebate) on the total income of the assessee.

ILLUSTRATION 10 (Easy)

Mr. Pawan aged 35 years and a resident in India, has a total income of ₹7,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2025-26 under default tax regime under section 115BAC.

SOLUTION

Computation of tax liability of Mr. Pawan for A.Y. 2025-26

Particulars	₹	
Step 1: Total Income of ₹7,15,000 - ₹7,00,000	15,000	(A)
Step 2: Tax on total income of ₹7,15,000		
Tax@10%of ₹15,000 + ₹20,000	21,500	(B)
Step 3: Since B>A, rebate u/s 87A would be B-A		
[₹21,500 - ₹15,000]	6,500	
	15,000	
Add: HEC@4%	600	
Tax Liability	15,600	

ILLUSTRATION 11

Mr. Piyush, aged 35 years and a resident in India, has a total income of ₹4,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2025-26 if he exercises the option to shift out of the default tax regime.

SOLUTION

Computation of tax liability of Mr. Piyush for A.Y. 2025-26

Particulars	₹



Tax on total income of ₹4,15,000	
Tax@5%of ₹1,65,000	8,250
Less: Rebate u/s 87A (Lower of tax payable or ₹12,500)	8,250
Tax Liability	Nil

ILLUSTRATION 12 (Average)

Mr. X, a resident, has provided the following particulars of his income for the P.Y. 2024-25.

i. Income from salary (computed) - ₹10,80,000

ii. Income from house property (computed) - ₹2,50,000

iii. Agricultural income from a land in Jaipur - ₹4,80,000

iv. Expenses incurred for earning agricultural income - ₹1,70,000

Compute his tax liability for A.Y. 2025-26 assuming his age is -

- 45 years
- 70 years

SOLUTION

a) Computation of tax liability (age 45 years)

Computation of total income of Mr. X for the A.Y. 2025-26 under default tax regime under section 115BAC

For the purpose of partial integration of taxes, Mr. X has satisfied both the conditions i.e.

1. Net agricultural income exceeds ₹5,000 p.a., and
2. Non-agricultural income exceeds the basic exemption limit of ₹3,00,000.

His tax liability is computed in the following manner:

Particulars	₹	₹
Income from salary		10,80,000
Income from house property		2,50,000
Net agricultural income [₹4,80,000 – ₹1,70,000]	3,10,000	
Less: Exempt under section 10(1)	(3,10,000)	-



Gross Total Income		13,30,000
Less: Deductions under Chapter VI-A		-
Total Income		13,30,000

Step 1 : ₹13,30,000 + ₹3,10,000 = ₹16,40,000

Tax on ₹16,40,000 = ₹1,82,000
(i.e., 5% of ₹4,00,000 plus 10% of ₹3,00,000 plus 15% of ₹2,00,000 plus 20% of ₹3,00,000 plus 30% of ₹1,40,000)

Step 2 : ₹3,10,000 + ₹3,00,000 = ₹6,10,000

Tax on ₹6,10,000 = ₹15,500

(i.e. 5% of ₹3,10,000)

Step 3 : ₹1,82,000 – ₹15,500 = ₹1,66,500

Step 4 & 5 : Total tax payable = ₹1,66,500

= ₹1,66,500 + 4% of ₹1,66,500 = ₹1,73,160.

Computation of total income of Mr. X for the A.Y. 2025-26 under normal provisions of the Act

For the purpose of partial integration of taxes, Mr. X has satisfied both the conditions i.e.

1. Net agricultural income exceeds ₹5,000 p.a., and
2. Non-agricultural income exceeds the basic exemption limit of ₹2,50,000.

His tax liability is computed in the following manner:

Particulars	₹	₹
Income from salary		10,80,000
Income from house property		2,50,000
Net agricultural income [₹4,80,000 – ₹1,70,000]	3,10,000	
Less: Exempt under section 10(1)	(3,10,000)	-
Gross Total Income		13,30,000
Less: Deductions under Chapter VI-A		-
Total Income		13,30,000

Step 1 : ₹13,30,000 + ₹3,10,000 = ₹16,40,000



Tax on ₹16,40,000 = ₹3,04,500
(i.e., 5% of ₹2,50,000 plus 20% of ₹5,00,000 plus 30% of ₹6,40,000)

Step 2 : ₹3,10,000 + ₹2,50,000 = ₹5,60,000

Tax on ₹5,60,000 = ₹24,500
(i.e. 5% of ₹2,50,000 plus 20% of ₹60,000)

Step 3 : ₹3,04,500 – ₹24,500 = ₹2,80,000

Step 4 & 5 : Total tax payable = ₹2,80,000

= ₹2,80,000 + 4% of ₹2,80,000 = ₹2,91,200.

b) Computation of tax liability (age 70 years)

Computation of total income of Mr. X for the A.Y. 2025-26 under default tax regime under section 115BAC

Tax liability of Mr. X would be same under default tax regime whether he is of age of 45 years of 70 years i.e., ₹1,73,160.

Computation of total income of Mr. X for the A.Y. 2025-26 under normal provisions of the Act

His tax liability is computed in the following manner:

Step 1 : ₹13,30,000 + ₹3,10,000 = ₹16,40,000

Tax on ₹16,40,000 = ₹3,02,000
(i.e., 5% of ₹2,00,000 plus 20% of ₹5,00,000 plus 30% of ₹6,40,000)

Step 2 : ₹3,10,000 + ₹3,00,000 = ₹6,10,000

Tax on ₹6,10,000 = ₹32,000
(i.e. 5% of ₹2,00,000 plus 20% of ₹1,10,000)

Step 3 : ₹3,02,000 – ₹32,000 = ₹2,70,000

Step 4 & 5 : Total tax payable = ₹2,70,000

= ₹2,70,000 + 4% of ₹2,70,000 = ₹2,80,800.

13. Who is an "Assessee"? Explain **(Easy)**

14. State any four instances where the income of the previous year is assessable in the previous year itself instead of the assessment year. **(Average)**



15. Whether the income derived from saplings or seedlings grown in a nursery is taxable under the Income-tax Act, 1961? Examine. **(Average)**

16. What are the two schools of Hindu law and where are they prevalent? Explain. Also, mention the difference between the two schools of Hindu Law. **(Average)**

17. What is the difference between an Association of Persons and Body of Individuals? **(Average)**

18. Mr. Sumit, a resident Indian, earns income of ₹15 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in India and ₹20 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in Malaysia during the A.Y.2025-26. What would be his business income, assuming he has no other business? **(Difficult)**

19. Mr. Raja, a resident Indian, earns income of ₹10 lakhs from sale of coffee grown and cured in India during the A.Y.2025-26. His friend, Mr. Shyam, a resident Indian, earns income of ₹20 lakhs from sale of coffee grown, cured, roasted and grounded by him in India during the A.Y.2025-26. What would be the business income chargeable to tax in India of Mr. Raja and Mr. Shyam? **(Average)**

20. The Jain HUF in Assam comprises of Mr. Suresh Jain, his wife Mrs. Sapna Jain, his son Mr. Sarthak Jain, his daughter-in-law Mrs. Preeti Jain, his daughter Miss Seema Jain and his unmarried brother Mr. Pritam Jain. Which of the members of the HUF are eligible for coparcenary rights? **(Average)**

21. Compute the tax liability under default tax regime of Mr. Kashyap (aged 35), having total income of ₹51,75,000 for the Assessment Year 2025-26. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit. **(Easy)**

22. Mr. Agarwal, aged 40 years and a resident in India, has a total income of ₹6,50,00,000, comprising long term capital gain taxable @20% under section 112 of ₹55,00,000, short term capital gain taxable @15% under section 111A of ₹65,00,000 and other income of ₹5,30,00,000. Compute his tax liability for A.Y.2025-26 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes. **(Difficult)**

23. Mr. Sharma aged 62 years and a resident in India, has a total income of ₹2,30,00,000, comprising long term capital gain taxable @12.5% under section 112 of ₹52,00,000, short term capital gain taxable @20% under section 111A of ₹64,00,000 and other income of ₹1,14,00,000. Compute his tax liability for A.Y.2025-26 under the default tax regime and optional tax regime as per the normal provisions of the Act assuming that the total income and its components are the same in both tax regimes. **(Difficult)**



ANSWERS

13. As per section 2(7), assessee means a person by whom any tax or any other sum of money is payable under the Income-tax Act, 1961.

In addition, the term includes –

- Every person in respect of whom any proceeding under the Act has been taken for the assessment of –
  - his income; or
  - the income of any other person in respect of which he is assessable; or
  - the loss sustained by him or by such other person; or
  - the amount of refund due to him or to such other person.
- Every person who is deemed to be an assessee under any provision of the Act;
- Every person who is deemed to be an assessee in default under any provision of the Act.

14. The income of an assessee for a previous year is charged to income-tax in the assessment year following the previous year. However, in a few cases, the income is taxed in the previous year in which it is earned. These exceptions have been made to protect the interests of revenue. The exceptions are as follows:

i. Where a ship, belonging to or chartered by a non-resident, carries passengers, livestock, mail or goods shipped at a port in India, the ship is allowed to leave the port only when the tax has been paid or satisfactory arrangement has been made for payment thereof. 7.5% of the freight paid or payable to the owner or the charterer or to any person on his behalf, whether in India or outside India on account of such carriage is deemed to be his income which is charged to tax in the same year in which it is earned.

ii. Where it appears to the Assessing Officer that any individual may leave India during the current assessment year or shortly after its expiry and he has no present intention of returning to India, the total income of such individual for the period from the expiry of the respective previous year up to the probable date of his departure from India is chargeable to tax in that assessment year.

iii. If an AOP/BOI etc. is formed or established for a particular event or purpose and the Assessing Officer apprehends that the AOP/BOI is likely to be dissolved in the same year or in the next year, he can make assessment of the income up to the date of dissolution as income of the relevant assessment year.

iv. During the current assessment year, if it appears to the Assessing Officer that a person



is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act, the total income of such person for the period from the expiry of the previous year to the date, when the Assessing Officer commences proceedings under this section is chargeable to tax in that assessment year.

v. Where any business or profession is discontinued in any assessment year, the income of the period from the expiry of the previous year up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax in that assessment year.

15. As per Explanation 3 to section 2(1A), income derived from saplings or seedlings grown in a nursery shall be deemed to be agricultural income and exempt from tax, whether or not the basic operations were carried out on land.

16. The two schools of Hindu law are Dayabaga school, prevalent in West Bengal and Assam, and Mitakshara school, prevalent in rest of India.

Under the Dayabaga school of Hindu Law, nobody acquires the right, share in the property by birth as long as the head of family is living. Thus, the children do not acquire any right, share in the family property, as long as his father is alive and only on death of the father, the children will acquire right/share in the property. Hence, the father and his brothers would be the coparceners of the HUF.

Under the Mitakshara school of Hindu Law, one acquires the right to the family property by his birth and not by succession irrespective of the fact that his elders are living. Thus, every child born in the family acquires a right/share in the family property.

17. In order to constitute an Association of Persons (AOP), persons must join for a common purpose or action and their object must be to produce income; it is not enough that the persons receive the income jointly.

Body of Individuals denotes the status of persons like executors or trustees who merely receive the income jointly and who may be assessable in like manner and to the same extent as the beneficiaries individually. Thus, co- executors or co-trustees are assessable as a BOI as their title and interest are indivisible.

The difference between an AOP and BOI is that in case of a BOI, only individuals can be the members, whereas in case of AOP, any person can be its member i.e. entities like company, firm etc. can be the member of AOP but not of BOI.

In case of an AOP, members voluntarily come together with a common will for a common intention or purpose, whereas in case of BOI, such common will may or may not be present.



18. Since Mr. Sumit is a resident, his global income would be taxable in India. Income of ₹20 lakhs from sale of rubber manufactured from latex obtained from rubber plants grown by him in Malaysia would be his business income since it is from rubber plants grown **outside India**. 35% income from sale of rubber manufactured from latex obtained from rubber plants grown by him in India would be taxable as business income and balance 65% would be exempt as agricultural income.

Business income = 35% of ₹15 lakhs + ₹20 lakhs = ₹25.25 lakhs

19. In case of income derived from the sale of coffee grown and cured by the seller in India, 25% income on such sale is taxable as business income. In case of income derived from the sale of coffee grown, cured, roasted and grounded by the seller in India, 40% income on such sale is taxable as business income.

Business income of Mr. Raja = 25% of ₹10 lakhs = ₹2.5 lakhs Business income of Mr. Shyam = 40% of ₹20 lakhs = ₹8 lakhs

20. Dayabaga school of Hindu law is prevalent in Assam. In Dayabaga school of Hindu law, nobody acquires the right, share in the property by birth as long as the head of family is living.

Thus, the children do not acquire any right, share in the family property, as long as his father is alive and only on death of the father, the children will acquire right/share in the property.

Hence, Mr. Suresh Jain and his brother, Mr. Pritam Jain would be the coparceners of the Jain HUF and are eligible for coparcenary rights.

21. Computation of tax liability of Mr. Kashyap for the A.Y.2025-26 under default tax regime

A. Tax payable including surcharge on total income of ₹51,75,000

₹3,00,000 – ₹7,00,000 @5%	₹20,000	
₹7,00,001 – ₹10,00,000 @10%	₹30,000	
₹10,00,001 – ₹12,00,000 @15% ₹12,00,001 – ₹15,00,000 @20%	₹30,000 ₹60,000	
₹15,00,001 – ₹51,75,000 @30%	₹11,02,500	
Total Add: Surcharge @ 10%	 ₹1,24,250	₹12,42,500 ₹13,66,750



B. Tax Payable on total income of ₹50 lakhs (₹1,40,000 plus ₹10,50,000)	₹11,90,000
C. Total Income Less ₹50 lakhs	₹1,75,000
D. Tax payable on total income of ₹50 lakhs plus the excess of total income over ₹50 lakhs (B +C)	₹13,65,000
E. Tax payable: lower of (A) and (D)	₹13,65,000
Add: Health and education cess @4%	₹54,600
Tax liability	₹14,19,600
F. Marginal Relief (A – D)	₹1,750

Alternative method -

A. Tax payable including surcharge on total income of ₹51,75,000

₹3,00,000 – ₹7,00,000 @5%	₹20,000	
₹7,00,001 – ₹10,00,000 @10%	₹30,000	
₹10,00,001 – ₹12,00,000 @15%	₹30,000	
₹12,00,001 – ₹15,00,000 @20%	₹60,000	
₹15,00,001 – ₹51,75,000 @30%	₹11,02,500	
Total	₹12,42,500	
Add: Surcharge@10%	₹1,24,250	₹13,66,750

B. Tax Payable on total income of ₹50 lakhs (₹1,40,000 plus ₹10,50,000)	₹11,90,000
C. Excess tax payable (A)-(B)	₹1,76,750
D. Marginal Relief (₹1,76,750 – ₹1,75,000, being the amount of income in excess of ₹50,00,000)	₹1,750
E. Tax payable (A)-(D)	₹13,65,000
Add: Health and education cess @4%	₹54,600
Tax liability	**₹14,19,600**



22. Computation of tax liability of Mr. Agarwal for the A.Y.2025-26 under default tax regime

Particulars		₹
Tax on total income of ₹6,50,00,000		
Tax@20% of ₹55,00,000		11,00,000
Tax@15% of ₹65,00,000		9,75,000
Tax on other income of ₹5,30,00,000		
₹3,00,000 – ₹7,00,000 @5%	20,000	
₹7,00,000 – ₹10,00,000 @10%	30,000	
₹10,00,000 – ₹12,00,000 @15%	30,000	
₹12,00,000 – ₹15,00,000 @20%	60,000	
₹15,00,000 – ₹5,30,00,000 @30%	1,54,50,000	1,55,90,000
		1,76,65,000
Add: Surcharge @15% on ₹20,75,000	3,11,250	
@25% on ₹1,55,90,000	38,97,500	42,08,750
		2,18,73,750
Add: Health and education cess @4%		8,74,950
Tax Liability		**2,27,48,700**

Computation of tax liability of Mr. Agarwal for the A.Y.2025-26 under normal provisions of the Act

Particulars		**₹**
Tax on total income of ₹6,50,00,000		
Tax@20% of ₹55,00,000		11,00,000
Tax@15% of ₹65,00,000		9,75,000
Tax on other income of ₹5,30,00,000		
₹2,50,000 – ₹5,00,000 @5%	12,500	
₹5,00,000 – ₹10,00,000 @20%	1,00,000	
₹10,00,000 – ₹5,30,00,000 @30%	1,56,00,000	1,57,12,500
		1,77,87,500



Add: Surcharge @15% on ₹20,75,000	3,11,250	
@37% on ₹1,57,12,500	58,13,625	61,24,875
		2,39,12,375
Add: Health and education cess @4%		9,56,495
Tax Liability		2,48,68,870

23. Computation of tax liability of Mr. Sharma for the A.Y.2025-26 under default tax regime

Particulars		₹
Tax on total income of ₹2,30,00,000		
Tax@12.5% of ₹52,00,000		6,50,000
Tax@20% of ₹64,00,000		12,80,000
Tax on other income of ₹1,14,00,000		
₹3,00,000 – ₹7,00,000 @5%	20,000	
₹7,00,000 – ₹10,00,000 @10%	30,000	
₹10,00,000 – ₹12,00,000 @15%	30,000	
₹12,00,000 – ₹15,00,000 @20%	60,000	
₹15,00,000 – ₹1,14,00,000 @30%	29,70,000	31,10,000
		50,40,000
Add: Surcharge @15%		7,56,000
		57,96,000
Add: Health and education cess @4%		2,31,840
Tax Liability		60,27,840

Computation of tax liability of Mr. Sharma for the A.Y.2025-26 under normal provisions of the Act

Particulars		₹
Tax on total income of ₹2,30,00,000 Tax@12.5% of ₹52,00,000		6,50,000
Tax@20% of ₹64,00,000		12,80,000



Tax on other income of ₹1,14,00,000		
₹3,00,000 – ₹5,00,000 @5%	10,000	
₹5,00,000 – ₹10,00,000 @20%	1,00,000	
₹10,00,000 – ₹1,14,00,000 @30%	31,20,000	32,30,000
		51,60,000
Add: Surcharge @15%		7,74,000
		59,34,000
Add: Health and education cess @4%		2,37,360
Tax Liability		61,71,360

ILLUSTRATION 24. (Easy)

Compute the tax liability in the following cases for Assessment Year 2025-26.

i. Mr X has total income of ₹ 7,00,000
ii. Mr X has total income of ₹ 12,00,000

ILLUSTRATION 25 (Easy)

Mr VG has income as given below:

Particulars	Amount (₹)
Income under the head Salary	2,50,000
Income under the head House Property	4,50,000
Income under the head Business/Profession	5,49,684

Deductions allowed u/s 80C to 80U are ₹ 1,15,000. Compute the income tax liability for PY 2024-25.

ILLUSTRATION 26. (Easy)

Compute tax liability in the following cases for Assessment Year 2025-26:

i. Mr A (resident) has total income of ₹ 20,00,000
ii. Mr A (non-resident) has total income of % 20,00,000
iii. Mr A (resident), aged 60 years has total income of ₹ 20,00,000



iv. Mr A (resident), aged 80 years has total income of ₹ 20,00,000

ILLUSTRATION 27 (Average)

Compute tax liability in the following cases for Assessment Year 2025-26.

i. Mrs A (resident) has total income of ₹ 50,50,000
ii. Mrs A (resident) has total income of ₹ 51,00,000
iii. Mrs A (resident) has total income of ₹ 51,50,000
iv. Mrs A (resident), aged 60 years has total income of ₹ 51,80,000
v. Mrs A (resident), aged 80 years has total income of ₹ 52,50,000
vi. Mrs A (resident) has total income of ₹ 1,01,00,000
vii. Mrs A (resident) has total income of ₹ 1,02,00,000
viii. Mrs A (resident) has total income of ₹ 1,03,00,000

ILLUSTRATION 28 (Easy)

Compute the tax liability of Mr VG having total income of ₹ 3,49,000.

ILLUSTRATION 29 (Easy)

Compute the tax liability of Mr VG for Assessment Year 2025-26.

- Gross total income ₹ 5,62,000
- Deductions allowed u/s 80C to 80U are ₹ 1,30,000

ILLUSTRATION 30 (Average)

Compute the tax liability of Mr VG under the following two cases if he has salary income of ₹ 6,00,000 and casual income of ₹ 2,00,000.

- **Case I:** Deductions u/s 80C to 80U ₹ 1,80,000.
- **Case II:** Deductions u/s 80C to 80U ₹ 8,00,000.

ILLUSTRATION 31 (Easy)

Compute the tax liability of /Mr VG having casual income of ₹ 51,00,000 and deductions allowed u/s 80C to 80U are ₹ 2,50,000.



ILLUSTRATION 32 (Average)

Compute tax liability of Mr VG for AY 2025-26 from the following information:

Particulars	Amount (₹)
Income under the head Salary	48,000
Income under the head House Property	32,000
Income under the head business/Profession	28,000
Long Term Capital Gains {Occurring Before July 23, 2024}	1,90,000
Short Term Capital Gains	42,000
Short Term Capital Gains u/s 111A {Occurring Before July 23, 2024}	5,00,000
Lottery Income	2,00,000
Other Income	11,000
Deductions allowed u/s 80C-80U	2,00,000

- Case 1 Mr VG is resident.
- Case 2: Mr VG is resident and aged about 68 years.
- Case 3: Mr VG is resident and aged about 81 years.
- Case 4: Mr VG is non-resident.

ILLUSTRATION 33. (Average)

Compute tax liability of Mr X for AY 2025-26 from the following information:

i. Mr X (a resident) has casual income - ₹ 3,50,000.
ii. Mr X (a resident) has STCG u/s 111 A {occurring before July 23, 2024} - ₹ 3,30,000.
iii. Mr X (a resident) has LTCG {occurring before July 23, 2024} - ₹ 2,80,000.
iv. Mr X (a non-resident) has casual income - ₹ 3,50,000.
v. Mr X (a non-resident) has STCG u/s 111A {occurring before July 23, 2024} - ₹ 4,40,000.
vi. Mr X (a non-resident) has LTCG {occurring before July 23, 2024} - ₹ 2,80,000.
vii. Mr X (a non-resident), aged 64 years, has casual income ₹ 3,50,000.
viii. Mr X (a non-resident), aged 64 years, has STCG u/s 111A {occurring before July 23, 2024} ₹ 4,40,000



ix. Mr X (a non-resident), aged 64 years, has LTCG {occurring before July 23, 2024} ₹ 2,80,000.

ILLUSTRATION 34. (Average)

What will be the tax liability of Mr A for AY 2025-26 if he has normal income of ₹ 21 Lakhs and LTCG of ₹ 30 lakhs occurring before July 23, 2024?

ILLUSTRATION 35 (Average)

Compute the tax liability of Mr VG aged 58 years, for AY 2025-26 from the following details:

Particulars	Amount (₹)
Income from salaries	25,28,000
Profits and gains from business/profession	73,00,000
Income from other sources (Interest on bank FD)	3,82,000
Amount deposited in Public Provident Fund (PPF)	1,30,000

ILLUSTRATION 36 (Difficult)

Compute the tax liability of a HUF for AY 2025-26 from the following information:

Particulars	Amount (₹)
Income under the head House Property	2,00,000
Income under the head Business/Profession	4,00,000
Long term capital gains {occurring before July 23, 2024}	5,00,000
Short term capital gains u/s 111A {occurring before July 23, 2024}	2,00,000
Casual Income	3,00,000
Deductions allowed under sections 80C to 80U	95,000

ILLUSTRATION 37 (Average)

ABC is a partnership firm. Compute the tax liability for AY 2025-26 from the following information:

i. The firm has income under the head Business/Profession ₹ 10,000.

ii. The firm has income under the head Business/Profession ₹ 5,00,000.



iii. The firm has income under the head Business/Profession ₹ 1,00,00,000.

iv. The firm has long term capital gains of ₹ 5,00,000. (Occurring Before July 23, 2024)

v. The firm has long term capital gains of ₹ 9,00,00,000. (Occurring Before July 23, 2024)

ILLUSTRATION 38

Compute the income tax liability of VG Partnership Firm for AY 2025-26 from the following information:

Particulars	Amount (₹)
Income under the head House Property	12,00,000
Income under the head business/Profession	11,50,000
Long Term Capital Gains (Occurring before July 23, 2024)	2,30,000
Short Term Capital Gains	1,20,000
Short Term Capital Gains u/s 111A (Occurring before July 23, 2024)	2,00,000
Lottery Income	2,00,000
Other Income	61,000
Deductions allowed u/s 80C-80U	2,00,000

ILLUSTRATION 39 (Easy)

ABC Ltd is a domestic company. Compute the tax liability of company for AY 2025-26:

- **Case I:** The company has income under the head Business/Profession ₹ 1,02,00,000
- **Case II :** The company has income under the head Business/Profession ₹ 10,02,00,000

ILLUSTRATION 40 (Average)

VG Ltd is a domestic company. Compute the tax liability for AY 2025-26 in the following situations:

(i) The company has winnings from lottery ₹ 3,00,00,000.

(ii) The company has long term capital gains of ₹ 2,50,000. {Occurring before July 23, 2024}

(iii) The company has long term capital gains of ₹ 10,00,000. {Occurring before July 23, 2024}

(iv) The company has long term capital gains of ₹ 5,00,00,000. (Occurring before July 23, 2024}

(v) The company has PGBP income ₹ 20,000 (Turnover of FY 2022-23 is ₹ 348 crores).



(vi) The company has PGBP income ₹ 2,00,00,000 (Turnover of FY 2022-23 is ₹ 498 crores).

(vii) The company has PGBP income ₹ 12,00,00,000 (Turnover of FY 2022-23 is ₹ 47.50 crores).

ILLUSTRATION 41 (Difficult)

Compute the tax liability of ABC Limited for AY 2025-26 from the following information:

Particulars	Amount (₹)
Income under the head House Property	10,00,000
Income under the head Business/Profession	60,00,000
Long term capital gains {Occurring before July 23, 2024}	45,00,000
Short term capital gains u/s 111A {Occurring before July 23, 2024}	15,00,000
Deductions allowed u/s 80C to 80U	2,00,000

ILLUSTRATION 42. (Average)

GST Ltd is a foreign company. Compute the tax liability of the company for AY 2025-26 in the following situations:

(i) The company has winnings from lottery ₹ 3,00,00,000.

(ii) The company has long term capital gains of % 2,50,000. {Occurring before July 23, 2024}

(iii) The company has long term capital gains of ₹ 10,00,000. {Occurring before July 23, 2024}

(iv) The company has long term capital gains of ₹ 5,00,00,000. {Occurring before July 23, 2024}

(v) The company has PGBP income ₹ 20,000.

(vi) The company has PGBP income ₹ 2,00,00,000.

(vii) The company has PGBP income ₹ 12,00,00,000.

ILLUSTRATION 43. (Difficult)

Compute the tax liability of ABC Limited, a foreign company, for AY 2025-26 from the following information:

Particulars	Amount (₹)
Income under the head House Property	40,00,000
Income under the head Business/Profession	50,00,000



Long term capital gains (Occurring before July 23, 2024)	25,00,000
Short term capital gains u/s 111A (Occurring before July 23, 2024)	15,00,000
Deductions allowed u/s 80C to 80U	5,00,000

SOLUTIONS TO SUBJECTIVE QUESTIONS:

Taxability Of Individuals

Answer 24

Part (i)

Particulars	Amount (₹)
Total Income	7,00,000
On first ₹ 2,50,000	Nil
On next ₹ 2,50,000 @ 5%	12,500
On balance ₹ 2,00,000 @ 20%	40,000
Tax before Health & Education Cess	52,500
Add: Health & Education Cess © 4%	2,100
Tax Liability	54,600
Tax Liability	1,17,000

Part (ii)

Particulars	Amount (₹)
Total Income	12,00,000
On first ₹ 2,50,000	Nil
On next ₹ 2,50,000 @ 5%	12,500
On next ₹ 5,00,000 @ 21%	1,00,000
On balance ₹ 2,00,000 @ 30%	60,000
Tax before Health A Education Cess	1,72,500



Add: Health & Education Cess @ 4%	6,900
Tax Liability	1,79,400

Answer 25

Computation Of Total Income Of Mr VG For AY 2025-26:

Particulars	Amount (₹)
Income under the head Salary	2,50,000
Income under the head House Property	4,50,000
Income under the Business/Profession	5,49,684
GROSS TOTAL INCOME	12,49,684
Less: Deduction u/s 80C to 80U	(1,15,000)
Total Income	11,34,684
Rounded off u/s 288A	11,34,680

Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	11,34,680
First ₹ 2,50,000	Nil
On next ₹ 2,50,000 x 5%	12,500
On next ₹ 5,00,000 x 20%	1,00,000
On balance ₹ 1,34,680 x 30%	40,404
Tax before Health A Education Cess	1,52,904
Add: Health A Education Cess @ 4%	6,116.16
Tax Liability	1,59,020.16
Rounded off u/s 288B	1,59,020

Answer 26



Part (i) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	20,00,000
First ₹ 2,50,000	NIL
On next ₹ 2,50,000 x 5%	12,500
On next ₹ 5,00,000 x 20%	1,00,000
On balance ₹ 10,00,000 x 30%	3,00,000
Tax before Health A Education Cess	4,12,500
Add: Health A Education Cess @ 4%	16,500
Tax Liability	4,29,000

Part (iii) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	20,00,000
First ₹ 2,50,000	NIL
On next ₹ 2,50,000 x 57o	12,500
On next ₹ 5,00,000 x 20%	1,00,000
On balance ₹ 10,00,000 x 30%	3,00,000
Tax before Health A Education Cess	4,12,500
Add: Health A Education Cess @ 4%	16,500
Tax Liability	4,29,000

Part (iii) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	20,00,000
First ₹ 3,00,000	NIL
On next ₹ 2,00,000 x 5%	10,000
On next ₹ 5,00,000 x 20%	1,00,000



On balance ₹ 10,00,000 x 30%	3,00,000
Tax before Health A Education Cess	4,10,000
Add: Health A Education Cess @ 4%	16,400
Tax Liability	4,26,400

Part (iv) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	20,00,000
First ₹ 5,00,000	NIL
On next ₹ 5,00,000 x 20%	1,00,000
On balance ₹ 10,00,000 x 30%	3,00,000
Tax before Health & Education Cess	4,00,000
Add: Health A Education Cess @ 4%	16,000
Tax Liability	4,16,000

Answer 27

Part (i) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	50,50,000
Tax on ₹ 50,50,000 at slab rates	13,27,500
Add: Surcharge @ 10%	1,32,750
Tax before Marginal Relief	14,60,250
Less: Marginal Relief (WN 1)	(97,750)
Tax after Marginal Relief	13,62,500
Add: Health A Education Cess @ 4%	54,500
Tax Liability	14,17,000



WN 1	
Tax + Surcharge of 10% on Income of ₹ 50,50,000	14,60,250
Less: Tax on Income of ₹ 50,00,000	13,12,500
Increase in Tax	1,47,750
Increase in Income	50,000
Marginal Relief (1,47,750 – 50,000)	97,750

Part (ii) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	51,00,000
Tax on ₹ 51,00,000 at slab rates	13,42,500
Add: Surcharge @ 10%	1,34,250
Tax before Marginal Relief	14,76,750
Less: Marginal Relief (WN I)	(64,250)
Tax after Marginal Relief	14,12,500
Add: Health & Education Cess @ 4%	56,500
Tax Liability	14,69,000

WN 1	
Tax + Surcharge of 10% on Income of ₹ 51,00,000	14,76,750
Less: Tax on Income of ₹ 50,00,000	13,12,500
Increase in Tax'	1,64,250
Increase in Income	1,00,000
Marginal Relief (1,64,250 – 1,00,000)	64,250

Part (iii) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	51,50,000



Tax on ₹ 51,50,000 at slab rates	13,57,500
Add: Surcharge @ 10%	1,35,750
Tax before Marginal Relief	14,93,250
Less: Marginal Relief (WN 1)	(30,750)
Tax after Marginal Relief	14,62,500
Add: Health A Education Cess @ 4%	58,500
Tax Liability	15,21,000

WN 1	
Tax + Surcharge of 10% on Income of ₹ 51,50,000	14,93,250
Less: Tax on Income of ₹ 50,00,000	13,12,500
Increase in Tax	1,80,750
Increase in Income	1,50,000
Marginal Relief (1,80,750 – 1,50,000)	30,750

Part (iv) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	51,80,000
Tax on ₹ 51,80,000 at slab rates	13,64,000
Add: Surcharge @ 10%	1,36,400
Tax before Marginal Relief	15,00,400
Less: Marqinal Relief (WN 1)	(10,400)
Tax after Marginal Relief	14,90,000
Add: Health & Education Cess @ 4%	59,600
Tax Liability	15,49,600

WN 1	
Tax + Surcharge of 10% on Income of ₹ 51,80,000	15,00,400



Less: Tax on Income of ₹ 50,00,000	13,10,000
Increase in Tax	1,90,400
Increase in Income	1,80,000
Marginal Relief	10,400

Part (v) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	52,50,000
Tax on ₹ 52,50,000 at slab rates	13,75,000
Add: Surcharge @ 10%	1,37,500
Tax before Marginal Relief	15,12,500
Less: Marginal Relief (WN 1)	(Nil)
Tax after Marginal Relief	15,12,500
Add: Health & Education Cess @ 4%	60,500
Tax Liability	15,73,000

WN 1	
Tax + Surcharge of 10% on Income of ₹ 5 52,50,000	15,12,500
Less: Tax on Income of ₹ 50,00,000	13,00,000
Increase in Tax	2,12,500
Increase in Income	2,50,000
Marginal Relief	Nil

Part (vi) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	1,01,00,000
Tax on ₹ 1,01,00,000 at slab rates	28,42,500
Add: Surcharge @ 15%	4,26,375



Tax before Marginal Relief	32,68,875
Less: Marginal Relief (WN 1)	(75,125)
Tax after Marginal Relief	31,93,750
Add: Health & Education Cess @ 4%	1,27,750
Tax Liability	33,21,500

WN 1	
Tax + Surcharge of 15% on Income of ₹ 1,01,00,000	32,68,875
Less: Tax + Surcharge of 10% on Income of ₹ 1,00,00,000	30,93,750
Increase in Tax	1,75,125
Increase in Income	1,00,000
Marginal Relief (1,75,125 – 1,00,000)	75,125

Part (vii) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	1,02,00,000
Tax on =₹ 1,02,00,000 at slab rates	28,72,500
Add: Surcharge @ 15%	4,30,875
Tax before Marginal Relief	33,03,375
Less: Marginal Relief (WN 1)	(9,625)
Tax after Marginal Relief	32,93,750
Add: Health & Education Cess @ 4%	1,31,750
Tax Liability	34,25,500

WN 1	
Tax + Surcharge of 15% on Income of ₹ 1,02,00,000	33,03,375
Less: Tax + Surcharge of 10% on Income of ₹ 1,00,00,000	30,93,750
Increase in Tax	2,09,625



Increase in Income	2,00,000
Marginal Relief (2,09,625 – 2,00,000)	9,625

Part (viii) Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	1,03,00,000
Tax on ₹ 1,03,00,000 at slab rates	29,02,500
Add: Surcharge @ 15%	4,35,375
Tax before Marginal Relief	33,37,875
Less: Marginal Relief (WN 1)	(Nil)
Tax after Marginal Relief	33,37,875
Add: Health & Education Cess @ 4%	1,33,515
Tax Liability	34,71,390

WN 1	
Tax + Surcharge of 15% on Income of ₹ 1,03,00,000	33,37,875
Less: Tax + Surcharge of 10% on Income of ₹ 1,00,00,000	30,93,750
Increase in Tax	2,44,125
Increase in Income	3,00,000
Marginal Relief (2,44,125 – 3,00,000)	Nil

Answer 28

Computation Of Tax Liability:

Particulars	Amount (₹)
Total Income	3,49,000
First ₹ 2,50,000	NIL
On next ₹ 99,000 x 5%	4,950
Tax before Rebate & Education Cess	4,950



Less: Rebate u/s 87A	(4,950)
Tax Liability	Nil

Answer 29

Computation Of Tax Liability;

Particulars	Amount (₹)
Gross Total Income	5,62,000
Less: Deduction u/s 80C to 80U	(1,30,000)
Total Income	4,32,000
Tax on ₹ 4,32,000 at slab rates	9,100
Less: Rebate u/s 87A	(9,100)
Tax Liability	Nil

Answer 30

Case I: Computation Of Total Income Of Mr VG:

Particulars	Amount (₹)
Income under the head Salary	6,00,000
Income under the Other Sources (Casual income)	2,00,000
GROSS TOTAL INCOME	8,00,000
Less: Deduction u/s 80C to 80U	(1,80,000)
Total Income	6,20,000

Computation Of Tax Liability:

Particulars	Amount (₹)
Tax on casual income of ₹ 2,00,000 @ 30% u/s 115BB	60,000
Tax on normal income of ₹ 4,20,000 at slab rates	8,500
Tax before Health & Education Cess	68,500



Add: Health & Education Cess @ 4%	2,740
Tax Liability	71,240

Case II: Computation Of Total Income Of Mr VG:

Particulars	Amount (₹)
Income under the head Salary	6,00,000
Income under the Other Sources (Casual income)	2,00,000
GROSS TOTAL INCOME	8,00,000
Less: Deduction u/s 80C to 80U	(6,00,000)
Total Income	2,00,000

Computation Of Tax Liability:

Particulars	Amount (₹)
Tax on casual income of ₹ 2,00,000 @ 30% u/s 115BB	60,000
Less: Rebate u/s 87A	(12,500)
Tax before Health & Education Cess	47,500
Add: Health & Education Cess @ 4%	1,900
Tax Liability	49,400

Answer 31

Computation of Total Income of Mr VG:

Particulars	Amount (₹)
Income under the Other Sources (Casual income)	51,00,000
GROSS TOTAL INCOME	51,00,000
Less: Deduction u/s 80C to 80U	NIL
Total Income	51,00,000



Computation Of Tax Liability:

Particulars	Amount (₹)
Tax on casual income of ₹ 51,00,000 @ 30% u/s 115BB	15,30,000
Add: Surcharge @ 10%	1,53,000
Tax before Marginal Relief	16,83,000
Less: Marginal Relief (WN 1)	(83,000)
Tax after Marginal Relief	16,00,000
Add: Health & Education Cess @ 4%	64,000
Tax Liability	16,64,000

WN 1	
Tax + Surcharge of 10% on Casual Income of ₹ 51,00,000	16,83,000
Less: Tax on Casual Income of ₹ 50,00,000	15,00,000
Increase in Tax	1,83,000
Increase in Income	1,00,000
Marginal Relief (1,83,000 – 1,00,000)	83,000

Answer 32

Computation Of Total Income:

Particulars	Amount (₹)
Income under the head Salary	48,000
Income under the head House Property	32,000
Income under the head Business/ Profession	28,000
Long Term Capital Gains {Occurring before July 23, 2024}	1,90,000
Short Term Capital Gains	42,000
Short Terms Capital Gains u/s 111A {Occurring before July 23, 2024}	5,00,000
Lottery Income (Casual Income)	2,00,000



Other Income	11,000
GROSS TOTAL INCOME	10,51,000
Less: Deduction u/s 80C-80U	(1,61,000)
TOTAL INCOME	8,90,000

- **CASE 1 – Mr VG Is Resident: Computation Of Tax Liability**

Particulars	Amount (₹)
Tax on Casual Income of ₹ 2,00,000 @ 30% u/s 115BB	60,000
Tax on LTCG @ 20% u/s 112 [(₹ 1,90,000 - ₹ 1,90,000) x 20%]	NIL
Tax on STCG @ 15% u/s 111A [(₹ 5,00,000 - ₹ 60,000) x 15%]	66,000
Tax on Normal Income	NIL
Tax before Health & Education Cess	1,26,000
Add: Health & Education Cess @ 4%	5,040
Tax Liability	1,31,040

- **CASE 2 – Mr VG Is Resident And Aged About 68 Years: Computation Of Tax Liability**

Particulars	Amount (₹)
Tax on Casual Income of ₹ 2,00,000 @ 30% u/s 115BB	60,000
Tax on LTCG @ 20% u/s 112 [(₹ 1,90,000 - ₹ 1,90,000) x 20%}	NIL
Tax on STCG @ 15% u/s 111A [(₹, 5,00,000 - ₹ 1,10,000) x 15%]	58,500
Tax on Normal Income	NIL
Tax before Health & Education Cess	1,18,500
Add: Health & Education Cess @ 4%	4,740
Tax Liability	1,23,240

- **CASE 3 – Mr VG Is Resident And Aged About 81 Years: Computation Of Tax Liability**

Particulars	Amount (₹)
Tax on Casual Income of ₹ 2,00,000 © 30% u/s 115BB	60,000



Tax on LTCG @ 20% u/s 112 [(₹ 1,90,000 - ₹ 1,90,000) x 20%]	NIL
Tax on STCG @ 15% u/s 111A [(₹, 5,00,000 - ₹ 3,10,000) x 15%]	28,500
Tax on Normal Income'	NIL
Tax before Health A Education Cess	88,500
Add: Health A Education Cess @ 4%	3,540
Tax Liability	92,040

- **CASE 4 – Mr VG Is Non-Resident: Computation Of Tax Liability**

Particulars	Amount (₹)
Tax on Casual Income of ₹ 2,00,000 @ 30% u/s 115BB	60,000
Tax on LTCG of ₹ 1,90,000 @ 20% u/s 112	38,000
Tax on STCG of ₹ 5,00,000 @ 15% u/s 111A	75,000
Tax on Normal Income	NIL
Tax before Health A Education Cess	1,73,000
Add: Health A Education Cess © 4%	6,920
Tax Liability	1,79,920

Answer 33

Case (i)

Particulars	Amount (₹)
Income under the head other sources (Casual Income)	3,50,000
Total Income	3,50,000
Computation Of Tax Liability	
Tax on Casual Income of ₹ 3,50,000 @ 30% u/s 115BB	1,05,000
Less: Rebate u/s 87A	(12,500)
Tax before Health A Education Cess	92,500
Add: Health A Education Cess @ 4%	3,700
Tax Liability	96,200



Case (ii)

Particulars	Amount (₹)
Income under the head capital gains (STCG u/s 111 A)	3,30,000
Total Income	3,30,000
Computation Of Tax Liability	
Tax on STCG of ₹ 80,000 (₹ 3,30,000 - ₹ 2,50,000) @ 15% u/s 111A	12,000
Less: Rebate u/s 87A	(12,000)
Tax Liability	Nil

Case (iii)

Particulars	Amount (₹)
Income under the head capital gains (LTCG)	2,80,000
Total Income	2,80,000
Computation Of Tax Liability	
Tax on LTCG of ₹ 30,000 (2,80,000 - ₹ 2,50,000) © 20% u/s 112	6,000
Less: Rebate u/s 87 A	(6,000)
Tax Liability	Nil

Case (iv)

Particulars	Amount (₹)
Income under the head other sources (Casual Income)	3,50,000
Total Income	3,50,000
Computation Of Tax Liability	
Tax on Casual Income of ₹ 3,50,000 0 30% u/s 115BB	1,05,000
Add: Health A Education Cess @ 4%	4,200
Tax Liability	1,09,200



Case (v)

Particulars	Amount (₹)
Income under the head capital gains (STCG u/s 111A)	4,40,000
Total Income	4,40,000
Computation Of Tax Liability	
Tax on STCG of ₹ 4,40,000 @ 15% u/s 111A	66,000
Add: Health & Education Cess @ 4%	2,640
Tax Liability	68,640

Case (vi)

Particulars	Amount (₹)
Income under the head capital gains (LTCG)	2,80,000
Total Income	2,80,000
Computation Of Tax Liability	
Tax on LTCS of ₹ 2,80,000 @ 20% u/s 112	56,000
Add: Health & Education Cess @ 4%	2,240
Tax Liability	58,240

Case (vii)

Particulars	Amount (₹)
Income under the head other sources (Casual Income)	3,50,000
Total Income	3,50,000
Computation Of Tax Liability	
Tax on Casual Income of ₹ 3,50,000 @ 30% u/s 115BB	1,05,000
Add: Health & Education Cess 0 4%	4,200
Tax Liability	1,09,200

Case (viii)



Particulars	Amount (₹)
Income under the head capital gains (STCS u/s 111 A)	4,40,000
Total Income	4,40,000
Computation Of Tax Liability	
Tax on STCG of ₹ 4,40,000 @ 15% u/s 111A	66,000
Add: Health & Education Cess @ 4%	2,640
Tax Liability	68,640

Case (ix)

Particulars	Amount (₹)
Income under the head capital gains (LTCG)	2,80,000
Total Income	2,80,000
Computation Of Tax Liability	
Tax on LTCG of ₹ 2,80,000 @ 20% u/s 112	56,000
Add: Health & Education Cess @ 4%	2,240
Tax Liability	58,240

Answer 34

Particulars	Amount (₹)
Total Income	51,00,000
Tax on LTCG of ₹ 30,00,000 @ 20% u/s 112	6,00,000
Tax on normal income of ₹ 21,00,000 at slab rates	4,42,500
Tax before surcharge	10,42,500
Add: Surcharge @ 10%	1,04,250
Tax before Marginal Relief	11,46,750
Less: Marginal Relief (WN 1)	(34,250)
Tax before Health & Education Cess	11,12,500
Add; Health & Education Cess @ 4%	44,500



Tax Liability	11,57,000

WN 1	
Tax + Surcharge of 10% on Income of ₹ 51,00,000	11,46,750
Less: Tax on Income of ₹ 50.00.000	10,12,500
There can be two situations • (Normal Income ₹ 20,00,000 + LTCG ₹ 30,00,000): Tax ₹ 10,12,500 • (Normal Income 21,00,000 + LTCG ₹ 29,00,000): Tax ₹ 10,22,500 The law is silent on the point as to which combination should be opted for. Therefore, the option which minimizes the tax liability of the assessee has been taken.	
Increase in Tax	1,34,250
Increase in Income	1,00,000
Marginal Relief (1,34,250 – 1,00,000)	34,250

Answer 35

Computation Of Total Income Of Mr VG For AY 2025-26:

Particulars	Amount (₹)
Income from Salaries	25,28,000
PGBP Income	73,00,000
Income from Other Sources (Interest on bank fixed deposit)	3,82,000
GROSS TOTAL INCOME	1,02,10,000
Less: Deduction u/s 80C to 80U (Amount deposited in PPF)	(1,30,000)
Total Income	1,00,80,000

Computation Of Tax Liability

Particulars	Amount (₹)
Tax on Normal Income of ₹ 1,00,80,000 at slab rates	28,36,500
Add: Surcharge @ 15%	4,25,475



Tax before Marginal Relief	32,61,975
Less: Marginal Relief (WN 1)	(88,225)
Tax after Marginal Relief	31,73,750
Add: Health & Education Cess @ 4%	1,26,950
Tax Liability	33,00,700
WN 1	
Tax + Surcharge of 15% on Income of ₹ 1,00,80,000	32,61,975
Less: Tax + Surcharge of 10% on Income of ₹ 1,00,00,000	30,93,750
Increase in Tax	1,68,225
Increase in Income	80,000
Marginal Relief (1,68,225 – 80,000)	88,225

Answer 36

Computation Of Total Income Of HUF (AY 2025-26):

Particulars	Amount (₹)	Amount (₹)
Income under the head House Property		2,00,000
Income under the Business/Profession		4,00,000
Income under the head Capital Sains		
• LTCG	5,00,000	
• STCG u/s 111A	2,00,000	7,00,000
Income under the head other sources (Casual Income)		3,00,000
Sross Total Income		16,00,000
Less: Deduction u/s 80C to 80U		(95,000)
Total Income		15,05,000

Computation Of Tax Liability:



Particulars	Amount (₹)
Tax on LTCG of ₹ 5,00,000 @ 20% u/s 112	1,00,000
Tax on STCG of ₹ 2,00,000 @ 15% u/s 111 A	30,000
Tax on Casual Income of ₹ 3,00,000 @ 30% u/s 115BB	90,000
Tax on Normal Income of ₹ 5,05,000 at slab rates	13,500
Tax before Health & Education Cess	2,33,500
Add: Health & Education Cess @ 4%	9,340
Tax Liability	2,42,840

Answer 37

Case (i) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	10,000
Tax on ₹ 10,000 @ 30%	3,000
Add: Health A Education Cess @ 4%	120
Tax Liability	3,120

Case (ii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	5,00,000
Tax on ₹ 5,00,000 @ 30%	1,50,000
Add: Health A Education Cess @ 4%	6,000
Tax Liability	1,56,000

Case (iii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	1,00,00,000
Tax on ₹ 1,00,00,000 @ 30%	30,00,000



Add: Health A Education Cess @ 4%	1,20,000
Tax Liability	31,20,000

Case (iv) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains	5,00,000
Tax on LTCS of ₹ 5,00,000 @ 20% u/s 112	1,00,000
Add: Health A Education Cess @ 4%	4,000
Tax Liability	1,04,000

Case (v) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains	9,00,00,000
Total Income	9,00,00,000
Tax on LTCS of ₹ 9,00,00,000 @ 20% u/s 112	1,80,00,000
Add: Surcharge @ 12%	21,60,000
Tax before Health & Education Cess	2,01,60,000
Add: Health & Education Cess @ 4%	8,06,400
Tax Liability	2,09,66,400

Answer 38

Computation Of Total Income Of VG Partnership Firm (Assessment Year 2025-26):

Particulars	Amount (₹)
Income under the head House Property	12,00,000
Income under the head Business/Profession	11,50,000
Long Term Capital Sains	2,30,000
Short Term Capital Sains	1,20,000
Short Terms Capital Sains u/s 111 A	2,00,000



Lottery Income (Casual Income)	2,00,000
Other Income	61,000
Gross Total Income	31,61,000
Less: Deductions u/s 80C-80U	(2,00,000)
Total Income	29,61,000

Computation Of Tax Liability:

Particulars	Amount (₹)
Tax on Casual Income of ₹ 2,00,000 @ 30% u/s 115BB	60,000
Tax on LTCS of ₹ 2,30,000 @ 20% u/s 112	46,000
Tax on STCS of ₹ 2,00,000 @ 15% u/s 111A	30,000
Tax on Normal Income of ₹ 23,31,000 @ 30%	6,99,300
Tax before Health A Education Cess	8,35,300
Add: Health & Education Cess @ 4%	33,412
Tax Liability	8,68,712
Rounded off u/s 288B	8,68,710

Answer 39

- **Case I:**

Computation Of Tax Liability Of ABC Ltd:

Particulars	Amount (₹)
Total Income	1,02,00,000
Tax on ₹ 1,02,00,000 @ 30%	30,60,000
Add: Surcharge @ 7%	2,14,200
Tax before Marginal Relief	32,74,200
Less: Marginal Relief (WN 1)	(74,200)
Tax after Marginal Relief	32,00,000
Add: Health & Education Cess @ 4%	1,28,000



Tax Liability	33,28,000

WN 1	
Tax + Surcharge on Income of = ₹ 1,02,00,000	32,74,200
Less: Tax on income of ₹ 1,00,00,000	30,00,000
Increase in Tax	2,74,200
Increase in Income	2,00,000
Marginal Relief (2,74,200 – 2,00,000)	74,200

Case II:

Computation Of Tax Liability Of ABC Ltd:

Particulars	Amount (₹)
Total Income	10,02,00,000
Tax on ₹ 10,02,00,000 @ 30%	3,00,60,000
Add: Surcharge @ 12%	36,07,200
Tax before Marginal Relief	3,36,67,200
Less: Marginal Relief (WN 1)	(13,67,200)
Tax after Marginal Relief	3,23,00,000
Add: Health A Education Cess @ 4%	12,92,000
Tax Liability	3,35,92,000

WN 1: Tax + Surcharge of 12% on Income of ₹ 10,02,00,000	3,36,67,200
Less: Tax + Surcharge of 7% on income of ₹ 10,00,00,000	3,21,00,000
Increase in Tax	15,67,200
Increase in Income	2,00,000
Marginal Relief (15,67,200 – 2,00,000)	13,67,200



Answer 40

Case (i) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Other Sources (Casual Income)	3,00,00,000
Tax on Casual Income of ₹ 3,00,00,000 @ 30% u/s 115BB	90,00,000
Add: Surcharge @ 7%	6,30,000
Tax before Health A Education Cess	96,30,000
Add: Health A Education Cess @ 4%	3,85,200
Tax Liability	1,00,15,200

Case (ii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains	2,50,000
Tax on LTCS of ₹ 2,50,000 @ 20% u/s 112	50,000
Add: Health & Education Cess @ 4%	2,000
Tax Liability	52,000

Case (iii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains	10,00,000
Tax on LTCS of ₹ 10,00,000 @ 20% u/s 112	2,00,000
Add: Health A Education Cess @ 4%	8,000
Tax Liability	2,08,000

Case (iv) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains	5,00,00,000
Tax on LTCG of ₹ 5,00,00,000 @ 20% u/s 112	1,00,00,000



Add: Surcharge @ 7%	7,00,000
Tax before Health A Education Cess	1,07,00,000
Add: Health A Education Cess @ 4%	4,28,000
Tax Liability	1,11,28,000

Case (v) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	20,000
Tax on ₹ 20,000 @ 25%	5,000
Add: Health A Education Cess @ 4%	200
Tax Liability	5,200

Case (vi) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	2,00,00,000
Tax on ₹ 2,00,00,000 @ 30%	60,00,000
Add: Surcharge @ 7%	4,20,000
Tax before Health A Education Cess	64,20,000
Add: Health A Education Cess @ 4%	2,56,800
Tax Liability	66,76,800

Case (vii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	12,00,00,000
Tax on ₹ 12,00,00,000 @ 25%	3,00,00,000
Add: Surcharge @ 12%	36,00,000
Tax before Health A Education Cess	3,36,00,000
Add: Health A Education Cess @ 4%	13,44,000



Tax Liability	3,49,44,000

Answer 41

Computation Of Total Income Of VG Limited (Assessment Year 2025-26):

Particulars	Amount (₹)	Amount (₹)
Income under the head House Property		10,00,000
Income under the Business/Profession		60,00,000
Income under the head Capital Gains		
• LTCG	45,00,000	
• STCG u/s 111 A	15,00,000	60,00,000
GROSS TOTAL INCOME		1,30,00,000
Less: Deduction u/s 80C to 80U		(2,00,000)
Total Income		1,28,00,000

Computation Of Tax Liability:

Particulars	Amount (₹)
Tax on LTCG of ₹ 45,00,000 @ 20% u/s 112	9,00,000
Tax on STCG of ₹ 15,00,000 @ 15% u/s 111A	2,25,000
Tax on Normal Income of ₹ 68,00,000 @ 30%	20,40,000
Add: Surcharge @ 7%	2,21,550
Tax before Health A Education Cess	33,86,550
Add: Health A Education Cess @ 4%	1,35,462
Tax Liability	35,22,012
Rounded off u/s 288B	35,22,010

Taxability Of Foreign Companies

Answer 42



Case (i) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Other Sources (Casual Income)	3,00,00,000
Tax on ₹ 3,00,00,000 @ 30% u/s 115BB	90,00,000
Add: Surcharge @ 2%	1,80,000
Tax before Health A Education Cess	91,80,000
Add: Health A Education Cess @ 4%	3,67,200
Tax Liability	95,47,200

Case (ii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains (LTCS)	2,50,000
Tax on LTCS of ₹ 2,50,000 @ 20% u/s 112	50,000
Add: Health A Education Cess @ 4%	2,000
Tax Liability	52,000

Case (iii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains (LTCS)	10,00,000
Tax on LTCS of ₹ 10,00,000 @ 20% u/s 112	2,00,000
Add: Health A Education Cess @ 4%	8,000
Tax Liability	2,08,000

Case (iv) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Capital Sains (LTCS)	5,00,00,000



Tax on LTCS of ₹ 5,00,00,000 @ 20% u/s 112	1,00,00,000
Add: Surcharge @ 2%	2,00,000
Tax before Health A Education Cess	1,02,00,000
Add: Health A Education Cess @ 4%	4,08,000
Tax Liability	1,06,08,000

Case (v) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	20,000
Tax on R 20,000 @ 35%	7,000
Add: Health A Education Cess @ 4%	280
Tax Liability	7,280

Case (vi) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	2,00,00,000
Tax on ₹ 2,00,00,000 @ 35%	70,00,000
Add: Surcharge @ 2%	1,40,000
Tax before Health A Education Cess	71,40,000
Add: Health A Education Cess @ 4%	2,85,600
Tax Liability	74,25,600

Case (vii) – Computation Of Tax Liability:

Particulars	Amount (₹)
Income under the head Business/Profession	12,00,00,000
Tax on ₹ 12,00,00,000 @ 35%	4,20,00,000
Add: Surcharge @ 5%	21,00,000



Tax before Health A Education Cess	4,41,00,000
Add: Health A Education Cess @ 4%	17,64,000
Tax Liability	4,58,64,000

Answer 43

Computation Of Total Income Of VG Limited (Assessment Year 2025-26

Particulars	Amount (₹)	Amount (₹)
Income under the head House Property		40,00,000
Income under the Business/Profession		50,00,000
Income under the head Capital Gains		
• LTCG	25,00,000	
• STCG u/s 111 A	15,00,000	40,00,000
GROSS TOTAL INCOME		1,30,00,000
Less: Deductions u/s 80C to 80U		(5,00,000)
Total Income		1,25,00,000

Computation Of Tax Liability:

Particulars	Amount (₹)
Tax on LTCG of ₹ 25,00,000 @ 20% u/s 112	5,00,000
Tax on STCG of ₹ 15,00,000 @ 15% u/s 111A	2,25,000
Tax on Normal Income of ₹ 85,00,000 @ 35%	29,75,000
Add: Surcharge @ 2%	74,000
Tax before Health A Education Cess	37,74,000
Add: Health A Education Cess @ 4%	1,50,960
Tax Liability	39,24,960



@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB



CHAPTER - 2 RESIDENCE AND SCOPE OF TOTAL INCOME

Lecture 1

When become a person Resident (ROR/RNOR) or Non Resident?

How to Compute/meaning of Total Income (It means maximum income is chargeable to tax in the hands of R/NR)

Most Important point

Total Income of an Assessee is based on the Residential status of a person.

Section 5 to Section 9

Section 5 – Scope of Total Income
Section 6 – Residential status
Section 7 – Income deemed to be Received in India. (will discuss under salary chapter)
Section 8 – Not Relevant
Section 9 – Income Deemed to be accrue or arise in india

Section 6

Before Reading the Section 6 let's understand the basic points about Residential Status.

The Incidence (Burden) of tax of an assesee depends upon residential status of an assessee.

For all the purpose of Income Tax, Tax payer (Individual or HUF) are classified into the broad categories on the basis of their Residential status :-



1] Resident and ordinary Resident in India (ROR)
2] Resident but not ordinary Resident in India (RNOR)
3] Non-Resident (NR)

Tax payer (other than Individual or HUF) are classified into Two categories on the basis of their Residential Status :-

a) Resident
b) Non-Resident

The Residential status of an assessee must be ascertained to EACH PREVIOUS YEAR. A person who is ROR in one year may be RNOR or NR is another year or vice-versa.

→ A person may be Resident for more than one country in one P.Y.

→ Citizenship, origin ship, R.S, these are all separate Concept, it means :-

→ Person Foreign citizen but may be Resident in India.
→ Person Indian origin but may be Non-Resident
→ Person Foreign citizen & Foreign origin but may be Resident in India.

→ Residential status is determined for each year Category of person separately.
(Different Rules for Individual, HUF, Co, Firm etc)



Let's start section 6

An * Individual is said to be Resident in India in Any Previous year if he satisfy ANY ONE of the following TWO BASIC CONDITIONS

1) He has been in india during the Relevant P.Y. for a Total period of 182 days or more

or

2) He has been in india during the Relevant P.Y for a Total period of 60 days or more and 365 days or more in 4 immediately preceding the relevant P.Y.

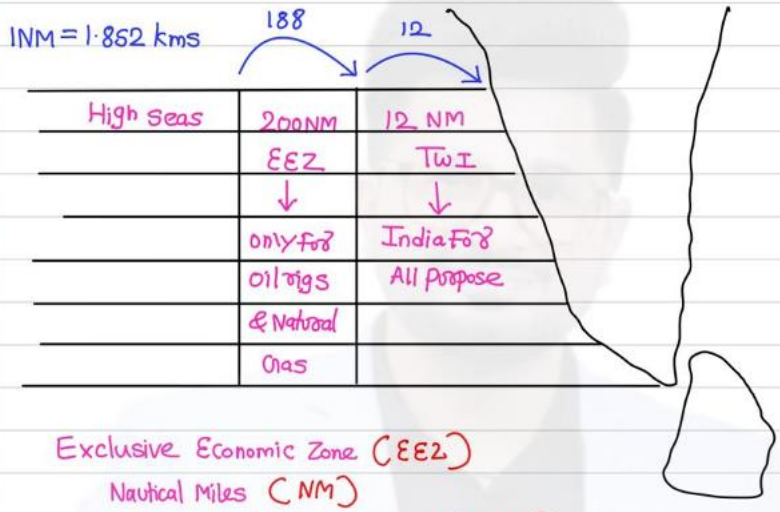
✳ Individual = Male, Female, minor, major, married, unmarried, IC, FC, I.O, F.O etc.

BC-1	BC-2	
✓	X	R
X	✓	R
✓	✓	R
X	X	NR

Individual India में रहा हो
कहीं पर भी रहा हो,
कैसे भी रहा हो,
किसी भी Purpose के लिये रहा हो
अगर कोई भी एक Condition में
Fail करेगा तो Resident माना जायेगा।



Meaning of India - For Income Tax Purpose.



Exclusive Economic Zone (EEZ)
Nautical Miles (NM)
Territorial water of India (TWI)

Date of Departure & arrival → Deemed to be stay in India

India Includes TWI it means stay in TWI Deemed as stay in India.



Question 1. Mr. VG is a foreign citizen, he reside in USA since 1940, the visit in India 100 days every year. Determine his R.S for AY 25-26.

Ans :- Resident in India since he satisfied 2nd B.C.

Question 2. Mr. VG is a foreign citizen, he visit in India on 25|1|2025 for 240 days. His total stay in 4 I.P.P.Y was 400 days determine his R.S for AY 25-26?

Ans :- Resident in India since he satisfied 2nd B.C.

Question 3. Mr VG is an indian citizen, he left India for the Ist time on 18|7|24 to see Burj khalifa and return to india 15|4|25. Determine his R.S for A.Y 25-26

Ans :- Resident in India since he satisfied 2nd B.C.

Question 4. Mr. X is an Indian citizen he left India and visit in india as per the following dates :-

left India	Visit India
18|5|2024	15|9|2024
18|11|2024	18|12|2024
5|1|2025	14|2|2025

His total stay in last 4 I.P.P.Y = 280 days
Determine his R.S and Days stay in India during the P.Y 24-25?

Ans :- Person is a Non Resident he failed to satisfy both B.C.
Stay in India during 24-25 = 178 days



H.W

Q1. Mr. VG is a foreign citizen, resides in USA since 1990 but during the P.Y. 24-25 he visits in india and left india as per the following dates

Visit India	left India
15/7/2024	18/10/2024
15/11/2024	5/1/2024
3/2/2025	31/3/2025

His total stay in 4 I.P.Y = 320 days
Determine his RS & Days stay in India.

Solution :-

July 17
Aug 31
Sep 30
Oct 18
96 Days

Nov 16
Dec 31
Jan 5
52 Days

Feb 26
March 31
57 Days

Total 205 Day

Mr. VG is a Resident in india as he satisfies 1st B.C.



Q2. Mr. X is an Indian Citizen he left India on 8/7/2024 for 181 days, his total Stay in last 4 P.P.Y was 380 days. Determine his R.S for AY 25-26.

Ans :- Mr. X is a Resident in India as he satisfies Both the B.C



Lecture 2

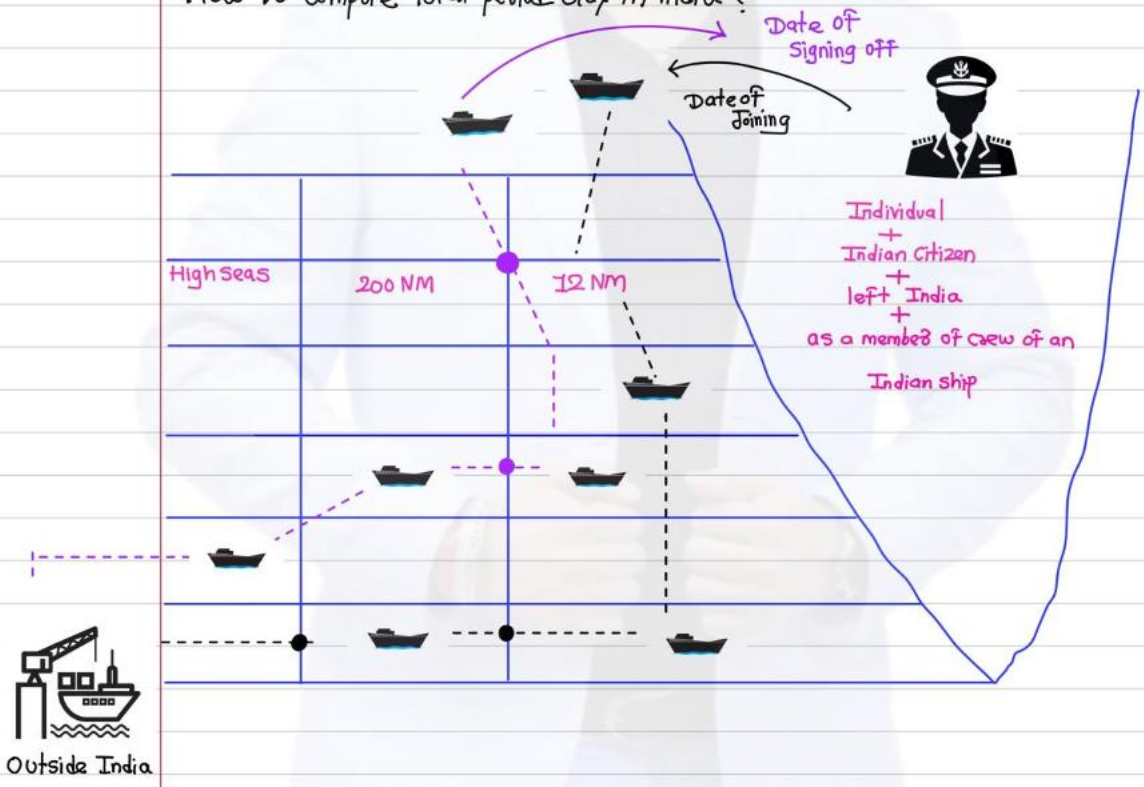
Normal Basic Conditions shall not be taken into Consideration in the following 5 Cases.

Case I

An Individual being an Indian citizen who leaves India in any previous Year as a member of Crew of an Indian ship :-

Such individual will be Treated as Resident in India only If his total period of stay in India during the such P.Y. 182 days or more.

How to Compute Total Period stay in India ?





Deemed o/s India → From the date of joining to the Date of Signing.

Days stay in India

365 − (Deemed o/s India)

↓

Difference

182 days or more	less than 182
↓	↓
Resident	NR

In Normal Case

बाहर से आने and बाहर जाने दोनो दिन India मे Count होते है

In Crew member Case

आने & जाने के दोनो o/s India ही माने जायगे

e.g.as

An Individual being an Indian Citizen, leaves India in any P.Y, "For the purpose of employment" → Such individual will be treated as Resident in India during such P.Y. is 182 days or more

stay in India including stay in TWI

For the purpose of Employment = Case 2 Apply

In the Course of Employment = Case 2 Not Apply, Normal B.C Apply



Person of Indian origin :-

If he either of his parents, either of his grand parents are born in undivided india (i.e. before 1947)

* DADA, DADI, NANA, NANI

* India, Pakistan, Bangladesh

Indian citizen :-

1) Birth on or after 26/1/1950 but before 1/7/1987

Citizen of India BY BIRTH

2) Birth on or after 1/7/1987 but before 3/12/2004

Citizen of India if either of his/her Parents was a Citizen of india at the time of birth

3) Birth on after 3/12/2004 upto till date

Citizen of India if Both of their Parents was Citizen of India at the time of birth.



Lecture 3

Case 3

An Individual being an Indian citizen (or) Person of Indian origin, who is settled outside India, visit in India and his Total Income Except Foreign Source Income is upto ₹ 15 Lakh, he shall be treated as Resident only if his total stay in India in such P.Y 182 days (or) more.

Case 4

An Individual being an Indian citizen or Person of Indian origin, settled outside India, visit in India, and his TOTAL INCOME EXCEPT Foreign Source Income More than ₹ 15 Lakh, he shall be treated as Resident in India only if he satisfies ANY ONE of the Following Two Condition :-

a) 182 days (or) more in R.P.Y

(or)

b) 120 days (or) more in R.P.Y

and

365 days (or) more in I.P.P.Y.



How to Compute total Income other than Foreign Source Income upto 15L (or) more than 15 Lakh ?

	Particulars	Whether Included in ₹15 lakh limit or Not ?
1.	Income arise in India	
2.	Income deeded to be arise in India	✓
3.	Income received in India	✓
4.	Income deemed to be received in India	✓
5.	Income arise outside India and received outside India but business Controlled From India	✓
6.	Income arise outside India and received outside India but professional set up in India	✓
7.	Income arise & Received outside India and business Control & Profession set up outside India.	✗



If Question given :-

Income arise India & received outside India = Deemed as Foreign Source Income.

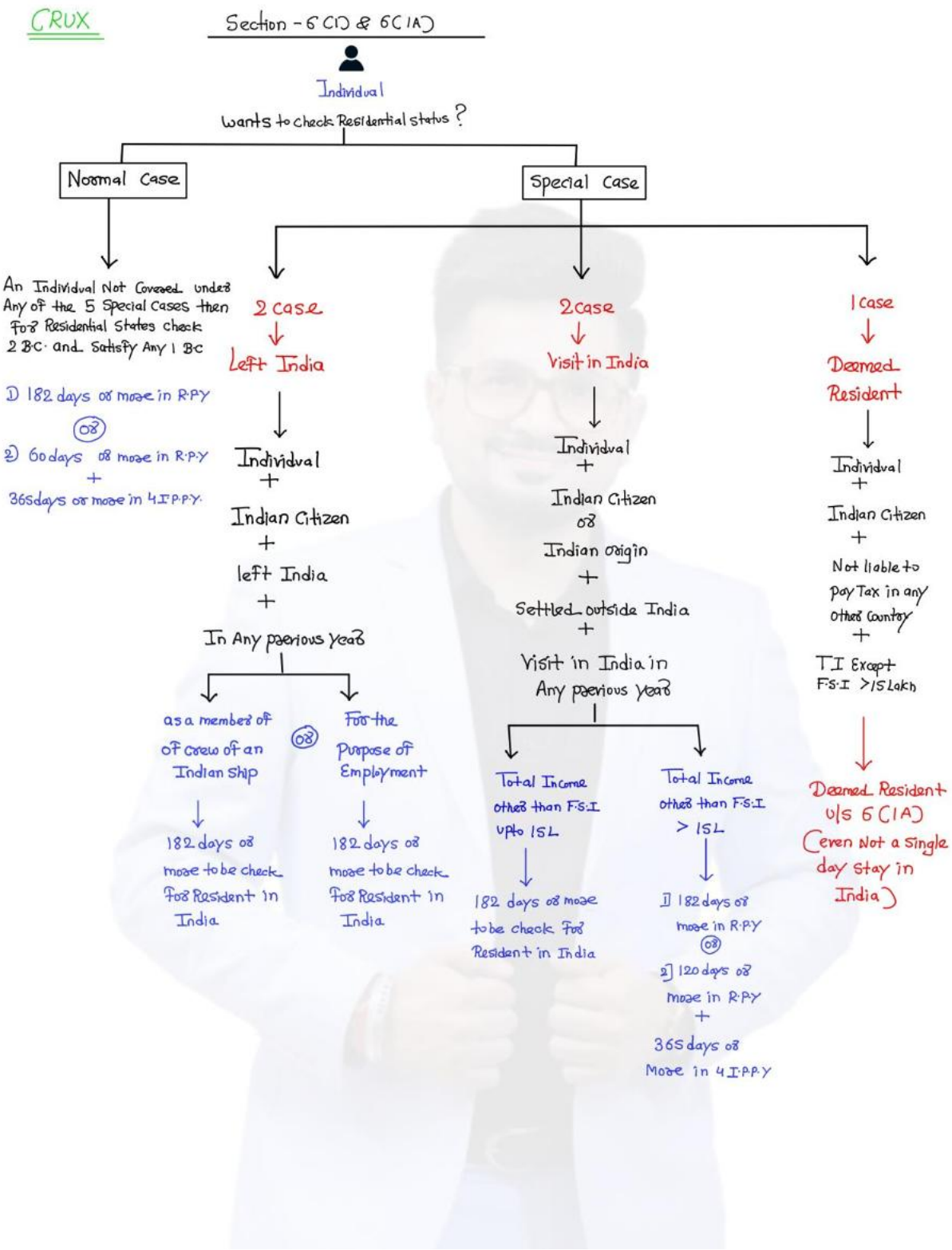
Case s (section 6(1A) — Deemed Resident)

An Individual, being an Indian Citizen, his total Income other than Foreign Source income MORE THAN 15Lakh and he is not liable to pay Tax in Any other Country / Territory, he shall be DEEMED as RESIDENT in India in that P.Y (Irrespective of the Total Number of days stay in India)

Important Point

It is hear by declared that section 6(1A) Not Apply where section 6(1) Apply.




CRUX
Section - 6(1) & 6(1A)
Individual
Wants to check Residential status ?
Normal Case
Special Case
An Individual Not Covered under Any of the 5 Special Cases then For Residential Status check 2 BC and Satisfy Any 1 Bc
1) 182 days or more in R.P.Y
(or)
2) 60 days or more in R.P.Y
+
365 days or more in 4 I.P.P.Y.
2 case
Left India
Individual
+
Indian Citizen
+
left India
+
In Any previous year
as a member of of Crew of an Indian Ship
(or)
For the Purpose of Employment
182 days or more to be check For Resident in India
182 days or more to be check For Resident in India
2 case
Visit in India
Individual
+
Indian Citizen
or
Indian origin
+
Settled outside India
+
Visit in India in Any previous year
Total Income other than F.S.I upto 15L
Total Income other than F.S.I > 15L
182 days or more to be check For Resident in India
1] 182 days or more in R.P.Y
(or)
2] 120 days or more in R.P.Y
+
365 days or More in 4 I.P.P.Y
1 case
Deemed Resident
Individual
+
Indian Citizen
+
Not liable to pay Tax in any other country
+
TI Except F.S.I > 15 Lakh
Deemed Resident u/s 6(1A)
(even Not a Single day stay in India)



Home work

Q 1. Mr. VG is an Indian citizen, he settled in USA since 1980, he visits in India to see laxmi Nagar and chandni chowk and other place in delhi for 190 days on 18/12/2024 Determine his Residential status for A.Y 25-26 his total income except F.S.I.

1] 12,00,000 2] 15,00,000

Solution:- Individual, being an Indian citizen, settled outside India, visits India, in Relevant previous year shall be treated as Resident in India if :

a] In case his Total Income excluding foreign source income is upto 15 lakh : he has been in India in Relevant previous year for a total Period of 182 days or more

b) In case his Total Income excluding foreign source income exceeds 15 lakh : he has been in India for a total Period of

I. 180 days in Relevant previous year ;
or
II. 120 days or more in Relevant previous year and 365 days or more in 4 years immediately preceding previous year.

Computation of Stay in India :

Dec 2024	14
Jan 2025	31
Feb 2025	28
Mar 2025	31
	104 Days



For Case given under (1) :

Total Income except foreign source income : 12,00,000
Number of days stay in India : 104 days

Hence, non-Resident under sec 6(1)

For case given under (2) :

Total Income except foreign source income : 18,00,000
Number of days stay in India : 104 days

Hence, non-Resident under sec 6(1)

Q2. Mr. X is an Indian citizen, settled in Japan and work in japan, he visit in India on 18/11/2024 for the business purpose, his total stay in last 4 I.P.P.Y was 390 days his income during the PY 24-25 as follows :—

Income arise in India	= 800000
Income arise & received outside India	= 1200000
Income arise outside India but business Controlled from India	= 700000

Determine mine his Residential status for AY 25-26 ?



Solution:- Individual, being an Indian citizen or person of Indian origin, settled outside India, visiting India in the Relevant previous year having a Total Income excluding foreign source Income upto ₹ 15,00,000, shall be treated as Resident in India if he has been in India for a total Period of 180 days in Relevant previous year.

Facts of the case

Stay in India in relevant previous year 134 days

Nov 24	13
Dec 24	31
Jan 25	31
Feb 25	28
Mar 25	31
	134 Days

Stay in India in 4 years preceding Relevant previous year 390 days.

Total Income excluding foreign Income foreign source Income
= 15,00,000 (8L + 7L)

Considering the above mention provision & Facts, Mr. RG having total Income (excluding foreign source Income) of upto 15,00,000 and total stay in India in Relevant previous year of less than 182 days shall be treated as a Non-Resident in India.



Q3. Mr. James is a foreign citizen but person of Indian origin, he visits in India in P.Y 24-25 for 40 days and his total stay in last 4 P.Y. = 390 days and he is not liable to pay TAX in any other Country and his Total Income except F.S.I = 1800000

Solution : Individual, being an Indian citizen or person of Indian origin, settled outside India, visiting India in the Relevant previous year having a total Income excluding foreign source Income exceeds ₹ 15,00,000, shall be treated as resident in India.

I. If he has been in India for a total Period of 180 days in Relevant previous years.

or

II. 120 days or more in Relevant previous year and 365 days or more in 4 years immediately preceding previous year.

Computation of Days stay in India

40 Days in P.Y 2024-2025
and

Stay in India in 4 years preceding Relevant previous year 390 days.

In given case Mr. James is Non-Resident he does not Satisfies any of the Condition given these under.



Q4. Mr. Rahul is an Indian citizen settled in USA and visits in India on 25/1/2025 to see RAM Mandir in Ayodhya, his total Income except FSI was ₹ 17,00,000 and he is not liable to pay tax in USA, What will be yours Ans if Total Income other than FSI was ₹ 9,00,000.

Solution

Provision

Section 6(1A) provides for Deemed Resident It states that, any individual being an Indian Citizen whose Total Income other than foreign source income exceeds 15,00,000 ₹ and he is not liable to pay tax in any country / territory, he shall be deemed Resident in India for the relevant previous Year.

Facts of the case :

Mr. Rahul Total Income other than foreign source income is 17,00,000 (Assuming Not liable to pay tax else where also) Mr. Rahul is Indian Citizen.

Conclusion :

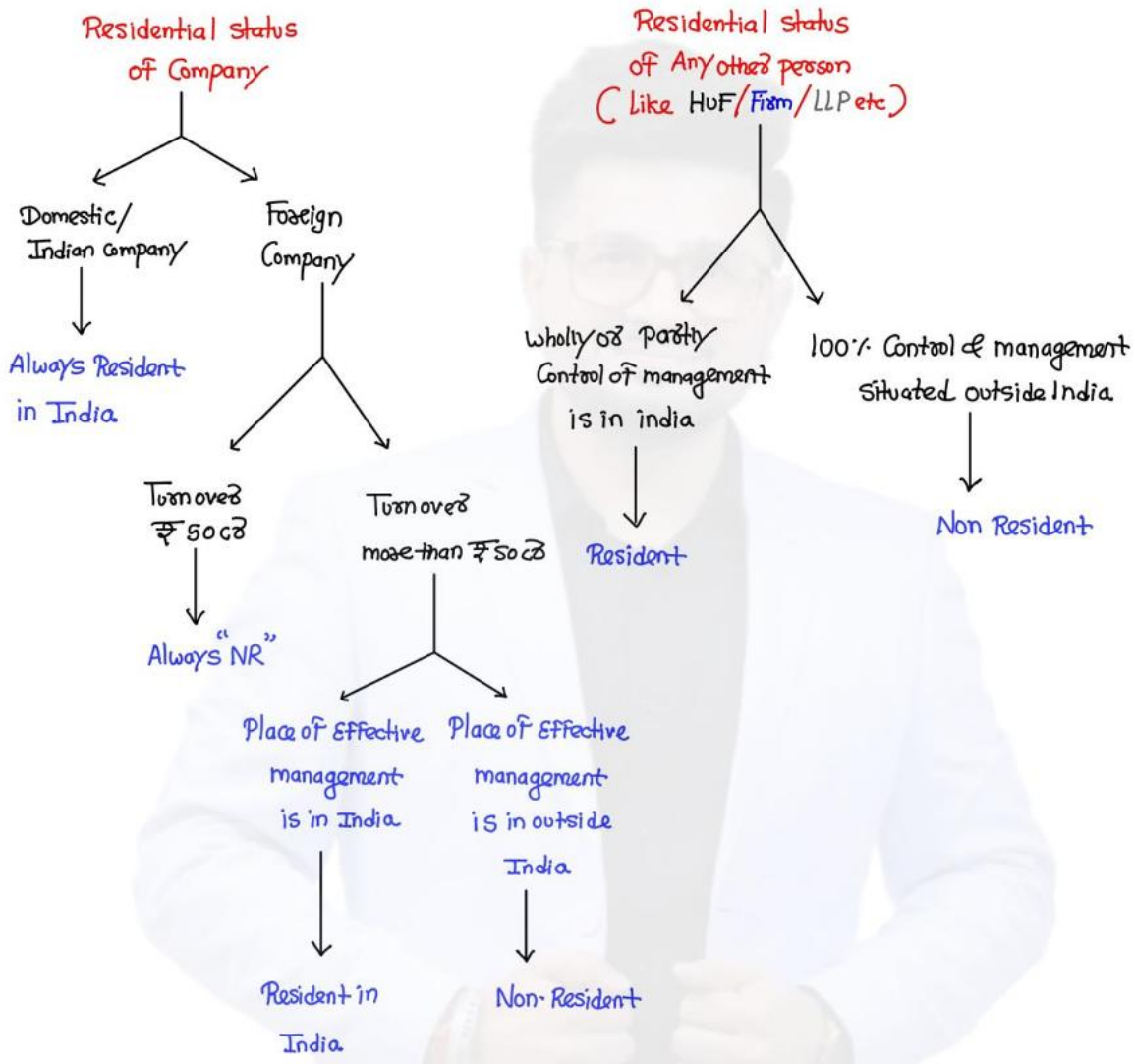
Mr. Rahul shall be deemed Resident under Sec 6(1A) as he satisfies Condition given these unders.

Further IF Total income excluding foreign source income is ₹ 9,00,000, he will Not be Deemed Resident under 6(1A) as his total Income excluding foreign income is not in excess of ₹ 15,00,000.



Lecture 4

Residential status of HUF / Firm / LLP / Society / Company, etc.

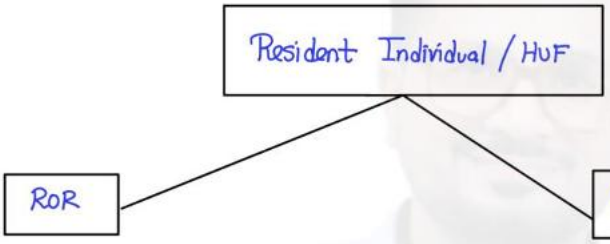




Important Points Section 6(5)/6(6)

1. If a person is resident in india in a p.y relevant to an assessment year in respect of any source of income, he shall be deemed to be resident in India in the p.y relevant to A.Y in respect of any other source of Income.

2. After become resident there is 2 category of Resident in case of Individual or HUF i.e. ROR or RNOR



An Individual is said to be ROR if he satisfied Both the following 2 Conditions

1. Resident in atleast Any 2 p.y out of 10 I.P.P.Y

+

2. Total stay in India was 730 days or more in 7 I.P.P.Y

An Individual / HUF is said to be RNOR If he is satisfy Any one of the following Two Conditions.

1. He has been NR at least 9 out of 10 I.P.P.Y

or

2. His total stay in India 729 days or less in 7 I.P.P.Y

Ye kabhi bhi ROR Nahi Ban Sakte

Important Point

Following 2 Cases deemed to be treated as RNOR

1. An Individual treated as Resident due to 120 days or more Condition

or

2. Deemed Resident U/S 6(1A)



* In Case of HUF → karta / manager will satisfy above condition

All other person other than Individual or HUF may be R or NR (There is No further 2 Category of R)

Example :-

Assume Mr. VG is Resident in India during the PY 24-25
Determine whether he is RoR or RNoR in the following cases :-

In past 10 I.P.P.Y	9 NR 1 R	8 NR 2 R	6 NR 4 R	10 NR	10 NR	9 R 1 NR	10 NR
In past 7 I.P.P.Y	740 days	278 days	740 days	750 days	660 days	760 days	720 days
Answer	RNOR	RNOR	RoR	RNoR	RNoR	ROR	RNoR

Home work P.g 2.5 Q1 Q2 Q3 Q4
2.28 Q 1 Q 2

Example :–

HUF	100 % Control outside India	80% Control in India, 20% outside India	50% Control in India, 50% outside India	10% Control in India, 90% outside India
Karta	ROR	RNOR	NR	ROR
HUF Status	NR	RNOR	कुछ भी हो सकती है ROR or RNOR Depend karta ka karta ka.	ROR

HUF	100 % Control In India
Karta	RNOR
HUF Status	RNOR



Lecture 5

Section-5 Scope of Total Income

	Particulars	R/ROR	RNOR	NR
A)	Income accrue or arise in India (whether received in India or Not)	Taxable	Taxable	Taxable
B)	Income deemed to be accrue or arise in India (whether received in India or Not)	Taxable	Taxable	Taxable
C)	Income received in India (whether arise in India or Not)	Taxable	Taxable	Taxable
D)	Income deemed to be received in India (whether arise in India or Not)	Taxable	Taxable	Taxable
E)	Income accrue or arise outside India from a business control of profession set up in India but Income received outside India	Taxable	Taxable	Not Taxable
F)	Income arise & Received outside India and business control of Profession set up outside India	Taxable	Not Taxable	Not Taxable



G)	Income exempt under Any Provision of Income TAX Act, 1961	NOT Taxable	NOT Taxable	NOT Taxable
H)	Past UNTAXED Profit	NOT Taxable	NOT Taxable	NOT Taxable



		RoR	RNoR	NR
		10,000	5,000	5,000
		20,000	10000	20000
		20,000	20,000	20,000
		5,000	0	0
		40,000	20,000	20,000
		70,000	70,000	40,000
		15,000	15,000	15,000
		50,000	0	0
		12,000	12,000	12,000
		8,000	8,000	8,000
		26,000	26,000	26,000
		16,000	0	0
		0	0	0
		18,000	0	0
		3,10,000	1,96,000	1,66,000



Q1. Compute his total Income in the following cases :-
Assume he is ROR / RNOR / NR

1] Income from business in kenya, received in Thailand = 1,00,000

2] Income from property situated in Bihar, 50% Received in Bihar & Balance 50% in USA = 50,000

3] Salary from employer & Employer business in USA & Received in India = 80,000

4] Income from Business in Canada, received in Canada, 50% business controlled from India = 90,000

5] Agriculture Income arise in Haryana and Received in Haryana = 1,00,000

Solution :-

	R/ ROR	RNOR	NR
	1,00,000	0	0
	50,000	50,000	50,000
	80,000	80,000	80,000
	90,000	45,000	0
	0	0	0
Total Income	3,20,000	1,75,000	1,30,000



Home work

Q1. Compute Total Income if mr. vca is RoR / RNoR / NR

Income from business in Japan, Controlled from Delhi & 30% Received in India. → 3,00,000

Income from property situated in India, Received in USA → 1,50,000

Past untaxed profit → 40,000

Agricultural Income arise in Japan, Received in Haryana → 90,000

Income from service rendered in USA and received there → 80,000

Income from Business in China, received in Delhi, 50% Controlled From India → 200,000

Dividend from US Company, received in India → 40,000



Solution :-

	R/RoR	RNOR	NR
	3,00,000	3,00,000	90,000
	1,50,000	1,50,000	1,50,000
	0	0	0
	99,000	99,000	90,000
	80,000	0	0
	200,000	200,000	2,00,000
	40,000	40,000	40,000
Total Income	860,000	7,80,000	5,70,000



Q2. Mr. VG is a foreign citizen and reside in USA since 1980, his parents was born in 1950 in USA, his Grand mother was born in 1935 in china and Grand father was born in 1937 lahore (pakistan). he visit in India on 18/11/2024 to see many places in India his total stay in 4 I.P.P.Y was 370 days. He was Resident in 3 out of 10 I.P.P.Y and 745 days in 7 I.P.P.Y. He arise Income during the p.y as follows :-

→ Income from business in Delhi, Received in USA = 600,000

→ Income from business in USA, Controlled From Delhi & received in U.S.A = 7,00,000

→ Income arise & Received in USA = 6,00,000

→ Income from property situated in U.S.A 50% Received in India. = 6,00,000

Determine his R.S & Total Income on the basis of R.S.



Solution :- (I) Determination of Residential status :

Person of Indian origin :-

An Individual be said as a person of Indian origin if any of his parents or grandparents were born in undivided India (i.e. before 1947)

In this case since mr. RG grandmother was born before 1947 (i.e. in 1937) he shall be an person of Indian origin.

Determination of Resident / Non-Resident :

An Individual, being an Indian citizen or person of Indian origin, settled outside India, visits in India in Relevant previous year, having a Total Income excluding Income from foreign source of ₹ 15,00,000 or more shall be treated as Resident in India if he satisfies any one of the following two Condition :

i) he has been in India in Relevant previous year for a total period of 182 days or more ; or

ii) he has been in India in Relevant previous year for a Total period of 120 days or more and 365 days or more in 4 preceding the relevant previous year.

In the given case ; mr. RG is a person of Indian origin

- His Total Income excluding foreign sources income is ₹ 16,00,000 (6,00,000 + 7,00,000 + 3,00,000)
- His stay in India in Relevant previous year → 134 days

Nov 2024	13
Dec 2024	31
Jan 2025	31
Feb 2025	28
Mar 2025	31
	134 Days



- His stay in India in 4 years immediately preceding the relevant previous year
  ⟶ 370 days

Thus, he will be treated as Resident in India for Relevant previous year for satisfying (ii) Condition.

Determination of ordinary Resident Not-ordinary Resident:

Person becoming Resident in India for Relevant previous year by virtue of 120 days Condition shall always be treated as "Resident but not ordinary Resident".

Residential status of Mr. VG ⟶ RNOR
Resident but not-ordinary Resident.

(II) Determination of Total Income:

Total income of a person who is "Resident but not-ordinary Resident" shall include all Income from whatever source which is

a) received / deemed to be received in India during Relevant previous year, or

b) accrues or arises / deemed to be accrue or arise in India during Relevant previous year.

c) accrued / arrises to him outside India only if the business is controlled or profession is setup in India



	Particulars	Amount (₹)
1)	Income from business in Delhi, Received in USA	6,00,000
2)	Income from business in USA, Controlled From Delhi & received in U.S.A	7,00,000
3)	Income arise & Received in USA	—
4)	Income from property situated in U.S.A 50% Received in India.	3,00,000
	Total Income	16,00,000



Lecture 6

Section - 9 Income deemed to be accrue or arise in India

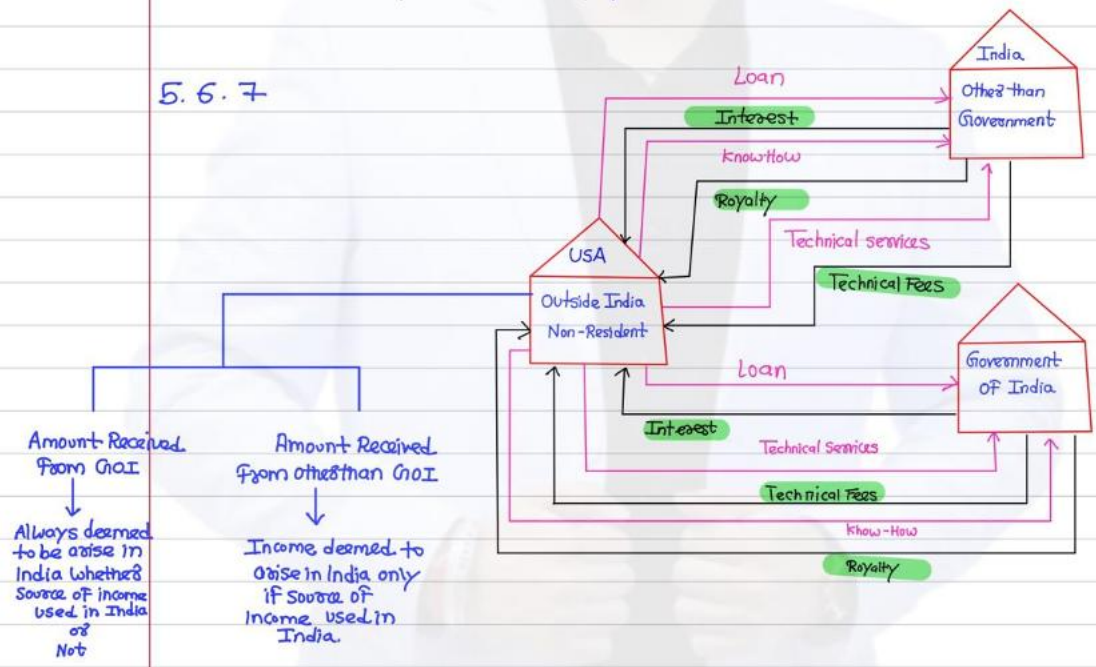
1] Income accrue or arise outside India, directly or Indirectly through or from
- Any Business Connection in India. *
- Any property / Asset situated in India.
- Transfer of Capital Asset situated in India

2] Salary Earned for services rendered in India,

3] Salary From Govt of India to an Indian Citizen even if service rendered outside India.

4] Dividend paid by an Indian Company.

5. 6. 7



Amount Received From GoI → Always deemed to be arise in India whether Source of income used in India or Not

Amount Received From other than GoI → Income deemed to arise in India only if Source of Income used in India.



* In case of Non-Resident the following shall not be deemed to be accrue or arise in India even if business connection from India :-

1) Purchase of Goods in India for the propose of Export.

2) shooting of film in India but Transmission outside India.

3) Collection of News in india but transmission outside India

4) Activities Confined to display of rough diamonds in SNZ
   ↳ Special Notified Zone.

With Presentation

Q 1. Mr. VG is a foreign citizen but indian origin left India on 22/8/2024 to work as an officer of company in Japan, his total stay in last 4 I.P.P.Y 380 days he arise following incomes during the P.Y. 24-25 :-

1) Income from business in Japan, Controlled from Delhi = 3,00,000

2) Income from business in Bombay, received in U.S.A = 8,00,000

3) Income from property situated in delhi, received in Delhi = 4,00,000

Determine his R.S & Compose TI on the basis of R.S

He was R in 4 p.y. out of 10 I.P.P.Y and 740 days in last 7 I.P.P.Y.



Solution :- Provision related to Q1.

As per section 6(1), An Individual is said to be resident in India in any P.Y. , if he satisfies Any one of the following 2 Condition :-

a) He has been in India during the P.Y. for a total period of 182 days or more

or

b) He has been in India during the P.Y for a total period of 60 days or more and Total period of 365 days or more in 4 Immediately preceding the relevant P.Y

In Section 6(1) there is some exceptions of above provision but in above case Mr. VG is a foreign Citizen hence Not Covered under any exception

During the P.Y 24-25, Mr. VG Total stay in India was :-

April = 30
May = 31
June = 30
July = 31
Aug = 22
144 days

and 380 days in last Immediately preceding previous year (i.e. 365 or more)

Conclusion

Since Mr. VG satisfy 2nd Condition of Section - 6(1) hence he is Resident in India and he is 4 times Resident in out of 10 Immediately preceding previous year and 740 days in last 7 Immediately preceding previous year therefore he is resident and ordinary resident in India during the P.Y 24-25.



As per the above Residential status Computation of Total Income as Follows :-

	Particulars	Income
1)	Income From business in Japan, Controlled From Delhi	3,00,000
2)	Income From business in Bombay, received in U.S.A	8,00,000
3)	Income From property situated in delhi, received in Delhi	4,00,000
	Total Income	15,00,000

Mr. X is a Indian Citizen, reside USA Since 1980. he visit in India For 1st time on 22/4/2024 and left India 25/5/2024. his total Stay in last 4 Immediately preceding perious year = 390 days his total stay in last 7 Immediately preceding perious year = 740 days he was 4 times Resident in 10 Immediately preceding perious year.

He is not liable to pay tax in U.S.A. Determine his R.S.

Solution :-

1. Assume Total Income except foreign source income upto 15L
   He is NR since he does not satisfy any Condition given u/s 6(1)

2. Assume Total Income except foreign source income exceeds 15L.
   He is Deemed as Resident u/s 6(1A) and he is deemed as RNOR





@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB



CHAPTER - 3 INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME

CLUBBING OF INCOME

Summary Diagram of section 60, 61, 62, 63

Any Person → Any person

Transfer of

- Income
  - Revocable Transfer of Income without Transfer of Asset
  - Irrevocable Transfer of Income without Transfer of Asset

  → Income is to be Included in the Total Income of "Transferor" — Section-60
- Asset
  - Revocable (=) Transfer of Asset → Income arise from such transfer is to be included in the Total Income of "Transferor" — Section-61
  - Irrevocable (= =) Transfer of Asset
    - Upto the Death of Transferee → Income arise from such transfer is to be included in the Total Income of "Transferee"
    - After the Death of Transferee → Income arise from such transfer is to be included in the Total Income of "Transferor" or legal heir as the case may be

    → Section - 62



Meaning of Revocable Transfer (Section-63)

Transfer is deemed to be "Revocable" if :—

a] It contains Any provision for the re-transfer, of whole or any part of Income or asset of the Transferor

or

b] It gives, in Anyway to the transferor, a right to re-assume power, over the whole or any part of Income or asset.

Meaning of Irrevocable Transfer

Section 61 will not apply to any income arising to any person if there is –

(i) a transfer by way of trust which is not revocable during the life time of the beneficiary; and

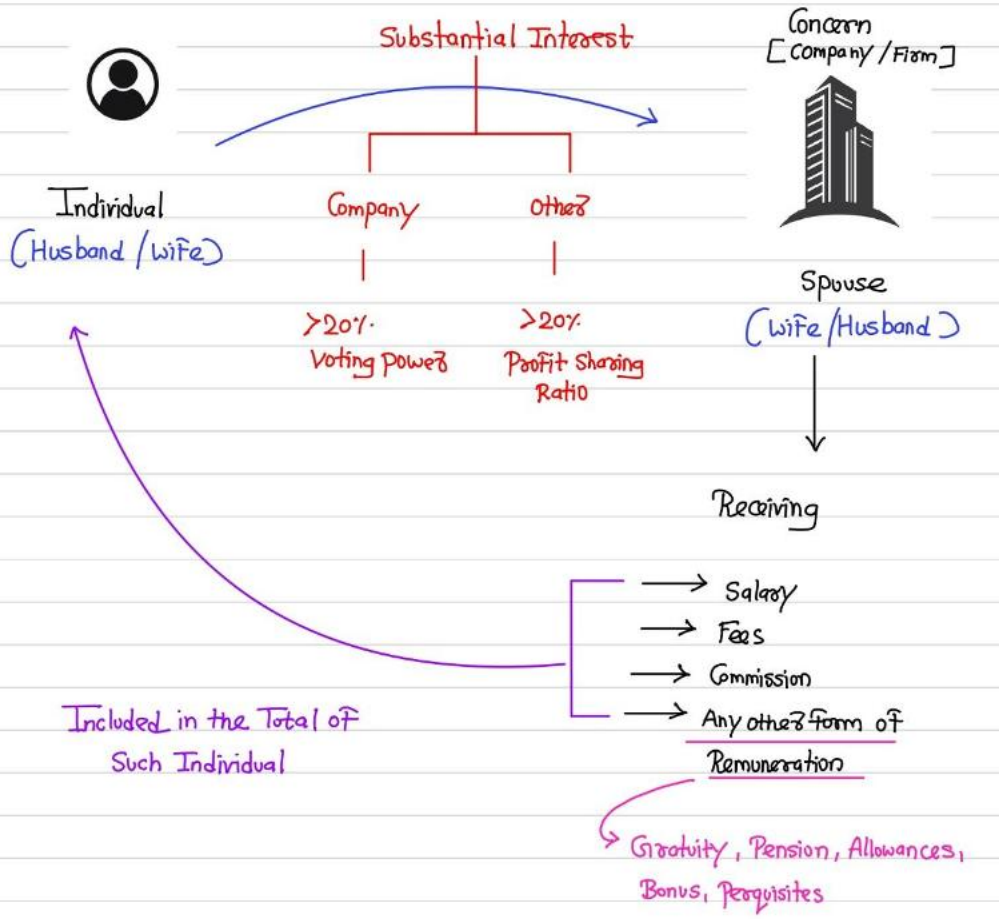
(ii) any other transfer, which is not revocable during the life time of the transferee.



Lecture 2

Clubbing of income arising to spouse

I. Income by way of remuneration from a concern in which the individual has substantial interest [Section 64(1)(ii)]



Exception :- Where spouse possesses technical or professional qualification or degree and amount justified to that qualification clubbing provision will not Apply.



Important Note :-

Both husband and wife have substantial interest in a concern: Where both husband and wife have substantial interest in a concern and both are in receipt of income by way of salary etc. from the said concern, such income will be includible in the hands of that spouse, whose total income, excluding such income is higher.

[Section 64(1A)]

→ All Income of a minor child is clubbed with the Income of Parent (whose total income excluding such income is higher)

→ Exemption of 1500 per child is available u/s 10(32) if assessee Opt Normal Regime (No Exemption in Case of default Regime)

In the following Two Case clubbing Provision Not Apply

1. Income from Manual work, Skill, Talent, Expertise knowledge etc.

2. Income of minor child suffering from disability

↓

But Accretion of Income is to be included/clubbed in the hands of parents.

[Income से Income कमाना]

[SECTION 64(2)]

→ Where an individual, who is a member of HUF and Convert his Self acquired property into the property of HUF the income arise from such property is to be included in the Total Income of such member/Individual.



Section-64 (1) (iv) + 64 (1) (vii) + 64 (1) (vi) + 64 (1) (viii)

Section-64 (1) (iv)

Income arising to spouse from an asset (Except HP) transferred without Consideration or inadequate Consideration then such income is to be included in the Total Income of Individual

Clubbing Provision Apply only if :-

(i) Relationship of Husband & wife must be exist at the time of Transfer and at the time of accural of income.

Clubbing Provision Not Apply

→ In Case of live apart
→ Transfer of HP (Sec-27 Apply)
→ Accretion of Income (Income से Income कमाना)

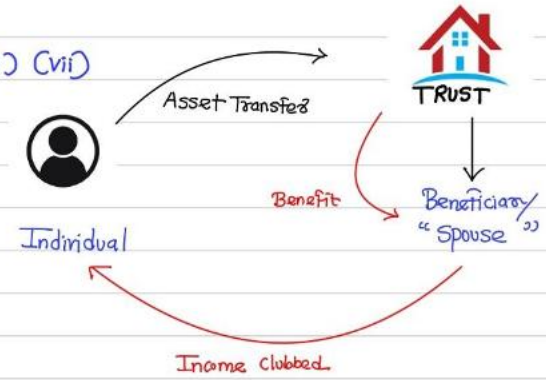
Lecture 3 ← **Transferred asset invested in business:**

Where the assets transferred, directly or indirectly, by an individual to his spouse are invested by the transferee in the business, proportionate income arising to the transferee from such investment is to be included in the total income of the transferor.

Such proportion has to be computed by taking into account the value of the aforesaid investment as on the first day of the previous year to the total investment in the business

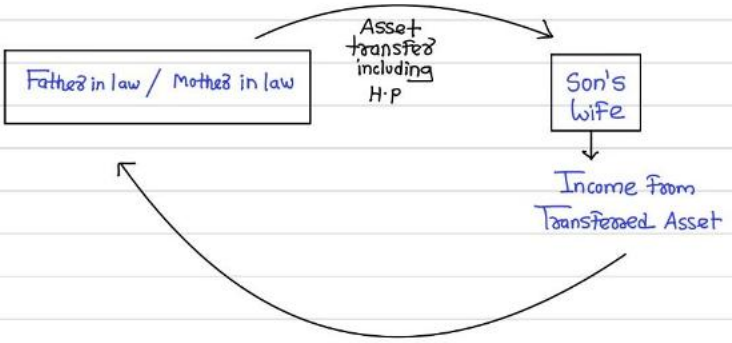


Section-64 (1) (vii)



i.e. Indirect Transfer

Section-64 (1) (vi)



Clubbed in the hands of Father in law or Mother in law

Clubbing Provision Apply only if :-

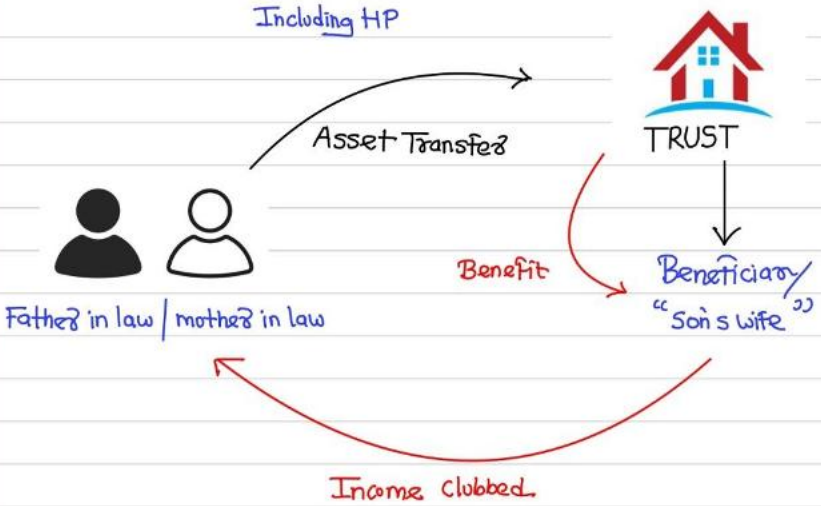
Relation must be exist at the time of Transfer and at the time of accural of income.

Clubbing Provision Not Apply :-

→ Accretion of Income (Income से Income कमाना)



Section-64 (1) (viii)



i.e. Indirect Transfer

Lecture 3 ← **INCOME INCLUDES LOSS**

'income' would include 'loss'. Accordingly, where the specified income to be included in the total income of the individual is a loss, such loss will be taken into account while computing the total income of the individual.





9643036663 (only WhatsApp)

@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB



CHAPTER - 4

AGGREGATION OF INCOME, SET-OFF AND CARRY FORWARD OF LOSSES

Section-70 to 79

Lecture 1

Set off of losses & C/F and set off of losses

- Same Year में अगर किसी भी Head से loss Hoga तो उसका Treatment क्या होगा !
- अगर वो loss Same year में Set-off नहीं हुआ तो क्या वो C/F हो सकता है ?
- C/F होने के बाद इस loss का Treatement क्या होगा ? & कितने साल तक losses C/F कर सकते हैं।

Background

5 Heads of Income	Whether losses possible under such head ?	Treatment of losses ?
Salary	Not possible	No Question arise
House Property	✓	Available
PGBP	✓	Available
CG	✓	Available
OS	✓	Available



9643036663 (only WhatsApp)

Lecture 2

Summary Diagram of set off & C/F of losses

Sr.No	Head of Income	Set off of loss	C/F & Set off	Assessment Year
1.	Salary	Not Applicable	Not Applicable	Not Applicable
2.	House property	Normal Scheme - opt Same head = No limit Other head = upto 2 L Default Scheme - opt 115BAC Same Head = No limit Other Other = Not possible (i.e. Can't be set off with Other head Income)	C/F loss Set off with only Same head Can't be c/f hence No Question of Set off	8 A.Y



Sr.No	Head of Income	Set off of loss	C/F & Set off	Assessment Year
3.	Capital Gains	(whether opt NS or DS)		
	LTCL	only LTCG	only LTCG	8 A.Y
	STCL	STCG I st	STCG	
			or	8 A.Y
		LTCG 2 nd	LTCG	
4.	P.G.B.P	(whether opt NS or DS)		
	a) Owing & maintenance of Horse Races	Same business Income	Same business Income	4 A.Y
	b) Speculative Business	Same business Income	Same business Income	4 A.Y
	c) loss from business specified u/s 35AD	Set off with income of Any Business Specified u/s 35AD	Set off with income of Any Business Specified u/s 35AD	∞ (unlimited time)
	d) Other Business losses	Same head = No limit other head = Yes Except Salary Income	Same Head	8 A.Y



Sr.No	Head of Income	Set off of loss	C/F & Set off	Assessment Year
5.	Other Sources			
	Casual loss (Betting, gambling lottery etc.)	Can't be set off	Can't be c/f	N.A
	Other loss (Interest, Rent etc)	Same head = No limit Other head = No limit	Can't be c/f	N.A



Lecture 3

Important Points related to SET-OFF chapter

1] Where ever income is exempt then losses doesn't have any tax treatment. It means it should be ignored.

2] losses from Casual Business (i.e. lottery, Betting, gambling, horse race, online games etc) are not eligible to set off & c/f and set off.

[CRUX = Casual losses ~~किसी की~~ Income ~~से~~ Set off ~~नहीं~~ होगे and Casual Income ~~से कोई की~~ loss set off नहीं होगा]

3] Brought forward losses from a business can be set off even if such business is not Continued.

4] If there is income under any head and eligible losses under other head, such loss shall be setoff I^st against such income they only c/f

(CRUX → Set off is mandatory)

5] Set off of losses not permissible against unexplained income (i.e. Black money)

6] Sequence of set off of losses

I^st = losses should be set off with "Same Head Same Source"

2^nd = Same head → Different/other Source

3^rd = Inter-Head Adjustment = No Sequence
(use- where more beneficial to Assessee)



Example :-

loss from Non-Speculative business	= 8,00,000	
Income from Non-Speculative business	= 2,00,000	1st
Income from Business Specified u/s 35AD	= 1,00,000	2nd
Income from Speculative Business	= 1,00,000	2nd
Income from Capital Gain	= 2,00,000	use any sequence
Income from H.P	= 1,00,000	use any sequence
Net loss	= 1,00,000	

7] Order of set-off ## will discuss After PGBP

Order in which set off will be effected as follows :-

1] Current year Depreciation u/s 32

2] Current year Capital Expenditure on Scientific Research and CY expenditure on Family pension

3] Brought forward losses from Business / Profession

4] Unabsorbed Depreciation

5] Unabsorbed Capital Expenditure on Scientific Research

6] Unabsorbed Expenditure on Family Pension





9643036663 (only WhatsApp)

@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

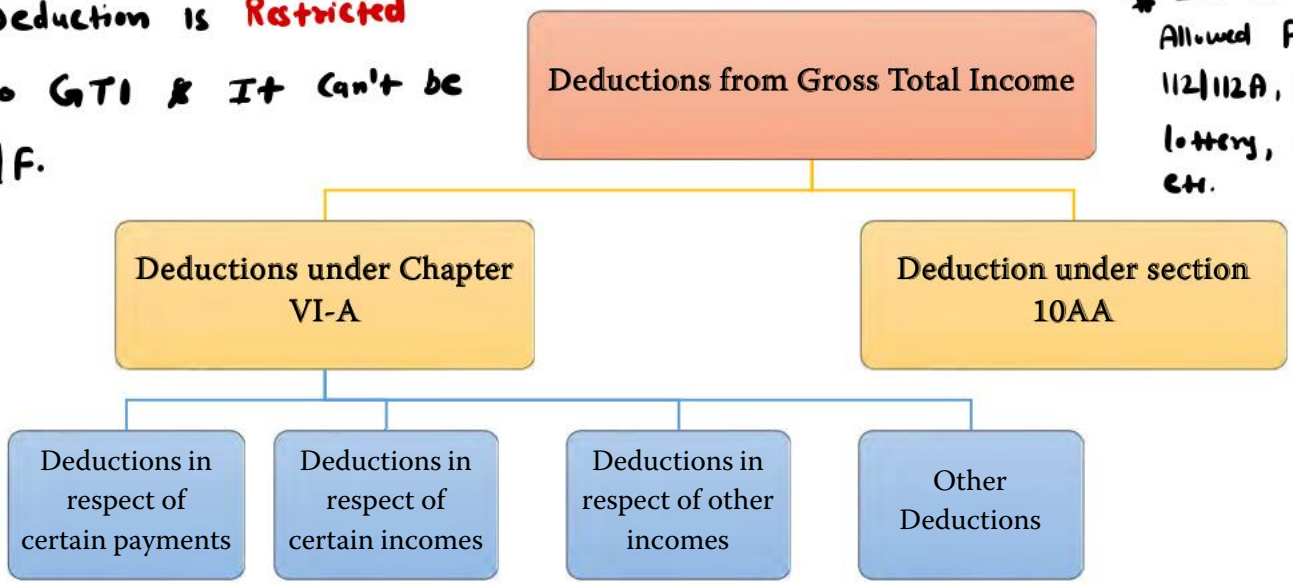
Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB

DEDUCTIONS FROM GROSS TOTAL INCOME

* Deduction is Restricted to GTI & It can't be c/f.

* Deduction Not Allowed from LTCG 112/112A, STCG 111A, lottery, online Gang etc.



DEDUCTIONS IN RESPECT OF CERTAIN PAYMENTS

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80C	Individual or HUF	**Contribution to PPF, Payment of LIC premium, etc.** Sums paid or deposited in the previous year by way of - Life insurance premium - Contribution to PPF/SPF/RPF and approved superannuation fund - Repayment of housing loan taken from Govt., bank, LIC, specified employer etc. Stamp duty, Reg Fee - Tuition fees to any Indian university, college, school for full-time education of any two children - Term deposit for a fixed period of not less than 5 years with schedule bank - Subscription to notified bonds of NABARD - Five year post office time deposit	Sum paid or deposited, subject to a maximum of ₹ 1,50,000

* LIC =
For Individual = Self, Spouse, children
HUF = Any member

Policy issued before 1/4/12
→ Premium Paid (or) Less
→ 20% of SA

Policy w.e.f 1/4/12 - 31/3/13
→ Prem Paid (or) Less
→ 10% of SA

Self | Spouse, children
HUF = Any member

Policy w.e.f 1/4/13
Normal
→ Premium Paid (or) 10% of SA
Handicapped
Premium Paid (or) 15% of SA
LESS

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
		- Senior Citizen's Savings Scheme Account etc. - Contribution by Central Government employee to additional account (Tier II A/c) of NPS referred to u/s 80CCD	
80CCC	Individual	**Contribution to certain pension funds** Any amount paid or deposited to keep in force a contract for any annuity plan of LIC of India or any other insurer for receiving pension from the fund.	Amount paid or deposited, subject to a maximum of ₹ 1,50,000
80CCD	Individuals employed by the Central Government or any other employer; Any other individual assessee	**Contribution to Pension Scheme of Central Government** An individual employed by the Central Government on or after 1.1.2004 or any other employer or any other assessee, being an individual, who has paid or deposited any amount in his account under a notified pension scheme [to his individual pension account [Tier I A/c] under National Pension Scheme & Atal Pension Yojana]	**Employee's Contribution/ Individual's Contribution** In case of a salaried individual, deduction of own contribution u/s 80CCD(1) is restricted to 10% of his salary. In any other case, deduction u/s 80CCD(1) is restricted to 20% of gross total income. Further, additional deduction of upto ₹ 50,000 is available u/s 80CCD(1B).
			Employer's Contribution The entire employer's contribution would be included in the salary of the employee. The deduction of employer's contribution u/s 80CCD(2) would be restricted to 14% of salary, where the employer is the Central Government or State Government; and 10%, in case of any other employer.

Basic + DA (Upto)

Section - 80CCD(1)

Salaried → (i) ee Contribution xx; (iii) 10% of Salary xx

Other Individ. → (ii) Assessee cont (KSI); (vi) 20% of GTI

Note – *As per section 80CCE, maximum permissible deduction u/s 80C, 80CCC & 80CCD(1) is ₹ 1,50,000. However, the limit ₹ 1,50,000 u/s 80CCE does not apply to deduction u/s 80CCD(2) and 80CCD(1B).*

AT THE Time of Closure = 40% Tax 60% Exempt

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80CCH	Individual	**Contribution to Agniveer Corpus Fund** An individual enrolled in the Agnipath Scheme and subscribing to the Agniveer Corpus Fund on or after 1.11.2022, who has paid or deposited any amount in his account in the Agniveer Corpus Fund	**Individual's Contribution** Whole of the amount paid or deposited **Central Government's Contribution** The entire Central Government's contribution to the Agniveer Corpus Fund would be included in the salary of the assessee. Thereafter, deduction u/s 80CCH(2) would be available for the same.
80D	Individual and HUF	**Medical Insurance Premium** (1) Any premium paid, otherwise than by way of cash, to keep inforce an insurance on the health of– **in case of an individual**: self, spouse and dependent children **in case of HUF**: family member (2) In case of an individual, contribution, otherwise than by way of cash, to CGHS or any other scheme as notified by Central Government.	Maximum ₹ 25,000 (₹ 50,000, in case the individual or his or her spouse is a senior citizen)
		(3) Any premium paid, otherwise than by way of cash, to keep in force an insurance on the health of parents, whether or not dependent on the individual.	Maximum ₹ 25,000 (₹ 50,000, in case either or both of the parents are senior citizen(s))
		Notes: (i) Any amount paid, otherwise than by way of cash, on account of medical expenditure incurred on the health of the assessee or his family member or his parent, who is a senior citizen and no amount has been paid to effect or to keep	Amount paid subject to a cap of ₹ 50,000 (in case one parent is a senior citizen, in respect of whom insurance premium is paid, and the other is a senior citizen on whom medical expenditure is incurred, the total deduction

Amount Received by Assessee or his nominee is Fully Exempt.

<table>
<tr><th>Section</th><th>Eligible Assessee</th><th>Eligible Payments</th><th>Permissible Deduction</th></tr>
<tr><td></td><td></td><td>in force an insurance on the health of such person.
(ii) Payment, including cash payment, for preventive health check up of himself, spouse, dependent children and parents.
(4) In case where medical premium is paid lumpsum for more than one year</td><td>cannot exceed ₹ 50,000)

Amount paid subject to a cap of ₹ 5,000, in aggregate (subject to the overall individual limits of ₹ 25,000/ ₹ 50,000, as the case may be)
Deduction for each of the relevant previous year = 1/number of relevnat previous year
Relevant previous year means previous year in which such lumpsum is paid and the subsequent previous years during which the insurance would be in force.</td></tr>
<tr><td>80DD</td><td>Resident Individual or HUF</td><td>Maintenance including medical treatment of a dependant disabled
Any amount incurred for the medical treatment (including nursing), training and rehabilitation of a dependent disabled
and / or
Any amount paid or deposited under the scheme framed in this behalf by the LIC or any other insurer or Administrator or Specified Company and approved by Board.
Meaning of Dependant
<table>
<tr><th>(1)
In case of</th><th>(2)
Dependant</th></tr>
<tr><td>An individual</td><td>Spouse, children, parents, brothers, sisters</td></tr>
<tr><td>A HUF</td><td>Any member</td></tr>
</table>
Persons mentioned in column (2) should be wholly or mainly dependant on the person mentioned in corresponding column (1) for support and maintenance. Such persons should not have claimed deduction under section 80U in computing total income of that year.</td><td>Flat deduction of ₹ 75,000.
In case of severe disability (i.e., person with 80% or more disability) the flat deduction shall be ₹ 1,25,000.</td></tr>
</table>

<table>
<tr><th>Section</th><th>Eligible Assessee</th><th>Eligible Payments</th><th>Permissible Deduction</th></tr>
<tr><td>80DDB</td><td>Resident Individual or HUF</td><td>Deduction for medical treatment of specified diseases or ailments
Amount paid for specified diseases or ailment
<table><tr><th>Assessee</th><th>Amount spent</th></tr><tr><td>An individual</td><td>For himself or his dependant being spouse, children, parents, brothers or sisters, wholly or mainly dependant on the individual for support and maintenance</td></tr><tr><td>A HUF</td><td>For any member</td></tr></table></td><td>Actual sum paid or ₹ 40,000 (₹ 1,00,000, if the payment is for medical treatment of a senior citizen), whichever is less,
(-)
the amount received from the insurance company or reimbursed by the employer.</td></tr>
<tr><td>80E</td><td>Individual</td><td>Interest on loan taken for higher education
Interest on loan taken from any financial institution or approved charitable institution.
Such loan is taken for pursuing his higher education or higher education of his or her relative i.e., spouse or children of the individual or the student for whom the individual is the legal guardian.</td><td>The deduction is available for interest payment in the initial assessment year (year of commencement of interest payment) and seven assessment years immediately succeeding the initial assessment year
(or)
until the interest is paid in full by the assessee,
whichever is earlier.</td></tr>
<tr><td>80EE</td><td>Individual</td><td>Deduction for interest on loan borrowed from any financial institution [bank/housing finance company (HFC)] for acquisition of residential house property</td><td>Deduction of upto ₹ 50,000 would be allowed in respect of interest on loan taken from a financial institution.
Conditions:
Loan should be sanctioned during P.Y.2016-17
Loan sanctioned ≤ ₹ 35 lakhs
Value of house ≤ ₹ 50 lakhs
The assessee should not own any residential house on the date of sanction of loan.</td></tr>
<tr><td>80EEA</td><td>Individual</td><td>Deduction in respect of interest payable on loan taken from a financial institution (bank/HFC) for</td><td>Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken</td></tr>
</table>

<table>
<tr><th>Section</th><th>Eligible Assessee</th><th>Eligible Payments</th><th>Permissible Deduction</th></tr>
<tr><td></td><td></td><td>acquisition of residential house property</td><td>from a financial institution for acquisition of house property.
Conditions:
• Loan should be sanctioned during the period between 1.4.2019 to 31.3.2022.
• Stamp Duty Value of house ≤ ₹ 45 lakhs
• The individual should not own any residential house on the date of sanction of loan.
• The individual should not be eligible to claim deduction u/s 80EE.</td></tr>
<tr><td>80EEB</td><td>Individual</td><td>Deduction in respect of interest payable on loan taken from a financial institution (bank or certain NBFCs) for purchase of electric vehicle</td><td>Deduction of upto ₹ 1,50,000 would be allowed in respect of interest payable on loan taken for purchase of electric vehicle.
Loan should be sanctioned during the period from 1.4.2019 to 31.3.2023.</td></tr>
<tr><td>80G</td><td>All assessees</td><td colspan="2">Donations to certain funds, charitable institutions etc.
There are four categories of deductions –
<table>
<tr><th></th><th>Category</th><th>Donee</th></tr>
<tr><td>(I)</td><td>100% deduction of amount donated, without any qualifying limit</td><td>Prime Minister's National Relief Fund, National Children's Fund, Swachh Bharat Kosh, National Defence Fund, PM CARES Fund etc.</td></tr>
<tr><td>(II)</td><td>50% deduction of amount donated, without any qualifying limit</td><td>Prime Minister's Drought Relief Fund.</td></tr>
<tr><td>(III)</td><td>100% deduction of amount donated, subject to qualifying limit</td><td>Government or local authority, institution for promotion of family planning etc.</td></tr>
<tr><td>(IV)</td><td>50% deduction of amount donated, subject to qualifying limit</td><td>Government or any local authority to be used for charitable purpose, other than promotion of family planning, notified temple, church, gurudwara, mosque etc.</td></tr>
</table></td></tr>
</table>

<table>
<tr><th>Section</th><th>Eligible Assessee</th><th>Eligible Payments</th><th>Permissible Deduction</th></tr>
<tr><td></td><td></td><td colspan="2">Calculation of Qualifying limit for Category III & IV donations:
Step 1: Compute adjusted total income, i.e., the gross total income as reduced by the following:<table><tr><td>1.</td><td>Deductions under Chapter VI-A, except u/s 80G</td></tr><tr><td>2.</td><td>Capital gains taxable u/s 111A, 112 & 112A</td></tr></table>Step 2: Calculate 10% of adjusted total income.
Step 3: Calculate the actual donation, which is subject to qualifying limit
Step 4: Lower of Step 2 or Step 3 is the maximum permissible deduction.
Step 5: The said deduction is adjusted first against donations qualifying for 100% deduction (i.e., Category III donations). Thereafter, 50% of balance qualifies for deduction under section 80G.
Note - No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash.</td></tr>
<tr><td>80GG</td><td>Individual not in receipt of house rent allowance</td><td>Rent paid for residential accommodation</td><td>Least of the following is allowable as deduction:
(1) 25% of total income;
(2) Rent paid – 10% of total income
(3) ₹ 5,000 p.m.
No deduction if any residential accommodation is owned by the assessee/his spouse/minor child/ HUF at the place where he ordinarily resides or performs the duties of his office or employment or carries on his business or profession.</td></tr>
<tr><td>80GGA</td><td>Any assessee not having income chargeable under the head “Profits and gains of business or profession”</td><td>Donations for scientific research or rural development</td><td>Actual donation
[No deduction shall be allowed for donation in excess of ₹ 2,000, if paid in cash]</td></tr>
<tr><td>80GGB</td><td>Indian company</td><td>Contributions to political parties
Any sum contributed by it to a registered political party or an electoral trust.</td><td>Actual contribution
(otherwise than by way of cash)</td></tr>
</table>

Section	Eligible Assessee	Eligible Payments	Permissible Deduction
80GGC	Any person, other than local authority and an artificial juridical person funded by the Government	**Contributions to political parties** Amount contributed to a registered political party or an electoral trust.	Actual contribution (otherwise than by way of cash)

DEDUCTIONS IN RESPECT OF CERTAIN INCOMES

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80JJAA	An assessee to whom section 44AB applies, whose gross total income includes profits and gains derived from business	Deduction in respect of employment of new employees	30% of additional employee cost incurred in the previous year. Deduction is allowable for 3 assessment years including assessment year relevant to the previous year in which such employment is provided.
80M	A domestic company	**Deduction in respect of inter-corporate dividend** The gross total income of domestic company includes in any P.Y., any income by way of dividends from any other domestic company or foreign company or a business trust.	Amount of dividend received from other domestic company or foreign company or business trust or the amount of dividend distributed by such domestic company on or before the due date, whichever is less. **Due date means** one month prior to the date of furnishing return of income u/s 139(1).
80QQB	Resident individual, being an author	**Royalty income, etc., of authors of certain books other than text books** Consideration for assignment or grant of any of his interests in the copyright of any book, being a work of literary, artistic or scientific nature or royalty or copyright fee received as lumpsum or otherwise	Income derived in the exercise of profession or ₹ 3,00,000, whichever is less. In respect of royalty or copyright fee received otherwise than by way of lumpsum, income to be restricted to 15% of value of books sold during the relevant previous year.

Section	Eligible Assessee	Eligible Income	Permissible Deduction
80RRB	Resident individual, being a patentee	**Royalty on patents** Any income by way of royalty on patents registered on or after 1.4.2003	Whole of such income or ₹ 3,00,000, whichever is less.
As per section 80AC, furnishing return of income on or before due date specified u/s 139(1) is mandatory for claiming deduction in respect of certain incomes. Deductions u/s 80-IA to 80-IE are discussed after this table.			

DEDUCTIONS IN RESPECT OF CERTAIN INCOMES: SECTIONS 80-IA TO 80-IE

Section	Eligible Business		Year of commencement of eligible business	Period of Deduction	Quantum of Deduction
80-IA	(1)	**(i) Developing or (ii) Operating and maintaining or (iii) Developing, operating and maintaining any infrastructure facility**	On or after 1.4.1995 but not later than 1.4.2017	**Infrastructure Facility of road, or a bridge or a rail system or a highway project or a water supply project:** 10 consecutive assessment years out of 20 years beginning from the year in which the enterprise develops or begins to operate the eligible business. **Other eligible businesses:** 10 consecutive	100% of the profits and gains derived from such business for 10 consecutive assessment years
	(2)	**Industrial parks**	**Industrial parks:** Notified by the Central Government for the period on or after 1.4.1997 & ending on 31.3.2011		
	(3)	**Power undertakings**	**Generation or Generation and distribution:** Set up between 1.4.1993 & 31.3.2017 **Transmission or distribution:** Start transmission		

@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB



CHAPTER - 8 SALARIES

Lecture 1

Income under head "Salary"

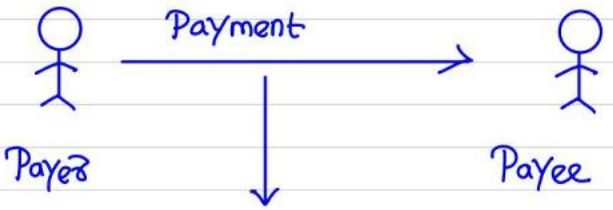
Section 15 to 17 + Section 10

Section 15 says = Section 17 + Section 10 - Section 16

- Section 15 says → Charging Section
- Section 17 → Taxable Perquisites
- + Section 10 → Taxable Allowances
- - Section 16 → Deduction From Salary



D 3 Basic Points before start the chapter - Income under head Salary



Taxable in the head of employee under which head of income?

Depends on

Employer and Employee relationship exist between two	Employee and Employer relationship does not exist between two
Income shall be chargeable to Tax under head salary. (Section - 15 to 17 shall Apply)	Income shall be chargeable to Tax under 4 head of income Except salary. It may be taxable under head PGBP, CG OS, HP, etc.



2)



Employer (Mr. VG)

↓

Expenditure in the hands of Mr. VG (Treatment u/h PGBP)

Employee (Abhishek)

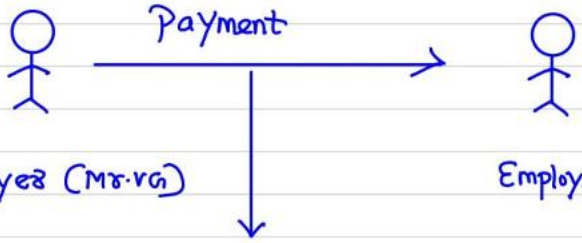
↓

Income shall be chargeable to tax under head salary

↓

The provision of salary chapter shall Apply in hands of Employee (i.e. Abhishek)

3)



Employer (Mr. VG)

Employee (Abhishek)

↓

Every Payment made by Employer to Employee is Deemed as Salary in the hands of Employee

* Payment
  - Cash → Normally called Allowance
  - Non-cash → Normally called Perquisities



Section 15 Charging Section

D Salary shall be chargeable to Tax

a) on Due Basis

(or)

b) on Receipt Basis

Whichever is Earlier

Case	Taxable on
1) First due, receive later	= Due Basis
2) First Received, Due later	= Receive Basis

अगर salary Due basis पर Taxable हो चुकी है तो Receive Basis पर नहीं होगी, अगर salary Receive Basis पर Taxable हो चुकी है तो Due Basis पर नहीं होगी

Example

Mr. VG is an Employee of VG Ltd. and his salary ₹ 25,000 pm. Compute his Gross salary in the following Cases :-

D Salary Due and Receive on the last day of same month.

→ = 25000 × 12 = 3,00,000



2) Salary Due on last day of each month and Received 7th Day of Next month. =

→ = 25000 X 12 = 3,00,000

3) Salary due and Received on the last day of same month but Jan 25 to march 25 Salary not received due to financial Crises and Received in next year but employee is working in that period

→ = 25000 X 12 = 3,00,000

4) Salary due and Received on same month but he received Advance Salary also for April 25 to July 25 in march 2025

→ 25000 X 16 = 4,00,000
(12+4)

5) Salary Due on 1st day of Next month and Received 7th day of Next month.
(Employee is working since 2010)

→ 25000 X 12 = 3,00,000
(Mar 24 to Feb 25)

Compute Gross Salary for Ay 25-26 (ie. PY24-25)



Arrears of Salary

Normally speaking, salary Arrears are charged on Due basis. however, there an certain circumstances when it may not be possible to bring tax on due basis then such Arrears is chargeable to tax on Receipt basis but subject to section 89 (1) (i.e. Relief in the case of Arrears)

Example

If the pay commission is appointed by CG and it recommends revision of salary of employee with retro spective effect, that arrears received in that connection shall be charged on Receive basis but subject to section 89 (1)

Grade Based salary / Pay Scale Salary

How to Compute salary in Grade pay system ?

→ Certain employees are entited to a graded system of salary. under this system the Normal annual incaements to be given to the employee are already fixed in the grade.



For Example :- If the employee joins on 1/5/2005 and is placed in the grade of 12,300 - 300 - 17,400 - 500 - 19,400

This means that, he will get a basic salary of 12,200 with effect from and onwards till his salary reaches to ₹ 17400. There after he will get annual increment of ₹ 500 till his salary reaches ₹ 19,400. No further increment till he placed another New grade System.



Lecture 2

Question.

Mr. Abhishek is working in VG ltd as per the following salary Grade :-

40,000 - 500 - 42,000 - 1000 - 45,000 - 800 - 49,000 - 2,000 - 59,000

	I	II	III	IV	V	VI
Joining date	1/4/18	1/7/18	1/1/2019	1/4/2019	1/12/20	1/11/2021
Joining salary	40,000	40,000	49,000	55,000	45,000	41,000
Gross salary PY 24-25	1/4/18-31/3/19 = 40,000	1/7/18-30/6/19 = 40,000	1/1/19-31/12/19 = 49,000			
	19-20 = 40,500	1/7/19-30/6/20 = 40,500	1/1/20-31/12/20 = 51,000		1/12/20-30/11/21 = 45,000	
	20-21 = 41,000	1/7/20-30/6/21 = 41,000	1/1/21-31/12/21 = 53,000	20-21 = 55,000		
	21-22 = 41,500	1/7/21-30/6/22 = 41,500	1/1/22-31/12/22 = 55,000	21-22 = 57,000	1/12/21-30/11/22 = 45,800	1/11/21-31/10/22 = 41,000
	22-23 = 42,000	1/7/22-30/6/23 = 42,000	1/1/23-31/12/23 = 57,000	22-23 = 59,000	1/12/22-30/11/23 = 46,600	1/11/22-31/10/23 = 41,500
	23-24 = 43,000	1/7/23-30/6/24 = 43,000	1/1/24-31/12/24 = 59,000	23-24 = 59,000	1/12/23-30/11/24 = 47,400	1/11/23-31/10/24 = 42,000
	24-25 = 44,000	1/7/24-30/6/25 = 44,000	1/1/25-31/12/25 = 59000	24-25 = 59,000	1/12/24-30/11/25 = 48,200	1/11/24-31/10/25 = 43,000
	44000 X 12 = 5,28,000	43000 X 3 = 1,29,000	59000 X 12 = 7,08,000	59000 X 12 = 7,08,000	47,400 X 8 = 3,79,200	42,000 X 7 = 2,94,000
		44000 X 9 = 3,96,000			48,200 X 4 = 1,92,800	43,000 X 5 = 2,15,000
		5,25,000			5,72,000	5,09,000



Section - 16 Deduction from salary

Section 16(ia) Standard deduction

Section 16(ii) Entertainment Allowance (only for Normal scheme)

Section 16(iii) Professional TAX / Employment TAX

Section 16(ia) Standard deduction

→ Eligible Employees → All types of employee (whether Govt, Non Govt, Pvt, Public etc)

→ Amount of deduction

Old regime / Normal Regime = Annual Salary (or) ₹ 50,000 less

Maximum 50,000

New regime / Default Regime = Annual Salary (or) ₹ 75,000 less

Maximum 75,000

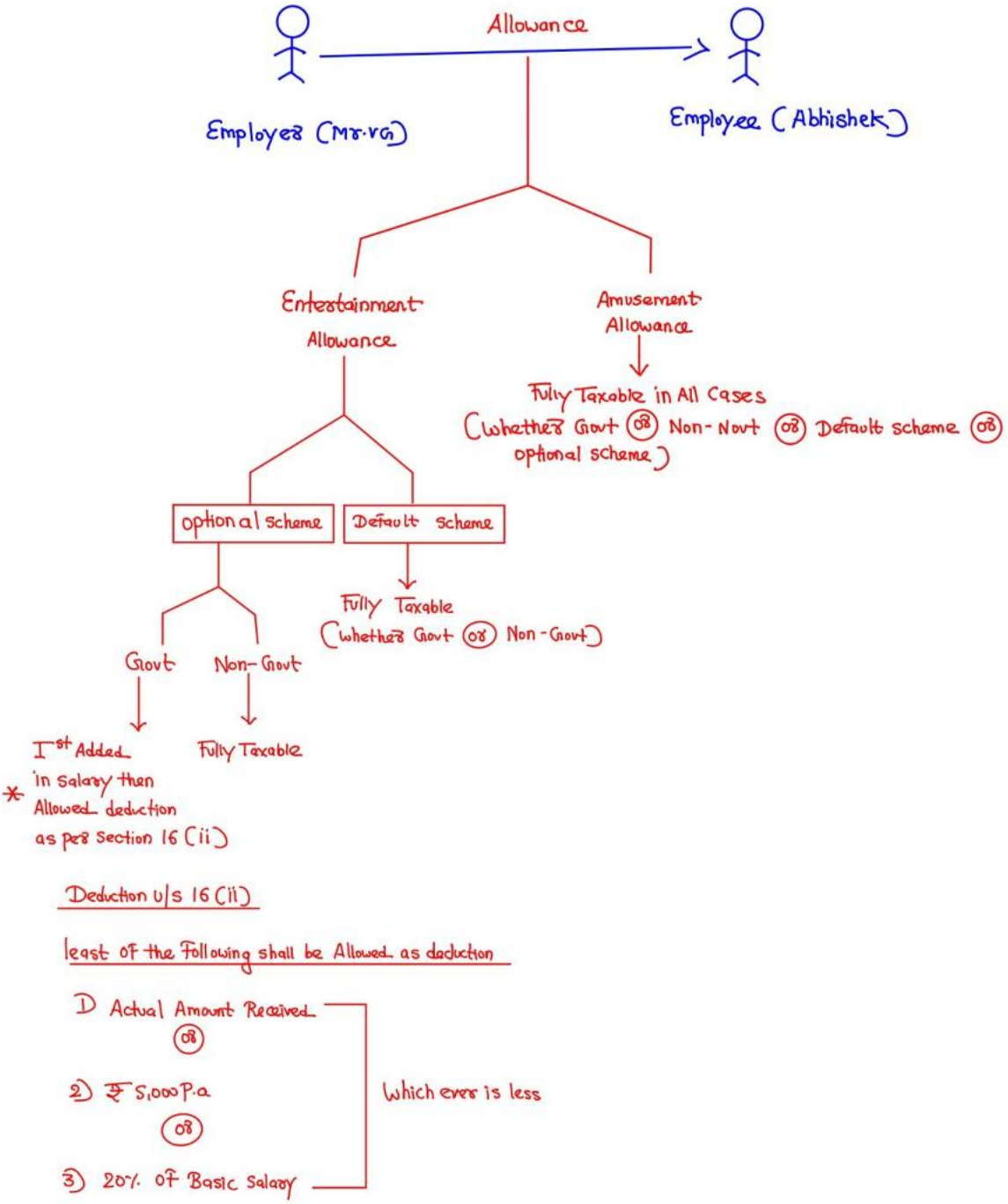


Example

	Mr. Abhishek opt Normal Scheme			Mr. Abhishek opt default Scheme		
Gross Salary	6,00,000	80,000	40,000	7,00,000	80,000	50,000
Deduction	(50,000)	(50,000)	(40,000)	(75,000)	(75,000)	(50,000)
Taxable Salary	5,50,000	30,000	Nill	6,25,000	5,000	Nill



Section 16(ii) Entertainment Allowance (only for Normal scheme)



Deduction u/s 16(ii)

least of the following shall be Allowed as deduction

1) Actual Amount Received (08)
2) ₹ 5,000 P.a (08)
3) 20% of Basic Salary

Which ever is less



Example

Mr. Abhishek is an Employee of VG ltd. his basic salary is ₹40,000 pm.
he receive Entertainment Allowance ₹4000 pm and amusement Allowance ₹2,000 pm
Determine his taxable salary as per the following Cases.

1) He is Govt Emp and avail NS

2) He is Non Govt emp and avail NS

3) He is Govt emp and avail DS

4) He is NG Emp and avail DS

	Normal Scheme		Default Scheme	
	Govt	Non-Govt	Govt	Non-Govt
Basic salary	4,80,000	4,80,000	4,80,000	4,80,000
Entertainment Allowance	48,000	48,000	48,000	48,000
Amusement Allowance	24,000	24,000	24,000	24,000
Gross salary	5,52,000	5,52,000	5,52,000	5,52,000
(-) Deduction u/s 16				
16(ia)	50,000	50,000	75,000	75,000
16(ii)	5000			
Taxable salary	4,97,000	5,02,000	4,77,000	4,77,000



Lecture 3

Section 16(iii) Professional Tax / Employment Tax
(Deduction only for Normal Tax Regime)

→ Amount Received from Employee = Added in Salary

→ Amount paid by employee = Deductible From Salary

Practicaly limit of professional Tax / Employment Tax = 2500/- P.a

Example

Amount Received From Employee	Amount paid by employee	Assessee opt Normal Regime		Assessee Avail Default Scheme	
		Add	Deduction	Add	Deduction
500	500	500	500	500	—
800	500	800	500	800	—
500	800	500	800	500	—
Nill	800	Nill	800	Nill	—
800	Nill	800	Nill	800	—



1) If question is silent above employee & employee = Same amount Add
Same amount minus

2) If question says P.Tax / E.Tax paid by employee & silent about received from employer = Alternative - 1

Assume Amount Received
From employer = Nill & TAX
only paid by employee his own pocket

Add = Nill Deduct = Amount paid by employee

Alternative - 2

Assume same amount paid by / received from employer and then paid by employee.

Add - Same Amount
Deduct - Same Amount



Question

Mr. Abhishek is working in VG Study Hub pvt ltd.
his Salary Grade - 40,000 - 500 - 42,000 - 2,000 - 52,000 - 1,000 - 60,000
Joining Date = 1/1/2020 Joining salary = 41500 pm

He receive following Amount from his employer

→ Entertainment Allowance = 400 pm (Amount spent - 200 p.m)

→ Amusement Allowance = 600 pm (Amount spent - 300 pm)

→ Prof Tax paid by employee = 2000 pa (₹ 15,00 P.a. Received from employer)

Compute his Taxable salary in the following cases

1) Govt NS
2) Non Govt NS
3) Govt - DS
4) Non-Govt DS

PY - 24-25



Solution :—

	Normal scheme		Default scheme	
	Govt Employee	Non Govt Employee	Govt Employee	Non Govt Employee
Basic salary	5,82,000	5,82,000	5,82,000	5,82,000
+ EA	4,800	4,800	4,800	4,800
+ AA	7200	7,200	7,200	7,200
+ PTax	1500	1500	1,500	1,500
Gross salary	5,95,500	5,95,500	5,95,500	5,95,500
(-) Deduction 16(ia)	50,000	50,000	75,000	75,000
16(ii)	4,800	—	—	—
16(iii)	2,000	2,000	—	—
	5,38,700	5,43,500	5,20,500	5,20,500



Pay scale

1/1/20 - 31/12/20 = 41,500

1/1/21 - 31/12/21 = 42,000

1/1/22 - 31/12/22 = 44,000

1/1/23 - 31/12/23 = 46,000

1/1/24 - 31/12/24 = 48,000

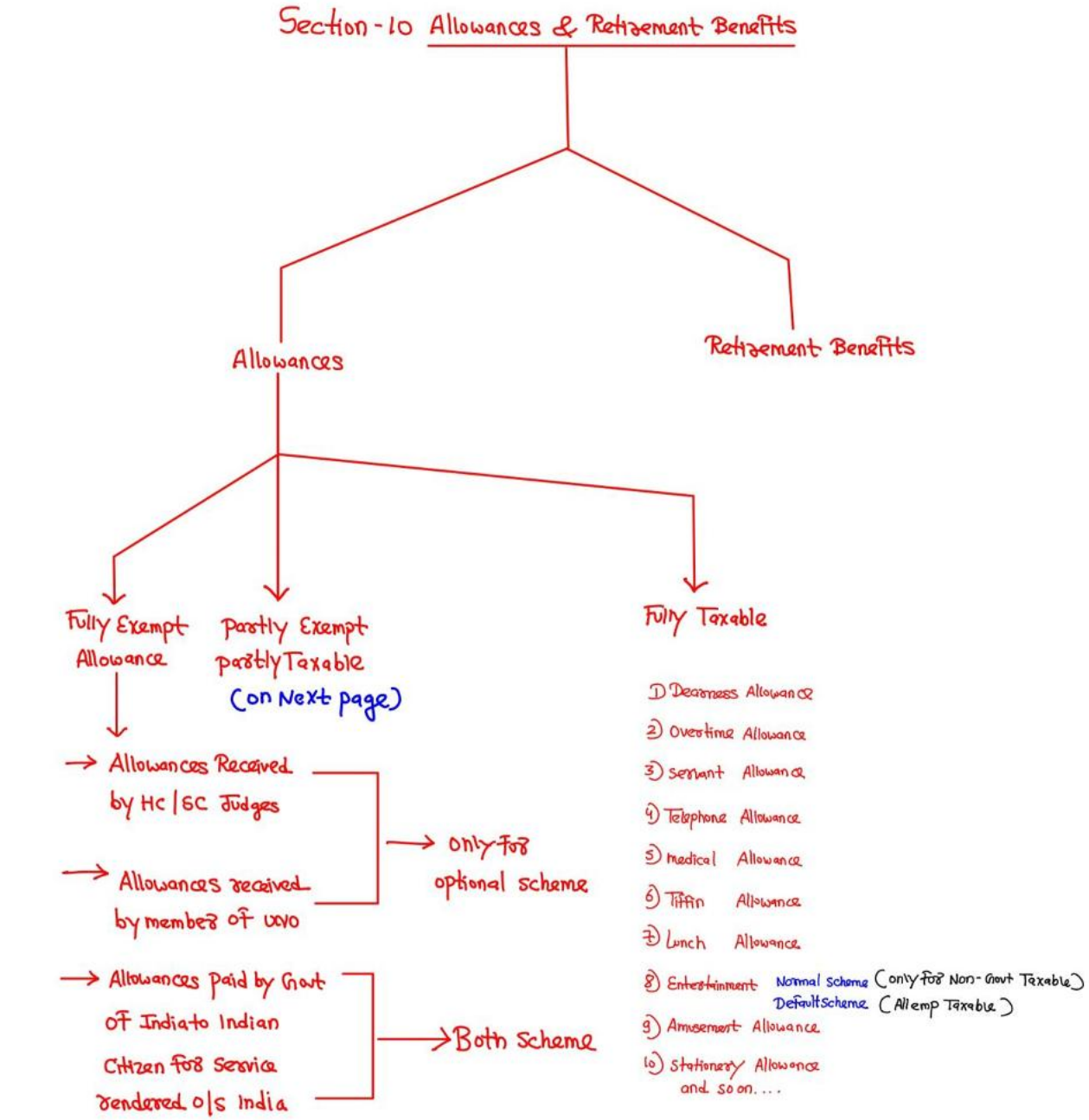
1/1/25 - 31/12/25 = 50,000

48,000 x 9 = 4,32,000

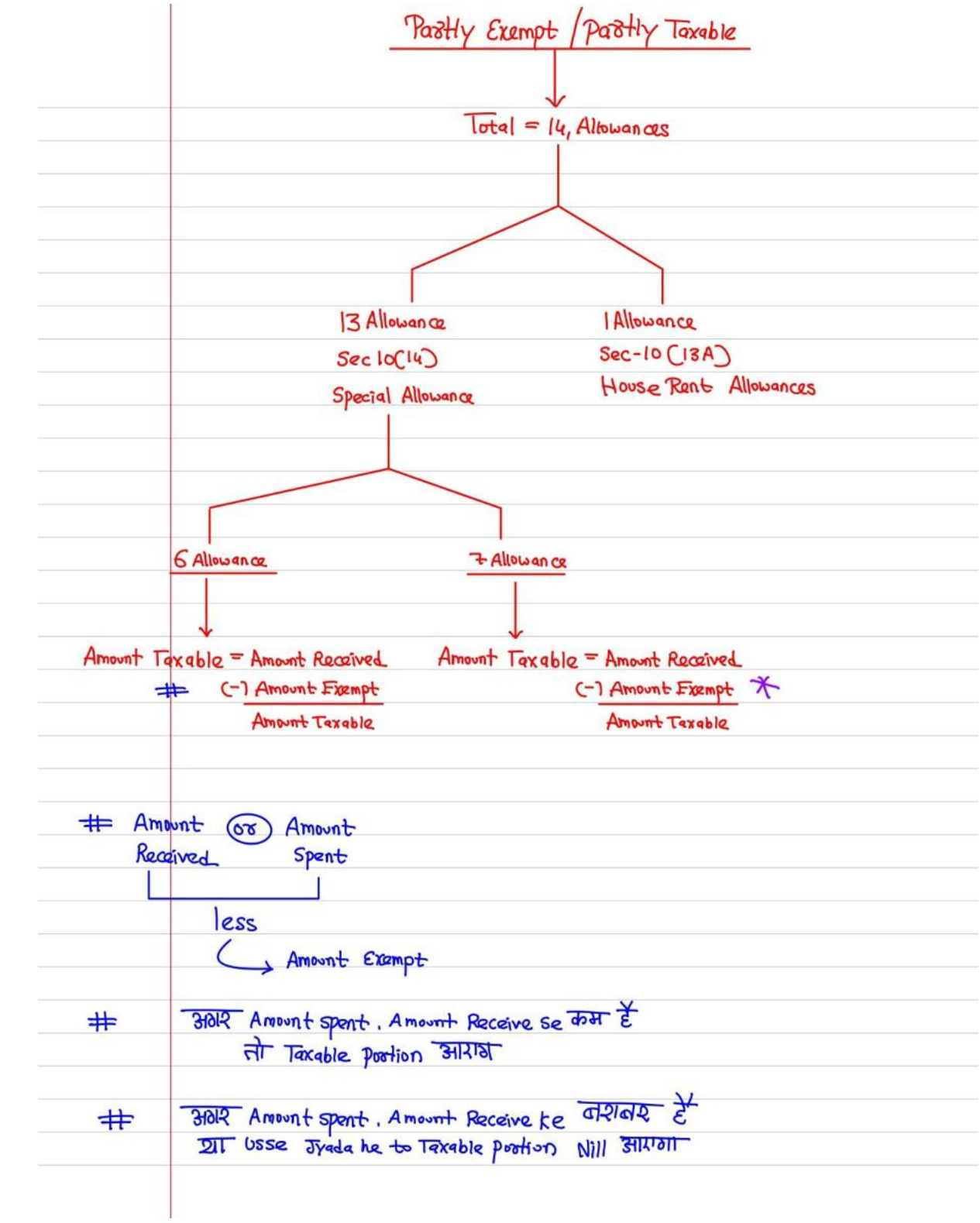
50,000 x 3 = 1,50,000

Salary for PY 24-25 5,82,000




Section - 10 Allowances & Retirement Benefits
Allowances
Retirement Benefits
Fully Exempt Allowance
Partly Exempt partly Taxable
(on Next page)
Fully Taxable
→ Allowances Received by HC/SC Judges
→ Allowances received by member of UNO
→ only for optional scheme
→ Allowances paid by Govt of India to Indian Citizen for Service rendered o/s India
→ Both Scheme
1) Dearness Allowance
2) Overtime Allowance
3) Servant Allowance
4) Telephone Allowance
5) Medical Allowance
6) Tiffin Allowance
7) Lunch Allowance
8) Entertainment Normal Scheme (only for Non-Govt Taxable)
Default Scheme (All emp Taxable)
9) Amusement Allowance
10) Stationery Allowance
and so on....


VG SIR


Partly Exempt / Partly Taxable
Total = 14, Allowances
13 Allowance
Sec 10(14)
Special Allowance
1 Allowance
Sec-10 (13A)
House Rent Allowances
6 Allowance
7 Allowance
Amount Taxable = Amount Received
(-) Amount Exempt
Amount Taxable
Amount Taxable = Amount Received
(-) Amount Exempt
Amount Taxable
Amount Received
or
Amount Spent
less
Amount Exempt
अगर Amount spent, Amount Receive se कम है
तो Taxable portion आएगा
अगर Amount spent, Amount Receive ke बराबर है
या usse jyada he to Taxable portion Nill आएगा


VG SIR

1) Daily Allowance

2) Travelling Allowance

3) Conveyance Allowance

4) Helper Allowance

5) Academic Allowance

6) Uniform Allowance

Example :- (Normal scheme)

Name of Allowance	Amount Receive	Amount spent	Amount Exempt	Amount Taxable
Daily Allowance	280 pm	160 pm	160 pm	120 pm
Travelling Allowance	320 pm	290 pm	290 pm	30 pm
Conveyance Allowance	380 pm	420 pm	40 pm	Nil
Academic Allowance	420 pm	400 pm	400 pm	20 pm



Note :- Allowances which are partly Exempt under Default Scheme also :-

1) Daily Allowance

2) Traveling Allowance

3) Conveyance Allowance

Other 3 Allowance will be fully Taxable in the hands of employee if avail Default Scheme.

1) Children Education Allowance

2) Hostel Expenditure Allowance

3) Transport Allowance

4) Outstation Allowance / Transport post Co. Employee Allowance

5) Tribal Area Allowance

6) Under ground Allowance

7) Hill, border, Remote Area Allowance



Lecture 4

* Amount Exempt =

Amount Receive (or) limit Specified

less

→ Exempt

Amount Spent is Irrelevant

* more beneficial to Employee.

Children Education Allowance = 100 per month / per child (max 2 child)

Hostel Expenditure Allowance = 300 per month / per child (max 2 child)

Transport Allowance = Normal Employee = Fully Taxable

= Handicapped Employee = 3200 p.m

Outstation Allowance = 70% of Amount Received (or) 10,000 per month whichever is less

Tribal Area Allowance = 200 pm

Underground Allowance = 800 pm

Hill, border, Remote Area Allowance = 200 pm to 7000 pm





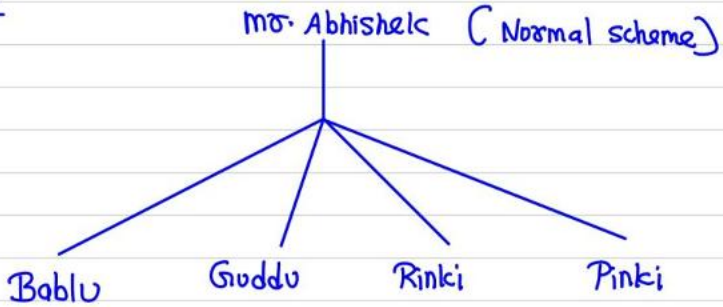
Note :- If Assessee opt Normal Tax Regime. If Assessee avail Default Scheme then all Allowances will be Fully Taxable Except Transport Allowance.

Treatment of TP Allowance (In Default scheme)

→ Normal Employee = Fully Taxable

→ Handicapped = 3200 pm Exemption limit

Example 1



D

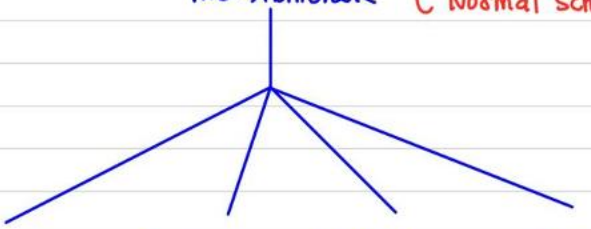
	Bablu	Guddu	Rinki	Pinki	
C.E.A	180 pm	90pm	120pm	140pm	
~~Amount spent~~	~~120pm~~	~~80pm~~	~~140pm~~	~~100pm~~	
Amount Exempt	100	—	—	100	
Amount Taxable	80	90	120	40	= 330

330 pm x 12 = 3960 /—



Example 2

Mr. Abhishek (Normal scheme)



	Dhokla	Burfi	Jalebi	Rasmalia
HEA	280 pm	290 pm	240pm	320pm
~~AS~~	~~250pm~~	~~240pm~~	~~200pm~~	~~340pm~~
AE	—	290pm	—	300pm
AT	280pm	—	240pm	20pm = 540

540 X 12 = 6480/-



Example 3

Mr. Abhishek Receiving following Amount From mr. VG (Normal Scheme)

Basic salary = 40000 pm

Helper Allowance = 240 pm (AS - 180 pm)

Transport Allowance = 1200 pm (AS - ~~800 pm~~)

C.E.A = 90 pm / pc (3 child)

Tribal Area = 180 pm

Solution :-

Particulars		₹
Basic salary	40,000 X 12	4,80,000
Helper Allowance	(240 - 180) X 12	720
Transport Allowance	1200 X 12	14,400
Children Education Allowance	90 X 12	1,080
Tribal Allowance		Nill
	Gross salary	4,96,200
Section 16(1a) Standard deduction		50,000
	Taxable salary	4,46,200



Example 4

Basic Salary = 25,000 pm

Academic Allowance = 240 pm (AS-260 pm)

Uniform Allowance = 260 pm (AS - 180 pm)

H.E.A = 280 pm / p.c (2 child)

C.E.A = 120 pm / p.c (2 child)

Outstation Allowance = 8000 pm (AS ~~- 6000 pm~~)

Computation of Taxable salary (Normal scheme)

Particulars		₹
Basic salary	25000 X 12	3,00,000
Academic Allowance	(240-240) X 12	Nill
Uniform Allowance	(260-180) X 12	960
Hostel Expenditure Allowance	(280-280) X 2 X 12	Nill
Children Education Allowance	(120-100) X 2 X 12	480
Outstation Allowa	(8000-5600) X 12	28,800
	Gross salary	3,30,240
Section 16(1a) standard deduction		50,000
	Taxable salary	2,80,240



Section - 10(13A) House Rent Allowance (HRA)

(Only for Normal scheme)

Amount Taxable = HRA Received = xxxx
(-) HRA Exempt = xxxx
→ xxxx

least of the following shall be Exempt

1) Actual Amount Received

2) Rent paid - 10% of salary*

3) 50% of salary (if Metro city) → Mumbai, Delhi, Chennai, Kolkata
40% of salary (other city)

Salary = BASIC salary
+ Dearness Allowance (under the terms of employment)*
+ Commission % on the basis of Turnover

* (under the terms of employment)
or
forms the part of Basic pay / salary
or
DA for Retirement Benefit

अगर इनमे से कोई भी line Question मे Given है तो DA (Ute) वाला है।



Hw

Example

Basic salary = 40,000pm

C.E.A = 120 pm/pc (AS - ~~90pm/pc~~) 4 child

H.E.A = 320 pm/pc (AS - ~~300 pm/pc~~) 4 child

Transport Allowance = 1500pm (AS - ~~1000 pm~~)

outstation Allowance = 12000pm (AS - 8000 pm)

Traveling Allowance = 700 pm (AS - 740 pm

Conveyance Allowance = 800 pm (AS - 500) pm



Solution :-

Particulars	₹
Basic salary	4,80,000
Children Education Allowance	3,360
Hostel Expenditure Allowance	8,160
Transport Allowance	18,000
outstation Allowance	43,200
Traveling Allowance	Nill
Conveyance Allowance	3,600
Gross salary	5,56,320
Section 16(1a) Standard deduction	50,000
Taxable salary	5,06,320



Lectures

1) Exemption u/s 10(13A) would be available to an assessee only if he exercise the option of shifting out of the Default tax Regime u/s 115BAC (i.e. opt Normal scheme). If he avail Default scheme then 10(13A) Exemption Not Allowed.

2) Exemption is not available to an assessee who lives in his own house (OR) in a house for which he has not incurred the Expenditure of rent.

3) Relevant Period means the period during the said accommodation was occupied by the assessee during the P.Y.

Example Basic Salary = 40,000 pm
DA = 10% of BS (50% for OTOE)
Commission = 1% of TO (TO - 12,00,000 P.a)
HRA = 12,000 pm
Rent paid = 10,000 pm
Bonus = 1000 pm

Taxable salary ? HRA Taxable ?



Solution:- Computation of Taxable salary

Basic salary	=	4,80,000
DA	=	48,000
Commission	=	12,000
HRA	=	75,600
Bonus	=	12,000
Gross salary	=	6,27,600
(-) Section 16(ia) standard deduction		50,000
Taxable salary	=	5,77,600

Working Note 1

Computation of Taxable HRA

Amount Received	=	1,44000
(-) Amount Exempt	=	68,400
Taxable HRA		75,600



Computation of HRA Exempt

least of the following shall be Exempt

1) Actual HRA Received — 1,44,000 (12000 x 12)

2) Rent Paid - 10% of Salary — 1,20,000 - 10% x 5,16,000) = 68,400

3) 40% of Salary — 40% x 5,16,000 = 2,06,4000

Salary for HRA

Basic = 4,80,000
DA (Uto E) = 24,000 (4,80,000 x 10%) x 50%
Commission = 12,000 (12L x 1%)
5,16,000



Question

Basic Salary = 25,000 p.m
DA = 8,000 pm (20% for retirement benefit)
Commission = 800 p.m
Bonus = 1000 pm
Traveling Allowance = 420 pm (AS - 380 pm)
Transport Allowance = 1200 pm (AS - 700 pm)
HRA Received = 7000 pm
Rent Paid = 11,000 pm
Professional Tax Paid = 2000 pm

Taxable Salary Both Regime ?



Computation of Taxable salary		NS	DS
Basic salary	=	3,00,000	= 3,00,000
DA	=	96,000	= 96,000
Commission	=	9,600	= 96,00
Bonus	=	12,000	= 12,000
Traveling Allowance	=	480	= 480
Transport Allowance	=	14,400	= 14,400
HRA	=	—	= 84,000
Professional tax paid	=	2,000	= 2,000
Gross salary	=	4,34,480	= 5,18,480
(-) Section 16(ia) standard deduction		50,000	75,000
(-) 16(ii)		2,000	
Taxable salary	=	3,82,480	= 4,43,480

Working Note 1

Computation of Taxable HRA

Amount Received = 84,000

(-) Amount Exempt = 84,000

Taxable HRA Nil



Computation of HRA Exempt

least of the following shall be Exempt

1) Actual HRA Received — 84,000 (7000 x 12)

2) Rent Paid − 10% of Salary — 1,32,000 − 10% x 3,19,200) = 1,00,080

3) 40% of Salary — 40% x 3,19,200 = 127,680

Salary for HRA

Basic = 3,00,000
DA (Uto €) = 19200 — 96000 x 20%
Commission = −
3,19,200

Section − 17 Perquisites (All perquisites are same applicability in both the Tax regime.)

1) The term perquisites indicate some Extra benefit in addition to the amount that may be legally due by way of Contract for Service rendered, In modern terms, you Can say Non-cash Benefits given to employee at present, the salary package of an employee Normally includes monetary salary and perquisite like, RFA, CAR, Medical, Education, etc.



Key points related to Perquisites

1) Perquisites may be provided in cash (or) in kind.

2) Reimbursement of Expenditure incurred in the official discharge of duties is not a perquisites

3) Perquisite may be arise in the Case of employment (or) in the Course of Business (or) Profession. If it is in the course of employment then Taxable under head income from Salary. however, if it is arise during the course of Business (or) Profession. then value of such perquisite is Taxable under head PGBP.

4) Perquisite will become Taxable only if it has a legal origin

Types of Perquisites

1) Perquisites taxable in the hands of All employees

2) Perquisites taxable only in the hands of 'specified Employee'

3) Perquisites 'Tax Free' in the hand of All employees.



List of Perquisites

1) Rent free Accommodation (RFA)
2) Concessional RFA
3) Interest on loan
4) Sweat Equity share
5) GIFT
6) Lunch facility
7) children Education facility
8) medical facility
9) sweeper, Gardner, watchman
10) Electricity, water, Gas facility
11) use of movable property
12) Transfer of movable property
13) Lic premium paid by employer
14) Credit card, club membership fees
15) motor car facility
16) Contribution to New pension scheme, Recognised provident



Fund, and Super Annuation Fund

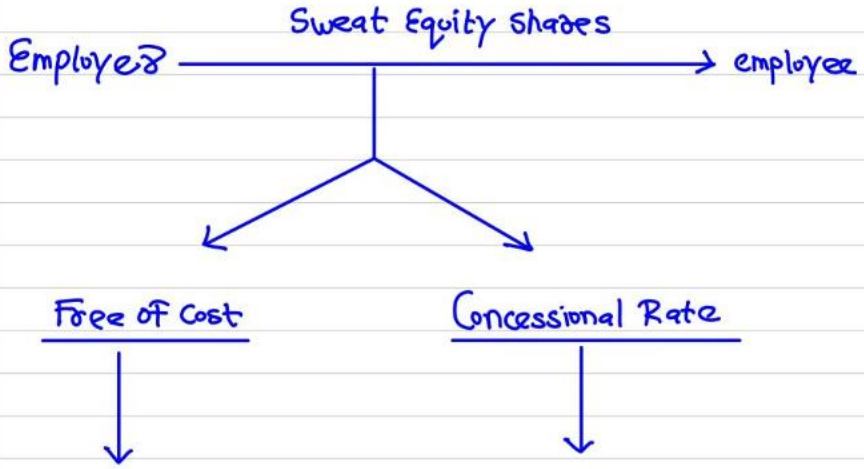
17) leave Travel Concession (Sec -10 (5))

18) other benefit provided by employer to employee



Lecture 6

D Sweat Equity Shares



FMV on the date of issue of such share is chargeable to tax.

FMV of share = XXXX
(-) Amt paid by employee = XXXX
Taxable Perquisites XXXX

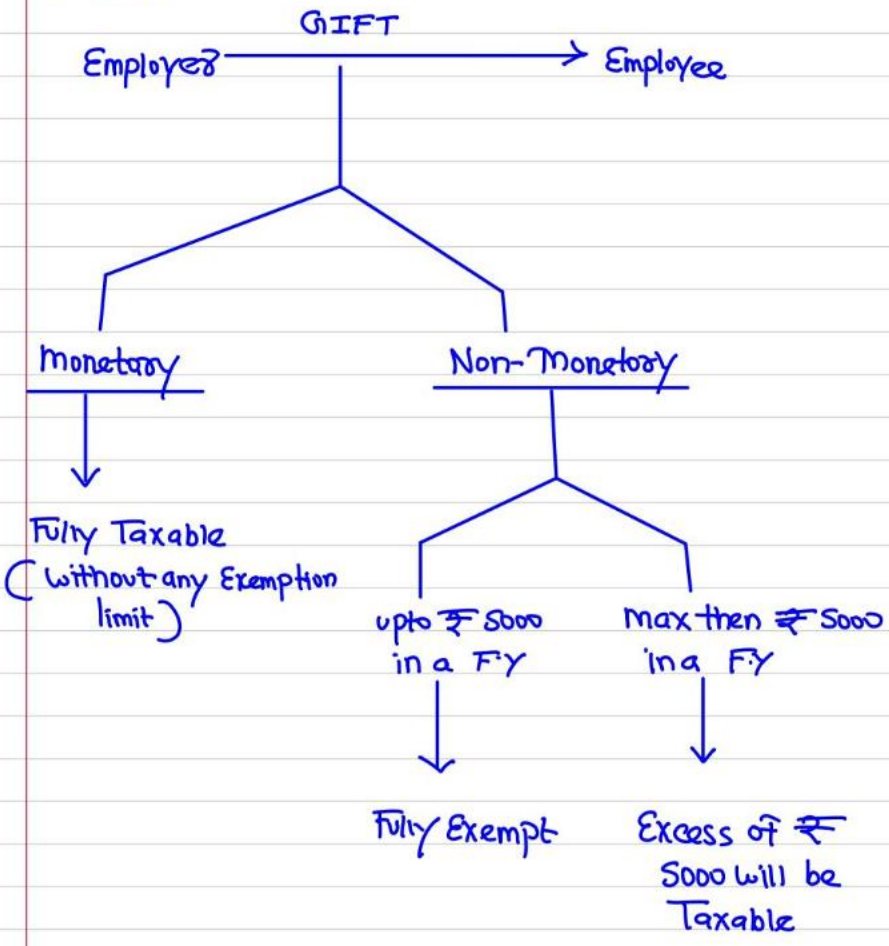
(FMV Deducted as Taxable perquisite)

Example :- VG ltd issue SES to mr. Abhishek @ 210 per share and FMV of the share an issue date = 540/- per share Compute value of Taxable perquisite.

VOTP = 330/- Per share



2) GIFT


GIFT
Employer
Employee
Monetary
Non-Monetary
Fully Taxable
(without any Exemption limit)
upto ₹ 5000 in a F.Y
max then ₹ 5000 in a F.Y
Fully Exempt
Excess of ₹ 5000 will be Taxable


VG SIR

Special point

In case of vouchers / Coupon

Alternative ⟶ Any (1)

→ Assume Convertable in money = Fully Taxable

→ Assume non-Convertable in money = upto 5,000 = Exempt
more than 5000 = Excess value Taxable

3) Lunch facility ⟶ Any other non Alcoholic beverage

1) Tea (or) Snacks is fully Exempt in Both Tax Regime (Old / New)

2) lunch facility in "Remote Area" is fully Exempt in both Tax Regime.

3) lunch facility in other Area

(1) Normal Regime = upto 50 per meal is fully Exempt and Excess value shall be Chargeable to Tax.

max Exemption = 50/- X 25 days = 1250/- pm

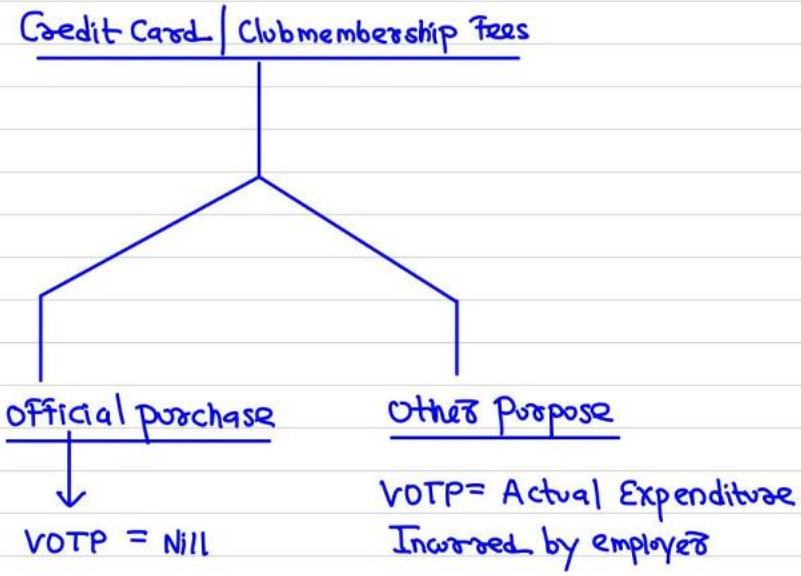
2) Default Regime = lunch facility fully Taxable (No Exemption of ₹ 50/- per meal)



4) LIC premium

→ VOTP = premium borne / paid by employer on the behalf of employee

5)





6) Children Education Facility

- Education Facility For Employee → Fully Exempt
- Education Facility For relatives of employee → Fully Taxable
- Education Facility For children of employee
  - School / Institute owned by employer (or) tie-up with employer → It is Exempt if Value of Education is upto ₹ 1000 pm / Per child (unlimited child)
  - School / Institute Not owned by employer (or) Not tie up with employer → Fully Taxable without any Exemption

If fee more than ₹ 1,000 pm ?

Alternative - 1 Whole value will be chargeable to Tax

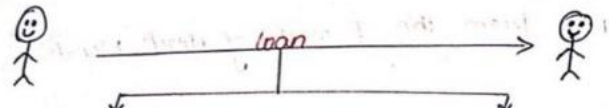
Alternative - 2 Excess value will be chargeable to Tax

You can choose Any



Lecture 7

Interest On Loan



Free Rate of Interest

↓

Rate charged By SBI on 1st day of april of the Relevant P.Y is chargeable to tax as Perquisite

Concessional Rate of Interest

↓

Rate charged by SBI on 1st April = XXX

(-) Amount paid By ee = (XX)

XX

VOTP

However, Nothing shall be taxable in the following 2 cases :-

1) loan is provided by employer to employee upto Rs. 20,000 (ow)

2) loan is provided for the treatment of specified diseases (AIDS, TB, Cancer, Mental disorder)

Example :- Mr. VG is an Employer and Mr. TG is a Employee. Mr. VG provide loan on 1/6/2024, 10 Lakh @ 18% p.a, SBI Rate of Interest on 1/4/24 = 12% Compute taxable perquisite ?

Solution :- $10,00,000 \times 6\% \times \frac{10}{12} = 75,000$ Rs.

↓

Taxable Perquisite.



Example :-

VG —loan 1/7/2024, 20,00,000→ Abhishek

ROI	SBI	PNB	HDFC Bank
1/4/24	12%	15%	10%
1/7/24	15%	12%	12%
31/3/25	14%	16%	16%

What will be Taxable perquisite if loan is provided :-

1) Free Rate of Interest

2) Employee charge 8% p.a from employee

Solution :-

Case 1

$20,00,000 \times 12\% \times \frac{9}{12} = 1,80,000$ Taxable Perquisite



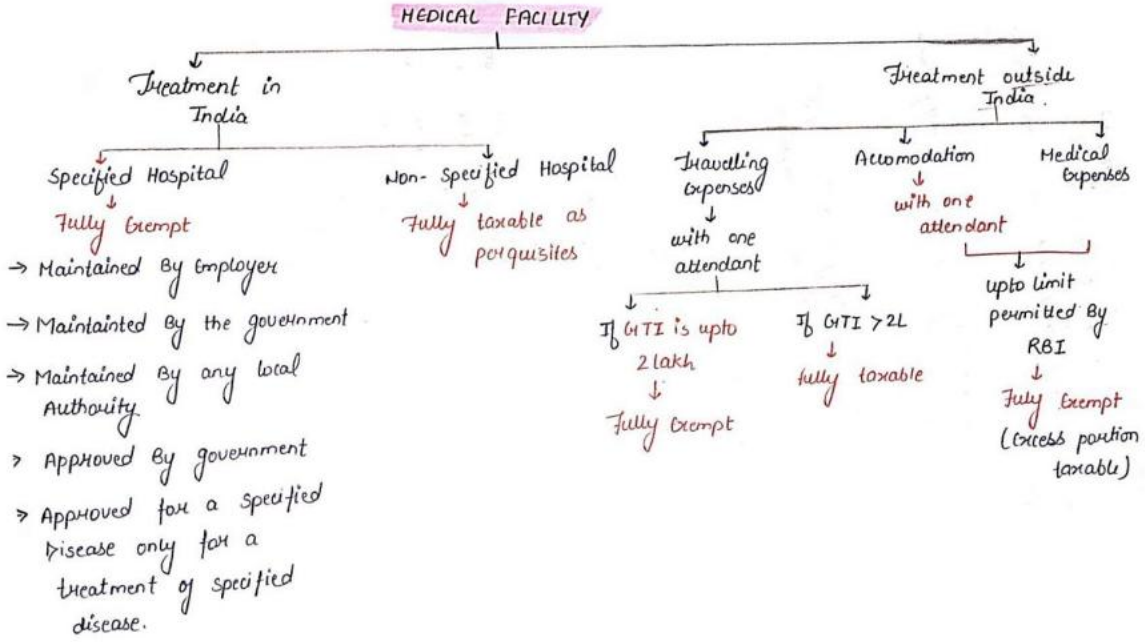
Case-2

$20,00,000 \times (12\% - 8\%) \times \frac{9}{12} = 60,000$ Taxable Perquisite

What will be your Ans if loan of ₹ 20 L provided for treatment of Cancer of employee.

Ans = VOTP = Nill (Since loan for specified diseases)



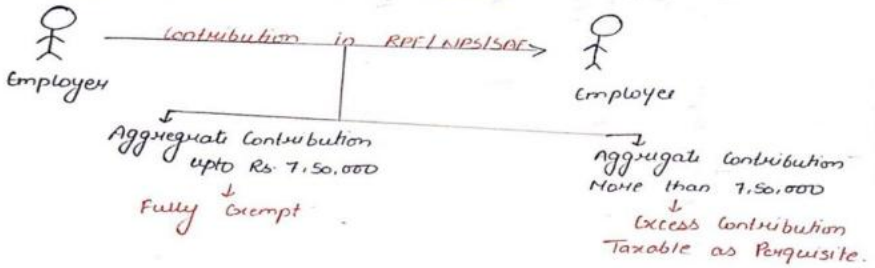


Family means spouse and children of the employee, wheather dependent (or) not, Married (or) Unmarried.
Parents, brother, Sister only when they are wholly and Mainly dependent on Employee.

Medical Insurance premium paid By employer is fully exempt in the hands of Employee.

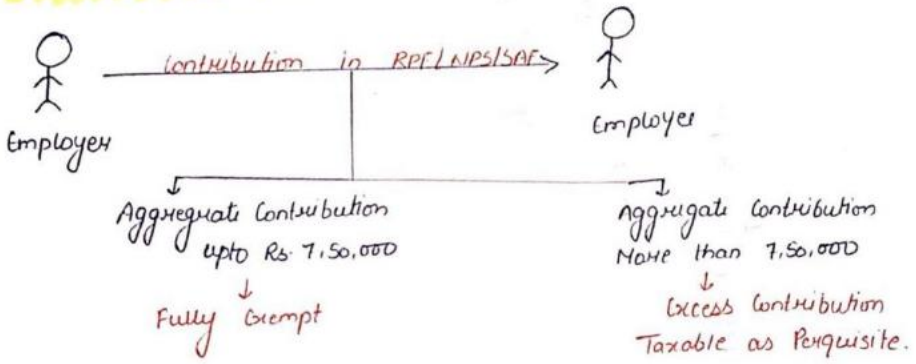
Any Expenditure incurred by an employer with respect to COVID-19 is fully exempt in the hands of employer.

→ Contribution in RPF/NPS/SAF

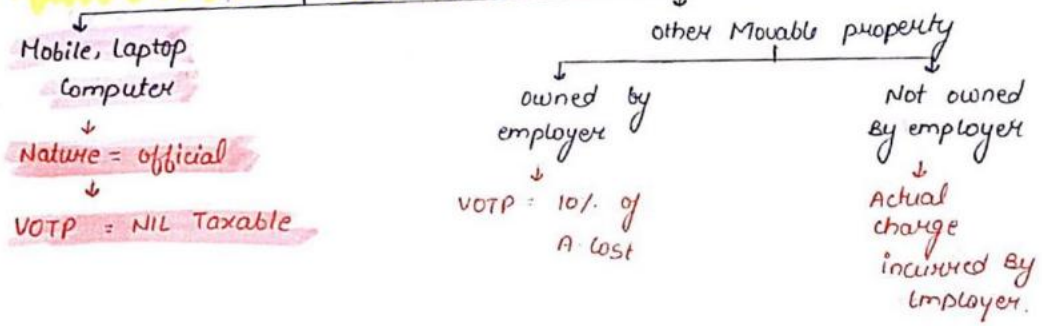




→ Contribution in RPF/NPS/SAF



Use Of Movable Property #Important!





Example

VG —— movable property for use —— Abhishek

			Date
→ 1 mobile	→ official use	owned	1/4/24
→ 1 Bed AC = 40000	→ personal use	owned	1/9/24
→ 2 AC	→ personal use	Not owned (Rent pay 500 pm each by employee)	1/11/24

Solution :–

1) Mobile = Nill

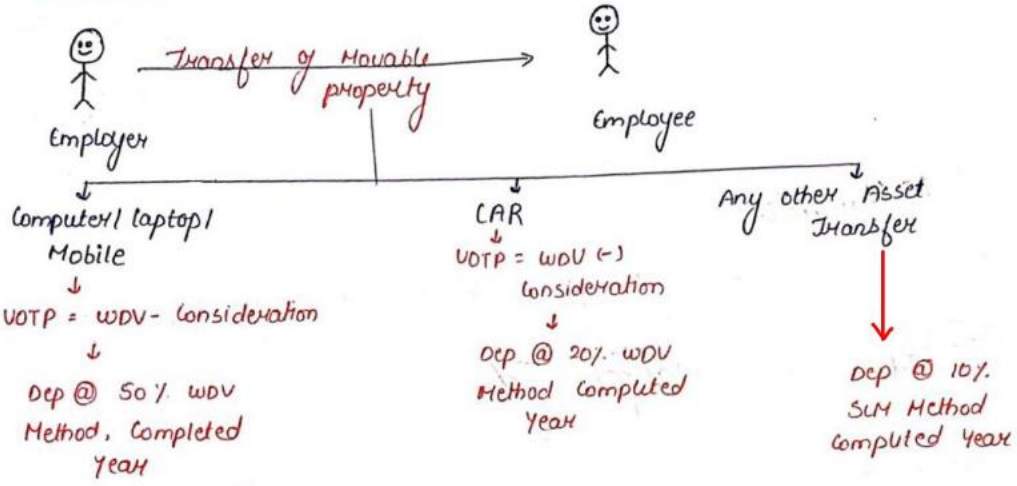
2) Bed = 40,000 × 10% × $\frac{7}{12}$ = 2,333.33/–

3) 2AC = 2 × 500 × 5 = 5,000/–

7,333.33



Transfer OF MOVABLE Property #Most Important



Example :- VG Purchase a Car on 25/10/2018 = 10,00,000
TIF to ee on 8/2/2025 = 4,50,000
Compute VOTP = ?

Solution :- Completed Year

25/10/18 - 24/10/19	=	3,60,000
25/10/19 - 24/10/20	=	2,88,000
25/10/20 - 24/10/21	=	2,30,400
25/10/21 - 24/10/22	=	184320
25/10/22 - 24/10/23	=	147456
25/10/23 - 24/10/24	=	117965
		13,28,141

= 10,00,000 - 13,28,141
= 4,71,859
(4,50,000)
21,859 → value of Taxable Perquisite.



∘ Leave Travel Concession – [ONLY FOR OPTIONAL Regime] 10(5)

The benefit is available to individual citizen as well as in respect of travel concession or assistance for him and his family i.e spouse children of the individual and parents, brother, sister of the individual (wholly and Mainly dependent on the employee.

→ Limit of Exemption

Exemption in respect of 2 journey performed in a block of 4 Calendar years. where such LTC is not availed by individual during any block of 4 Calendar year. Then, One such unavailed LTC will be carry forward for next block of 4 Calendar year.

→ Monetary limit

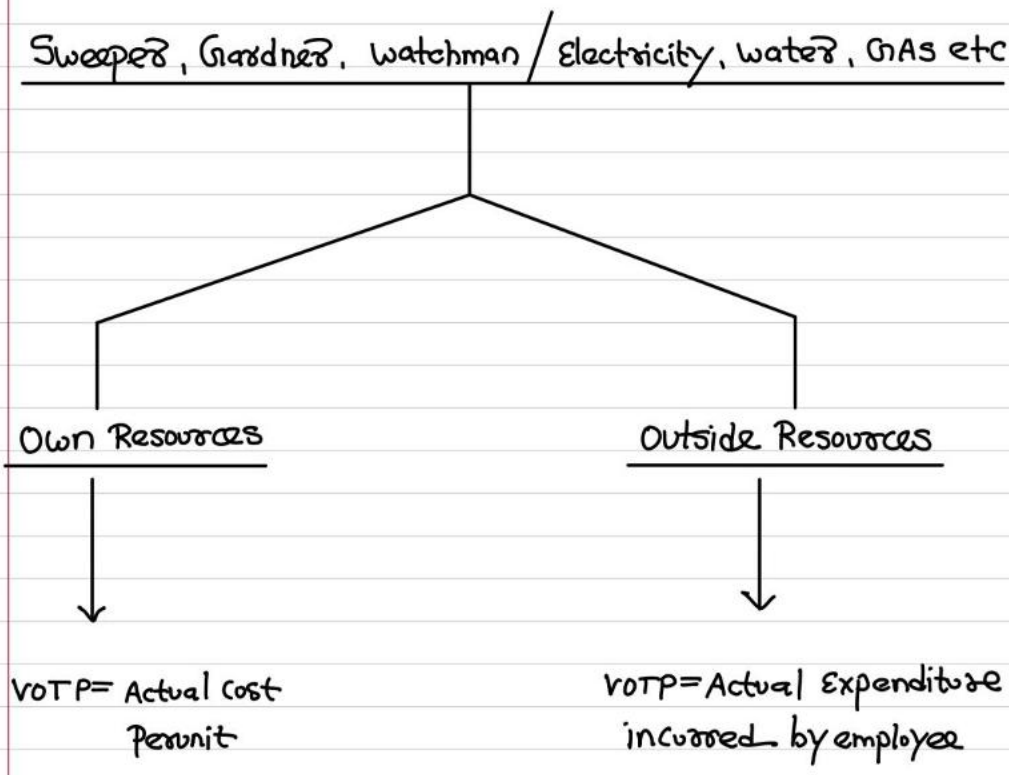
- By Air = Economy class fare exempt. ∘ other Mode = Actual Expenditure
- By Rail = First class fare exempt
- By Bus = Delux class fare exempt (subject to shortest Route)

NOTE :-

- In case LTC is encashed without performing the journey then 100% amount Received by employee would be taxable.
- The exemption shall not be available to more than 2 children of an individual after 1st October 1998. This restriction shall not apply in respect of children born before 1st od 1998 and also in case of Multiple birth after child.



Lecture 8


Sweeper, Gardner, watchman / Electricity, water, GAS etc
Own Resources
Outside Resources
VOTP= Actual cost per unit
VOTP=Actual Expenditure incurred by employee


VG SIR

Motor Car Facility Imp

Car owned by	Expenditure met by	100% office use	100% personal use	Partly personal partly Business
Employee	Employee	Nill	Nill	Nill
Employee	Employee	Nill	Actual Exp incurred by employee	Actual Expenditure incurred = xxxx (-) upto 1600 cc = (1800pm) (-) more than 1600cc = (2400pm) (-) Driver (if any) = (900pm) VOTP xxxx
Employee	Employee	Nill	10% p.a of Actual cost	upto 1600 cc = 600 pm more than 1600 cc = 900pm Driver (if any) = 900pm VOTP xxxx
Employee	Employee	Nill	10% p.a of Actual cost + Actual Exp incurred by employee	upto 1600 cc = (1800pm) more than 1600cc = (2400pm) Driver (if any) = (900pm) VOTP xxxx

Part of the month is to be Ignored



Example



Cost of CAR = 8,00,000
Usage of CAR = Both purpose
Expenditure met by = Mr. Abhishek
CAR = 2000 cc
Use of CAR = 7m 20 days
VOTP = ?

Solution :- VOTP = 900 X 7 = 6300/-

What will be your Ans if usage of CAR — 100% Personal Purpose

$$VOTP = 8,00,000 \times 10\% \times \frac{7}{12} = 46,667$$

What will be your Ans if Expenditure are also met by employee in both the above Case

Expenditure Incurred by employee = 1500pm

Case1 :- 2400 X 7 = 16,800/-



Case 2 :- $8,00,000 \times 10\% = \frac{7}{12} = 46,667$

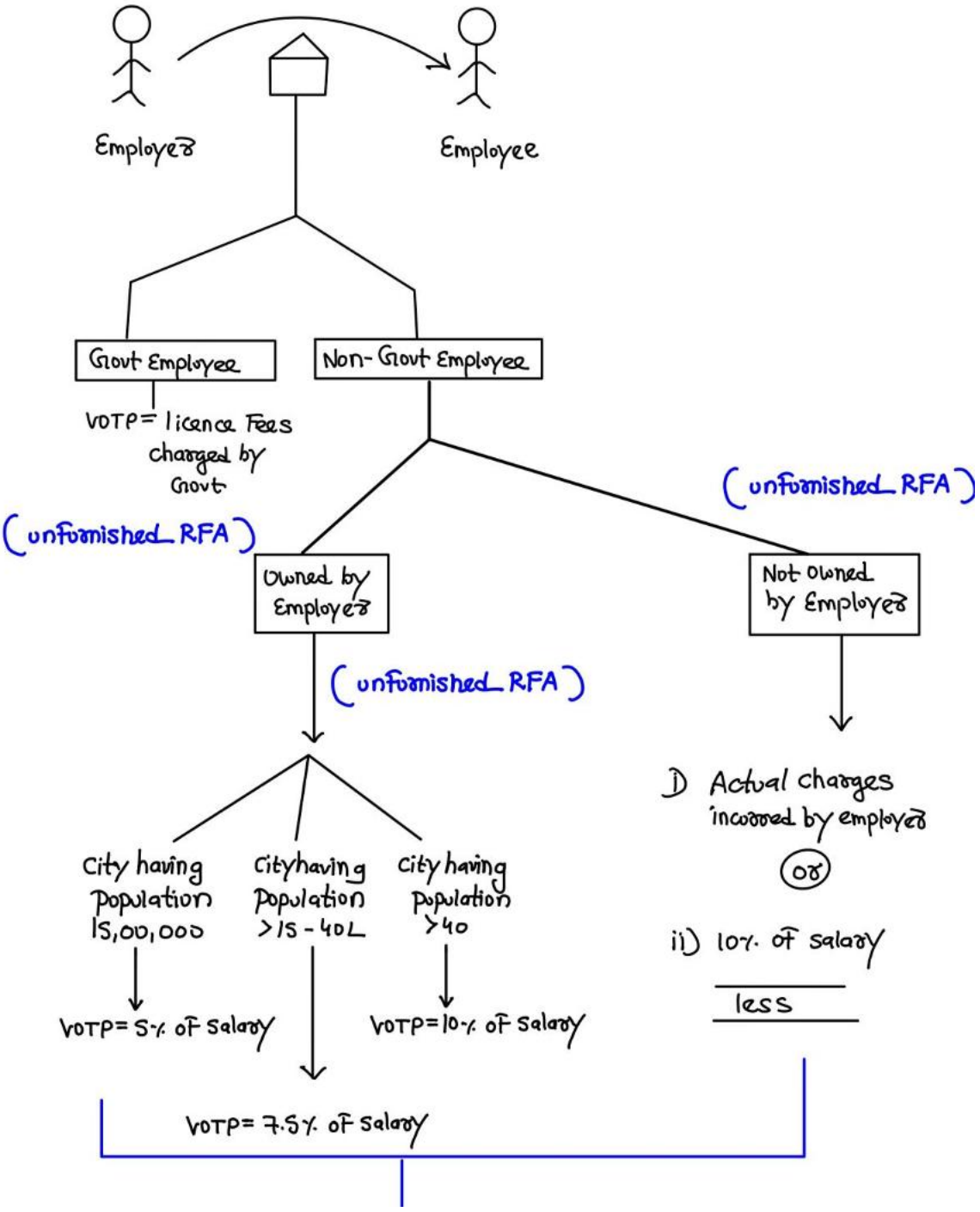
$+$ $+$ $\Big] 57,167$

1500×7 $= 10500$



Rent Free Accommodation / RFA / CRFA

=# M.Imp





↓

Value of unfurnished RFA = XXX (computed above)

+ Value of furnished items

Owned by employee = Actual cost x 10% P.a
(or) and
Not owned by employee = Actual charges

Value of furnished RFA XXXX

(-) Amount paid by employee XXXX

Concessional RFA XXXX

Salary = Basic + DA (UTOE) + Commission (every type)
+ Bonus + Taxable portion of All Allowances



Lecture 9

Example :- Mr. X, employee of VG ltd
Basic salary = 25,000 pm
Entertainment Allowance & Commission = 1,000 pm each
VG ltd provide the following benefits to mr X

1) A personal loan of 5,00,000 on 1/7/24 @ 6.75% and SBI ROI on 1/4/24 was = 12.75%

2) A car provide 1800 cc, Cost 8,00,000 for official & personal purpose and all the running & maintenance exp. met VG. ltd Actual Exp incurred 60,000 pm by VG ltd (use of CAR - 8m)

3) Provide 1 laptop for official use & 2 AC for personal use on 1/10/2024, Cost of laptop 40,000 and AC 30,000 each

4) He sold his car to Mr. X for ₹ 2,50,000 which may purchased by VG ltd on 1/11/2021 @ 12,00,000. Sale of car on 15/6/2024

Compute his Taxable salary for AY 25-26

Normal Scheme



Solution :- Computation of Taxable salary for AY 25-26

	Particulars	₹	₹
	Basic salary (25,000 x 12)		3,00,000
Add:	Entertainment Allowance (1000 x 12)		12,000
	Commission (1000 x 12)		12,000
	Interest on loan (5,00,000 x 6% x 9/12)		22,500
	CAR (2400 x 8)		19200
	laptop		Nill
	AC (30,000 x 2 x 10% x 6/12)		3,000
	CAR (12,00,000 - 4,32,000) - 2,50,000 15/11/21 - 14/11/22 = 2,40,000 15/11/22 - 14/11/23 = 1,92,000 ~~15/11/23 - 15/6/24~~ 4,32,000		5,18,000
			8,86,700
less :	Deduction U/S 16(ia)		50,000
			8,36,700



2. Mr. Bablu, employed as production manager in VG Ltd. Furnish you the following details for year end 31/3/25

1) Basic Salary upto 31/10/24 = 50,000 pm

Basic salary from 1/11/24 = 60,000 pm

2) DA 40% of Basic Salary

3) Bonus equal to one month salary paid in oct 24 on basic Salary + DA applicable for that month

4) A Company provide accommodation in delhi on 1/4/2024

5) A Co provide Gift vouchers of ₹ 10,000 to Mr Bablu

Compute his TS for AY 25-26 - Normal of Scheme

DA Part of Basic Pay CUTOE)



Solution :- Computation of Taxable salary for AY 25-26

	Particulars	₹	₹
	Basic salary (50,000 x 7) (60,000 x 5)		6,50,000
Add:	Dearness Allowance (6,50,000 x 40%)		2,60,000
	Bonus Oct salary = 50,000 DA (50,000 x 40%) = 20,000		70,000
	Rent free Accommodation (6,50,000 + 2,60,000 + 70,000) x 10%		98,000
	Gift voucher		10,000
			10,88,000
less :	Deduction u/s 16(ia)		50,000
			10,38,000



Example :- VG Ltd. Provide the following perquisites to its employee Mr. X for PY 24-25

1) Accommdation taken on lease by VG ltd for 20,000 pm and ₹ 5,000 pm is recovered from employee. Salary for RFA 15,00,000

2) Provide furniture to Mr. X, COST of furniture - 30,000

3) CAR of 1200 cc, Exp met by employee (Mr. X), 100%. Personal use, Cost of CAR 7,00,000, use of car = 6m Expenditure = 1000 pm

4) Gift vouchers of ₹ 4,000 (non money form)

5) medical exp incurred for his father (Not dependant) in Govt hospital = 10,000

Normal scheme

Taxable perquisites ?



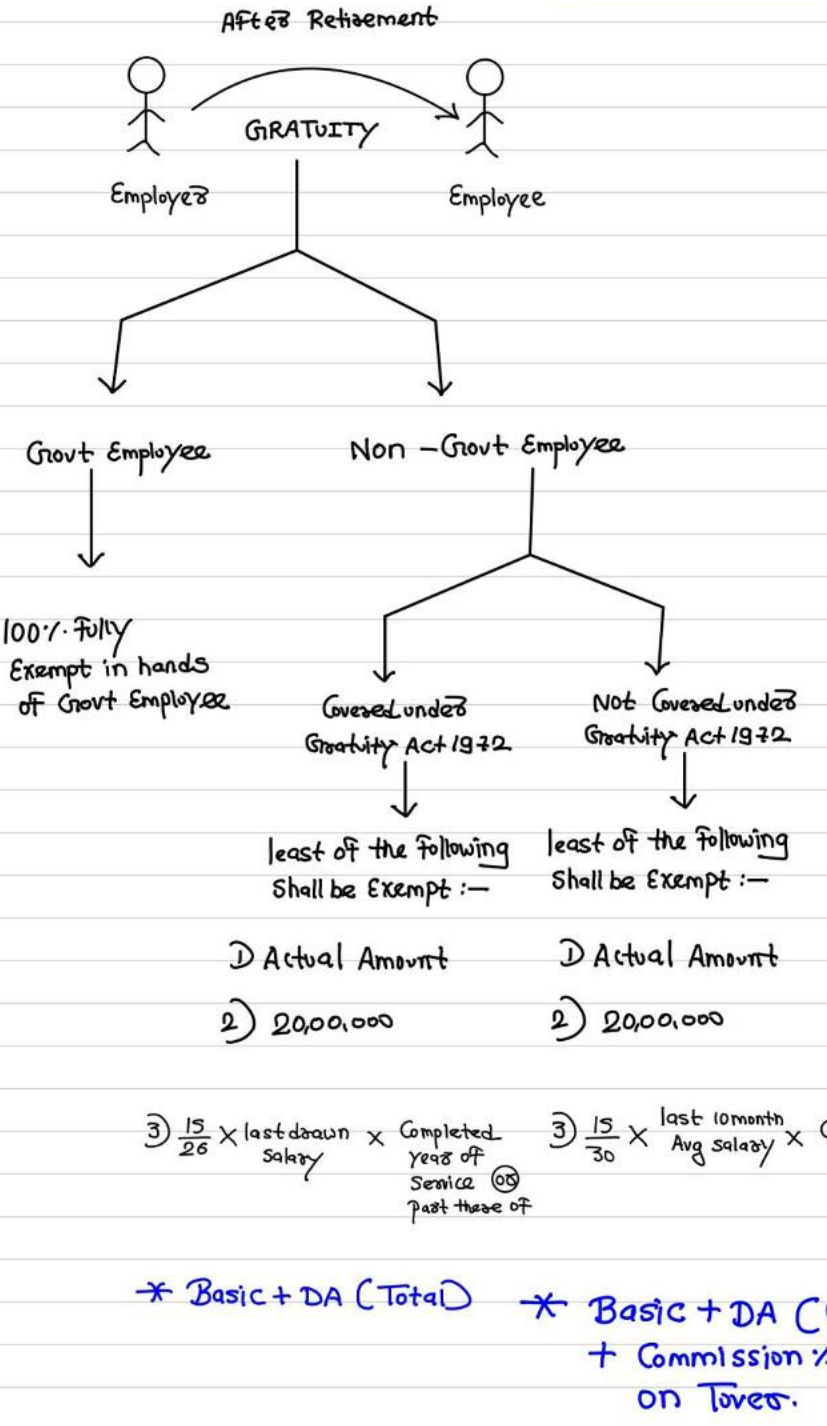
Solution :- Computation of Taxable perquisites

	Particulars	₹
1)	Rent free Accommodation (House Not owned by Employer)	
	a) Actual charges = (12,000 x 12) = 2,40,000	
	b) 10% of Salary = (15,00,000 x 10%) 1,50,000	
	less	1,50,000
	(-) amount paid by employee (5000 x 12)	60,000
		90,000
		90,000
2)	Furniture	
	30,000 x 10%	3,000
3)	Car	
	7,00,000 x 10% x 6/12 =	35,000
4)	Gift voucher	Nil
5)	medical Expenditure	10,000
	Taxable perquisite	1,38,000



Lecture 10 D Gratuity

Retirement Benefits



* Basic + DA (Total)

* Basic + DA (UTOE) + Commission % based on Turn.



Key points Related to Gratuity

1) Gratuity received during job is Fully Taxable

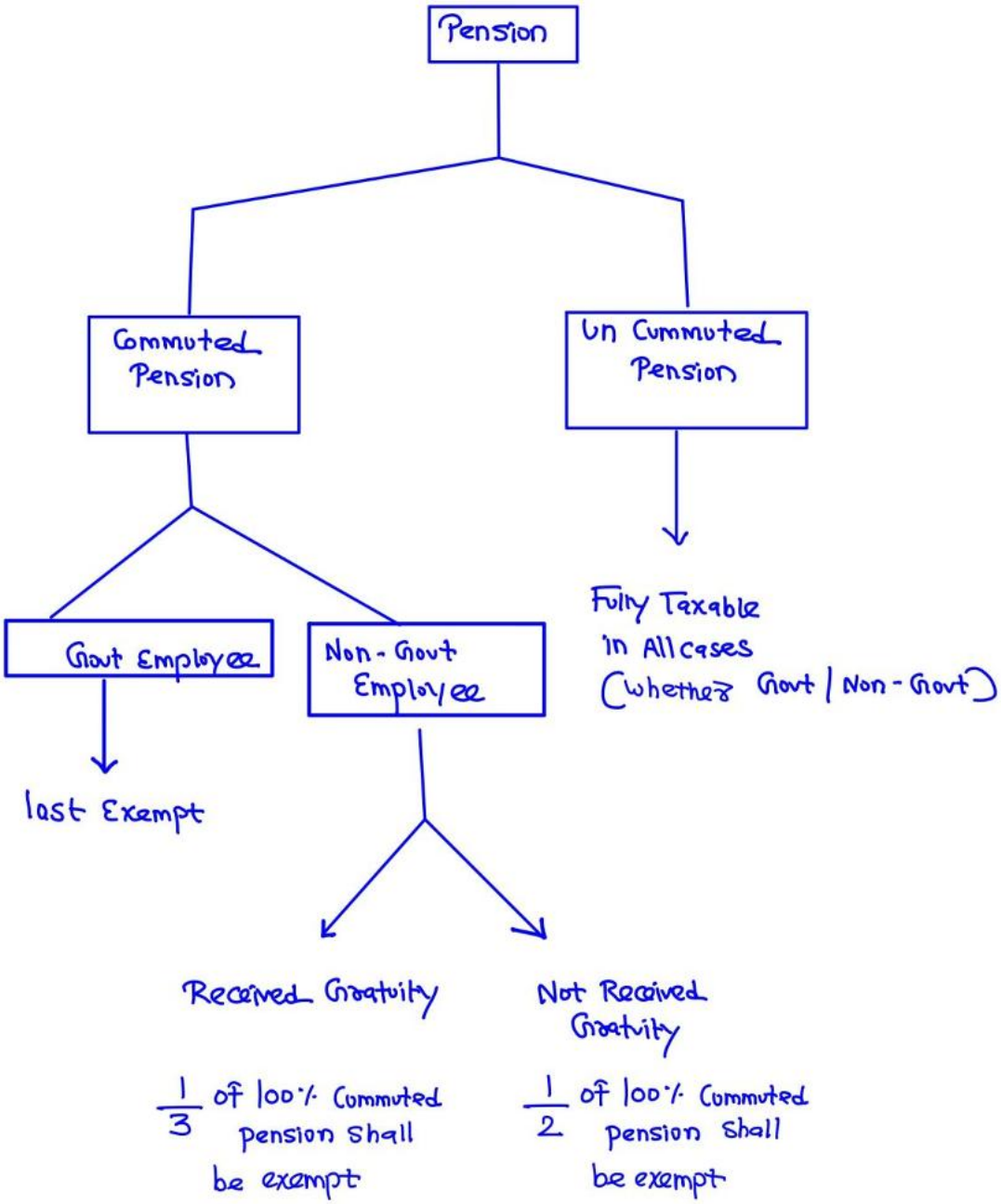
2) Where gratuity is Received from 2 (or) more Employee in the same p/y, aggregate Amount of Gratuity Exempt from Tax upto 20L.

3) Where gratuity is Received in earlier year from his former employer and Received from another employee in the later year, the limit of 20L will be reduced by the amount of gratuity Exempt Earlier.

4) The exemption in respect of gratuity would be available even if Gratuity is received by widow, Children (or) dependent of the deceased Employee.

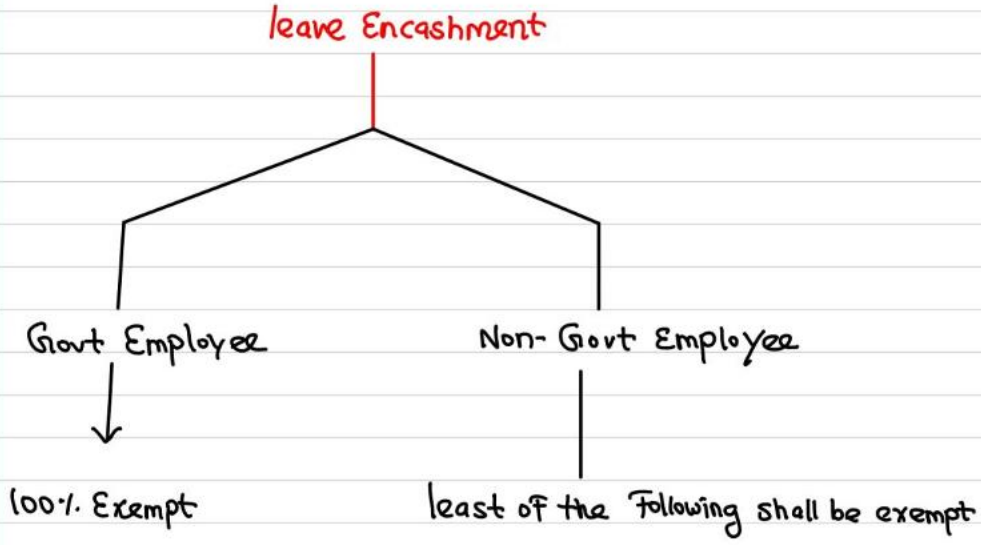


2) Pension Sec - 10(10A)





3) leave Encashment



Salary = Basic + DA (Only TOE) + Commission % based on Turnover



Not Important

Retrenchment Compensation & VRS

Retrenchment Compensation	Voluntary Retirement scheme
least of the following shall be Exempt	least of the following shall be Exempt
1) Actual Amount	1) Actual Amount
2) 5,00,000	2) 5,00,000
3) As per Industrial dispute Act, 1947	3) Remaining period of service × last drawn salary
	4) Completed year of service × 3m × last drawn salary
	5) Salary = Basic + DA (Cutoff) + Commission % based on Turnover



Example :-

Mr. Abhishek Retire on 1/11/2024 After 30 years 7 month of service. He Receive ₹ 15,00,000 as Gratuity and ₹ 10,00,000 as leave Salary. Other details as following

1) Basic salary = 20,000 pm

DA = 4,000 pm (50% UTO ₹)

Commission = 50 pm

leave taken = 720 days

1) Taxable Gratuity if Non-Govt & Covered under Gratuity Act

2) Taxable leave Encashment



Solution:- least of the following shall be Exempt

1)

1) 15,00,000

2) 20,00,000

3) $\frac{15}{26} \times 24000 \times 31$ years = 4,29,231

15,00,000
(-) 4,29,231
10,70,769 ⟶ Taxable

2)

1) 10,00,000

2) 25,00,000

3) 10% 22,000 = 2,20,000

4) 6 X 22,000 = 1,32,000

10,00,000
(-) 1,32,000
8,48,000 ⟶ Taxable



Lecture 11

Which Perquisites are taxable in the hands of specified employee (or) All employee and meaning of specified employee?

(1) Obligation of Employer discharge By Employer = Taxable in Hands of All Employee.

(2) Obligation of Employer discharge by Employer Benefits Use By Employer = Taxable only In case of Specified Employees.



Meaning of Specified Employee

1) Director of Company

(OR)

2) Employee has 20% (OR) more Voting powers in such Company

(OR)

3) Annual salary more than ₹ 50,000

Hotel Facility

least of the following shall be chargeable to TAX

1) Actual charges

(OR)

2) 24% of salary

less → Taxable perquisites

Salary = Same as RFA

Hotel Facility Not Taxable → If stay upto 15 days

+

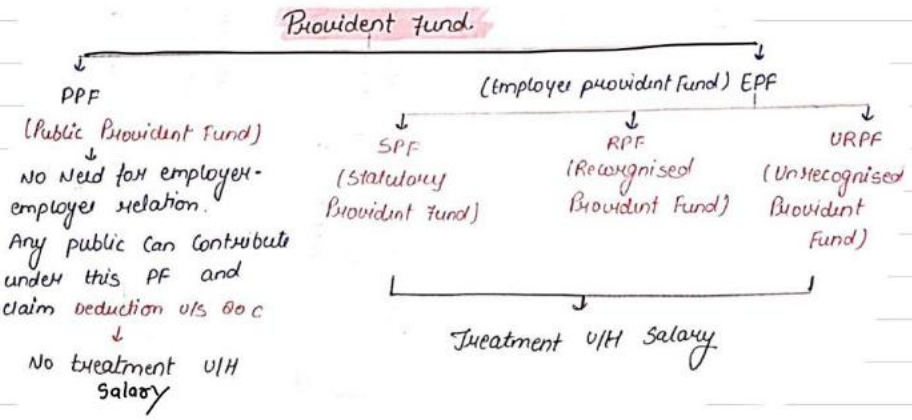
In case of Transfer of one place to another Place



Provident Fund

5 Questions

1. Employee ke Contribution ka Employee ke hath me treatment kya hoga.
2. Employer ke Contribution ka Employee ke hath me treatment kya hoga.
3. Employee ke Contribution pe jo interest ayega us interest ka employee ke hath me treatment kya hoga.
4. Employee ke Contribution pe jo interest ayega us interest ka employee ke hath me treatment kya hoga.
5. Jo Lumpsum paisa retirement ke baad milega us retirement pe milne wale paise ka employee ke hath me treatment kya hoga.





Treatements in Hands of "Employees"

During Job	SPF	RPF	URPF
Employer ke Contribution ka Employee ke Hath me kya treatment Hoga?	Taxable and eligible for Deduction u/s 80C (subject to limit) NOTE:- Agar Basic salary ka full amount le liya hai to dubara Add Nahi Hoga.	Taxable and eligible for Deduction u/s 80C (subject to limit) NOTE:- Agar Basic salary ka full amount le liya hai to Dubara Add Nhi Hoga.	Taxable and Not eligible for Deduction u/s 80C.
Employer ke Contribution ka Employee ke hath He kya treatment Hoga?	Fully Exempt	Agar employer Contribution upto 12% of * Salary of Employee → Agar 12% Contribution 7,50,000 tak hai → NOT TAXABLE; Agar 12% Contri > 7,50,000 hai → Excess Contribution TAXABLE More than 12% of Salary of Employer → Jitna Contri 12% se Jyada hai vo taxable. * Salary = BASIC SALARY + D.A (if any) + Comm % of T.O.	NOT TAXABLE (Because taxable after Retirement).
Employee ke Contri par Jo Interest ayega Uska Employer ke hath me kya treatment Hoga?	Contribution upto 2,50,000 → Interest accured on such Contri → Exempt More than 2,50,000 → Interest accured on excess Contri is taxable	# Contribution and interest upto 9.5% upto 2,50,000 → exempt More than 2,50,000 → Int on excess Contri is taxable # If Interest accured on Contribution is More than 9.5% → Excess Interest Taxable	NOT TAXABLE (Taxable after Retirement).



During Job	SPF	RPF	URPF
Employer ke contri par jo interest ayega uska employee ke hath me kya treatment Hoga?	Fully Exempt	Interest upto 9.5% → Exempt >9.5% → Excess interest taxable	NOT TAXABLE [Taxable after Retirement].
AFTER Retirement Amount Received after Retirement	Fully Exempt	FULLY EXEMPT Subject to Conditions) 3 Conditions a) Job Continues 5 year or More b) If Not rendered 5 years of services due to :- • Ill health of employee • Employer Buss. discontinuation. • Reason Beyond Control. c) old Employer — Transfer → New Employer Total 5 years or More.	• employee contribution + Interest on employee contri Taxable under Head Salary • Employer contribution NOT TAXABLE • Interest on Employer contribution Taxable under Head other Source.



Example :- Basic Salary = 40,00,000 p.a , ER Contribution in SPF = Match with EE
DA = 40% of B.S
EE Contribution in SPF = 4,00,000 p.a
Interest on Contribution = 9% p.a
Compute taxable income for AY 25-26? Optional →

Solution :- 40,00,000 + 16,00,000 + NIL + 13,500 = 56,13,500

Standard Deduction	(50,000)
Taxable Salary	55,63,500
Deduction u/s 80 C	(1,50,000)
	54,13,500




VG SIR

@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB



CHAPTER - 9 INCOME FROM HOUSE PROPERTY

Background of House Property

Lecture 1



House Property

- Rental Income From House Property
  - Business of letting out
    - Letting out of Commercial Property → PGBP
    - Letting out of Residential Property → House property Chapter.
  - Not a business of letting out → Income shall be chargeable to under head "House property"
- Income from sale of H.P
  - Business of sale / Dealing of House property (HP held as stock in Trade) → Income shall be chargeable to tax under head "PGBP"
  - Not a Business of sale of house property → Income shall be chargeable to tax under head "Capital Gains"

House property

Section - 22 to Section - 27



9643036663 (only WhatsApp)

Section 22 = Section 23 - Section 24 = Income from H·P

Charging Section of H·P.	Annual Value	Deduction From Annual Value

Section 25(1) = No deduction of section 24(b) if No TDS Deducted.

Section 25A = Recovery of unrealised / Arrears of Rent

Section 26 = Joint ownership / Co-ownership

Section 27 = Deemed Owner

Section 22 charging section

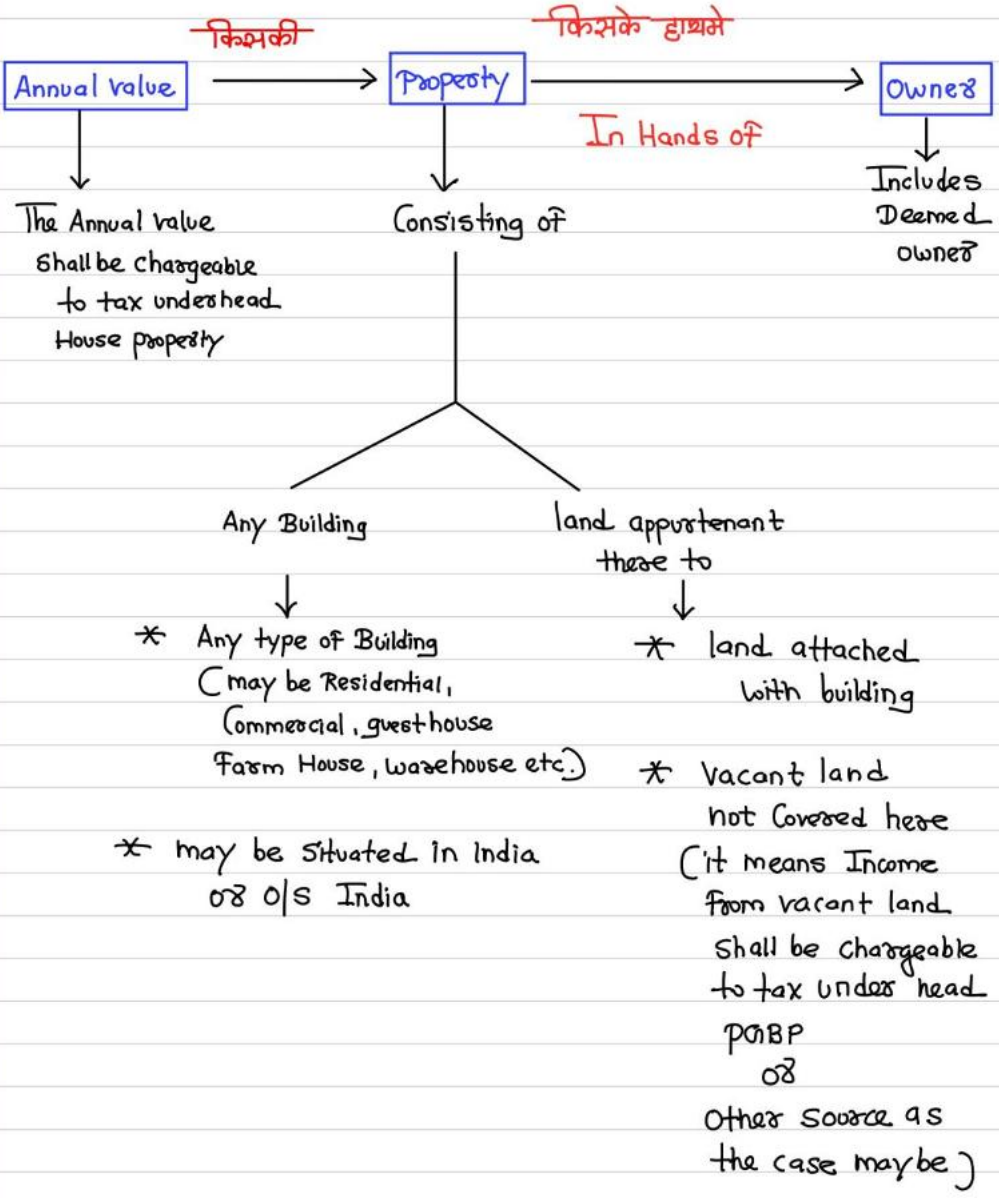
Income from House property

The annual value of property consisting of any building or lands appurtenant thereto of which the assessee is the owner, other than such portions of such property as he may occupy for the purposes of any business or profession carried on by him the profits of which are chargeable to income-tax, shall be chargeable to income-tax under the head "Income from house property".

Attach to



Analysis of Section - 22



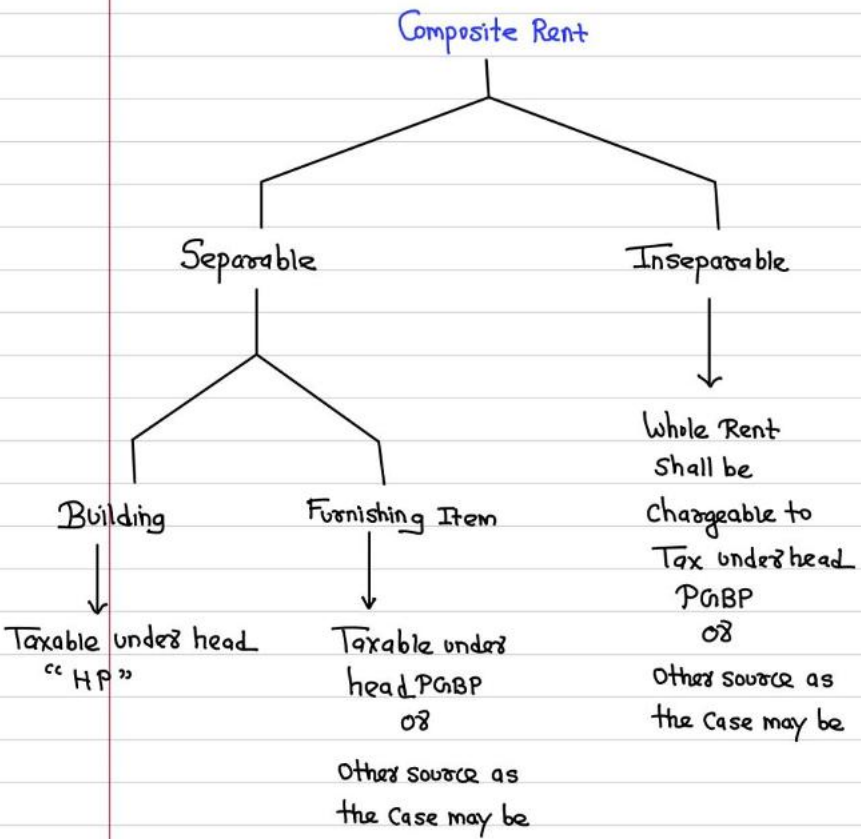


Annual value of Any building or land appurtenant thereto is taxable under the head house Property in All cases Except following 3 Cases

1) Such portion of such property as he may occupy for the purpose of any business or profession carried on by him ⟶ Taxable under head PGBP

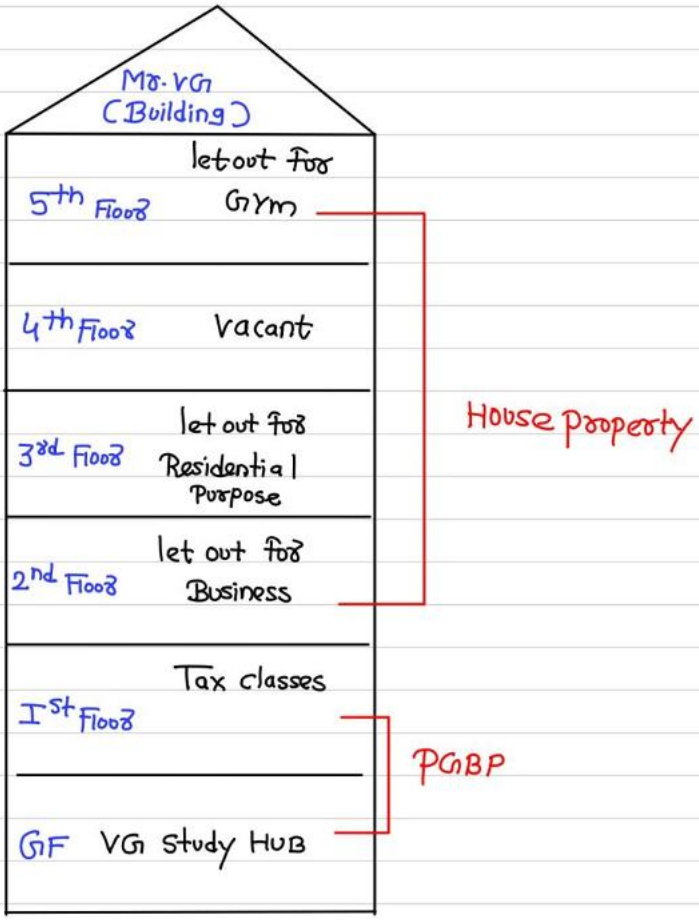
2) If letout is supplementary to the main business then such rental income is chargeable to tax under head PGBP

3] Composite Rent (Joint Rent, Combine Rent)



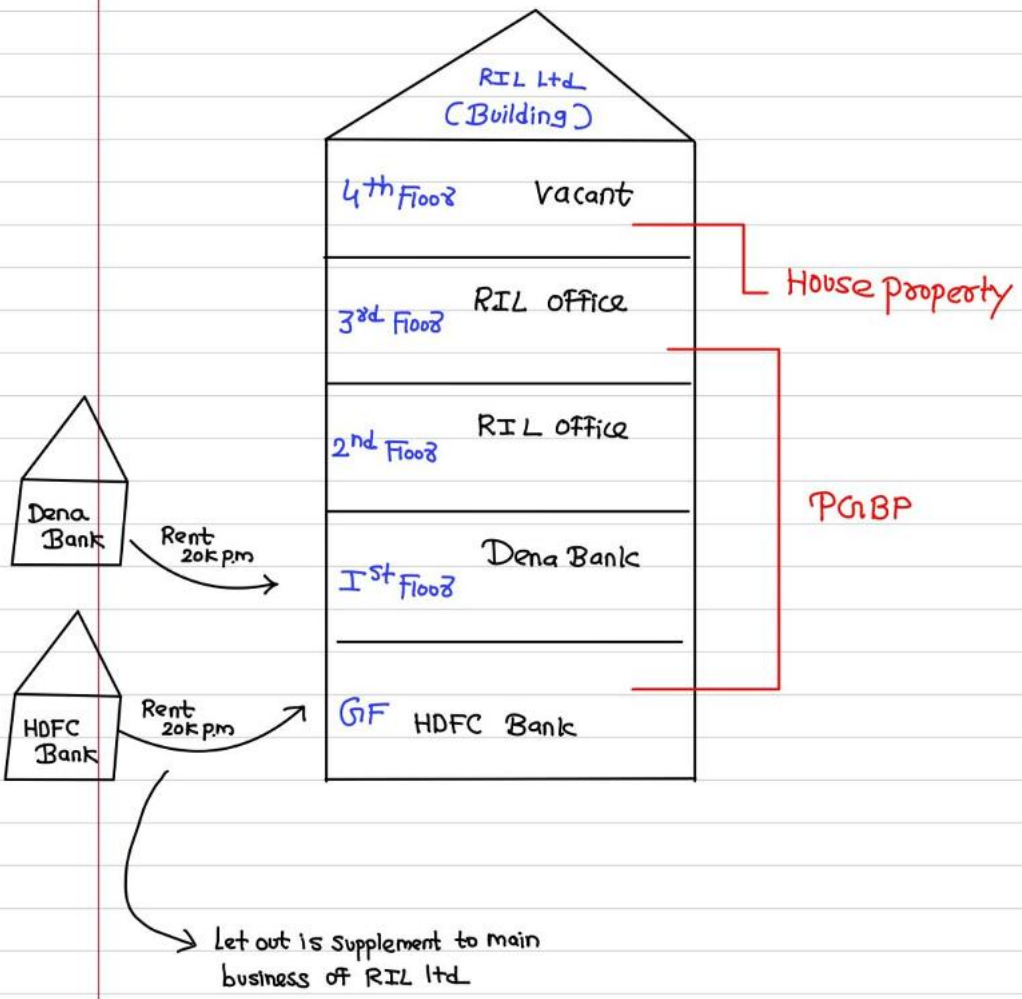


Example 1


Mr. VG
(Building)
let out for
5th Floor
Gym
4th Floor
Vacant
let out for
3rd Floor
Residential
Purpose
let out for
2nd Floor
Business
Tax classes
1st Floor
GF
VG Study Hub
House Property
PGBP

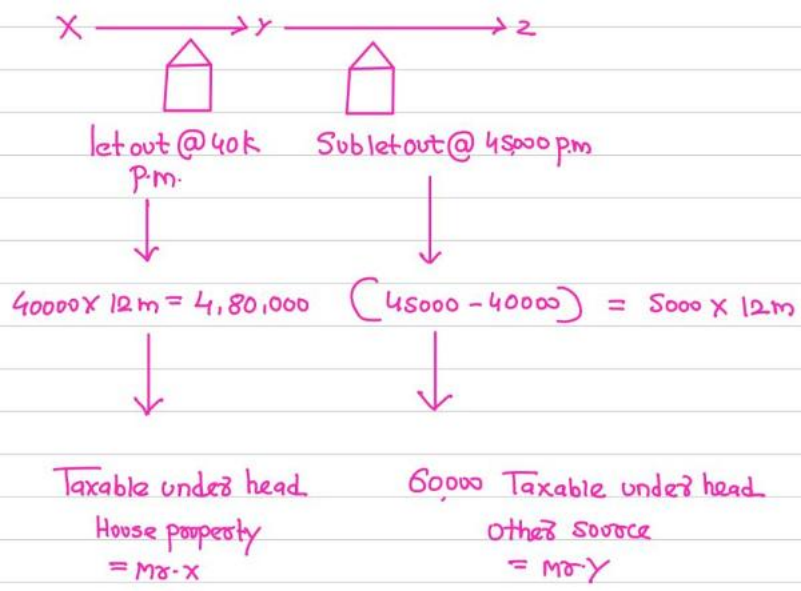


Example 2


RIL Ltd
(Building)
4th Floor
Vacant
3rd Floor
RIL office
2nd Floor
RIL office
1st Floor
Dena Bank
GF
HDFC Bank
House property
PGBP
Dena Bank
Rent 20K p.m
HDFC Bank
Rent 20K p.m
Let out is supplement to main business of RIL ltd



Example 3


X
Y
Z
let out @ 40k p.m.
Sublet out @ 45000 p.m
40000 X 12m = 4,80,000
(45000 - 40000) = 5000 X 12m
Taxable under head House property = Mr. X
60,000 Taxable under head other source = Mr. Y



Computation of Income from "House property"

	Gross Annual value (Section - 23) (GAV)	XXXX
(less)	Municipal Tax paid by the owner during the p.y	XXXX
	Net Annual value (NAV)	XXXX
(less)	Deduction u/s 24	
	a) Standard deduction (30% of NAV)	XXXX
	b) Interest on loan (Housing loan)	XXXX
	Income from H.P	XXXX
Add	Recovery of unrealised Rent / Arrears of rent (After 30% Deduction)	XXXX
	Total Income of H.P	XXXX



Example 1

GAV = 800,000

Municipal Tax

Paid by owner during the p.y = 2,00,000
payable by owner during the p.y = 1,00,000
Paid by Tenent during the p.y = 1,00,000

Income from H.P = ?

Solution :-

	GAV	8,00,000
(less)	Municipal Tax paid by the owner during the p.y	2,00,000
	Net Annual value (NAV)	6,00,000
(less)	Deduction u/s 24 Standard deduction (30% of NAV)	1,80,000
	Income from H.P	4,20,000



Example 2

G·A·V = 7,50,000

Municipal Tax Paid by owner during the p.y 24-25 = 6,00,000

(Includes

* ₹ 2,00,000 belong to p.y. 23-24

* ₹ 2,00,000 belong to Current p.y 24-25

* ₹ 2,00,000 belong to Next year 25-26)

Income from H·P = ?

Solution :–

	GAV	7,50,000
(less)	Municipal Tax paid by the owner during the p.y	6,00,000
	Net Annual value (NAV)	1,50,000
(less)	Deduction u/s 24 Standard deduction (30% of NAV)	45,000
	Income from H·P	1,05,000



Lecture 2

Example

GIAV = 12,00,000
Municipal Tax = 3,00,000 p.a.
(60% paid by owner, which includes 20% related to Next year)
Interest on House property = 80,000 p.a

Income from House property ?

Solution :-

	GIAV	12,00,000
(less)	Municipal Tax paid by the owner during the PY (3L x 60%)	1,80,000
	Net Annual value (NAV)	10,20,000
(less)	Deduction u/s 24	
a)	Standard deduction (30% of NAV)	3,06,000
b)	Interest on loan (Housing loan)	80,000
	Income from H.P	6,34,000



Section 23 - Computation of GAV

GAV means the reasonable rental value of a house.
It is computed with the help of 4 Rents :-

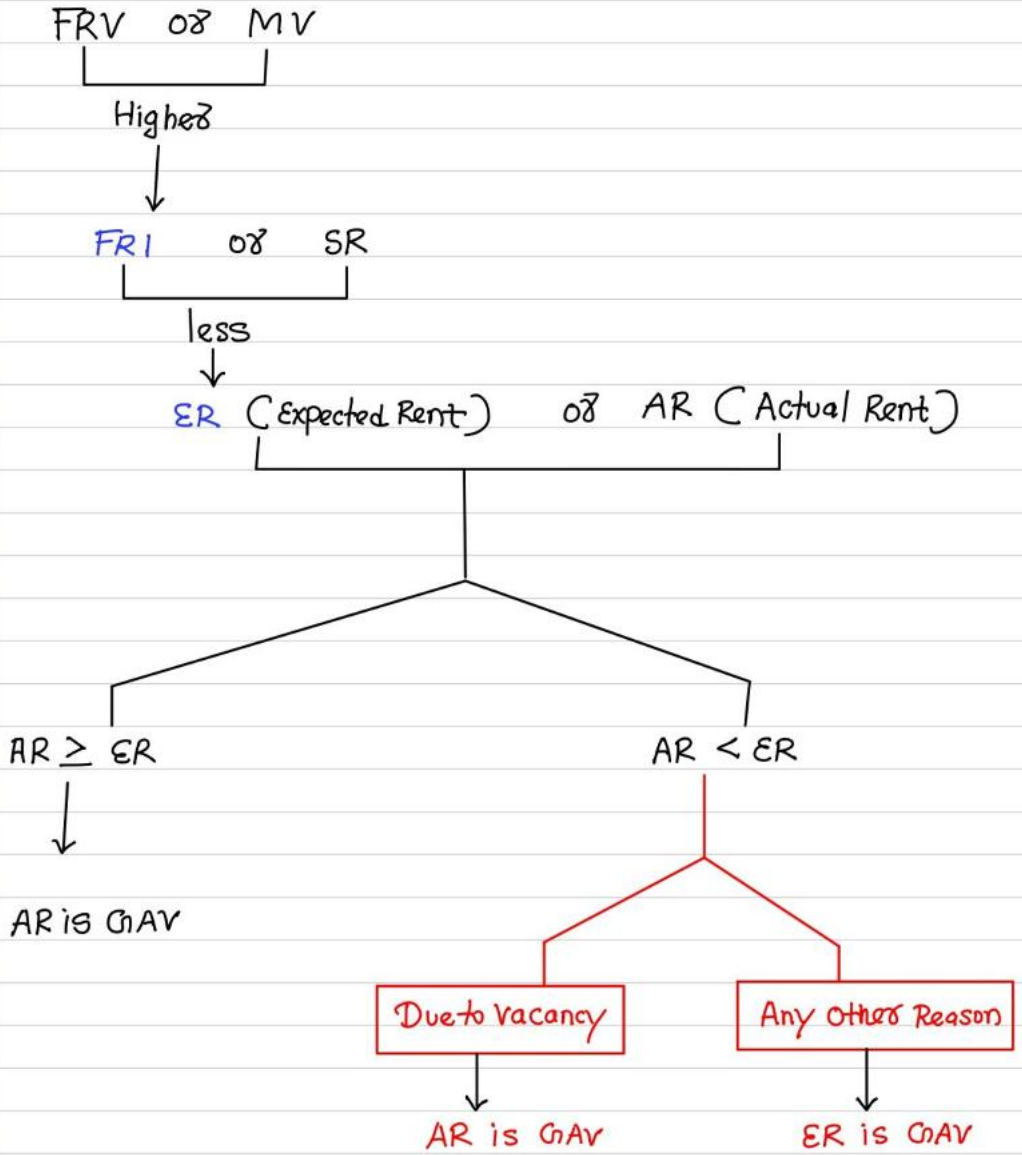
1) Fair Rental value (FRV) =
The Rent of Similar type of property in same locality

2) Municipal value (MV) =
Rental Value determined by the municipality for Purpose of charging municipal TAX.

3) Standard Rent (SR) =
The highest / maximum possible rent as per rent Control Act.

4) Actual Rent (AR) =
Actual Rent Received







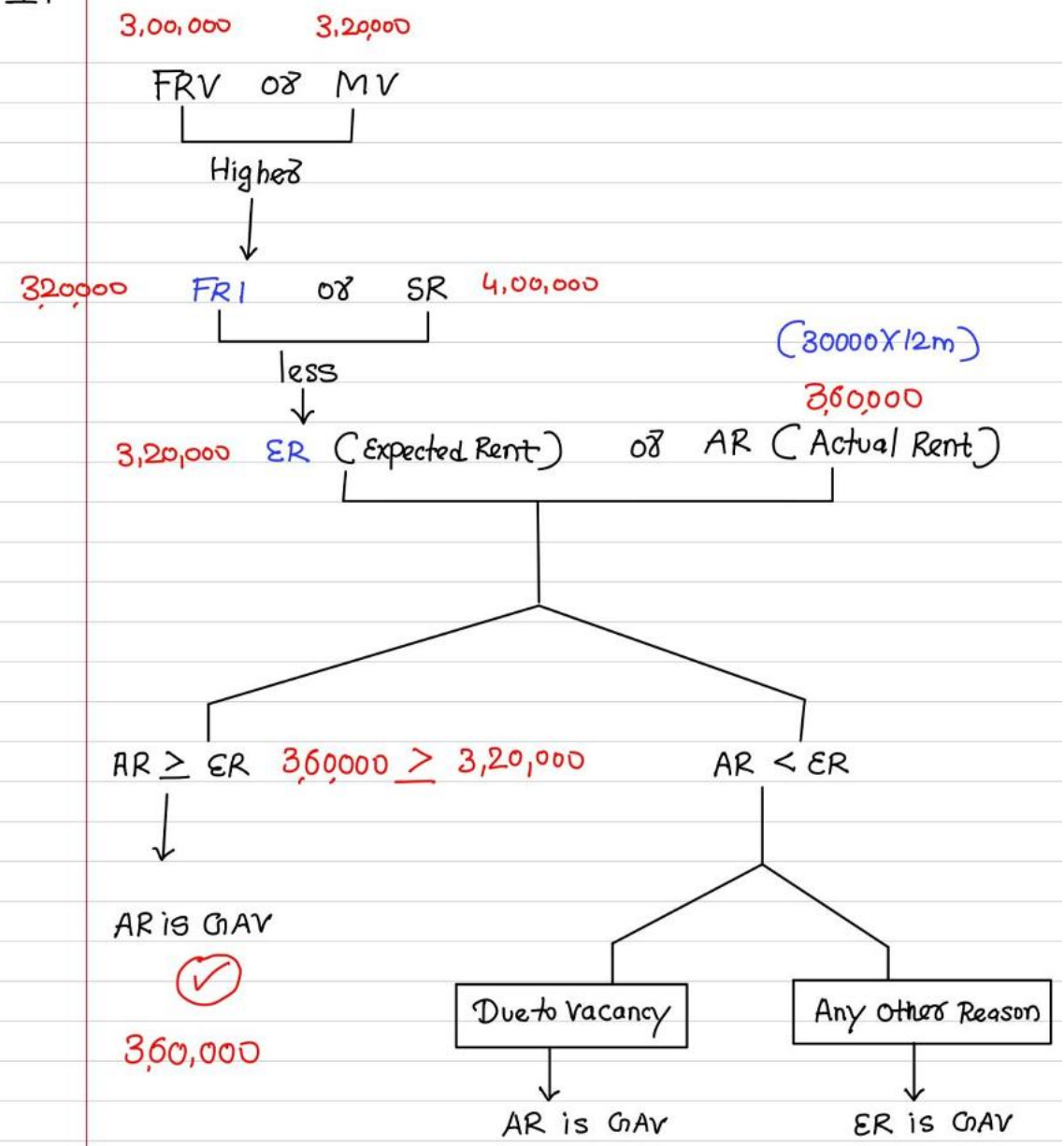
9643036663 (only WhatsApp)

Example :-

	I	II	III	IV	V	VI
FRV	3,00,000	3,00,000	3,50,000	4,00,000	450,000	250,000
MV	3,20,000	3,10,000	4,20,000	2,80,000	3,00,000	2,90,000
SR	4,00,000	2,60,000	3,80,000	—	3,80,000	4,00,000
AR	30,000pm	20,000 pm	40,000pm	40,000 pm	40,000pm	35,000pm
Vacancy	—	3m	4m	3m	—	3m
Unrealised Rent	—	—	—	—	5m	1m
GAV	3,60,000	2,60,000	3,20,000	3,60,000	3,80,000	2,80,000

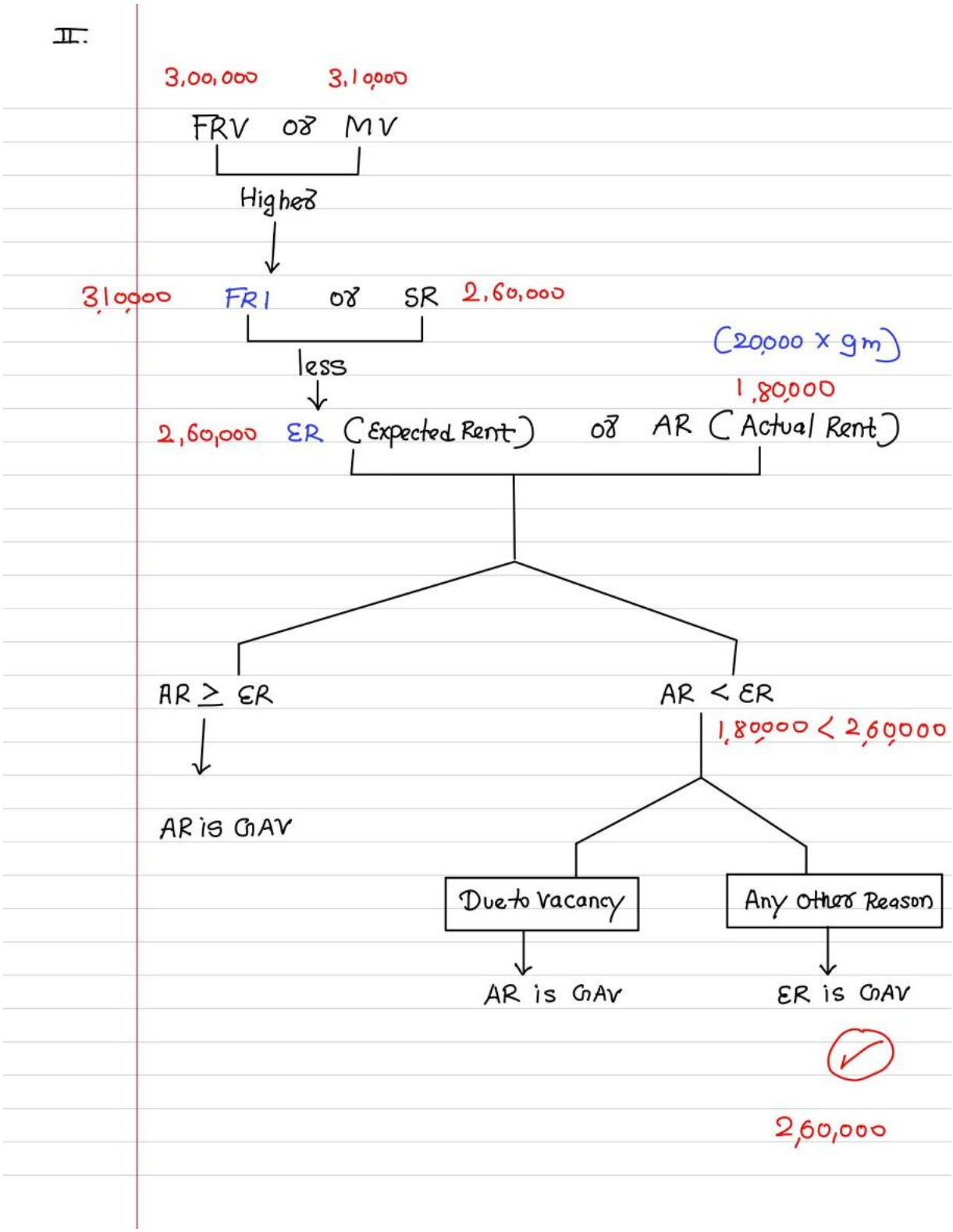


I.


3,00,000
3,20,000
FRV or MV
Higher
3,20,000
FRI
or
SR
4,00,000
less
(30000X12m)
3,60,000
3,20,000
ER (Expected Rent)
or
AR (Actual Rent)
AR ≥ ER
3,60,000 ≥ 3,20,000
AR < ER
AR is GAV
3,60,000
Due to Vacancy
Any other Reason
AR is GAV
ER is GAV

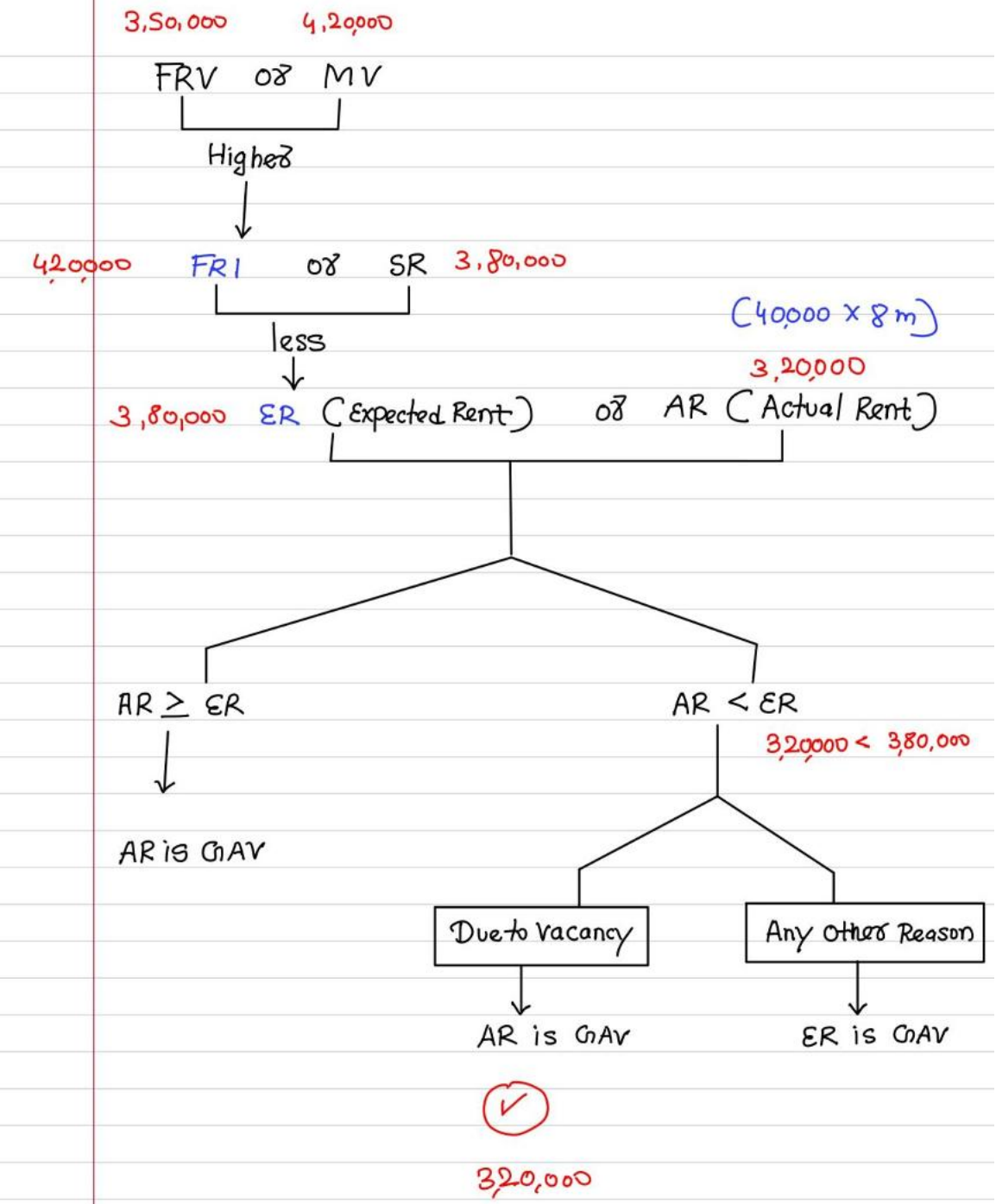


II.


3,00,000
3,10,000
FRV or MV
Higher
3,10,000
FRI
or
SR
2,60,000
less
(20,000 x 9m)
1,80,000
2,60,000
ER (Expected Rent)
or
AR (Actual Rent)
AR ≥ ER
AR is GAV
AR < ER
1,80,000 < 2,60,000
Due to vacancy
Any other Reason
AR is GAV
ER is GAV
2,60,000

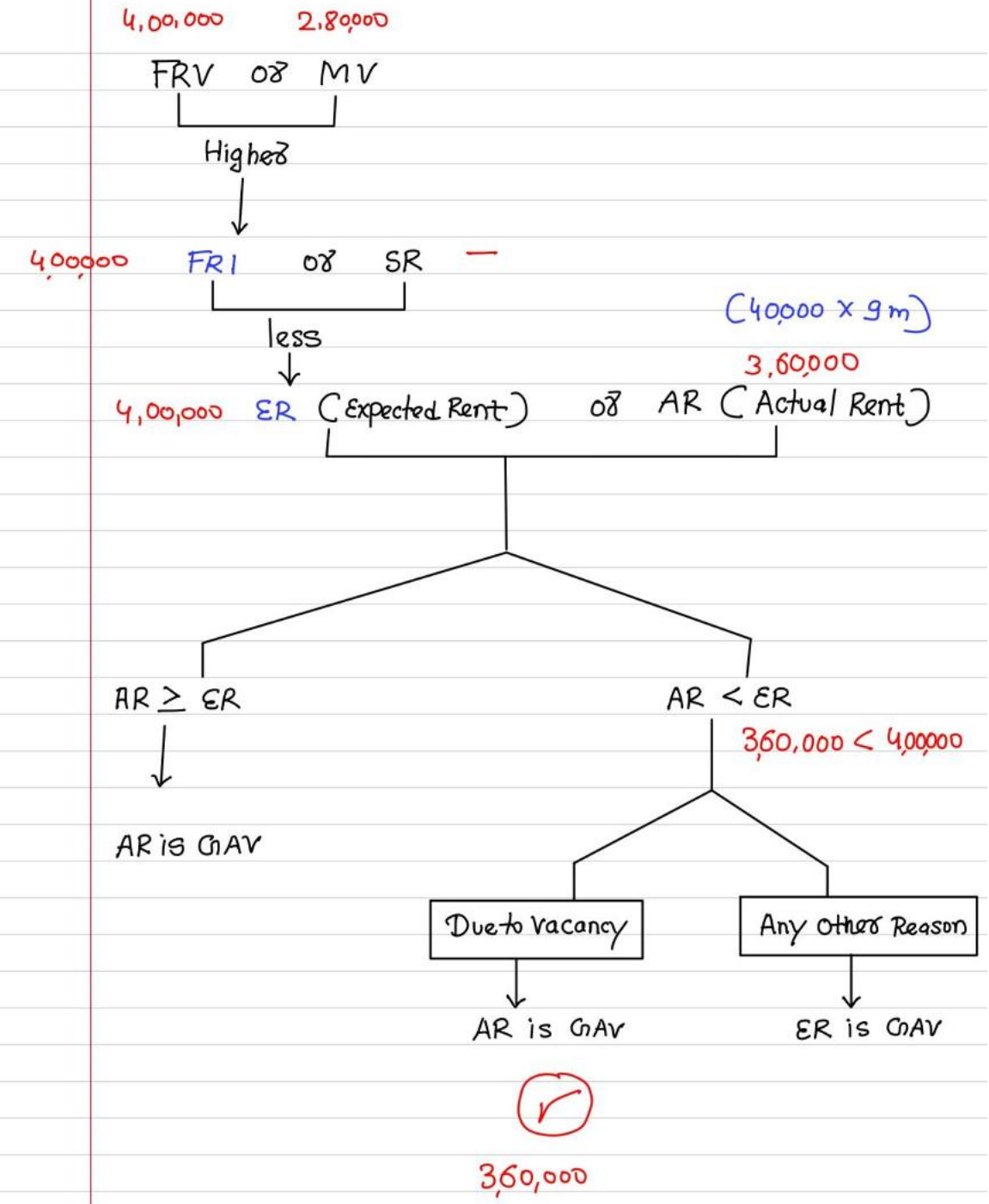


III.

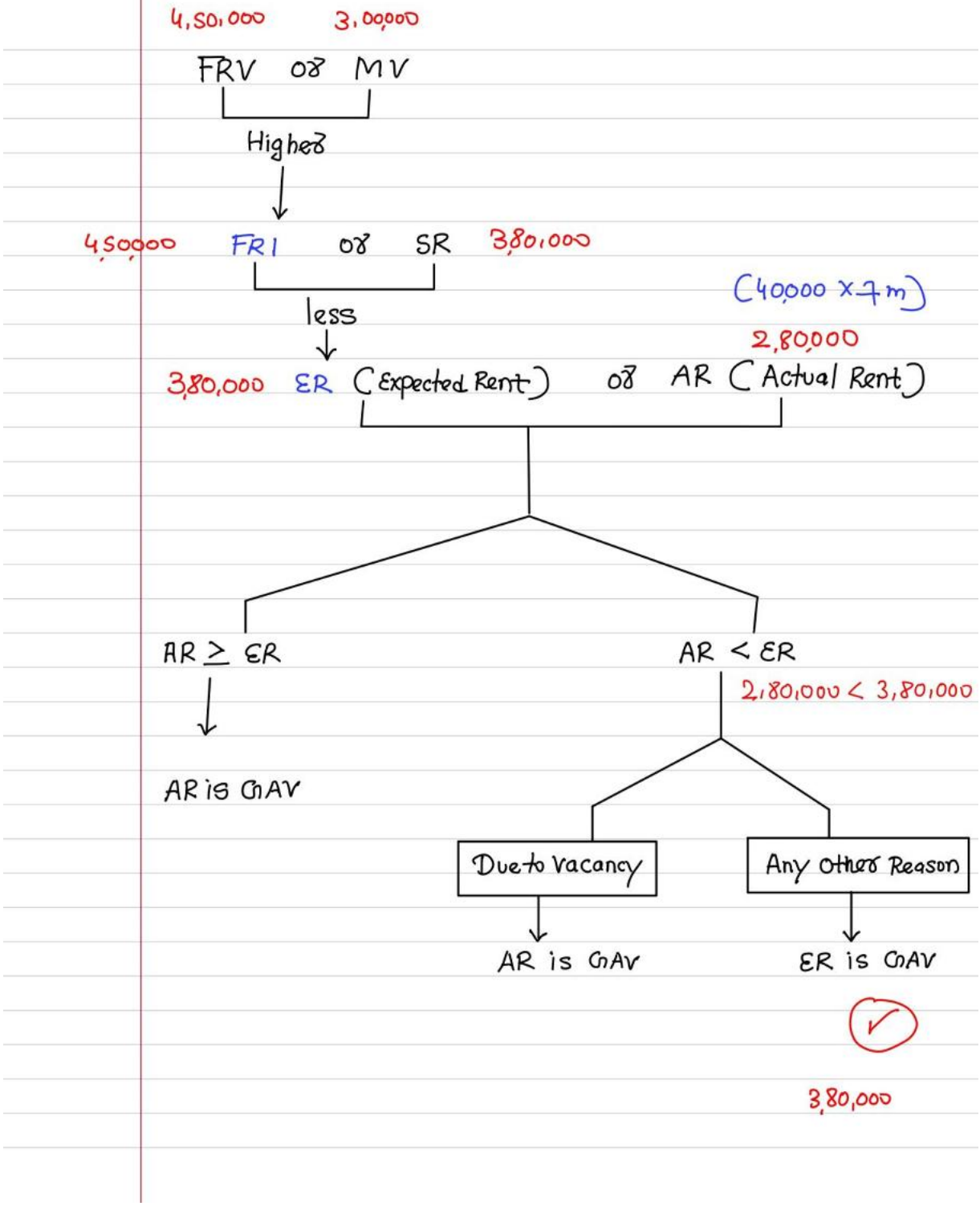

3,50,000
4,20,000
FRV or MV
Higher
4,20,000
FRI
or
SR
3,80,000
less
3,80,000
ER (Expected Rent)
or
AR (Actual Rent)
(40,000 x 8m)
3,20,000
AR ≥ ER
AR is GAV
AR < ER
3,20,000 < 3,80,000
Due to Vacancy
Any other Reason
AR is GAV
ER is GAV
3,20,000



IV.

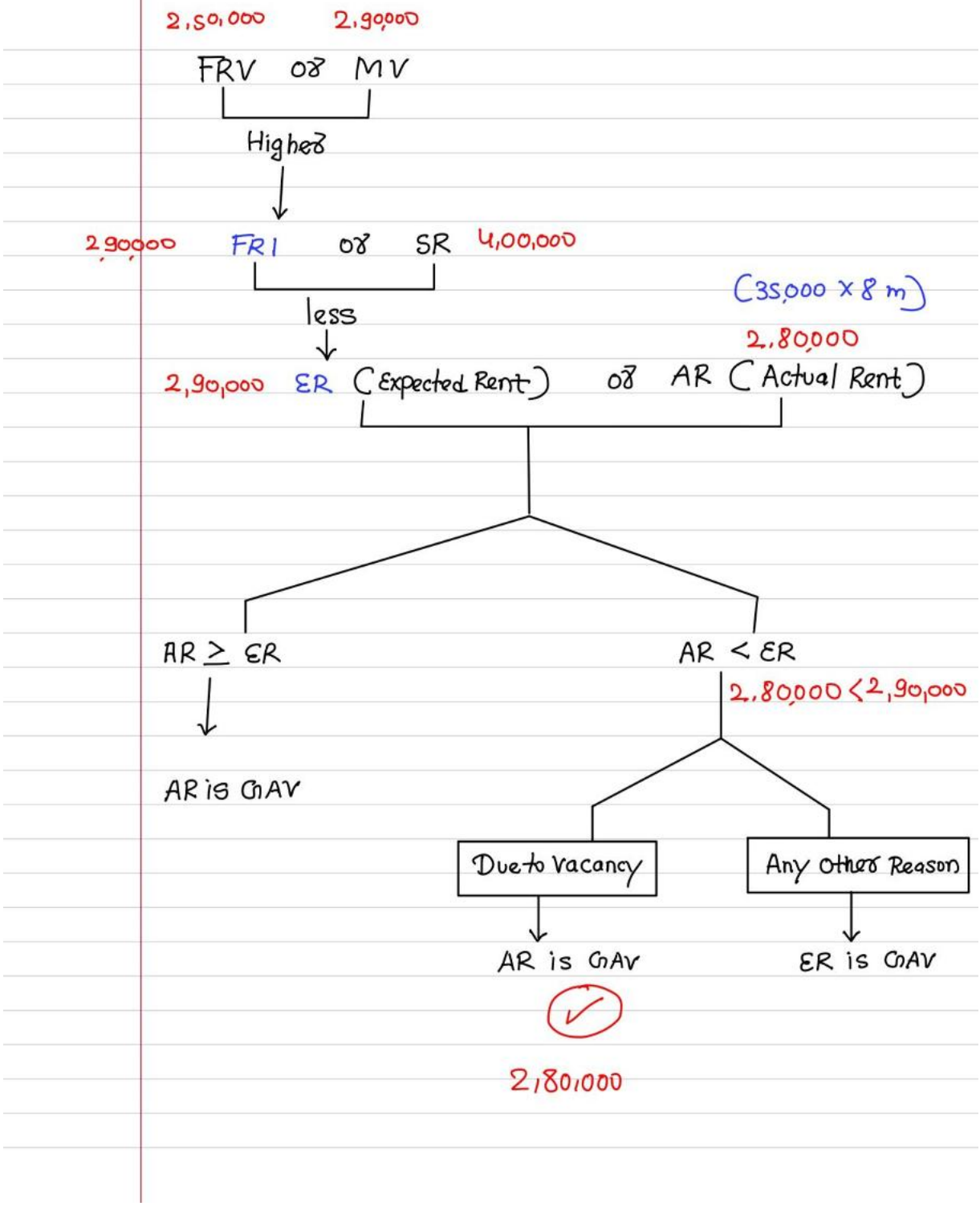

4,00,000
2,80,000
FRV or MV
Higher
4,00,000
FRI or SR
less
(40,000 x 9m)
3,60,000
4,00,000 ER (Expected Rent) or AR (Actual Rent)
AR ≥ ER
AR is GAV
AR < ER
3,60,000 < 4,00,000
Due to Vacancy
Any other Reason
AR is GAV
ER is GAV
3,60,000

V.


4,50,000
3,00,000
FRV or MV
Higher
4,50,000
FRI
or
SR
3,80,000
less
(40,000 x 7m)
2,80,000
3,80,000
ER (Expected Rent)
or
AR (Actual Rent)
AR ≥ ER
AR is GAV
AR < ER
2,80,000 < 3,80,000
Due to vacancy
Any other Reason
AR is GAV
ER is GAV
3,80,000



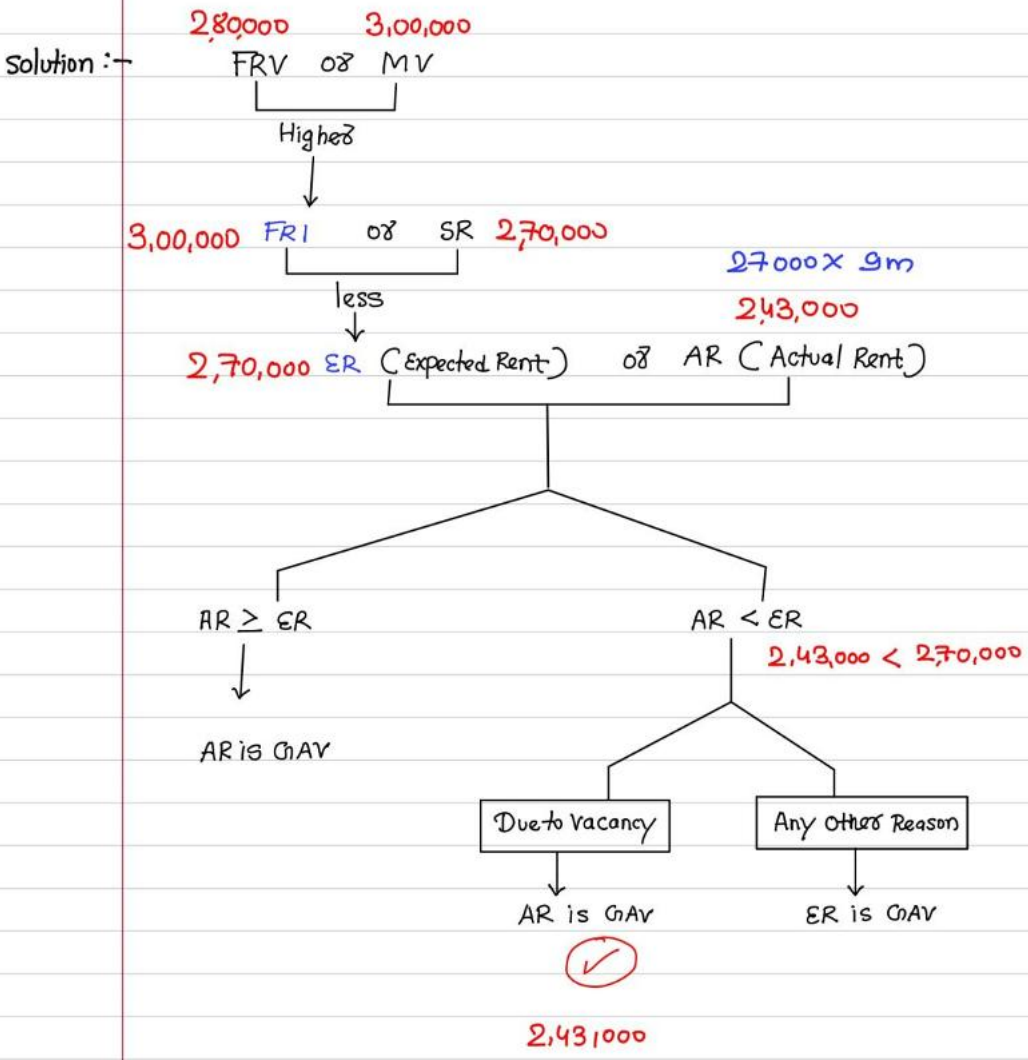
VI.


2,50,000
2,90,000
FRV or MV
Higher
2,90,000
FRI
or
SR
4,00,000
less
(35,000 x 8 m)
2,80,000
2,90,000
ER (Expected Rent)
or
AR (Actual Rent)
AR ≥ ER
AR is GAV
AR < ER
2,80,000 < 2,90,000
Due to Vacancy
Any other Reason
AR is GAV
ER is GAV
2,80,000



Example :-

FRV = 280000
MV = 3,00,000
SR = 2,70,000
AR = 27,000 pm
Vaccancy = 3m



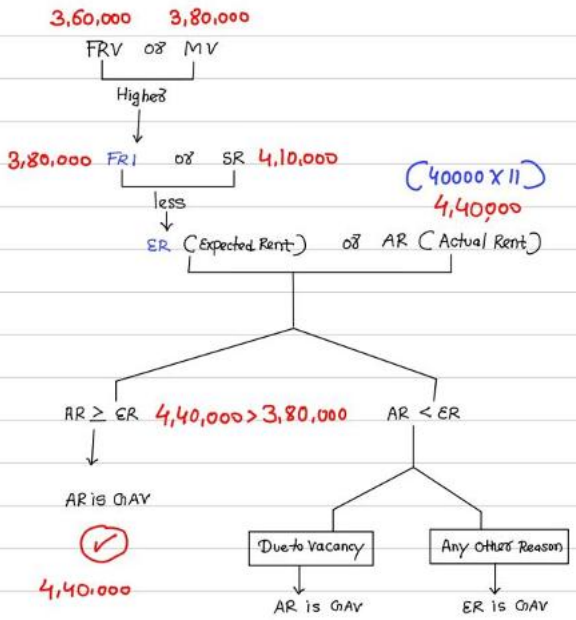


Questions :–

	I	II	III	IV
FRV	3,60,000	3,20,000	3,00,000	4,20,000
MV	3,80,000	3,00,000	2,70,000	4,50,000
SR	4,10,000	2,90,000	2,40,000	3,80,000
AR	40,000 pm	30,000 pm	15,000 pm	40,000 pm
Vaccancy	1m	4m	2m	3m
Unrealised Rent	–	–	–	1m
Municipal Tax	10% (Paid by tenant)	5% (Paid by owner)	10% (50% paid by owner, Balance outstanding)	10% (70% paid by owner 30% paid by tenent)
Income From House property ?	71,400	1,57,500	1,58,550	2,01,950



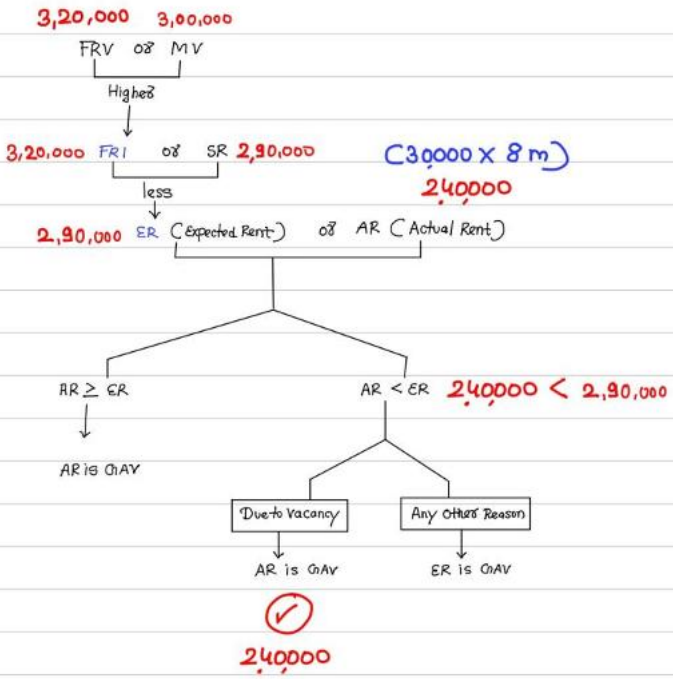
Q1.



	GAV	4,40,000
(less)	Municipal Tax paid by the owner during the PY	—
	Net Annual value (NAV)	4,40,000
(less)	Deduction u/s 24	
a)	Standard deduction (30% of NAV)	132,000
	Income from H·P	308000



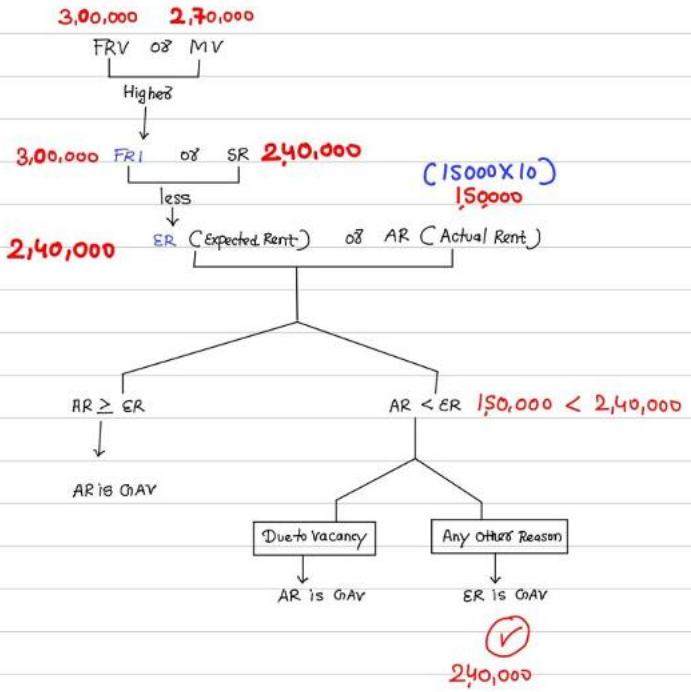
Q2.



	GAV	2,40,000
(less)	Municipal Tax paid by the owner during the py	15,000
	Net Annual value (NAV)	2,25,000
(less)	Deduction u/s 24	
a)	Standard deduction (30% of NAV)	67,500
	Income from H·P	1,57,500



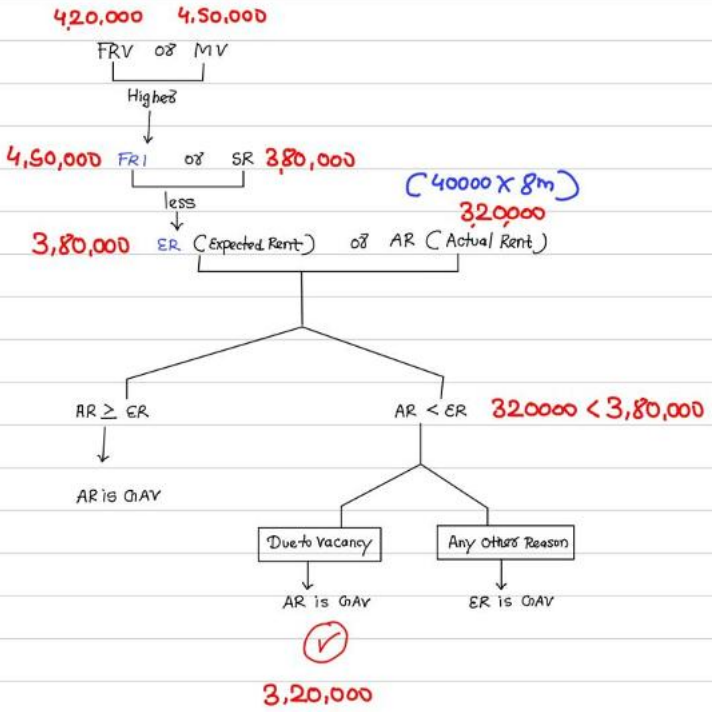
Q3.



	GAV	2,40,000
(less)	Municipal Tax paid by the owner during the p.y	13,500
	Net Annual value (NAV)	2,26,500
(less)	Deduction u/s 24	
a)	Standard deduction (30% of NAV)	67,950
	Income from H.P	1,58,550



Q4.



	GAV	3,20,000
(less)	Municipal Tax paid by the owner during the PY	31,500
	Net Annual value (NAV)	2,88,500
(less)	Deduction u/s 24	
a)	Standard deduction (30% of NAV)	86,550
	Income from H.P	2,01,950



GAV shall be Computed in All Cases Except Following 3 Cases :-

* 1) Wholly self occupied
2) Wholly vacant
* 3) Deemed self-occupied

} GAV = Nill

Option to take GAV = Nill in case of self-occupied house is available only for 2 House. Other deemed to be letout.

Example :-

VG ⟶ 1 SOH = GAV = Nill

VG ⟶ 2 SOH = 2 SOH = GAV = Nill

VG ⟶ 3 SOH = 2 SOH = GAV = Nill
1 Deemed let out house = GAV Calculate

VG ⟶ 4 SOH = 2 SOH = GAV = Nill
2 Deemed to be letout = GAV Calculate



Computation of Income From House property

	Wholly SOP / Deemed SOP	Wholly vacant	Other H·P (Partly Letout / Partly SOH etc)
GAV	Nill	Nill	Compute u/s 23
(-) M·Tax Paid by owner during the FY	– Not Allowed –	Allowed	Allowed
NAV	Nill	Nill / Negative	Nill / Negative / Positive
(-) Standard deduction 24(a)	– Not Allowed –	– Not Allowed –	Allowed if NAV Positive
(-) Interest on loan 24(b)	Allowed	Allowed	Allowed
Income From HP	Nill / Negative	Nill / Negative	Nill / Negative / positive



What if Some portion letout and some portion self occupied ?

Case I



FRV = 4,00,000
MV = 4,90,000
SR = 5,50,000
AR = 20,000 pm
MT = 10% (Paid by owner)

Income from H.P ?

Solution :—

	50% Portion SOH	50% Portion LOH
GAV	Nill	2,45,000
↳ MT paid by the owner	—	(24500) (2,45,000 x 10%)
NAV	Nill	2,20,500
↳ 24(a)	Nill	(66150) (2,20,500 x 30%)
↳ 24 (b)	—	—
Income from H.P	Nill	1,54,350



Note 1. Computation of GAV of 50% portion

FRV = 2,00,000
MV = 2,45,000
SR = 2,75,000
AR = 2,40,000

FRV (or) MV = Higher

2,00,000 (or) 2,45,000 = 2,45,000 (FR1)

FR1 (or) SR = less

2,45,000 (or) 2,75,000 = 2,45,000 (ER)

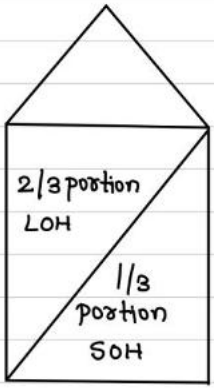
ER (or) AR

2,45,000 (or) 2,40,000 = ER is GAV

2,45,000



Question :-



FRV = 6.60,000
MV = 6,30,000
SR = 6,30,000
AR = 40,000 pm
Vacancy = 7m
M. Tax = 5% (Paid by owner)
Interest paid on Housing loan as such property = 90000

Total Income of HP ?

	1/3 Portion SOH	2/3 Portion LOH
GAV	Nill	2,00,000
↳MT paid by the owner	–	21,000 4,20,000 X 5%
NAV	Nill	1,79,000
↳24(a)	Nill	(53,700) 1,79,000 X 30%
↳24 (b)	30,000	(60,000)
	(30,000)	65,300

Total Income = 35,300



Note 1. Computation of GAV of 2/3 Portion

FRV = 4,40,000
MV = 4,20,000
SR = 4,60,000
AR = 40,000 pm

FRV (or) MV = Higher

4,40,000 (or) 4,20,000 = 4,40,000 (FR1)

FR1 (or) SR = less

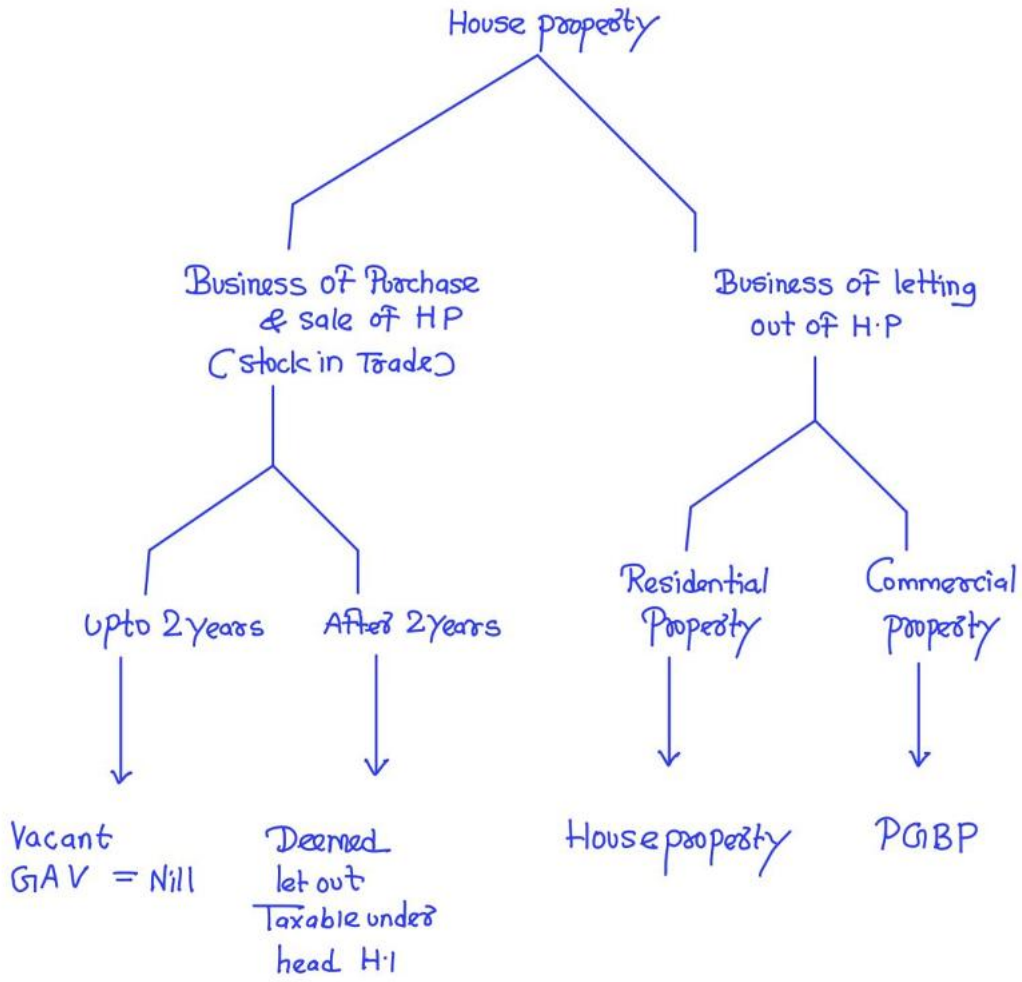
4,40,000 (or) 4,60,000 = 4,40,000 (ER)

ER (or) AR

4,40,000 (or) 2,00,000 = AR is GAV
2,00,000



Section 23(5) House property held as stock in Trade





Section 24 Deduction From Annual value

Section (a) Standard deduction

1. This is a Flat deduction @ 30% of NAV and is allowed irrespective of the actual Expenditure incurred.
(Actual Expenditure given in Question is irrelevant)

2. The assessee will not be entitled to claim deduction as 30% in the following Cases :-

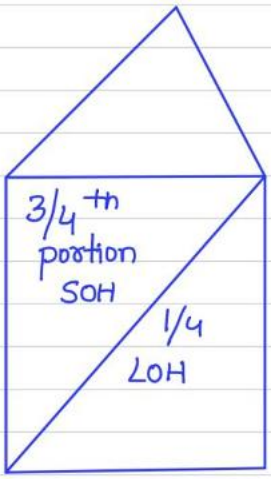
1) Where GAV is Nill in Case of SOH / Deemed SOH

2) Where NAV is Nil (or) Negative then No Deduction u/s 24(a) is allowed



H·W

Q1.



FRV = 4,00,000
MV = 4,40,000
SR = 3,80,000
AR = 10,000 pm
Vacancy = 1 month

M.Tax 10%.
[50% paid by owner]

Interest on H·P = 80,000 p.a

Income from House property ?



	3/4 Portion SOH	1/4 Portion LOH
GAV	Nill	1,10,000
(-) MT paid by the owner	–	5,500
NAV	Nill	1,04,500
(-) 24(a)	Nill	(31,350)
(-) 24 (b)	60,000	(20,000)
	(60,000)	53,150

(6850)
loss



Note 1. Computation of GAV of 1/4 Portion

FRV = 1,00,000
MV = 1,10,000
SR = 95,000
AR = 10,000 pm

FRV (or) MV = Higher

1,00,000 (or) 1,10,000 = 1,10,000 (FRI)

FRI (or) SR = less

1,10,000 (or) 95,000 = 95,000 (ER)

ER (or) AR

95,000 (or) 1,10,000 = AR is GAV
1,10,000



Q2.

Mr. VG



	Letout House	Self occupied House	Vacant
FRV =	2,40,000	2,20,000	2,10,000
MV =	2,60,000	2,60,000	2,40,000
SR =	—	—	—
AR =	20000 pm	—	—
M.Tax =	10%	5%	5%
	(paid by owner)	(paid by owner)	(paid by owner)

Income from H.P ?



Computation of GAV in case of let out property

FRV : 2,40,000
MV : 2,60,000
SR : —
AR : 20,000 p.m

FRV or MV : higher

2,40,000 or 2,60,000 : 2,60,000 → FR → ER

ER = 2,60,000 AR = 2,40,000

ER > AR

Reason other than vacancy

∴ ER → GAV

∴ GAV : 2,60,000



Q. 2) Solution :

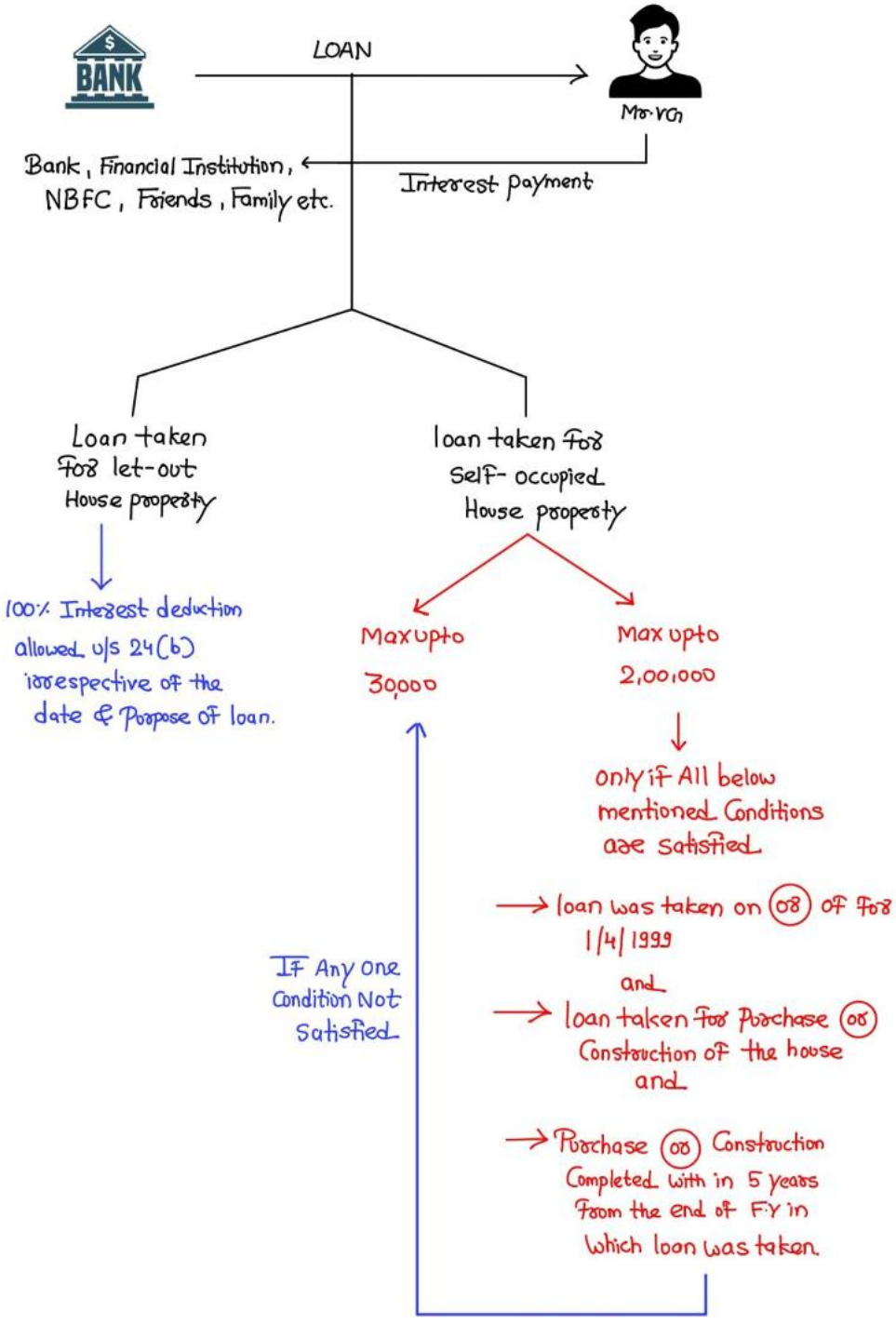
	Let-out	Self-occupied	Vacant
GAV :	2,60,000	Nil	Nil
(-) Municipal tax paid by owner during P.Y :	(26,000)	-	(12,000)
(=) NAV	2,34,000	Nil	(12,000)
(-) Standard deduction @ 30%	(70,200)	-	-
(-) Interest on House prop.	-	-	-
(=) Income from House property	1,63,800	Nil	(12,000)

Total Income from House property
= 1,63,800 + Nil + (-12,000)
= 1,63,800 - 12,000
= 1,51,800



Lectuae 3

Section - 24(b) Deduction in case of Interest on House loan





Example

	Cases	Maximum Limit
1]	loan teken on 08 after 1/4/1999 + S.O.P purchase + purchase after 6 years	30,000
2]	loan teken on 08 after 1/4/1999 + LOH Repair + Repair with in 2 years	No limit
3]	loan teken before 1/4/1999 + SOH Construction + Construction Completed with in 4 years	30,000
4]	loan teken on 08 after 1/4/1999 + LOH purchase + Purchase with in 4 year	No limit
5]	loan teken on 08 after 1/4/1999 + LOH Repair + Repair with in 6 year	No limit
6]	loan taken 18/7/2016 + SOH purchase + Purchase - 15/1/2022	2,00,000



9643036663 (only WhatsApp)

7]	loan taken + LOH Purchase + Purchase 25/8/2016 18/7/2024	No limit

Example

Mr. VG loan = 1/5/2024 ₹ 10,00,000

Interest Rate 12% P.a.

Purpose of loan = SOH Purchase

House Purchase = 25/12/2024

No Repayment till 31/3/2025

Deduction u/s 24 (b) in PY 24-25?

Solution :- 1/5/2024 — 31/8/2025 = 11 months

$10,00,000 \times 12\% \times \frac{11}{12} = 1,10,000$ Interest

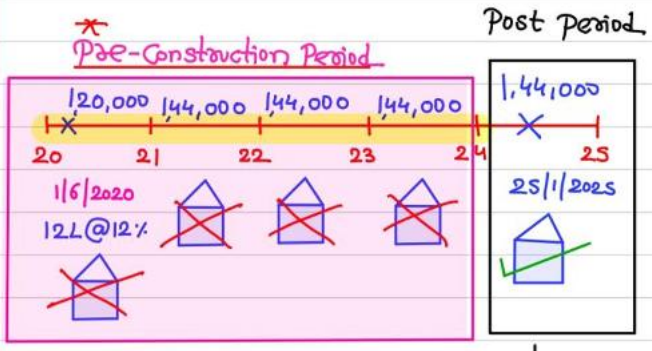
Deduction u/s 24(B) = 1,10,000



Example :-

loan taken - 1/6/2020
Amount & Rate- 12,00,000 @ 12% p.a
Purpose of loan = S.O.H Construction
Construction Complete = 25/1/2025
Deduction u/s 24(b) in 24-25 ?
No Repayment till 31/3/25

Solution :-



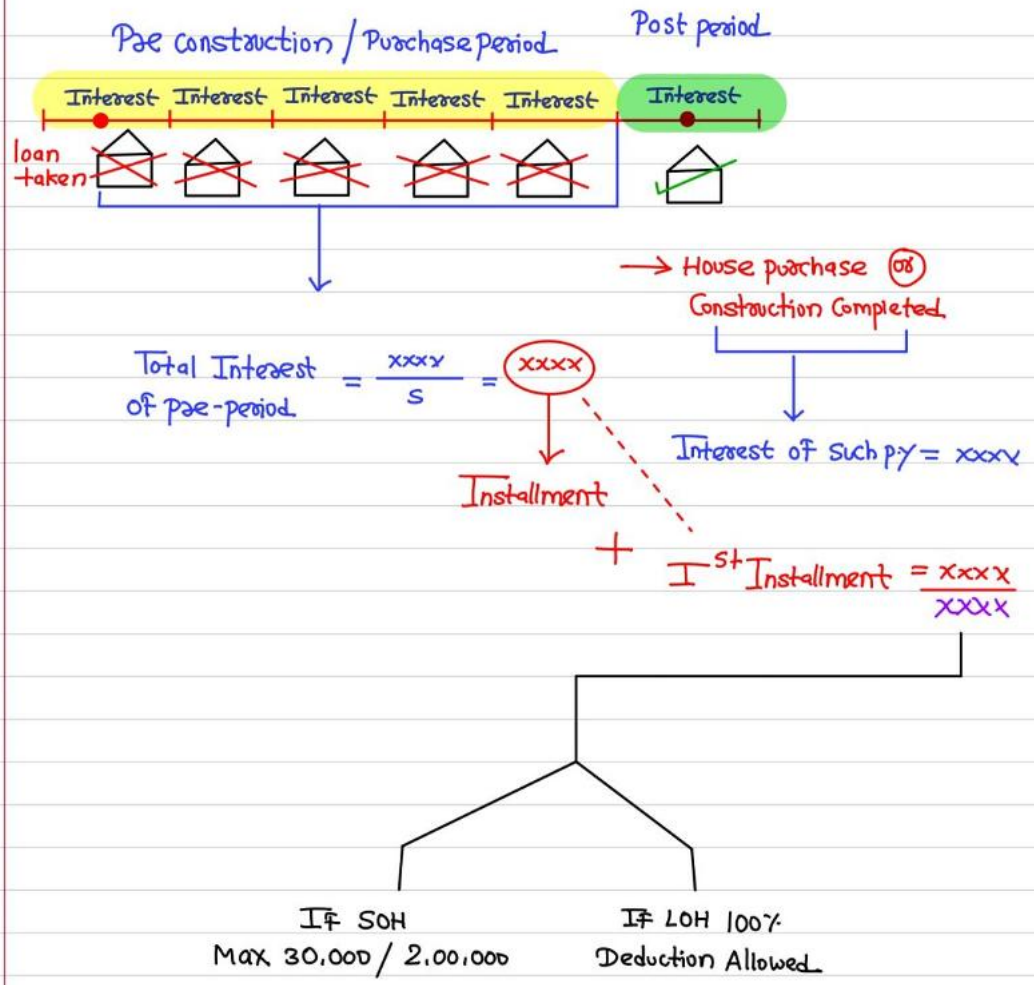
5,52,000 / 5 = 1,10,400

1,44,000
+ 1,10,000
2,54,000

Restricted to ₹ 2,00,000
Since SOP
Deduction u/s 24(b) = 2,00,000 in PY 24-25



Concept of Pre-Construction / Pre-purchase Period



Deduction U/S 24(b)

उस Year से मिलना start होगी जिस Year मे House की Construction Complete होगी या H.P purchase की होगी ।

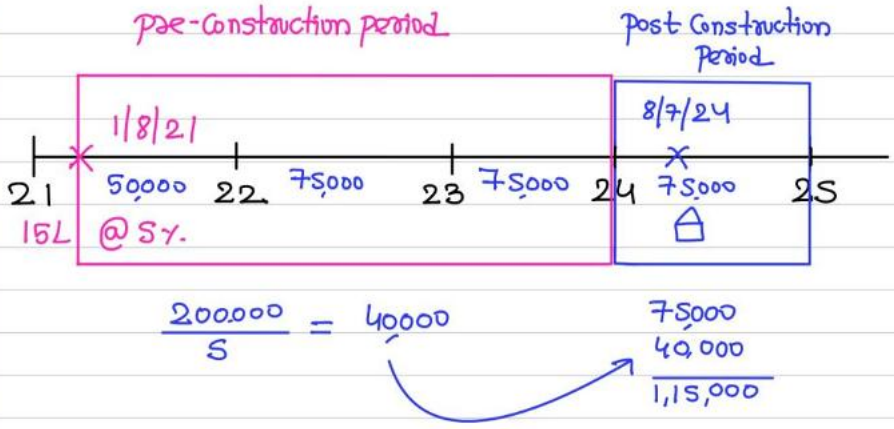


H·W

Q1. loan = 15,00,000 @ 5% p.a
Date of loan = 1/8/2021
Purpose of loan = SOP purchase
House purchase = 8/7/2024

24-25 ? Deduction u/s 24(b) — No repayment involved

Solution :—



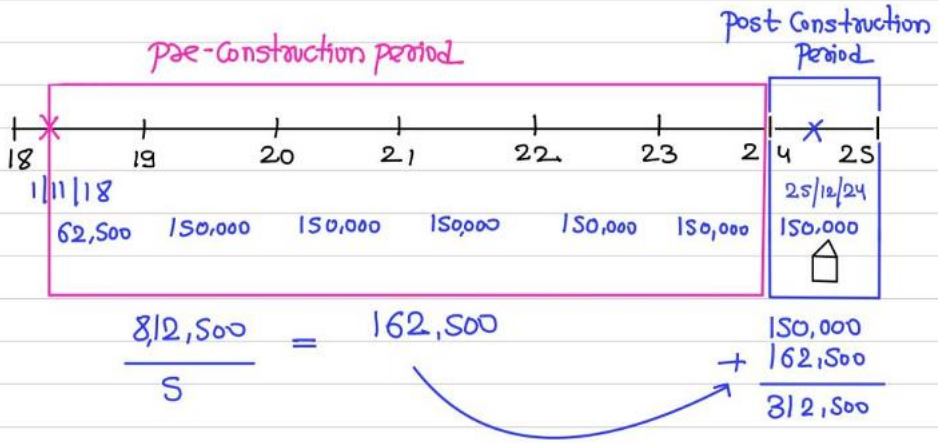
$\frac{200000}{5} = 40000$

75,000
40,000
1,15,000



Q 2. loan = 15,00,000 @10% p.a
Date = 1/11/2018
Purchase = LOH Construction
Construction Complete = 25/12/24
No Repayment involved
Deduction 24(b) – PY 24-25 ?

Solution :–





Lecture 4

Important points Related to section 24(b)

1. loan may be taken from Bank, F.I, NBFC, Friends, family etc.
2. Interest is allowed on due basis (i.e. paid = allowed, payable = allowed)
3. Interest on Interest (penal Interest) is not allowed as Deduction u/s 24(b)
4. 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 shall be allowed as deduction u/s 24(b)
5. Interest paid outside India shall not allowed as Deduction if NO TDS Deducted & paid.

Most Important point

Deduction u/s 24(b)

There would be No Deduction on account of Interest on loan u/s 24(b) under default Tax Regime for "SELF OCCUPIED PROPERTY (OR) "DEEMED SELF OCCUPIED PROPERTY"

Final Crux

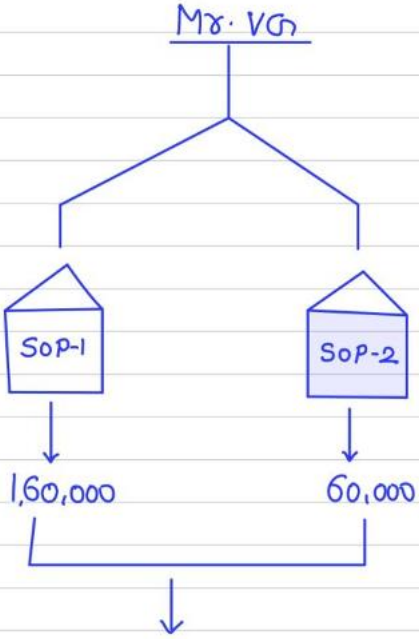


	Default Scheme	Normal Scheme
Deduction		
→ M. Tax paid by owner during the P.Y	✓	✓
Deduction u/s 24		
24 (a) Standard deduction		
SOP	X	X
LOP	✓	✓
24 (b) Interest on loan		
SOP	X	✓
LOP	✓	✓



Self-Occupied House में Deduction u/s 24(b) "Owner wise मिलती है" "Property wise नहीं मिलती है।

Case-1



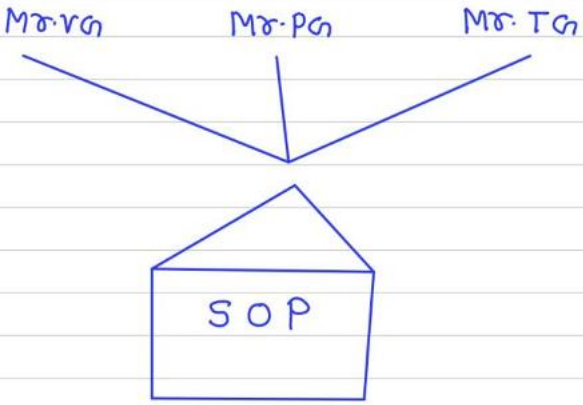
Interest on loan =

Total Interest paid 2,20,000

→ But Restricted to ₹ 2,00,000 u/s 24(b)



Case 2



Interest on loan	1,40,000 (VG)	60,000 (PG)	40,000 (TG)
Deduction u/s 24(b)	1,40,000	60,000	40,000

Section 25A Recovery of unrealised Rent (or) Arrears of Rent

Taxable in the year of Receipt / Realisation

Deduction @ 30% of Rent Received / Realised

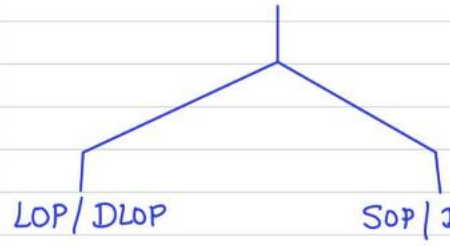
Taxable even if assessee is Not the owner of such property in the F.Y in which UR / AOR is realised.



Section 26 Joint ownership / Co-ownership

Joint ownership means property is owned by more than one owner. in this case income from H.P is calculated Normally and these after it should be divided between Co-owner in their ownership ratio.

What about Interest on loan



Full interest Allowed

Max 30 k / 200 k each Co-owner



@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB

Lecture 1

Chapter 11 & 12

CAPITAL GAINS + **INCOME FROM OTHER SOURCES**

↓ Sec -45 to 55A

↓ Section - 56 to 59

Section - 45(1) charging section of Capital Gains

Any profits or gains arising from the transfer of a capital asset effected in the previous year shall, save as otherwise provided in sections 54, 54B, 54D, 54E, 54EA, 54EB, 54F, 54G and 54H, be chargable to income-tax under the head "Capital gains", and shall be deemed to be the income of the previous year in which the transfer took place.

Analysis of Section 45(1)

Three Conditions must be satisfied for the Applicability of CG :—

1) Profit (or) Gains (i.e/income)
   +
   ↓ Income include losses also
2) Transfer (section 2(47))
3) CAPITAL ASSET (section 2(14))

If all the 3 conditions are satisfied then such income is to be chargeable to Tax under the head "CG"

In the p.y in which "Transfer took place"



In section 45(1), Two Terms are most important

1) one is "TRANSFER"

2) 2nd is "CAPITAL ASSET"

Crux of Section - 45(1)

Income honi chahiye, Income Transfer se Honi chahiye, Transfer Capital Asset KA HONA chahiye.

↓

Vo Income C.G मे Taxable होगी

↓

जिस Year मे Transfer करोगे, उस Year मे C.G मे Tax लगेगा

Consideration कब Receive होगा, it doesn't matter

Save as otherwise provided means Section 54 Series prevail on Section 45(1). It means any C.G is Exempt u/s 54 then such Income Not taxable as per Section 45(1)



let's under stand with following cases

Particulars	45 (1)	54 series	Taxability
1) Income + T/F + Capital Asset	Covered	Not Covered	✓
2) Income + T/F + Capital Asset	Covered	Covered	✗ (Exempt Since covered u/s 54)
3) Income + T/F + Not a Capital Asset	Not Covered	Not Covered	(C.G chapter not Apply)
4) Income + Not a T/F + Capital Asset	Not Covered	Not Covered	(C.G chapter not Apply)



Example :–

Building purchase = 25/4/2009

Building Sale = 8/7/2024

Assume → Building is a Capital Asset & Sale is a T/F

Sale Consideration received as on the following dates :–

1) 15/9/2024 2) 15/2/2025 3) 8/7/2025

Determine the Taxability of C.G ?

Date Not Relevant

Solution :–	Taxable year	Consideration Received	Taxability
Case 1	24-25	24-25	24-25
Case 2	24-25	24-25	24-25
Case 3	24-25	25-26	24-25



Section -2(14) Capital Asset

Subclause (a)

Tangible / Intangible
Movable / Immoveable

Capital Asset means property of Any kind held by an assessee, whether (or) Not connected with his business or profession is a Capital Asset.

But Does not include

1) Stock in Trade (Except Sub clause-b)

2) Personal Effects, that is to say movable property

other than :-

a) Jewellery; (All types of Jewellery except silver utensils)

b) archaeological collections; (old coins)

c) Drawing;

d) Paintings;

e) sculptures; or

f) any work of art (photography, Designing, etc)



Lecture 2

3) Agricultural land situated in India is not a CAPITAL ASSEST Except the Following 2 cases

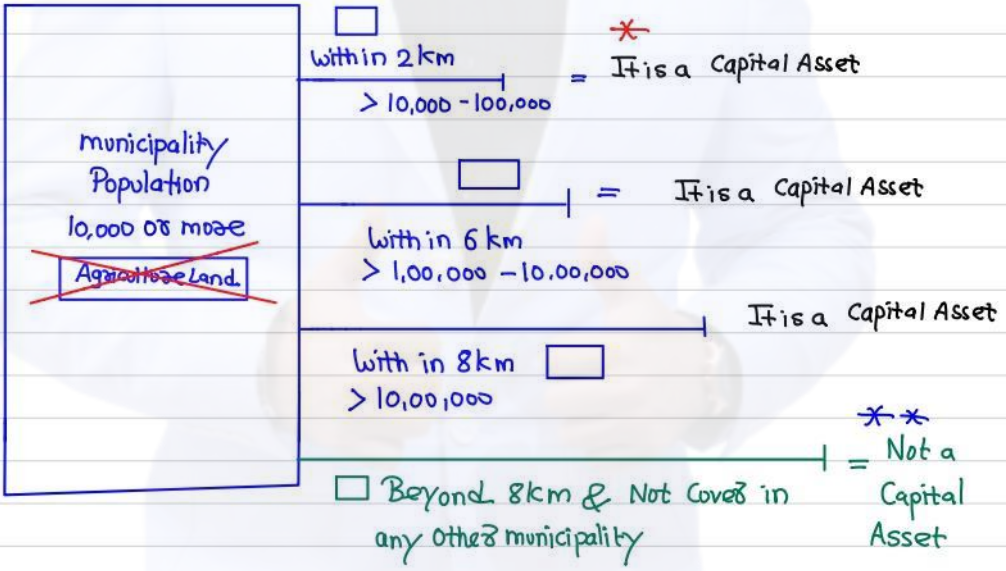
a)



→ Agriculture land is a Capital Asset

Conx → अगर Ag land किसी भी Municipality के अंदर है & Municipality की Population 10,000 (or) more है

b)





* If is a Capital Asset = Agricultvae land situated in urban Area.

** Not a Capital Asset = Agricultvae land situated in Rural Area.

Important Note :— Agricultvae land situated in foreign country always Treated as Capital Asset

Examples :—

1) Punjab 8,000 A·L = X

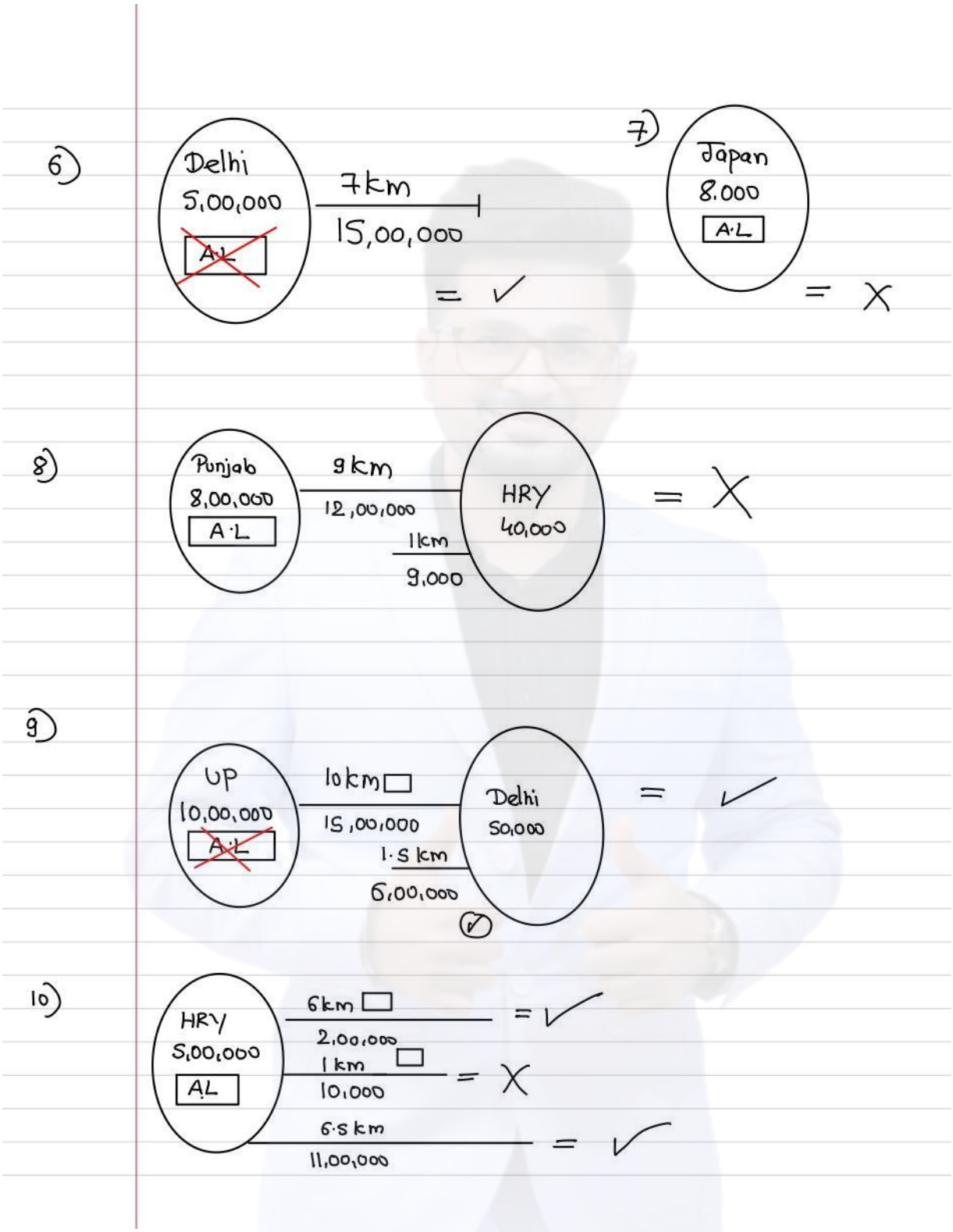
2) UP 10,000 A·L = ✓

3) UP 18,000 A·L = ✓

4) Bihar 40,000 ~~A·L~~ 1·5 km / 8,00,000 = ✓

5) UP 40,000 ~~A·L~~ 4km / 80,000 = X




6)
Delhi
5,00,000
A·L
7km
15,00,000
= ✓
7)
Japan
8.000
A·L
= X
8)
Punjab
8,00,000
A·L
9 km
12,00,000
1km
9,000
HRV
40,000
= X
9)
UP
10,00,000
A·L
10km
15,00,000
1·5 km
6,00,000
Delhi
50,000
= ✓
10)
HRV
5,00,000
AL
6km
2,00,000
= ✓
1 km
10,000
= X
6·5 km
11,00,000
= ✓



✓ = Agricultvae land situated in vvban Area

X = Agricultvae land situated in Rvral Area

---

4) Gold Deposit Bonds vnde8 the Gold Deposit Scheme, 1999 o8 Deposit Certificate issued vnde8 the Gold monetisation Scheme, 2015 Notified by C.G.

Sub Clause B

Any security held by foreign institutional Investo8 (FII) is ALWAYS treated as Capital Asset even if Security held as Stock in trade o8 held as investment.



Lecture 3

Sub clause C

Any unit linked Insurance policy to which exemption under 10(10D) does not Apply:-

→ Any ULIP issued on or after 1/2/2021 to which exemption u/s 10(10D) doesnot apply on account of premium payable exceeding ₹2,50,000 for any previous year during the term of policy

→ In case, where premium is payable by a person for more than one ULIP on or after 1/2/2021 and aggregate premium payable on such ULIP more than ₹2,50,000 for any P.Y.

Section-2 (47) Transfer Definition

Transfer includes

→ sale

→ Exchange

→ Relinquishment of Asset → surrender of Right

→ Extinguishment of any right

→ Compulsory Acquisition of property under any law

→ Conversion of Capital Asset into Stock in trade

→ Possession of Immovable property

→ Redemption of Zero Coupon Bond → Interest

→ Allotment of property by Co-operative Society to its member



Computation of Capital Gains

[Income + Transfer + Capital Asset]

→ If all above Condition are satisfied and Capital Gain Tax levied and Taxable under head Capital Gain.

→ Computation of Capital Gains is depend on whether SUCH ASSET is STCA (or) LTCA ?

Why Bifurcation is Required ?

→ Different Tax Rates for LT (or) ST

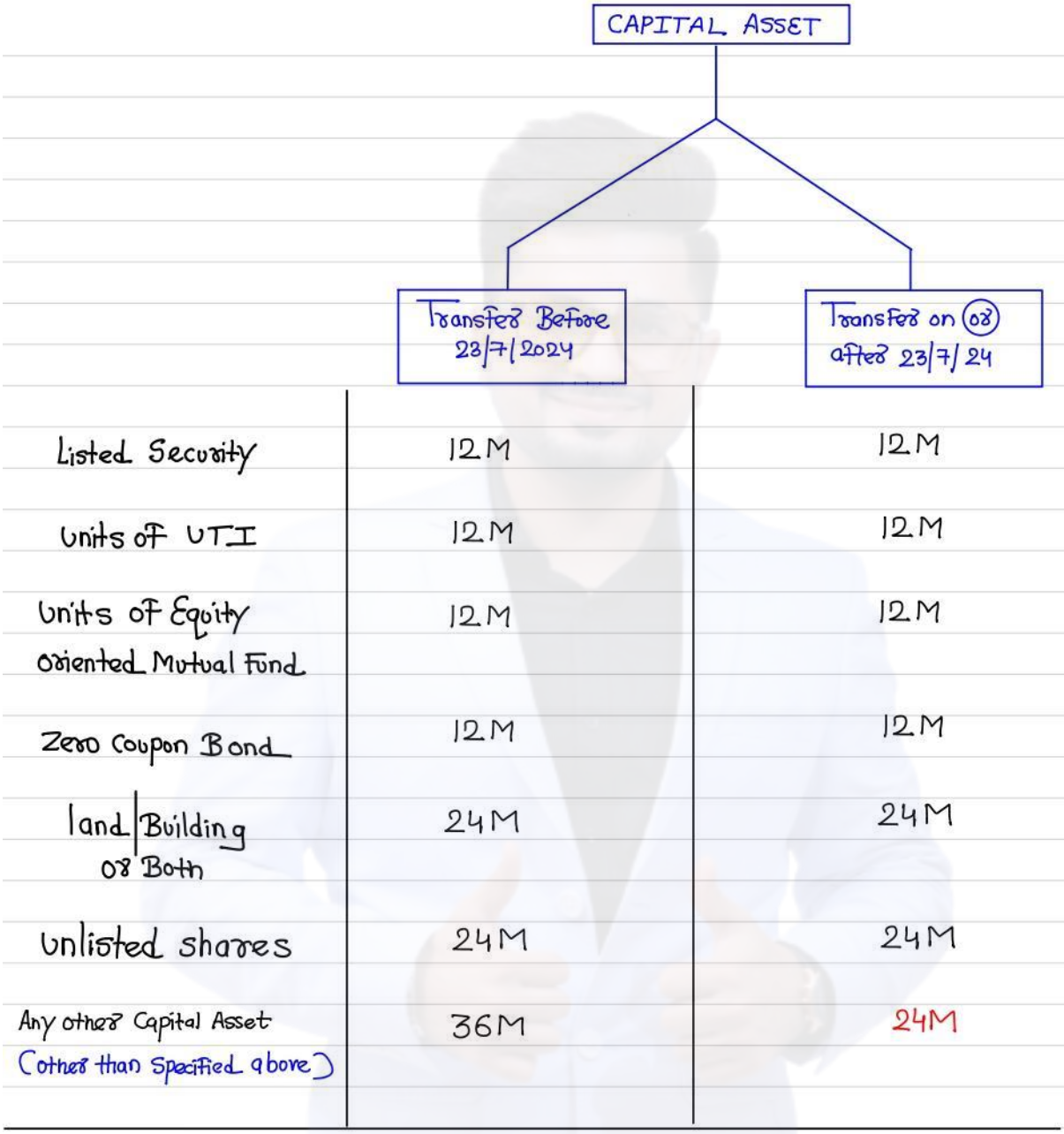
→ Different Computation method of Capital Gain

→ Different rules of CG Exemptions u/s 54

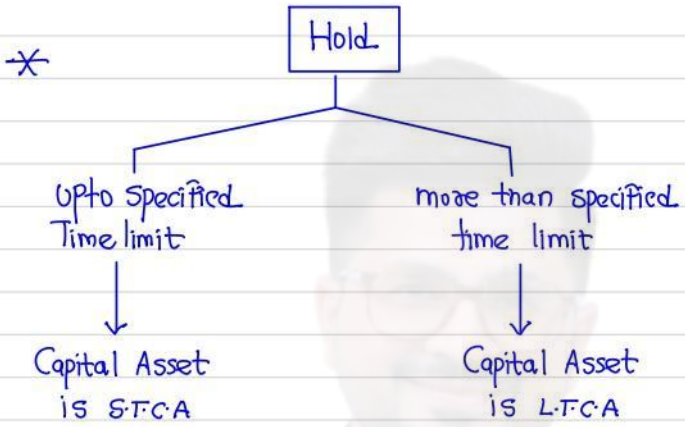
Section 2(42A) + 2(42B) + 2(29AA) + 2(29B)

Period of holding of Asset (POHA) Subject to Sec 50AA/50




CAPITAL ASSET
Transfer Before 23/7/2024
Transfer on (or) after 23/7/24
Listed Security
12M
12M
Units of UTI
12M
12M
Units of Equity oriented Mutual Fund
12M
12M
Zero Coupon Bond
12M
12M
land | Building or Both
24M
24M
Unlisted shares
24M
24M
Any other Capital Asset (other than Specified above)
36M
24M




Hold
Upto Specified Time limit
more than specified time limit
Capital Asset is S.T.C.A
Capital Asset is L.T.C.A



Lecture 4

Period of Holding

STARTING from = Date of Acquisition

Ending To = Immediately preceding the date of its T/F

Example :-

1] Date of Acquisition = 18/10/2009

Date of Sale = 25/6/2024

Solution = POHA = 18/10/2009 - 24/6/2024

Asset = LTCA

CG Taxable = P.Y 24-25

2] Date of Acquisition = 15/9/2012

Date of Sale = 1/4/2025

POHA = 15/9/2012 - 31/3/2025

Asset = LTCA

CG Taxable = P.Y 25-26
(since T/F on 1/4/25)



Name of Asset	Date of Purchase	Date of sale	Holding period limit	STCA/ LTCA
Gold	25/6/2022	26/7/2024	24 m	LTCA
Building	8/9/2021	15/12/2024	24 m	LTCA
Unlisted Debentures	15/7/2021	10/7/2024	36 m	STCA
Personal Gold chain	8/6/2022	18/7/2024	34m	STCA
Personal mobile	15/9/2020	28/9/2024	—	—
Z.C.B	18/6/2024	28/10/2024	12m	STCA
Units of Debt oriented Mutual fund	15/4/2024	20/7/2024	36 m	LTCA
Units of business Trust	15/4/2022	20/7/2024	36m	STCA
Old Coins	25/9/2021	25/7/2024	26m	LTCA



9643036663 (only WhatsApp)

Unlisted bonds	18/6/2021	22/7/2024	36m	LTCA
Silver coins	17/7/2022	23/7/2024	24m	LTCA
Drawings	28/7/2022	23/7/2024	24m	STCA
Unlisted shares	5/6/2022	28/7/2024	24m	LTCA



Important Note

Not withstanding anything contained in sec 2(42A), following Capital Asset shall be Treated Always SHORT TERM CAPITAL ASSET (irrespective of the Holding period)

1. Depreciable Asset u/s 50
2. units of Specified mutual fund acquired on (or) after 1/4/2023
3. Market linked debenture
4. unlisted bonds (or) unlisted debenture which is Transferred (or) redeemed on (or) after 23/7/24

Section 50AA



Crux Diagram

	Transfer BEFORE 23/7/24	Transfer on (08) after 23/7/24
→ listed security, units of UTI 2CB, units of Equity oriented mutual fund.	12m	12m
→ Unlisted shares, land / Building	24m	24m
→ Depreciable Asset u/s 50	STCA	STCA
→ Units of Specified mutual Fund / Market linked Debenture	STCA	STCA
→ Unlisted Bonds | unlisted Debenture	36M	STCA
→ Any other CA Other than Specified above)	36m	24m

No Impact

Always STCA

Example - Gold, Silver, Drawing, Painting, units of Debt oriented mutual fund etc.



Lecture 5

HOW TO COMPUTE CAPITAL GAINS

PART - 1 Capital Asset Acquired Before 23/7/2024 (i.e. upto 22/7/24)
and
Capital Asset Transferred Before 23/7/2024 (i.e upto 22/7/24)

SHORT TERM CAPITAL ASSET		LONG TERM CAPITAL ASSET	
Sale Price / FVOC =	XXXX	Sale Price / FVOC =	XXXX
↳ Expenditure on T/F =	XXXX	↳ Expenditure on T/F =	XXXX
NET SP / FVOC	XXXX	NET SP / FVOC	XXXX
↳ COA	(XXXX)	↳ ICOA	(XXXX)
↳ COI	(XXXX)	↳ ICOI	(XXXX)
STCG	XXXX	LTCG	XXXX

FVOC = Full value of Consideration
COA = Cost of Acquisition
COI = Cost of Improvement
ICOA = Indexed Cost of Acquisition
ICOI = Indexed Cost of Improvement
EOT = Expenditure on Transfer



Example :- Gold Purchase = 25/4/2021 = 8,00,000

Cost of Improvement

a) 8/6/2022 = 20,000

Gold sale = 5/4/2024 = 40,00,000

Computation of Capital Gain.

Solution :- Computation of Capital Gain For A.Y 25-26

Period of Holding = 25/4/21 - 4/4/2024

Nature of CA = STCA (since Hold upto 36months)

Full value of Consideration/Sale price	=	40,00,000
(-) Expenditure on Transfer	=	-
Net Full value of Consideration	=	40,00,000
(-) Cost of Acquisition	=	(8,00,000)
(-) Cost of Improvement	=	(20,000)
Short Term Capital Gain	=	31,80,000



Example-2

PY 04-05

Building Purchase = 8/10/2004 = 10,00,000

PY 12-13

Building Repair work = 15/11/2012 = 50,000

PY 24-25

Building Sale = 21/7/2024 = 90,00,000

Compute CG ?

Solution :- Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/10/2004 – 20/7/2024

Nature of CA = LTCA (Since Hold more than 24 months)

Full value of Consideration/Sale price	=	90,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	90,00,000
(–) Indexed Cost of Acquisition		
$\frac{10,00,000}{113} \times 363$	=	(32,12,389)
(–) Indexed Cost of Improvement		
$\frac{50,000}{200} \times 363$	=	(90,750)
Long Term Capital Gain	=	56,96,861



Example-3

Gold Purchase = 25|1|2007 = 20,00,000

Improvement

1) = 8|12|2011 = 20,000

2) = 8|2|2015 = 20,000

Gold Sale = 25|3|2024 = 80,00,000

EOT = 5,00,000



Solution :- Computation of Capital Gain For A.Y 24-25

Period of Holding = 21/11/2007 – 24/3/2024

Nature of CA = LTCA (since Hold more than 36 months)

Full value of Consideration/Sale price	=	80,00,000
(–) Expenditure on Transfer	=	(5,00,000)
Net Full value of Consideration	=	75,00,000
(–) Indexed Cost of Acquisition		
$\frac{20,00,000}{112} \times 348$	=	(57,04,918)
(–) Indexed Cost of Improvement		
① $\frac{20000}{184} \times 348$	=	(37,286)
② $\frac{20,000}{240} \times 348$	=	(29,000)
Long Term Capital Gain		17,28,256



H.W

D Building purchase = 8/3/2005 = 18,00,000

Improvement

1) 8/7/2012 = 20,000

2) 5/1/2013 = 10,000

Sale = 8/7/2024 = 40,00,000



Solution :- Computation of Capital Gain For A.Y 24-25

Period of Holding = 8/3/2005 – 7/7/2024

Nature of CA = LTCA (since Hold more than 24 months)

Full value of Consideration/Sale price	=	40,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	40,00,000
(–) Indexed Cost of Acquisition		
$\frac{18,00,000}{113} \times 363$	=	(57,82,300)
(–) Indexed Cost of Improvement		
1) $\frac{20000}{200} \times 363$	=	(36,300)
2) $\frac{10,000}{200} \times 363$	=	(18,150)
Long Term Capital loss	=	(18,36,750)



H.W

2) Gold Purchase = 15/12/2010 = 15,00,000

Improvement

8/3/2016 = 50,000

Sale = 25/3/2024 = 70,00,000

EOT = 5,00,000



Solution :- Computation of Capital Gain For A.Y 24-25

Period of Holding = 5/12/2010 – 24/3/2024

Nature of CA = LTCA (since Hold more than 36 months)

Full value of Consideration/Sale price	=	70,00,000
(–) Expenditure on Transfer	=	5,00,000
Net Full value of Consideration	=	65,00,000
(–) Indexed Cost of Acquisition		
$\frac{15,00,000}{167} \times 348$	=	(31,25,748)
(–) Indexed Cost of Improvement		
$\frac{50,000}{254} \times 348$	=	(68,503)
Long Term Capital Gain	=	33,05,749

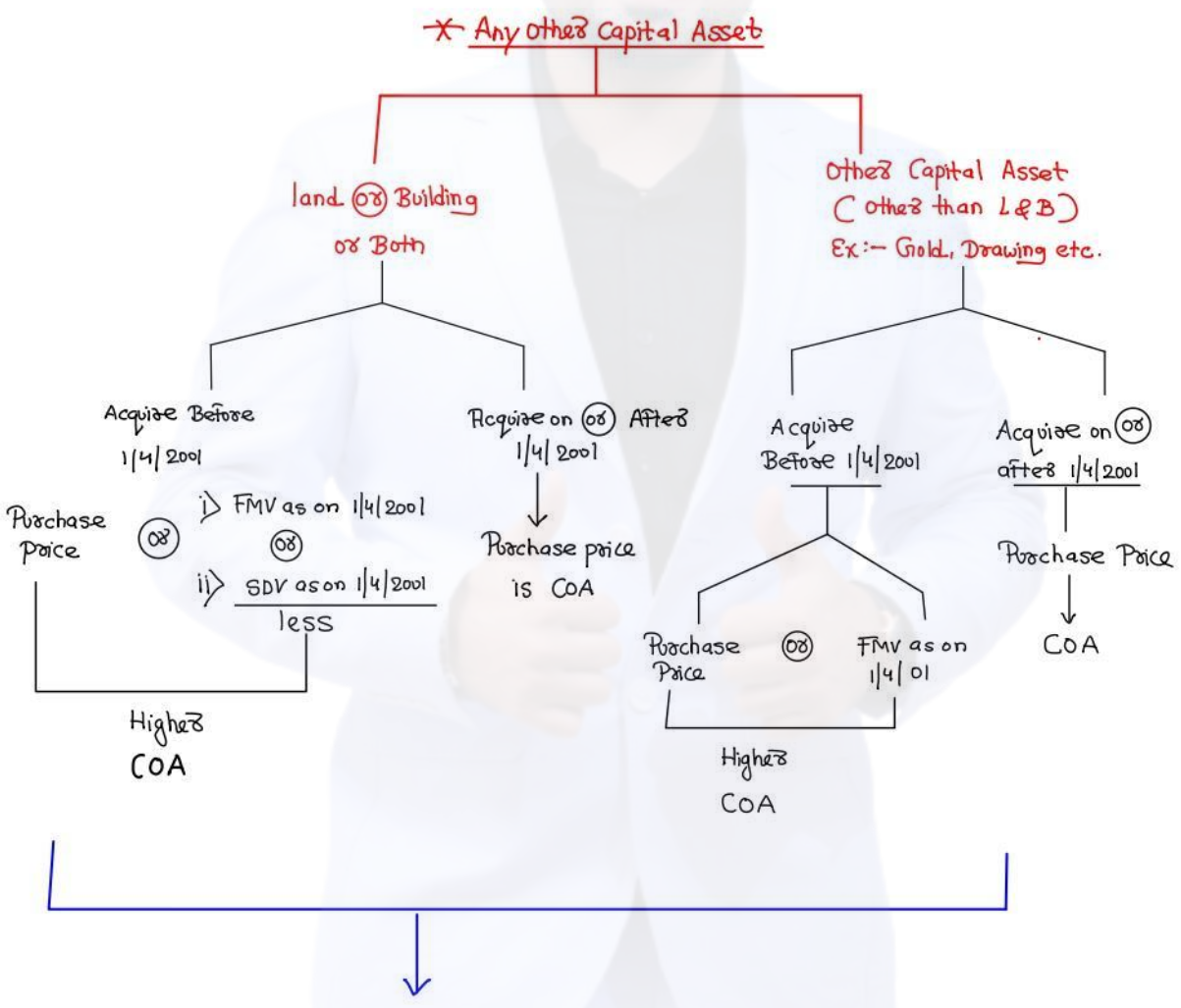


Lecture 6

Determination of COA & COI in certain cases [Section 55]

1) Intangible Asset
2) Shares & Securities
   } Will discuss later

* 3) Any other Capital Asset [Except above 2CA]





How to Convert COA into ICOA ?

If Capital Asset Acquired Before 1/4/01

$$ICOA = COA\ (\text{determined above}) \times \frac{\text{Index Rate of Years of T/F}}{\text{Index Rate of 01-02}}$$

If Capital Asset Acquired on (or) after 1/4/01

$$ICOA = \frac{\text{Purchase Price}}{\text{Index Rate of Year of Acquisition}} \times \text{Index Rate of Year of T/F}$$

Cost of Improvement

COI

- **Incurred Before 1/4/2001** → **IGNORED in All Cases**
- **Incurred on (or) after 1/4/01** → **Actual Expenditure Incurred**

How to Convert ICOI ?

— NA —

$$\frac{\text{Expenditure incurred}}{\text{Index Rate of year of Expenditure Incurred}} \times \text{Index Rate of Years of T/F}$$



Example

12,00,000

Higher

Building Purchase = 8/7/1990 = 10,00,000

FMV as on 1/4/2001 = 14,00,000

SDV as on 1/4/2001 = 12,00,000

lower → 12,00,000

Building Repair on Following dates

→ 25/3/1996 = 10000 ✗

→ 8/3/2001 = 15,000 ✗

→ 25/9/2016 = 20,000 ✓

Mr. VG Agree to Sell Such Building to Mr. PG for ₹ 90,00,000

Agreement to sell on 8/11/2021

Buyer pay advance to Mr. VG on 25/11/2021

VG Give Possession of Building on = 8/1/2024 ✓

Registry of building done = 8/7/2024

Compute CG ?



Solution :- Computation of Capital Gain For A.Y 24-25

Period of Holding = 8/7/1990 – 7/1/2024

Nature of CA = LTCA (since Hold more than 24 months)

Full value of Consideration/Sale price	= 90,00,000
(–) Expenditure on Transfer	= —
Net Full value of Consideration	= 90,00,000
(–) Indexed Cost of Acquisition	
$\frac{12,00,000}{100} \times 348$	= (41,76,000)
(–) Indexed Cost of Improvement	
$\frac{20,000}{264} \times 348$	= (26,363)
Long Term Capital Gain	47,97,637



Example -2

Building purchase = 8/7/2001 = 20,00,000

FMV as on 1/4/2001 = 24,00,000

SDV as on 1/4/2001 = 26,00,000

Agreement to sell = 8/9/2022 for ₹ 80,00,000

Possession & Registration on = 25/6/2024

Here is the details of Improvements

⟶ 8/2/2002 = 10,000

⟶ 5/1/2016 = 10,000

EOT = 5,00,000

C.G ?



Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/7/2001 – 24/6/2024

Nature of CA = LTCA (Since Hold more than 24 months)

Full value of Consideration/Sale price	=	80,00,000
(–) Expenditure on Transfer	=	(5,00,000)
Net Full value of Consideration	=	75,00,000
(–) Indexed Cost of Acquisition		
$\frac{20,00,000}{100} \times 363$	=	(72,60,000)
(–) Indexed Cost of Improvement		
1) $\frac{10000}{100} \times 363$	=	(36,300)
2) $\frac{10,000}{254} \times 363$	=	(14,291)
Long Term Capital Gain		1,89,409



Tax Rates in case of LTCG & STCG IF CA T/F Before 23/7/24

D LTCG

under section 112A (Normally Shares etc) = upto 1,25,000 = Nill
More than 1,25,000 = 10% on Excess value

under section 112 [Eg - L&B, Gold, Drawing etc] = 20% X LTCG after Indexation

STCG

under Section 111A = 15% X STCG
(Ex - shares etc)

Normal STCG other than u/s 111A (Ex - L&B, Gold, Drawing etc) = Normal slab Rate Apply



Building purchase = 40,00,000 on 8/11/2021

Building sale = 50,00,000 on 8/6/2024

Other Income (PGBP) = 1,00,000

Compute Total Income & Final Tax liability if Mr. VG opt Default Tax Regime u/s 115BAC

(Age = 32 years)



Solution :-

Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/11/2021 – 7/6/2024

Nature of CA = LTCA (since Hold more than 24 months)

Full value of Consideration/Sale price	=	50,00,000
(–) Expenditure on Transfer	=	—
Net Full value of Consideration	=	50,00,000
(–) Indexed Cost of Acquisition		
$\frac{40,00,000}{317} \times 363$	=	45,80,441.6
Long Term Capital Gain	=	4,19,558.40



Computation of Tax liability

PGBP = 1,00,000 ——— Tax = Nill (Since income less than 3L)

LTCG u/s 112 = 4,19,560 ⟶ Tax (4,19,560 − 2,00,000) × 20%

Total Income 5,19,560

= 43,912

↓

(unexhausted exemption limit)

(−) Rebate u/s 87A = (25,000)

18,912

+4% Cess 756.48

19,668.48

Final Tax 19,670 /-



H.W

Building Purchase = 8/7/2022 = 42,00,000

Sale = 15/7/2024 = 48,00,000

Other income = 1,60,000 (PGBP)
Mr. VGA (CR) – Age – 40 years

Scheme :– Default scheme

Computation of Capital Gain For A.Y 25-26

Period of Holding = 8/7/2022 – 14/7/2024

Nature of CA = LTCA (since Hold more than 24 months)

	Full value of Consideration/Sale price	= 48,00,000
(–)	Expenditure on Transfer	= —
	Net Full value of Consideration	= 48,00,000
(–)	Indexed Cost of Acquisition	
	$\frac{42,00,000}{331} \times 363$	= 46,06,042
	Long Term Capital Gain U/S 112	= 1,93,958



Computation of Tax liability

Other income 1,60,000 ⟶ Tax Nil

LTCG

(193,958 - 140,000) X 20% = 10,791.60

(-) Rebate u/s 87A = (10,791.60)

Nil



2. LTCG 112A = 1,40,000
LTCG 112 = 2,00,000
STCG u/s 111A = 1,20,000
OI (Normal Income) = Nill

Mr. VG (R) - Age - 81 years
Scheme - Normal scheme

Solution :- Tax liability

		Tax
1) LTCG u/s 112 (2,00,000 - 2,00,000) x 20% (on exhausted Exemption limit)	=	Nill
2) LTCG u/s 112A (1,40,000 - 1,25,000 - 15,000) x 10% (1,25,000 ↓ Exemption limit u/s 112A; 15,000 ↓ unexhausted Exemption limit)	=	Nill
3) STCG u/s 111A (1,20,000 - 35,000) x 15% (unexhausted Exemption limit)	=	12750
		12,750
Tax		12,750
(-) Rebate u/s 87A (Since TI upto 5L)		12,500
		250
+ 4% Cess		10
Final Tax		260



Lecture 7

Example :- LTCG u/s 112 = 1,00,000
STCG u/s 111A = 1,50,000
lottery = 1,00,000
OI (Normal Income) = 20,000
Find Tax = Default scheme

Solution :-

Tax liability		Tax
1) Other Income (Normal Income) Tax on 20,000 (Since TI upto 3L)	=	Nill
2) LTCG u/s 112 (1,00,000 - 1,00,000) X 20% (on exhausted Exemption limit)	=	Nill
3) STCG u/s 111A (1,50,000 - 150,000) X 15% unexhausted Exemption limit	=	Nill
4) lottery (100,000 X 30%)	=	30,000
	=	30,000
Rebate u/s 87A	=	25,000
	Tax	5,000
+4% CESS	=	200
Final Tax	=	5,200



Most Important point

Treatement of unexhausted Exemption limit / Balance Exemption limit / Deficiency in exemption limit

Exemption limit (like 2,50,000 / 3,00,000 / 5,00,000 as the case may be)

1st use → In Normal Income

If limit Not exhausted then you can use in the following special Income Subject to Condition

1) Assessee must be Resident

+

2) Individual (OR) HUF

↓

If both Conditions are satisfied then unexhausted Exemption limit may be

→ LTCG u/s 112
(OR)
→ LTCG u/s 112A
(OR)
→ STCG u/s 111A

→ use as per more beneficial to assessee

↳ जहा use करनेसे Tax कम से कम आता।



Building purchase = 20,00,000 5/8/2001

Building sale = 90,00,000 8/11/2024

PGBP = 40,00,000

Compute Total Income & Final Tax liability

Solution :- Computation of Total Income

Salary	=	Nill
HP	=	Nill
PGBP	=	40,00,000
CG (90,00,000 - 20,00,000)	=	70,00,000
OS	=	Nill
GTI / TI		1,10,000,00



Tax on Total Income

Tax on 40,00,000 (Default Scheme)	=	8,90,000

Tax on LTCG U/S 112

1) $(90,00,000 - 20,00,000) \times 12.50\% = 8,75,000$

2) $\left(90,00,000 - \frac{20,00,000}{100} \times 363\right) \times 20\% = 3,48,000$

		3,48,000
less Tax		12,38,000
+ Surcharge @ 15%		1,85,700
		14,23,700
+ 4% Cess		56,948
Final Tax		14,80,648



H.W — Default Scheme

1. Building purchase 8/11/2004 = 18,00,000

Building sale 25/9/2024 = 90,00,000

CG to be Included while Computing TI ? & Tax liability

Solution :- Computation of Total Income

90,00,000 − 18,00,000 = 72,00,000

Computation of Tax

1. 72,00,000 × 12.50% = 9,00,000

2. $\left(90,00,000 - \frac{18,00,000}{113} \times 363\right) \times 20\% = 6,43,540$

lower

	6,43,540
+ Surcharge @ 10%	64,354
	7,07,893.8
+4% Cess	28315.752
Final Tax	7,36,210
	(Round off)



2] Building Purchase = 5/11/2001 = 18,00,000

Building sale = 8/12/2024 = 90,00,000

PGBP = 60,00,000

Compute Total Income & Tax ?

Solution :-

Computation of Total Income

CG (72,00,000 - 18,00,000)	72,00,000
PGBP	60,00,000
IT	132,00,000

Computation of Total Income

Tax on 60,00,000	14,90,000

Tax on LTCG U/S 112

1) (72,00,000) X 12.50% = 9,00,000

2) $\left(90,00,000 - \frac{18,00,000}{100} \times 363\right) \times 20\%$ = 493200

lower	Tax	19,83,200
+ Surcharge @ 15%		2,97,480
		22,80,680
+4% Cess		91,227.2
Final Tax		23,71,910
(Round off)		



3] Building Purchase = 8/12/2006 = 20,00,000

Building Sale = 25/10/2024 = 1,20,00,000

PGBP = 60,00,000

Compute Total Income / Tax ?

Solution :-

Computation of Total Income

CG (1,20,00,000 - 20,00,000)	72,00,000
PGBP	1,00,00,000
IT	1,72,00,000

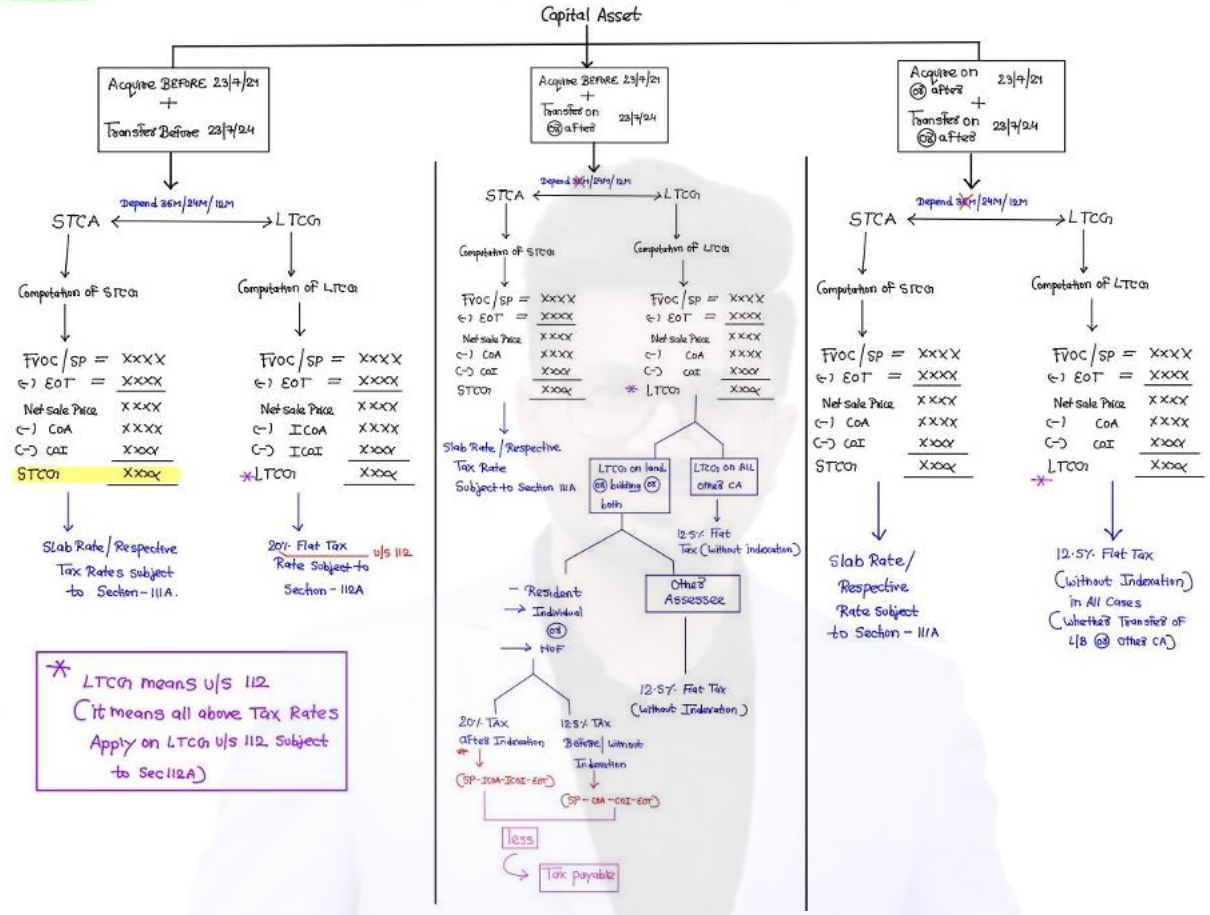
Computation of Total Income

Tax on 60,00,000		14,90,000
Tax on LTCG u/s 112		
1) (1,00,00,000) × 12.50%	= 12,50,000	
2) (1,20,00,000 - 20,00,000/122 × 363) × 20%	= 12,09,836	12,09,836
	lower Tax	26,99,836
	+ Surcharge @ 15%	4,04,975.4
		1,24,192.456
	+ 4% Cess	
	Final Tax	32,29,000



Lecture 8

Master Diagram of Computation of Capital Gains & Tax Computation





Example

	Mr. VG Purchase 3 Capital Assets	COI	Sale
①	Gold Purchase 25/6/1998 = 10,00,000 FMV 1/4/2001 = 8,00,000	a) 5/3/2001 = 10,000 15/4/2010 = 20,000	Gold Sale = 28/7/24 = 70,00,000
②	Building Purchase 8/7/2000 = 15,00,000 FMV 1/4/2001 = 15,00,000	—	Building = 25/9/24 = 80,00,000
③	land Purchase 28/7/2024 = 40,00,000	—	land = 5/12/2024 = 41,00,000

Compute Capital Gain & Tax liability

Mr. VG - (R) - Age - 32 years - Default scheme

Computation of Total Income

LTCG =	59,80,000
LTCG =	60,00,000
STCG =	1,00,000
Total Income	1,20,80,000



Solution :-

Computation of Capital Gain

1)

Full value of Consideration/Sale price	=	70,00,000
(-) Expenditure on Transfer	=	—
Net Full value of Consideration	=	70,00,000
(-) Cost of Acquisition	=	10,00,000
(-) Cost of Improvement	=	20,000
Long Term Capital Gain	=	59,80,000

2)

Full value of Consideration/Sale price	=	80,00,000
(-) Expenditure on Transfer	=	—
Net Full value of Consideration	=	80,00,000
(-) Cost of Acquisition	=	20,00,000
Long Term Capital Gain	=	60,00,000



3) Full value of Consideration/Sale price = 41,00,000

(-) Expenditure on Transfer = —

Net Full value of Consideration = 41,00,000

(-) Cost of Acquisition = 40,00,000

Short Term Capital Gain = 1,00,000

Computation of Tax

1) Tax on STCG = Nill (since Income less than 3L)

Unexhausted Exemption limit = 2,00,000

2) Tax on LTCG and Gold

59,80,000 X 12.5% = 7,47,500



3) Tax on LTCG on Building

1) 60,00,000 X 12.50% = 7,50,000

2) (7,40,000 − 2,00,000) X 20% = 1,08,000
(80,00,000 − 72,60,000)

↓

Unexhausted

less = 1,08,000

Tax 8,55,500

+ Surcharge 15% 1,28,325
(Since Income > 1Cr) 9,83,825

+ 4% cess 39,353
10,23,180/-



H.W

Mr. VG has following Assets :–

Name of Asset	Date of Purchase	Value of Purchase	Cost of Improvement	Date of Sale	Value of Sale
Gold	25/6/2001	15,00,000	–	28/6/2024	70,00,000
Building	8/4/2000	10,00,000 FMV = 9,00,000 1/4/2001	25/3/2001 = 10,000 5/2/2002 = 10,000	28/11/2024	90,00,000
land	25/6/2010	40,00,000	–	23/7/2024	1,40,00,000
Building	25/7/2004	10,00,000	–	18/7/2024	70,00,000

Note :– 1) All cases are independent

2) Assume there is No unexhausted Exemption limit

3) Assessee is Individual (Resident in India) Except part-3 (i.e land Case)



D

Computation of Capital Gain

Full value of Consideration/Sale price	=	70,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	70,00,000
(–) Indexed Cost of Acquisition	=	54,45,000
$\frac{15,00,000}{100} \times 363$		
Long Term Capital Gain		15,55,000

Computation of Tax

Tax on long term capital Gain	Tax
15,55,000 X 20%	3,11,000
+4% Cess	12,440
	3,23,440



Computation of Capital Gain

2)

Full value of Consideration/Sale price	=	90,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	90,00,000
(–) Cost of Acquisition	=	(10,00,000)
(–) Cost of Improvement	=	(10,000)
Long Term Capital Gain		79,90,000

Tax on LTCG on Building

1) 79,90,000 × 12.50% = 9,98,750
2) 90,00,000 – 36,66,300 × 20% = 10,66,740

less

1) (1000000 × 363/100) = 3630000
2) (10000 × 363/100) = 36300

Tax	9,98,750
+ Surcharge 10%	99,875
	10,98,625
+ 4% cess	43,945
	11,42,570 /-



3) Computation of Capital Gain

Full value of Consideration/Sale price	= 1,40,00,000
(–) Expenditure on Transfer	= —
Net Full value of Consideration	= 1,40,00,000
(–) Cost of Acquisition	= (40,00,000)
Long Term Capital Gain	1,00,00,000

Tax on LTCG on Building

1,00,00,000 × 12.5% =	12,50,000
+ Surcharge 10%	1,25,000
	13,75,000
+ 4% cess	55,000
	14,30,000



4)

Computation of Capital Gain

Full value of Consideration/Sale price	=	70,00,000
(–) Expenditure on Transfer	=	–
Net Full value of Consideration	=	70,00,000
(–) Cost of Acquisition ($\frac{10,00,000}{113} \times 363$)	=	(32,12,389.38)
Long Term Capital Gain		37,87,611

Tax on LTCG on Building

37,87,611 X 20%	= 7,57,522.2
+4% cess	30,300.88
	7,87,820



Lecture 9

Section - 50C

Full value of Consideration in certain cases

Applicability = land (or) Building (or) Land & Building

Provision Applicability

	Particulars	50C Apply (or) Not	Sale Consideration for Capital Gains
1)	SDV is less than Actual Sale Price	✗	A.S.P is SC
2)	SDV is Equal to Actual Sale price	✗	A.S.P is SC
3)	SDV is less than 110% of ASP	✗	A.S.P is SC
4)	SDV is Equal to 110% of ASP	✗	A.S.P is SC
5)	SDV is more than 110% of A.S.P	✓	SDV is Deemed as SC

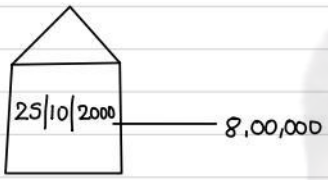


Example

	Actual Sale price	SDV	SC Apply (or) Not	SC For CG
1)	80,00,000	76,00,000	✗	80,00,000
2)	80,00,000	80,00,000	✗	80,00,000
3)	80,00,000	84,00,000	✗	80,00,000
4)	80,00,000	88,00,000	✗	80,00,000
5)	80,00,000	90,00,000	✓	90,00,000



Example :-



1/4/01 FMV = 9,00,000
1/4/01 SDV = 8,40,000

CoI = 1) 5/3/2001 = 40,000
2) 8/6/2009 = 50,000

Sale = 25/12/2024 = 74,00,000
SDV on 25/12/2024 = 87,00,000

Compute :- CG & Tax u/s 112

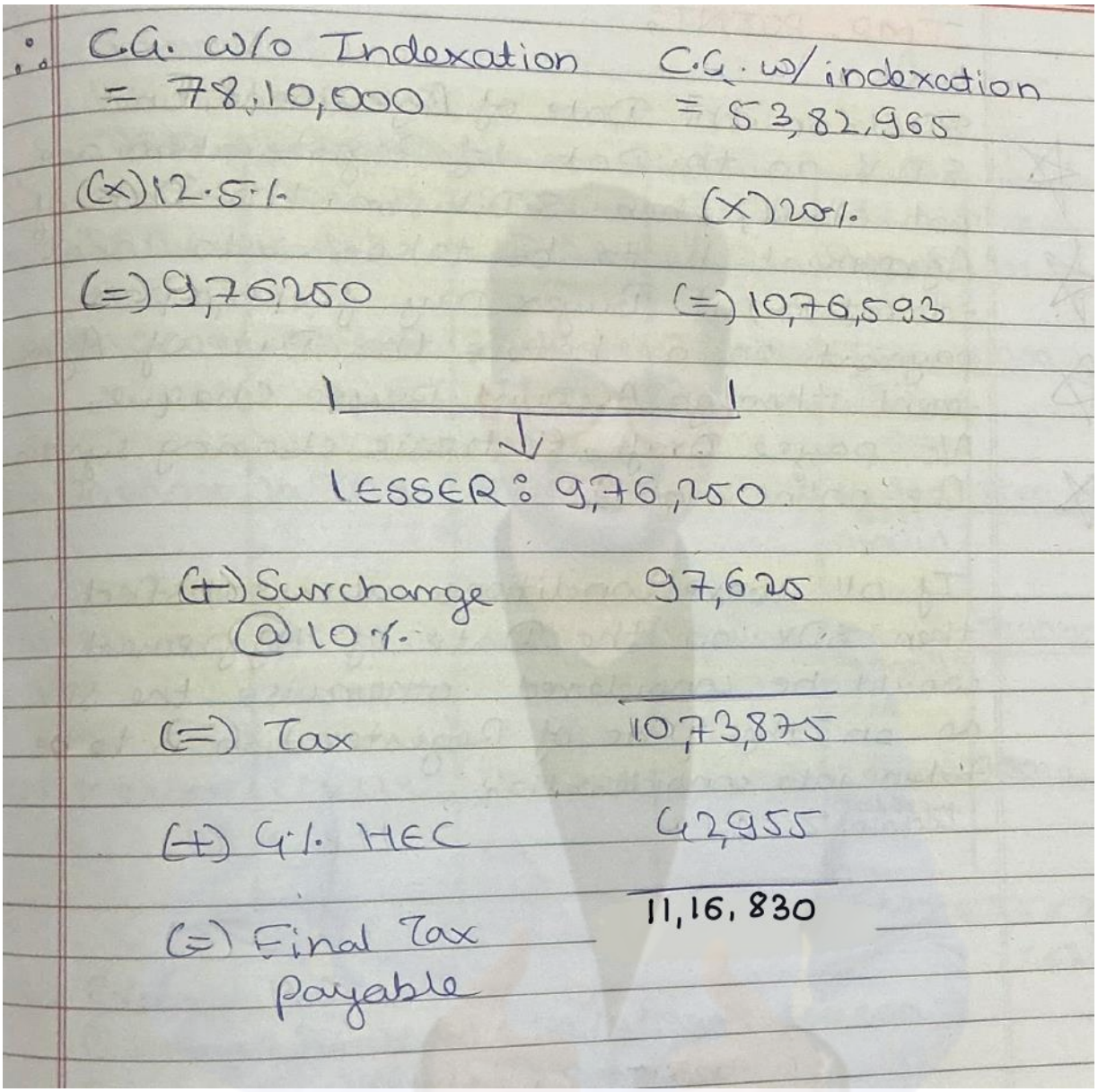
Assessee → No exhausted exemption limit

Assume is Individual / Resident

Period of Holding : 25/10/2000 – 24/12/2024
Nature of Asset : LTCA.

FVOC/SP	: 87,00,000
(-)COA / (-)ICOA	: (8,40,000) / (30,49,200)
(-)COI / (-)ICOI	: (-) / (1,45,200)
	(50,000) / (1,22,635)
(=)CG w/o Indexation / (=)CG w/ Indexation	: 78,10,000 / 53,82,965




∴ C.G. w/o Indexation = 78,10,000
C.G. w/ indexation = 53,82,965
(x) 12.5%
(x) 20%
(=) 9,76,250
(=) 10,76,593
LESSER: 9,76,250
(+) Surcharge @ 10%
97,625
(=) Tax
10,73,875
(+) 4% HEC
42,955
(=) Final Tax payable
11,16,830



Imp Point

SDV on the DOA and SDV on the Date of Registration is not same then SDV on the Date of agreement is to be taken into consideration, if Buyer pay full or part Payment on or before the Date of Agreement through A/c payee cheque, A/c payee Draft, Electronic clearing system (i.e online mode)

If All above condition are satisfied then SDV on the Date of Agreement would Considered otherwise the SDV on the Date of Registration is to be taken into Consideration



Example 1:

Answer

Date of Agree.	SDV. on DOA	Date of Reg.	S.D.V. on D.O.R	Actual S.P.	Adv. Payment	Sale cons. for CG.
18/11/23	80,00,000	19/4/24	90,00,000	75,00,000	50,000 cash (18/11/23)	90,00,000
15/7/22	70,00,000	20/6/24	75,00,000	65,00,000	50,000 NEFT (16/7/22)	75,00,000
19/8/23	80,00,000	25/10/24	90,00,000	70,00,000	1,00,000 A/c. Payee cheque (17/8/23)	80,00,000
18/12/22	80,00,000	8/4/24	78,00,000	71,00,000	5,00,000 CROSS CHEQUE (17/12/22)	80,00,000

Example 2:

Building: Purchased: 25/4/1999: 6,00,000.
F.M.V as on 1/4/01 = 8,00,000.
S.D.V. as on 1/4/01 = 12,00,000.
COI: 25/1/2001: 10,000
8/1/2011: 20,000.

DOA: 25/12/2022: 80,00,000.
SDV on 25/12/2022: 89,00,000.
Date of Possession: 8/01/2024.
SDV on 8/1/2024.: 95,00,000
Date of Regn: 8/9/24
SDV. on 8/9/24: 99,00,000



Buyer pay ₹ 20,00,000 through A/c. Payee Cheque on 24/12/2022.

Compute Cap. Gain & Tax u/s 112:
(Assume no unexhausted Exemption limit & Resident INDIVIDUAL;

Period of Holding: 25/4/1999 – 7/01/2024.
LTCA
Assesse: Resident Individual.

Computation of Capital Gain in A.Y 2024-25:

FVOC/SP	89,00,000
(-) ICOA $\left[\frac{80,000 \times 348}{100}\right]$	(27,84,000)
(-) ICOI	(-)
$\left[\frac{20,000 \times 348}{167}\right]$	(41,676)
Capital Gain:	60,74,324



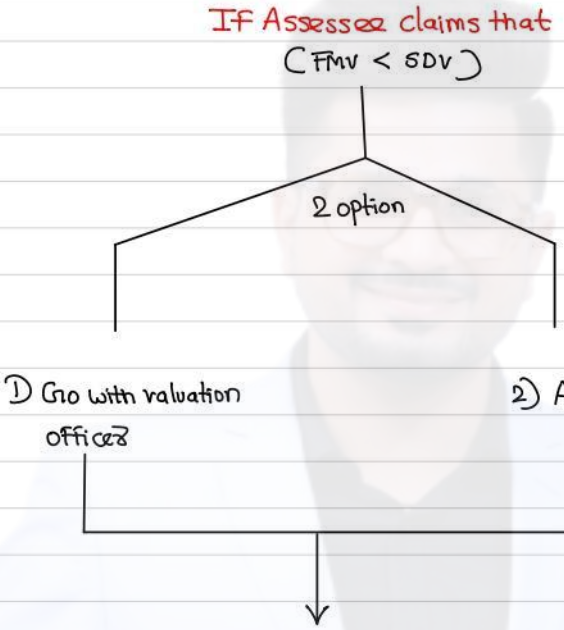
Computation of Tax Liability on LTCG

LTCG	60,74,324
(x) 20%	
(=) Tax	12,14,864
(+) 10% Surcharge	1,21,486
(=) Tax	13,36,350
(+) 4% HEC	53,454
(=) Final Tax payable	13,89,804



Lecture 10

Important point



1) Value determined by specified Authority > SDV = SDV Deemed as Sale Consideration

2) Value determined by specified Authority < A.S.P = A.S.P Deemed as Sale Consideration

3) Value determined by specified Authority is less than SDV and Equal to (or) more than A.S.P = Value Determined by specified Authority Deemed as Sale Consideration



Section - 50D

If FVOC/SP is not ascertainable (or) can't be determined in case of transfer of Capital Asset then FMV shall be deemed as Sale Consideration for CG

Section - 50CA

Applicability = ONLY ON "unlisted shares"

PROVISION = If sale price is less than FMV, than FMV Deemed as Sale price

Example

Mr. VG sale 1000 shares of VG Pvt ltd to Mr. PG @ 800/- per share.

FMV of such share ₹ 1150 per share.

Compute CG in hands of Mr. VG if Mr. VG CoA of such share ₹ 350 per share.

Solution :-

SP = 11,50,000
(1000 x 1150)

CoA = 3,50,000
(1000 x 350)

8,00,000 CG



Section 51 Advance money forfeited

Tax Treatment of Advance money forfeited on failure of Negotiation for Transfer of Capital Asset

IF Advance was received and forfeited "Before 1/4/2014"

→ Advance forfeited to be deducted while Computing "Cost of Acquisition" for Computing "Capital Gaining"

→ Taxability is Postponed till the year of T/F of CA

IF Advance was received and forfeited "on (or) after 1/4/2014"

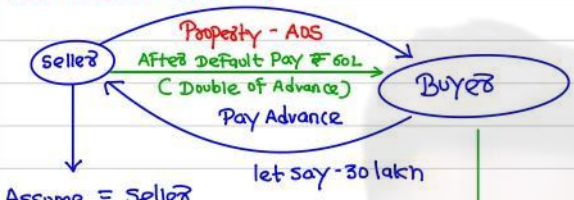
→ Advance forfeited to be Taxable under head Other head under section 56.

→ Taxability arise in the same P.Y in which Advance money forfeited.



Lecture 11

What if Seller Default ?



Assume = Seller Default

Question Arise = What will be the treatment of ₹ 30L income ?

Answer :- As per H.C Judgement ₹ 30L will be taxable under head Capital Gains. in the hands of Buyer

↓

Right to get property is a CA, Buyer Relinquish his right & Relinquishment is a T/F. Hence Capital Gain will arise

	SP = 60,00,000
(-)	COA = 30,00,000
	CG 30,00,000



Section 45(1A) + 45(2) + 45(3) + 45(3A) + 45(1)

Generally, If following 3 Conditions are satisfied, then Capital Gain will be chargeable to TAX :–

1) Income
+
2) Transfer
+
3) Capital Asset

If All above conditions are satisfied then, Capital Gains shall be chargeable to Tax in the year in which Transfer Took place.

CRUX

Jaha Transfer, Vaha Taxable

↓

Except Following 4 cases :–

1) Section 45(1A)
2) Section 45(2)
3) Section 45(3)
4) Section 45(3A)

↳ Taxable किसी Alag साल मे,
Taxable किसी Alag साल मे.



→ Lecture 12 Imp

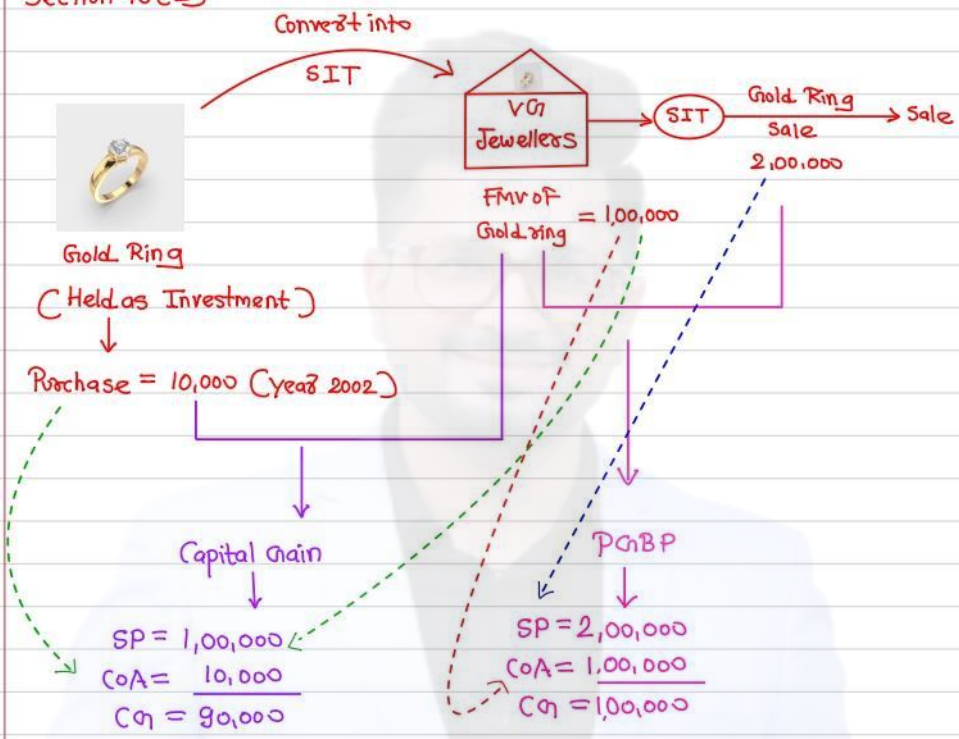
Particulars	45(1A)	45(2)	45(5)	45(5A)
Title/ Heading	Capital Gains on Insurance claim Received on Destruction of Capital Asset	Conversion of Capital Asset into Stock in Trade	Capital Gains on Compulsory Acquisition	Joint Development Agreement
Year of Transfer	Date of Destruction of Capital Asset	Year of Conversion of Capital into Stock in Trade	Year of Compulsory Acquisition	Year of possession of Immovable Property.
Indexation upto	Year of Transfer (If transfer before 23/7/24)	Year of Transfer (If transfer before 23/7/24)	Year of Transfer (If Transfer before 23/7/24)	Year of Transfer (If Transfer before 23/7/24)
Period of Holding	Immediately Preceding the Date of Transfer (i.e. Date of Destruction)	Immediately Preceding the Date of Transfer (i.e. Date of Conversion)	Immediately Preceding the Date of Transfer	Immediately Preceding the Date of Transfer (i.e. possession)
Proc / SP	Insurance claim Received + FMV of the asset received (IF Available)	PGBP SP of SIT = xxx (-) FMV of CA on the Doc = xxx PGBP xxx	Compensation Received	SDV of Constructed Area belong to Assessee + Cash (if any)



		Capital Gain SP = FMV of the Doc (-) COA / ICOA = XXX (-) COI / ICOI = XXX CG XXX	1) Original Compensation Taxable in the PY in which 1st Installment is Received 2) Enhanced Compensation → By Interim order Taxable in the PY in which FINAL order is made → By final order → Taxable in the P.Y in which Received by the Assessee	
Year of Taxable	When Insurance claim Received	When SIT Sold	(Sale price and Year of Taxable Same)	When Completion Certificate issued



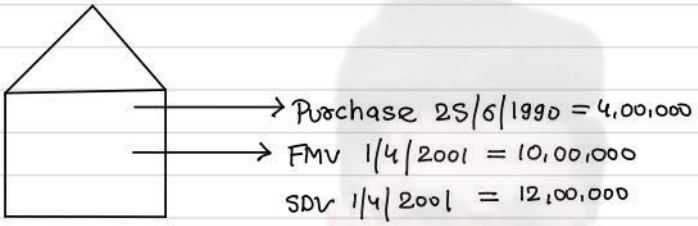
Section 45(2)


Convert into
SIT
VG Jewellers
SIT
Gold Ring
Sale
Sale
2,00,000
FMV of Gold ring = 1,00,000
Gold Ring
(Held as Investment)
Purchase = 10,000 (year 2002)
Capital Gain
SP = 1,00,000
CoA = 10,000
CG = 90,000
PGBP
SP = 2,00,000
CoA = 1,00,000
CG = 1,00,000



Lecture 12

Example :- Section 45(5) ~~X~~



Govt Compulsory Acquire Such property on 28/11/2021 and decide ₹ 90,00,000 as Compensation.
₹ 40 Lakh Received out of 90 lakh on 5/12/2021 and Balance Amount (₹ 50 lakh) Received on 8/6/2022. Mr. VG Appeal to High Court for enhanced Compensation High Court passed Interim order — 15/12/2022 of ₹ 40,00,000 (₹ 10 lakh Received on same date & 30 Lakh on 15/4/2023) finally High Court passed final order on 8/7/2024 of ₹ 90,00,000 (40 lakh already Received due to Interim order & 50 Lakh Enhanced by final order)

Break up of ₹ 50L Received

→ 20,00,000 8/11/24
→ 10,00,000 5/3/25
→ 20,00,000 8/1/2026

Compute CG on above Transaction



Solution :- Computation of Capital Gain

1) Capital Gains on original Compensation

Taxable in PY 2021-22 (1st Installment Received of original Compensation)

Sale price	= 90,00,000
(-) ICoA	
$\frac{10,00,000}{100} \times 317$	= 31,70,000
LTCG u/s 112	58,30,000

2) Capital Gain on Enhanced Compensation

By Interim order (Taxable in the P.Y 24-25 since FO is made)

SP =	40,00,000
Cost =	Nill
	40,00,000
	LTCG

By Final order (Taxable in the PY in which Received by Assessee)

PY 24-25		PY 25-26	
SP =	30,00,000 (20L + 10L)	SP =	20,00,000
Cost =	Nill	Cost =	Nill
LTCG	30,00,000	LTCG	20,00,000



✱ Section 45(5) apply on all types of Capital Asset except Capital Asset Covered under Section 10(37)

Section 10(37)

Exemption in respect of Capital Gains of URBAN AGRICULTURE LAND

→ Exemption is available only if All the below mentioned Condition are satisfied

1) Assessee must be an Individual (or) HUF

2) If is of Agriculture land Situated in URBAN AREA

3) Land is used for Agricultural purpose during the period of 2 years Immediately preceding the date of Transfer by HUF (or) Individual (or) Parent of Individual.

4) Transfer take place by way of Compulsory Acquisition under any law and Consideration is determined by CG or RBI

↓

If All above Conditions are satisfied then original as well as Enhanced (or) Capital Gains whether STCG (or) LTCG is fully Exempt.



Lecture 13

Income From other Source – start

Section - 47 + Sec - 56(2) (x) [Capital Gain + other source]

Section 47 Certain Transaction Not Regarded as Transfer

1) Partition of HUF

2) Gift is not a T/F

3) Asset T/F by amalgamating co to Amalgamated Company
(If Amalgamated Co must be an Indian Co)

4) Asset T/F by Holding Company to Subsidiary Company
(if Subsidiary Company is an Indian Co.)

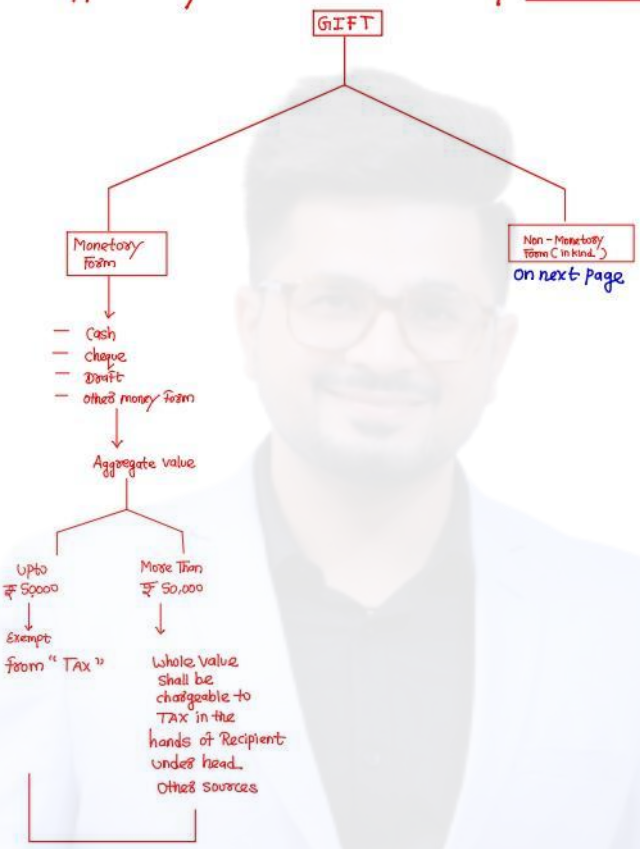
5) Asset T/F by Subsidiary Co to holding Co
(if holding Company is an Indian Co.)



Lecture 14

Taxability of GST u/s 56(2)(x) : OTHER SOURCES

Applicability :- Gift Received by ANY PERSON



Example

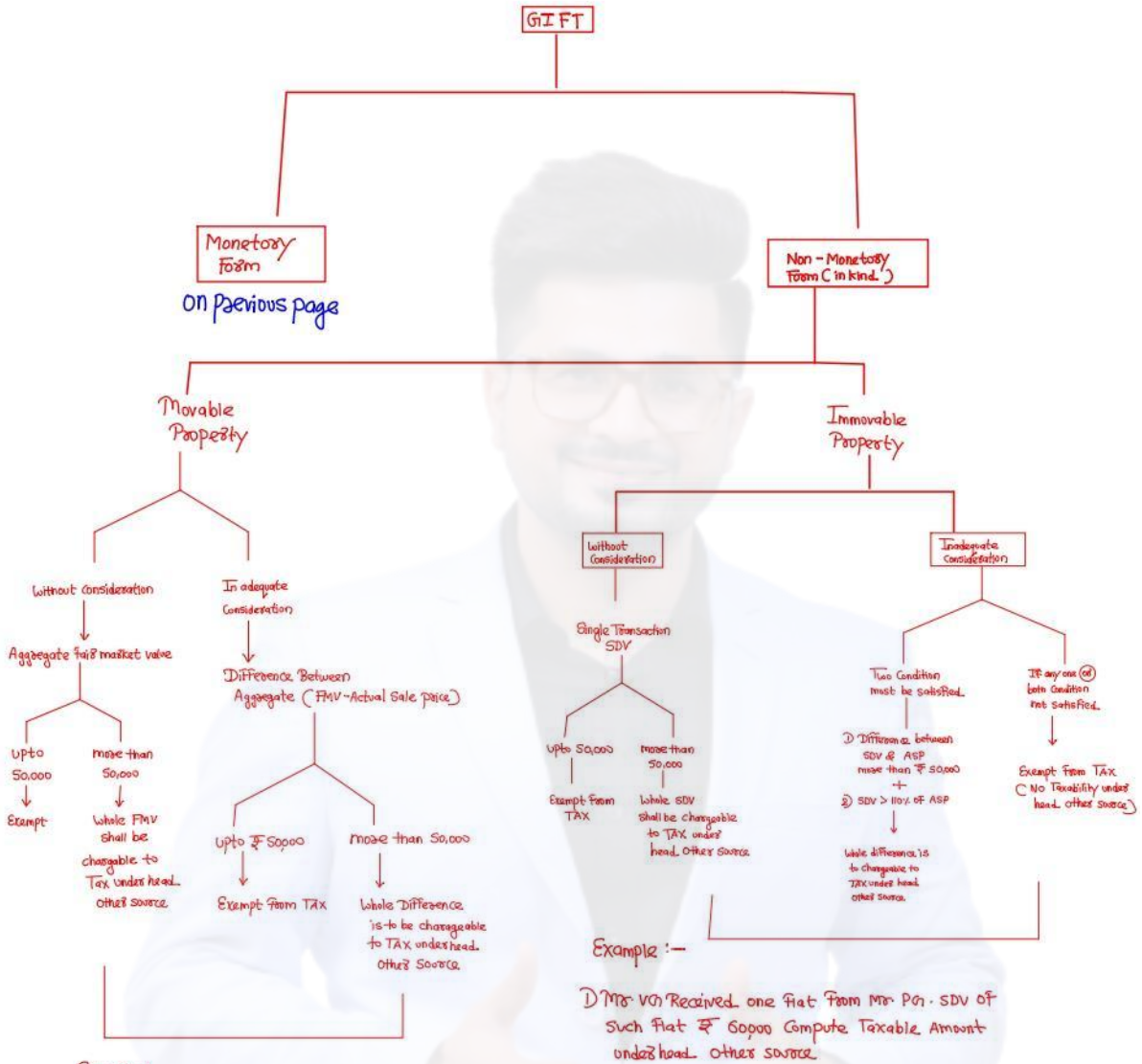
1] Mr. VG Received ₹ 40,000 each from his 3 friends on his birthday. Compute taxable amount ?

Ans :- 1,20,000 Deemed as Income from other source

2] Mr. VG Received ₹ 40,000 Cash Gift from Mr. Rohan on 18/7/24 and ₹ 15,000 Cross cheque from Mr. Bittu Compute Taxable portion.

Ans :- ₹ 55,000 Taxable under head Other Source in hands of Mr. VG.





Example :-

1) Mr. VG Received one flat from Mr. PG. SDV of such flat ₹ 60,00 Compute Taxable Amount under head other source

Solution :- 60,000 Taxable under head other source

2) Mr. VG Sold flat to Mr. PG @ 60,00,000 and SDV of the such flat ₹ 65,00,000 Compute taxable in hands of Mr. VG under head other source

Solution :- Nill Taxable since SDV ≤ 110% of ASP

Example 1

Mr. VG Received Gold as Gift from Mr. VG FMV of such Gold ₹ 55,000 Compute Taxable position ?

Solution :- 55,000 - Income under head other source

Example 2

Mr. VG Sold Gold Ring to Mr. VG ₹ 20,000, and FMV of such Gold Ring ₹ 1,40,000

Solution :- (1,40,000 - 20,000) = 1,20,000
Deemed as income from other source



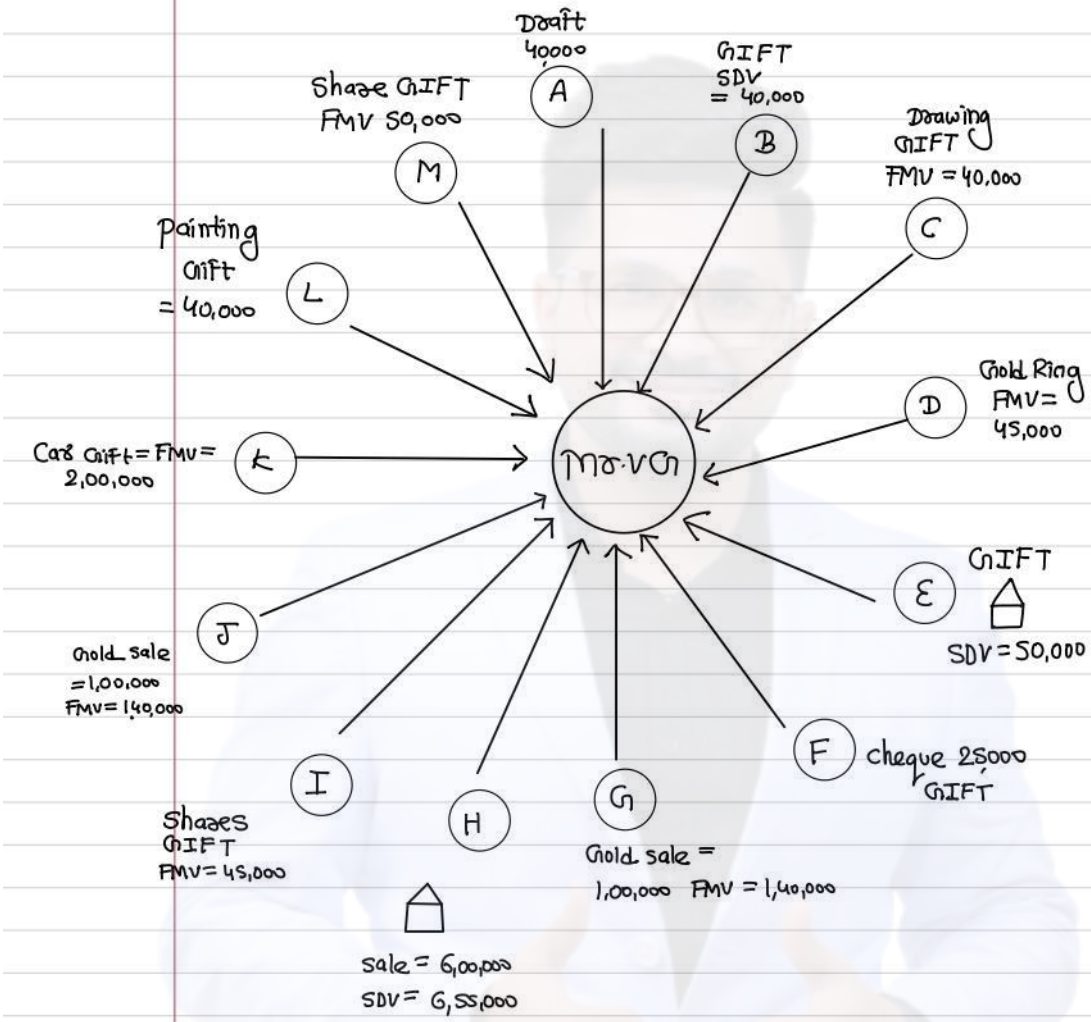
Definition of property under Income other source

Property is a Capital Asset of Assessee Namely :-

1) Immovable property being land or building or both
2) Shares & Security
3) Jewellery
4) Archaeological Collections
5) Drawings
6) Paintings
7) Sculptures
8) Any work of Art
9) Bullion
10) Virtual Digital Asset (Bitcoins)



9643036663 (only WhatsApp)


Draft
40000
A
Share GIFT
FMV 50,000
M
GIFT
SDV
= 40,000
B
Drawing
GIFT
FMV = 40,000
C
Painting
Gift
= 40,000
L
D
Gold Ring
FMV=
45,000
Car Gift = FMV =
2,00,000
K
M.V.G
E
GIFT
SDV = 50,000
J
Gold sale
=1,00,000
FMV = 1,40,000
F
cheque 25000
GIFT
I
H
G
Shares
GIFT
FMV = 45,000
Gold sale =
1,00,000 FMV = 1,40,000
sale = 6,00,000
SDV = 6,55,000



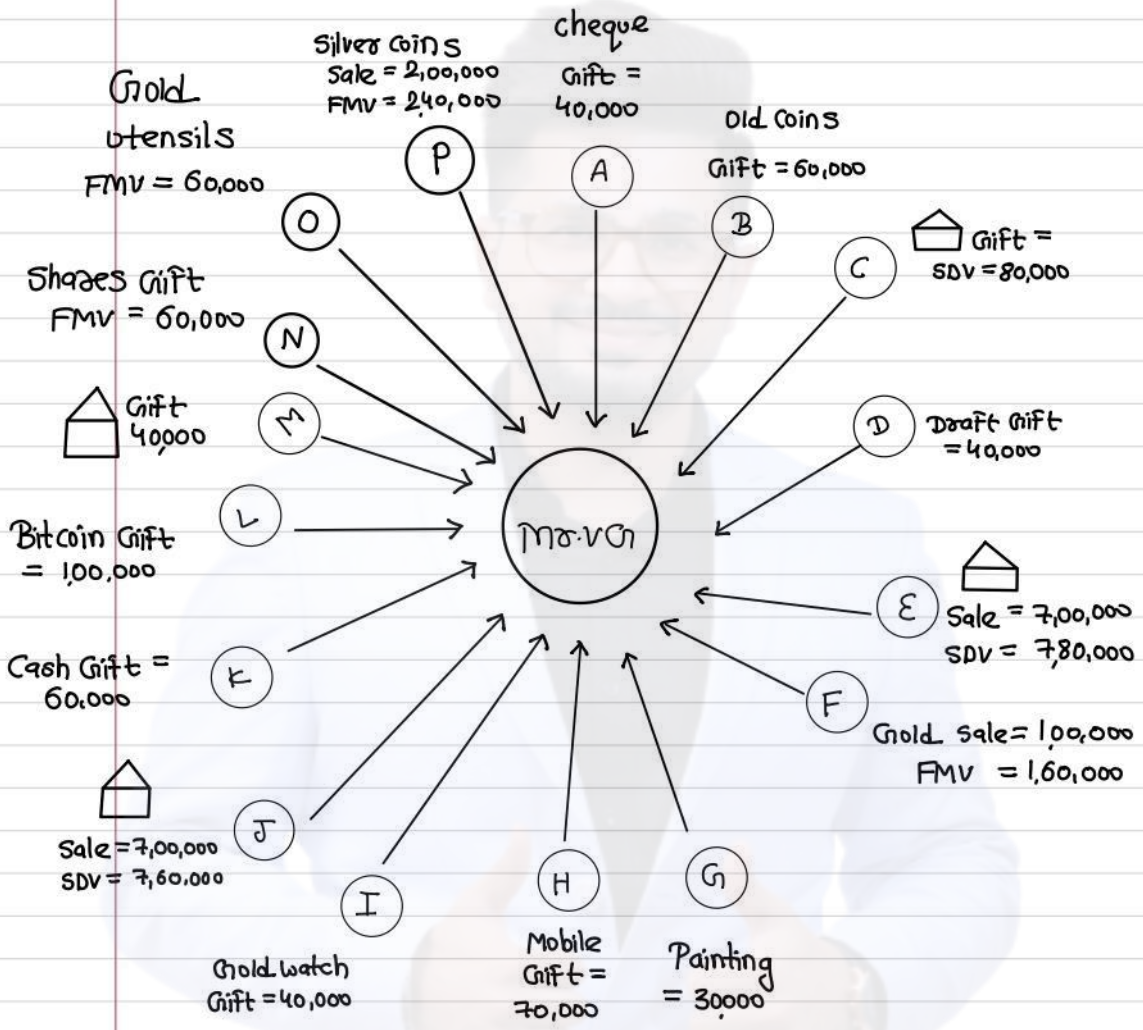
Solution :—

Money	Movable Property without Consideration	Movable Property Inadequate Consideration	Immovable Property without Consideration	Immovable Property Inadequate Consideration
40,000	40,000	40,000	~~40,000~~	~~55,000~~
25,000	45,000	40,000	~~50,000~~	
	45,000			
	40,000			
	50,000			
65,000	2,20,000	80,000		

Ans = 3,65,000



H·W


Gold utensils FMV = 60,000
Silver coins Sale = 2,00,000 FMV = 2,40,000
cheque Gift = 40,000
Old coins Gift = 60,000
Gift = SDV = 80,000
Draft Gift = 40,000
Sale = 7,00,000 SDV = 7,80,000
Gold Sale = 1,00,000 FMV = 1,60,000
Painting = 30000
Mobile Gift = 70,000
Gold watch Gift = 40,000
Sale = 7,00,000 SDV = 7,60,000
Cash Gift = 60,000
Bitcoin Gift = 1,00,000
Gift 40,000
Shares Gift FMV = 60,000
M·V·G
A
B
C
D
E
F
G
H
I
J
K
L
M
N
O
P



Solution :—

money	Movable Property without Consideration	Movable Property Inadequate Consideration	Immovable Property without Consideration	Immovable Property Inadequate Consideration
40,000 40,000 60,000	60,000 60,000 1,00,000 40,000 30,000 60,000	60,000 40,000	80,000	80,000
140,000	3,50,000	1,00,000	80,000	80,000

Ans :— 7,50,000



Lecture 15

CRUX of Taxability of GIFT

CRUX 1

Gift Taxable in the hands of Recipient if he satisfied all the following Conditions :-

1) GIFT property की Definition में cover होना चाहिए

+

2) Gift की value ₹ 50,000 से ज्यादा होनी चाहिए

+

3) Gift Exceptions में cover नहीं होना चाहिए

+

4) Gift Receiver के हाथ में Capital Asset होना चाहिए

↓

If all Above Condition are satisfied then whole value shall be chargeable to Tax in hands of Receiver.

CRUX 2

Concept of Aggregate under Taxation of Gift

1) money वाले money से Aggregate होगे

2) Movable property without consideration वाले without consideration से Aggregate होगे



3) movable property Inadequate Consideration वाले Inadequate Consideration से Aggregate होगे

But point 1,2,3 आपस मे Aggregate नही होगे।

4) Immovable property without Consideration वाले without Consideration से भी Aggregate नही होगे

5) Immovable property inadequate Consideration वाले Inadequate Consideration सेभी Aggregate नही होगे

Immovable मे single-single Transaction check होगी

1,2,3,4,5 आपस मे Aggregate नही होगी

Non Applicability of Sec 56(2)(x)

a) Gift Received from any relative on any occasion



✳ Relative means :—

(i) spouse of the individual; (Husband, wife)

(ii) brother or sister of the individual;

(iii) brother or sister of the spouse of the individual; (Sala, Sali, Devar, Jeth, Nanad)

(iv) brother or sister of either of the parents of the individual;

(v) any lineal ascendant or descendant of the individual;

(vi) any lineal ascendant or descendant of the spouse of the individual;

(vii) spouse of any of the persons referred in (i) to (vi) above.

mummy, papa, Dada, Dadi, Nana, nani, Son, Daughter, Grandson, Granddaughter

Mama, masi, Bua, chacha, Tau

(Saas, sasur, adopted child if any Step child)



Following are not Covered under Definition of Relative :-

1) Cousin

2) Children of brother (or) Sister of individual

3) Deemed Wife Deemed Husband

b) on the occasion of marriage of any individual

c) Under a will (or) by way of inheritance

d) In Contemplation of Death

e) From any local Authority

f) From any fund, Foundation, university, Colleges, educational institute, hospitals, Trust, etc.

g) by way of transaction not regarded as Transfer u/s 47

h) Amount Received by a member of family of Deceased Person (If Death Due to Covid 19)

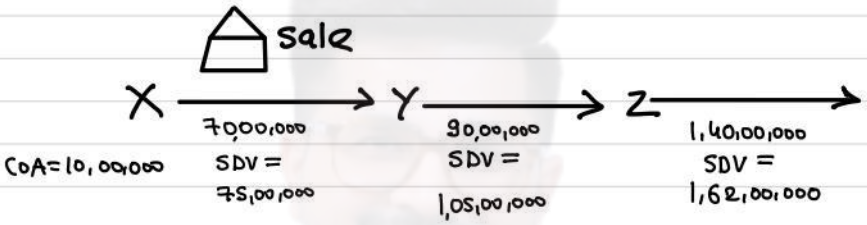
→ From the employer of the deceased employee

→ From any other person upto 10L



Capital Gain link with other source (Taxation of GIFT)

1)



→

	O/S = Nill	OS = 15,00,000
SP = 70,00,000	SP = 1,05,00,000	SP = 1,62,00,000
CoA = 10,00,000	CoA = 70,00,000	CoA = 1,05,00,000
CG 60,00,000	CG 35,00,000	CG 57,00,000

OS = 22,00,000
Cost = 1,62,00,000



2)

X —Gold Sale→ Y → Z →

X	Y	Z
CoA = 10,00,000	70,00,000	90,00,000	1,40,00,000
	SDV = 75,00,000	SDV = 1,05,00,000	SDV = 1,62,00,000

Seller = Cost ?
Buyer = Cost ?
Buyer = OS ?

Other Source = 5,00,000

Other Source = 15,00,000

→

SP = 70,00,000
CoA = 10,00,000
Cg = 60,00,000

SP = 75,00,000
CoA = 15,00,000
90,00,000

SP = 1,40,00,000
CoA = 1,05,00,000
35,00,000

OS = 22,00,000
Cost = 1,62,00,000

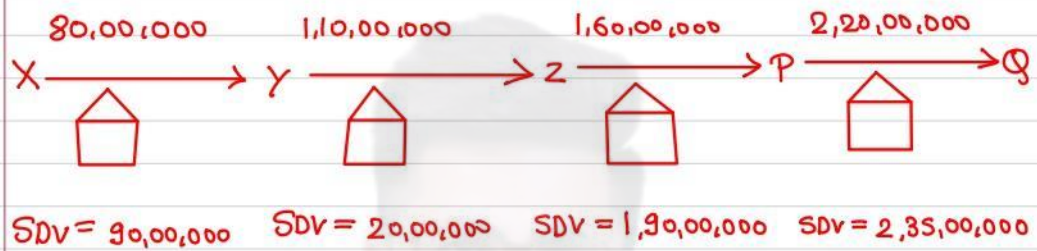


Cost of Acquisition + Taxation of Gift

D If buyer के हाथ मे other source मे Taxability हो चुकी है then जब Buyer property को Aage Sale करेगा तो उसकी cost बनेगी FMV (08) SDV as the case may be. अगर Buyer के हाथ मे OS मे taxability नही हुई तो Actual purchase price ही cost बनेगी।



Hw



CoA = 20,00,000

SDV = 90,00,000 | SDV = 20,00,000 | SDV = 1,90,00,000 | SDV = 2,35,00,000

Solution :-

	OS = 10L	OS = Nill
SP = 90,00,000	SP = 1,10,00,000	SP = 1,90,00,000
CoA = 20,00,000	CoA = 90,00,000	CoA = 1,10,00,000
70,00,000	20,00,000	80,00,000

OS = 30,00,000

Cost = 2,20,00,000

SP = 2,20,00,000
CoA = 1,90,00,000
CG = 30,00,000



Lecture 16

Balance Part of Income From other sources

Section 56(1) charging section

1) If any Income is not chargeable to tax under any other 4 heads of Income then such Income is to be chargeable to tax u/h OS.

2) This is Residuary head of income

Section - 56(2) Income chargeable to Tax under head "Other Sources"

Following Income shall be chargeable to Tax Income under head "Other Source"

* 1) Dividend Income (Including Deemed Dividend), whether Shares hold as Investment (or) SIT.

** 2) Casual Income (betting, gambling, lottery, online gaming, Crossword Puzzle etc)

3) Consideration (or) Compensation Received due to termination (or) modification of any Contract (if not taxable u/s PGBP)

4) Advance money forfeited on (or) after 1/4/14

*** 5) Interest on Compensation (whether original (or) enhanced)

**** 6) Family Pension Received

7) Guest lecture salary



8) Income from sub-letting of HP.

9) Interest on security (or) other than security (Debenture, bonds, loans etc.

10) Income from letting out of land (or) furnishing items.

11) Gift Received

12) Sum Received including the amount allocated by way of Bonus under a life insurance other than ULIP

13) Any other Income if not chargeable to tax under any 4 heads of Income

* Computation of Taxable dividend

Dividend Received - xxxxx
(whether Interim (or) final)

(-) # Deduction = xxxx

Taxable Dividend xxxx

#

1) No Deduction allowed from Dividend Income

Except Interest Expenditure



2) Quantum of Deduction :-

1) Actual Interest paid
or

2) 20% of Total Dividend

LESS

Example :- Mr VG invested in the following Co and received Dividend as follows :-

1)	ONGC Ltd	Final	80,000
2)	TATA steel	Final	1,20,000
3)	GAIL Ltd	Interim	40,000
4)	IRCTC Ltd	Final	60,000
5)	RIL Ltd	Interim	90,000
6)	Coal India Ltd	Final	1,40,000
			5,30,000

→ Interest Expenditure incurred to earn above dividend ₹ 1,02,000

→ Other Expenditure incurred to earn above dividend ₹ 80,000

Compute Taxable Dividend



solution :- Total Dividend Received = 5,30,000

(-) Int Exp Incurred

1,02,000 (or) 5,30,000 x 20% (1,06,000) = 1,02,000

less

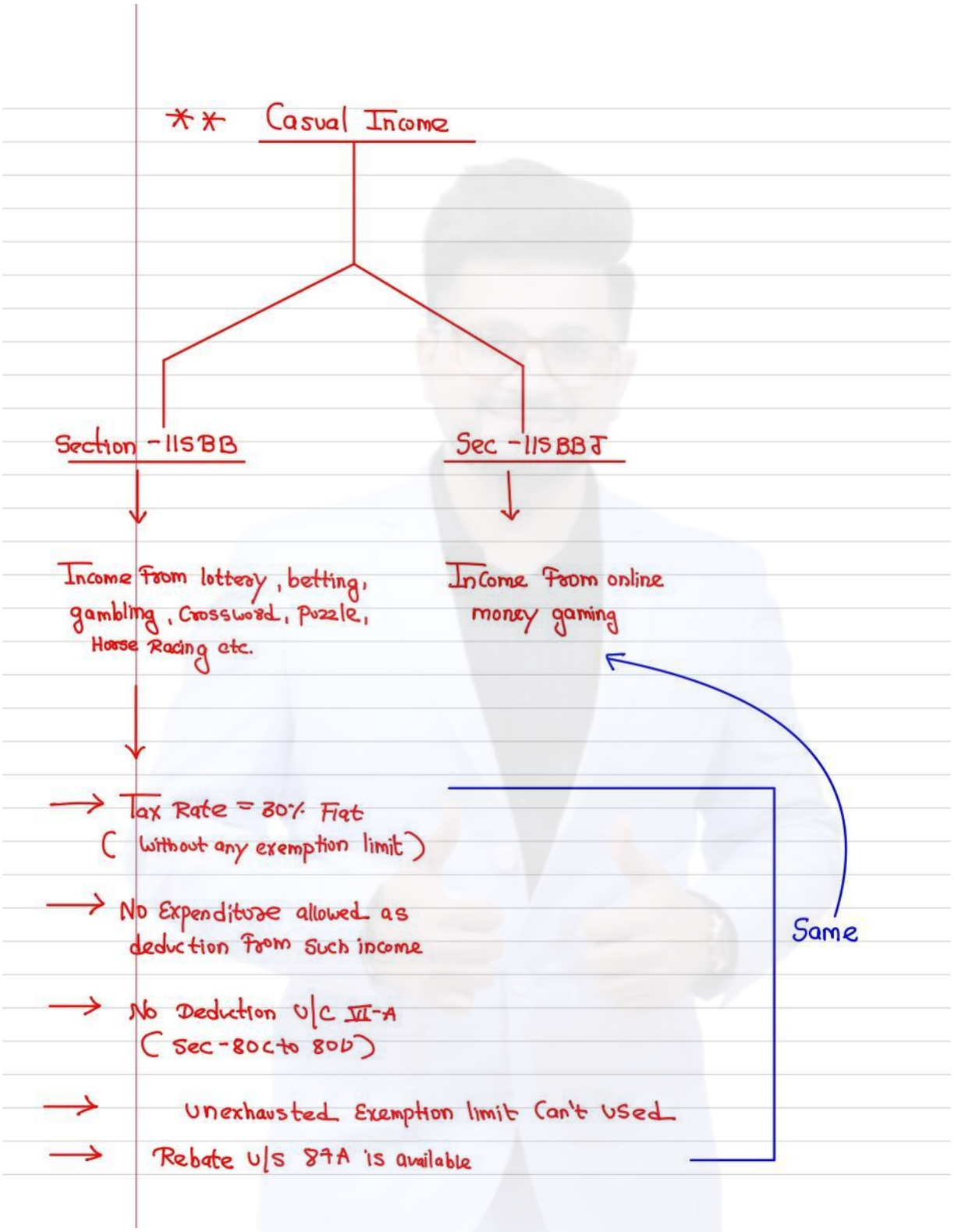
(-) Other Expences Incurred = Not Allowed.

Taxable Dividend 4,28,000

What will be your ans if total int Paid is ₹ 1,40,000

Taxable Dividend = (5,30,000 - 1,06,000) = 4,24,000




** Casual Income
Section - 115BB
Sec - 115BBJ
Income from lottery, betting, gambling, Crossword, Puzzle, Horse Racing etc.
Income from online money gaming
Tax Rate = 30% Flat (Without any exemption limit)
No Expenditure allowed as deduction from such income
No Deduction u/c VI-A (Sec-80c to 80U)
Unexhausted Exemption limit Can't used
Rebate u/s 87A is available
Same



*** Interest on Compensation

Interest on Compensation (Original (or) Enhanced)	= xxxx
(–) Deduction @ 50% of Interest	= xxxx
Taxable	xxxx

**** Family Pension Taxability



Normal Regime		Default Regime	
Family Pension Received	= xxxx	Family Pension Received	= xxxx
(–) Deduction = $\frac{1}{3}$rd of Family Pension Received or ₹15,000 P.a less		(–) Deduction = $\frac{1}{3}$rd of Family Pension Received or ₹25,000 P.a less	
Taxable	xxxx	Taxable	xxxx



Example :— Family pension Received = 90,000

Taxable

Normal Regime = 90000 × 1/3 = 30,000 or 15,000

less

90,000 - 15000 = 75,000

Default Regime = 90000 × 1/3 = 30,000 or 25,000

less

90,000 - 25000 = 65,000

Section-10

Following Income are exempt

1) Income by way of interest on money standing to his NRE A/c is Exempt

2) Value of scholorship granted to meet the cost of Education would be exempt.



3) Daily Allowance Received by MP/MLA.

4) Interest on post office saving Bank A/c is Exempt upto following limits.

1) 3500 in case of individual A/c

2) 7000 in case of Joint A/c

5) Interest on Gold deposit Bond (or) Deposit Certificate



(CG) Section 50B SLUMP SALE

↳ Sale for a lump sum Consideration

SLUMP SALE – means T/F of one (or) more undertaking as a result of lumpsum Consideration without value being assigned to asset and liabilities of any individual Assets Except for stamp duty Purchase.

Key Points

1) Capital Gains is taxable when slump sale is affected

2) Nature of CG depend on period of holding of undertaking T/F. If undertaking is held for more than 36 months, the entire CG is LTCG. otherwise STCG.

3) Nothing shall be taxable under head PGBP, even if SIT is sold.

4) COA & COI = * Net worth of undertaking

* Networth = Value of Total Asset (-) Value of Total liabilities

5) Revaluation of Asset won't be Considered while Calculating Networth.

6) Benefit of Indexation is not Available

7) Value of non-depreciable asset shall be taken at Book value

8) Value of Depreciation Asset shall be taken at WDV



9) Value of self-generated Goodwill of business (or) profession shall be taken as Nil.

10) In case of CA where the 100% Expenditure allowed u/s 35AD is to be taken as Nil.

11) What will be SP/ Fvoc ?

Fvoc / SP = FMV – 1 (or) FMV – 2 — Higher

FMV – 1 → FMV of the under taking T/f

FMV – 2 → FMV of the asset T/f



Lecture 17


Tax Rates on LTCG & STCG (Sec-112+112A+111A+Finance Act)
Long Term Capital Gains
Short Term Capital Gain
LTCG u/s 112A
LTCG u/s 112
STCG u/s 111A
Other STCG
Applicable on T/f of only 3 Specified Securities
1) Listed Equity shares
2) units of Equity oriented mutual fund
3) units of Business Trust
जो Capital Gains 112A में नहीं आयेगा वो LTCG 112 में आयेगा
(Already discussed Earlier in Master diagram)
Condition for Applicability of 112A
1) T/f on & after 1/4/2018
+
2)
Equity Shares
STT Paid on Purchase & Sale
units of Equity oriented MF
units of Business Trust
STT paid only on Sale
Transfer Before 23/7/2024
Transfer on & after 23/7/2024
LTCG upto 1,25,000 = Nil
LTCG more than 1,25,000 = 10% of Excess Value
LTCG upto 1,25,000 = Nil
LTCG more than 1,25,000 = 12.5% of Excess Value
Total limit of Exemption in a FY = ₹ 1,25,000
Use where more beneficial to Assessee
Transfer of 3 Specified Securities
listed E.S
units of Eq. oriented Fund
units of Business Trust
जो STCG 111A में नहीं आयेगा
Normal Tax Rates
Transfer Before 23/7/24
Transfer with effect from 23/7/24
15% of STCG
20% on STCG
Important point
1) In case of Resident Individual, HUF, STCG u/s 111A reduced by unexhausted Exemption limit and Balance STCG Taxable @ 15% & 20% as the case may be
2) No Deduction u/s VI-A (ie. 80C to 80U)



Important Points

1) In case of Resident individual, HUF, LTCG shall be reduced by unexhausted Basic Exemption limit and Balance LTCG shall be taxed @ 10% (OR) 12.5% as the case may be.

2) No Deduction u/c VI-A (i.e. 80C to 80U) and No Rebate u/s 87A can be claimed in respect of LTCG u/s 112A.

3) No Indexation Available for Computation of LTCG u/s 112A

Computation of LTCG u/s 112A as per the following manner.

Sale price	XXXX
(-) EOT	XXXX
Net Sale price	XXXX
* (-) COA	XXXX
LTCG u/s 112A	XXXX

* Cost of Acquisition
1) Higher of a) and b)
a) Actual Cost of Acquisition (OR)
b) lower of i) and ii)
i) Sale price of shares (OR)
ii) FMV of on 31/1/2018



Example

1) LTCG u/s 112A = 4,00,000 (T/F before 23/7/24)

→ (4,00,000 − 1,25,000) × 10% = 27,500

27500
+4% Cess 1,100
28,600

2) LTCG u/s 112A = 6,00,000 (T/F on or after 23/7/24)

→ (6,00,000 − 1,25,000) × 12.5% = 59,375

59,375
+4% Cess 2,375
61,750

3) LTCG u/s 112A = 1,00,000 (T/F on 18/7/24)

→ Nill

4) LTCG u/s 112A = 1,50,000 (T/F on 25/7/24)

→ (1,50,000 − 1,25,000) × 12.5% = 3,125

3,125
+4% Cess 125
3,250



5) LTCG u/s 112A = 50,000 (T/F on 16/7/24)

LTCG u/s 112A = 1,50,000 (T/F on 28/7/24)

→ (50,000 × 10%) + (1,50,000 − 1,25,000) × 12.5%

= 5000 + 8125

= 8125

+4% Cess 325

8,450

6) LTCG u/s 112A = 1,00,000 (T/F on 5/7/24)

LTCG u/s 112A = 80,000 (T/F on 5/8/24)

→ (1,00,000 − 45,000) × 10% + (80,000 − 80,000) × 12.5% =

5500 + Nill

= 5500

+ 4% Cess 220

5720



7) LTCG u/s 112A = 1,00,000 (T/F on 8/7/24)

STCG u/s 111A = 1,00,000 (T/F on 25/7/24)

→ (1,00,000 − 1,00,000) × 10% + 1,00,000 × 20%

Nill + 20,000

= 20000

(−) 87A Rebate 20000

Nill

8) LTCG u/s 112A = 1,50,000 (T/F on 25/7/24)

STCG u/s 111A = 1,50,000 (T/F on 8/6/24)

→ (1,50,000 − 1,25,000) × 12.5% + 1,50,000 × 15% =

3125 + 22500 = 25,500

(−) 87A Rebate 22,500

only for 111A Tax 3,125

+4% Cess 125

3250

Note :- 1) Ignore unexhausted Exemption limit

2) Consider Rebate u/s 87A Applicability

3) mr. vg – Resident – 32 yrs – Default scheme



Lecture 18 **CRUX of Section - 54**

Page no : 11.71

Section 54

Section 54, 54B, 54D, 54EC

Sale Price of Specified Asset = XXXX
(-) EOT = XXXX
Net S.C XXXX
(-) COA/ICOA XXXX
(-) COI/ICOI XXXX
Eligible Capital Gain (may be ST/LT) XXXX

Capital Gains shall be Exempt If invested in Specified Capital Asset with'in specified time limit

Amount of Exemption

Invested Amount ≥ Capital Gains
= 100% CG Exempt

Invested Amount < Capital Gains
= Amount invested is exempt

 # Maximum Exemption U/S 54

If CG upto ₹ 2 Cr = max 2 R.H in India

If CG more than ₹ 2 Cr = max 1 R.H in India (Subject to ₹ 10 Cr)

maximum Exemption U/S 54B/54D = No limit

maximum exemption U/S 54EC = max ₹ 50L

Section 54F

Sale price of Specified Asset = XXXX
(-) EOT = XXXX
Net Sale price XXXX
(-) ICOA / COA XXXX
(-) ICOI / COI XXXX
Capital Gains XXXX

Capital Gains shall be exempt only "Net Sale Consideration" is to be Invested

Amount of exemption

1) Amount Invested ≥ Net Sale Consideration
= 100% CG Shall be exempt

2) Amount Invested < Net Sale Price

Proportionate C.G is to be Exempt

$\frac{\text{Capital Gains}}{\text{Net Sale price}} \times$ Amount Invested (Subject to ₹ 10 Cr)

max 10 Cr तक की Investment की Exemption मिल सकती है



Exemption of Capital Gains [Sections 54 to 54F]

S. No.	Particulars	Section 54	Section 54B	Section 54D	Section 54EC	Section 54F
1	Eligible Assessee	Individual/ HUF	Individual/ HUF	Any assessee	Any assessee	Individual/ HUF
2	Asset transferred	Residential House (LTCA)	Urban Agricultural Land	Land & building forming part of an industrial undertaking	Land or building or both (LTCA)	Any LTCA other than Residential House.
3	Other Conditions	Income from such house should be chargeable under the head "Income from house property"	Land should be used for agricultural purposes by assessee or his parents or HUF for 2 years immediately preceding the date of transfer	Land & building have been used for business of undertaking for at least 2 years immediately preceding the date of transfer. The transfer should be by way of compulsory acquisition of the	-	Assessee should not own more than one residential house on the date of transfer. He should not purchase within 2 years or construct within 3 years after the date of transfer, another
				industrial undertaking		residential house.
4	Qualifying asset i.e., asset in which capital gains has to be invested	One Residential House situated in India / Two residential houses in India, at the option of the assessee, where capital gains does not exceed ₹ 2 crore	Land for being used for agricultural purpose (Urban/ Rural)	Land or Building or right in land or building	Bonds of NHAI or RECL or any other Bond notified by C.G. (Redeemable after 5 years)	One Residential House situated in **India**
5	Time limit for purchase/ constructi on	Purchase within 1 year before or 2 years after the date of transfer (or) construct within 3 years after the date of transfer	Purchase within a period of 2 years after the date of transfer	Purchase/ construct within 3 years after the date of transfer, for shifting or re-establishing the existing undertaking or setting up a new industrial undertaking.	Purchase within a period of 6 months after the date of transfer	Purchase within 1 year before or 2 years after the date of transfer (or) Construct within 3 years after the date of transfer
6	Amount of Exemption	Cost of new Residential House or two houses, as the case may be or Capital Gain, whichever is lower, is exempt. However, if the cost of new residential house exceeds ₹ 10 crore, the amount exceeding ₹ 10 crore would not	Cost of new Agricultural Land or Capital Gain, whichever is lower, is exempt	Cost of new asset or Capital Gain, whichever is lower.	Capital Gain or amount invested in specified bonds, whichever is lower. Maximum permissible investment out of capital gains arising in any financial year is ₹ 50	Cost of new Residential House ≥ Net sale consideration of original asset, entire Capital gain is exempt. Cost of new Residential House < Net sale consideration of original asset, proportionate capital gain is exempt.
		be taken into account for exemption. The maximum exemption that can be claimed by the assessee is₹ 10 crore.			lakhs, whether such investment is made in the current FY or subsequent FY or both.	However, if the cost of new residential house exceeds ₹ 10 crore, the amount exceeding ₹ 10 crore would not be taken into account for exemption.



Sec 54 ←

[1] S.No.	[2] LTCG computed	[3] Cost of new residential house	[4] Amount in column [3] or ₹ 10 crore, whichever is lower	[5] Exempt LTCG [Lower of column [2] and column [4]]
[1]	₹ 7 crore	₹ 12 crore	₹ 10 crore	₹ 7 crore
[2]	₹ 12 crore	₹ 14 crore	₹ 10 crore	₹ 10 crore
[3]	₹ 11 crore	₹ 9 crore	₹ 9 crore	₹ 9 crore
[4]	₹ 15 crore	₹ 13 crore	₹ 10 crore	₹ 10 crore

Mr. Cee purchased a residential house on July 20, 2022 for ₹ 10,00,000 and made some additions to the house incurring ₹ 2,00,000 in August 2022. He sold the house property in April 2024 for ₹ 20,00,000. Out of the sale proceeds, he spent ₹ 5,00,000 to purchase another house property in September 2024.

What is the amount of capital gains taxable in the hands of Mr. Cee for the A.Y.2025-26?

SOLUTION

The house is sold before 24 months from the date of purchase. Hence, the house is a short-term capital asset and no benefit of indexation would be available.

Particulars	₹
Sale consideration	20,00,000
Less: Cost of acquisition	10,00,000
Cost of improvement	2,00,000
Short-term capital gains	8,00,000

Note - The exemption of capital gairs under section 54 is available only in case of long-term capital asset. As the house is short-term capital asset, Mr. Cee cannot claim exemption under section 54. Thus, the amount of taxable short-term capital gains is ₹ 8,00,000.

	[1] Net Consider-ation	[2] LTCG computed	[3] Cost of new residential house	[4] Amount in column [3] or ₹ 10 crores, whichever is lower	[5] Exempt LTCG
$\frac{7.5}{15}$ x 10 ← [1]	₹ 15 crore	₹ 7.5 crore	₹ 12 crore	₹ 10 crore	₹ 7.5 crore x 10/15 = ₹ 5 crore
[2]	₹ 20 crore	₹ 12 crore	₹ 15 crore	₹ 10 crore	₹ 12 crore x 10/20 = ₹ 6 crore
[3]	₹ 16 crore	₹ 12 crore	₹ 8 crore	₹ 8 crore	₹ 12 crore x 8/16 = ₹ 6 crore
[4]	₹ 10 crore	₹ 6 crore	₹ 10 crore	₹ 10 crore	₹ 6 crore x 10/10 = ₹ 6 crore
[5]	₹ 12 crore	₹ 6 crore	₹ 12 crore	₹ 10 crore	₹ 6 crore x 10/12 = ₹ 5 crore



COA & COI of Intangible Asset

Self-Generated	Acquired
COA = Nill	Purchase price

CoI must be Nill

option to take FMV as on 1/4/2001 is Not Available in Case of Intangible Asset.

Shares & Securities

CoA

1) Original share = Purchase price

2) Bonus shares = Nill

3) Right share = 1) Right offer accepted by Existing Share holder
CoA = Price Paid to the Company.



2) Renouncement the Right

1) Person who Renounce the Right

COA = Nill

2) Person who purchase the right

Price Paid to person who Renounce + Price Paid to CO for Acquire the share + Right

If any share issue / Acquire before 1/4/2001

COA = Purchase price (or) 1/4/2001 FMV

Higher

Indexation benefit Not available

→ In case of any Bonds (or) Debentures

Except

1) Capital Index Bonds
2) Sovereign Gold Bonds

If means Indexation Available (If Transfer before 23/7/24)



Important Note

→ STT is not Allowed as deduction if shares held as investment

Section 46A Buy Back of shares + Deemed Dividend

1) The Sum paid by a domestic Company for purchase of its ownshares shall be treated as dividend in the hands of shareholders. who received payment from such buy-back of shares and shall be charged to income-tax at applicable.

2) No Deduction for expenses shall be available against such dividend income while determining the income from other source. The cost of acquisition of the shares which have been brought back would generate a capital loss in the hands of the share holders.

Example:
100 shares bought in 2020 @Rs. 40/- per share
Total cost of acquisition Rs. 4000/-
20 shares bought back in 2024 @Rs. 60/- per share
Income taxable as deemed dividend Rs. 1200/-
Capital loss on such buyback (Rs. 40 *20) Rs. 800/-
50 Shares sold in 2025 @Rs. 70 per share
Capital Gain (3500 – 2000) Rs. 1500
Chargeable capital gain after set off Rs. 700

CRUX

Buy Back price = Deemed Dividend

Cost of purchase = Capital loss





CAPITAL GAINS ON BUYBACK OF SHARES OR SPECIFIED SECURITIES [SECTION 46A]

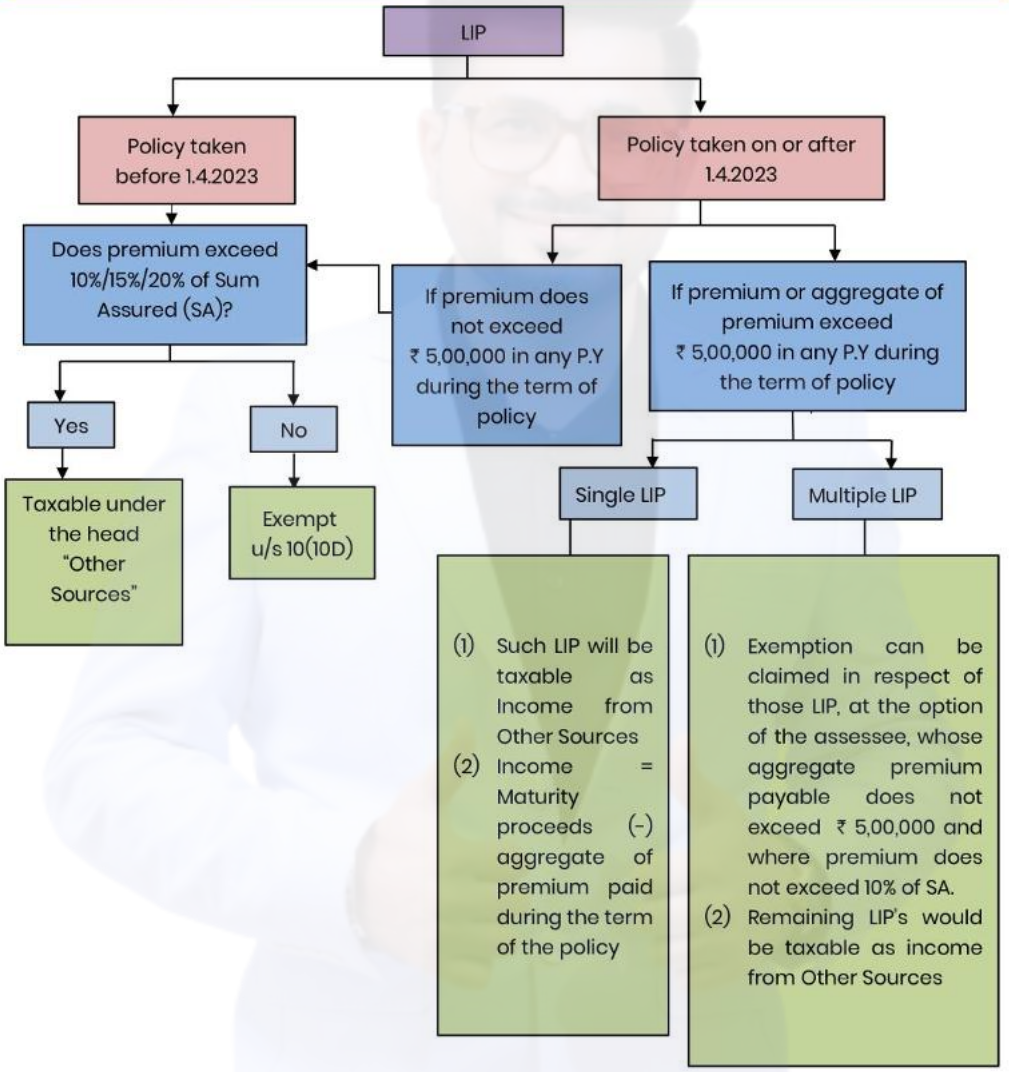
(1)	(2)		(3)	(4)
Taxability in the hands of	Buyback of shares by domestic companies		Buyback of shares by a company, other than a domestic company	Buyback of specified securities by any company
	Buy back effected before 1.10.2024	Buy back effected on or after 1.10.2024		
Company	Subject to additional income-tax@23.296%.	Not subject to tax in the hands of the company.	Not subject to tax in the hands of the company.	Not subject to tax in the hands of the company.
Shareholder/ holder of specified securities	Income arising to shareholder exempt under section 10(34A)	Income arising to shareholder would be treated as dividend and no deduction would be available against such dividend. Consequently, value of consideration received by shareholder on buyback would be Nil.	Income arising to shareholder taxable as capital gains u/s 46A.	Income arising to holder of specified securities taxable as capital gains u/s 46A.



SARANSH

INCOME FROM OTHER SOURCES

SUM RECEIVED, INCLUDING THE AMOUNT ALLOCATED BY WAY OF BONUS, UNDER A LIFE INSURANCE POLICY (LIP) OTHER THAN UNDER A ULIP AND KEYMAN INSURANCE POLICY, WHICH IS NOT EXEMPT UNDER SECTION 10(10D)





9643036663 (only WhatsApp)

5.3 INCOMES CHARGEABLE UNDER THIS HEAD [SECTION 56]

(i) The income chargeable only under the head 'Income from other sources'

(1) Dividend income [Section 56(2)(i)]

Dividend income is always taxable under the head "Income from other sources". The term 'dividend' as used in the Act has a wider scope and meaning than under the general law.

Deemed dividend [Sections 2(22)(a) to (f)]:

According to section 2(22), the following receipts are deemed to be dividend:

(a) Distribution of accumulated profits, entailing the release of company's assets - Any distribution of accumulated profits, whether capitalised or not, by a company to its shareholders is dividend if it entails the release of all or any part of its assets.

Note: If accumulated profits are distributed in cash, it is dividend in the hands of the shareholders. Where accumulated profits are distributed in kind, for example by delivery of shares etc. entailing the release of company's assets, the market value of such shares on the date of such distribution is deemed as dividend in the hands of the shareholder.

(b) Distribution of debentures, deposit certificates to shareholders and bonus shares to preference shareholders - Any distribution to its shareholders by a company of debentures, debenture stock or deposit certificate in any form, whether with or without interest, and any distribution of bonus shares to preference shareholders to the extent to which the company possesses accumulated profits, whether capitalised or not, will be deemed as dividend.

The market value of such bonus shares is deemed as dividend in the hands of the preference shareholder.

In the case of debentures, debenture stock etc., their value is to be taken at the market rate and if there is no market rate they should be valued according to accepted principles of valuation.

© The Institute of Chartered Accountants of India



Note: Bonus shares given to equity shareholders are not treated as dividend.

(c) Distribution on liquidation - Any distribution made to the shareholders of a company on its liquidation, to the extent to which the distribution is attributable to the accumulated profits of the company immediately before its liquidation, whether capitalised or not, is deemed to be dividend income.

Note: Any distribution made out of the profits of the company after the date of the liquidation cannot amount to dividend. It is a repayment towards capital.

(d) Distribution on reduction of capital - Any distribution to its shareholders by a company on the reduction of its capital to the extent to which the company possessed accumulated profits, whether capitalised or not, shall be deemed to be dividend.

(e) Advance or loan by a closely held company to its shareholder - Any payment by a company in which the public are not substantially interested, of any sum by way of advance or loan to any shareholder who is the beneficial owner of 10% or more of the equity capital of the company will be deemed to be dividend to the extent of the accumulated profits. If the loan is not covered by the accumulated profits, it is not deemed to be dividend.

Advance or loan by a closely held company to a specified concern - Any payment by a company in which the public are not substantially interested, to any concern (i.e. HUF/Firm/AOP/BOI/Company) in which a shareholder, having the beneficial ownership of atleast 10% of the equity shares is a member or a partner and in which he has a substantial interest (i.e. atleast 20% share of the income of the concern) will be deemed to be dividend.

Also, any payments by such a closely held company on behalf of, or for the individual benefit of any such shareholder will also be deemed to be dividend. However, in both cases the ceiling limit of dividend is to the extent of accumulated profits.

Exceptions: The following payments or loan given would not be deemed as dividend:

(i) Loan granted in the ordinary course of business - If the loan

© The Institute of Chartered Accountants of India



is granted in the ordinary course of its business and lending of money is a substantial part of the company's business, the loan or advance to a shareholder or to the specified concern is not deemed to be dividend.

(ii) **Dividend paid is set off against the deemed dividend** - Where a loan had been treated as dividend and subsequently, the company declares and distributes dividend to all its shareholders including the borrowing shareholder, and the dividend so paid is set off by the company against the previous borrowing, the adjusted amount will not be again treated as a dividend.

Note: Subsequent repayment of loan or charge of interest at market rate does not make any difference in the applicability of section 2(22)(e).

(f) Amount received by shareholder on buy-back of shares by domestic companies: *In case of buyback of shares (whether listed or unlisted) before 1.10.2024 by a domestic companys, additional income-tax@20% (plus surcharge @12% and cess@4%) is leviable in the hands of the company[1]. Consequently, the income arising to the shareholders in respect of such buyback of shares by the domestic company is exempt under section 10(34A).*

However, in case of buyback of shares (whether listed or unlisted) on or after 1.10.2024 by a domestic company,, any sum paid by the domestic company for purchase of its own shares would be deemed as dividend in the hands of shareholders and shall be charged to income-tax at applicable tax rates. No deduction for expenses would be available against such dividend income while determining the income from other sources.

Below here is the example to understand the provisions of section 46A and section 2(22)(f):

No. of shares of A Ltd. bought in 2020 By Mr. B @₹ 40 per share	*100 shares*
Total cost of acquisition	*₹ 4,000 (100 x ₹ 40)*
No. of shares bought back in November 2024 by A Ltd. @₹ 60 per share	*20 shares*



Income taxable as deemed dividend u/s 2(22)(f) [₹ 60 per share x 20 shares]	*₹ 1,200*
Long-term capital loss on such buyback as per section 46A (Value of consideration - COA) (Nil - ₹ 40 x 20) [Such LTCL can be set-off against other LTCG or it can be carried forward to the next year for set-off against other LTCG]	*₹ 800*
No. of shares sold in December 2025 by Mr. B @₹ 70 per share	*50 Shares*
Long-term capital Gain (₹ 70 x 50 – ₹ 40 x 50)	*₹ 1,500*
Chargeable long-term capital gain in P.Y. 2025-26 after set-off of long-term capital loss [₹ 1,500 – ₹ 800] would be	*₹ 700*

Exceptions: The following do not constitute "dividend" –

(i) Distribution in respect of non-participating shares issued for full cash consideration – Any distribution made in accordance with (c) or (d) in respect of any share issued for full cash consideration and the holder of such share is not entitled to participate in the surplus asset in the event of liquidation.

(ii) Payment on buy back of shares – Any payment made by a company on purchase of its own shares ***upto 30th September, 2024***, from a shareholder in accordance with the provisions of section 77A of the Companies Act, 1956[2];

(iii) Distribution of shares to the shareholders on demerger by the resulting company - Any distribution of shares on demerger by the resulting companies to the shareholders of the demerged company (whether or not there is a reduction of capital in the demerged company).

Meaning of "accumulated profits"

Accumulated profits in point (a), (b), (d) and (e) above include all profits of the company up to the date of distribution or payment of dividend.

Accumulated profits in point (c) include all profits of the company up to the date of liquidation whether capitalised or not.

[2] Now section 58 of the Companies Act, 2013

© The Institute of Chartered Accountants of India



In the case of an amalgamated company, the accumulated profits, whether capitalized or not, of the amalgamating company on the date of amalgamation shall be included in the accumulated profits, whether capitalized or not or loss, as the case may be, of the amalgamated company.

Clarification regarding trade advance not to be treated as deemed dividend under section 2(22)(e) – [Circular No. 19/2017, dated 12.06.2017]

Section 2(22)(e) provides that "dividend" includes any payment by a company in which public are not substantially interested, of any sum by way of **advance or loan** to a shareholder who is the beneficial owner of shares holding not less than 10% of the voting power, or to any concern in which such shareholder is a member or a partner and in which he has a substantial interest or any payment by any such company on behalf, or for the individual benefit, of any such shareholder, to the extent to which the company in either case possesses accumulated profits.

The CBDT observed that some Courts in the recent past have held that trade advances in the nature of commercial transactions would not fall within the ambit of the provisions of section 2(22)(e) and such views have attained finality.

In view of the above, the CBDT has, vide this circular, clarified that it is a settled position that trade advances, which are in the nature of commercial transactions, would not fall within the ambit of the word 'advance' in section 2(22)(e) and therefore, the same would not to be treated as deemed dividend.

Basis of charge of dividend [Section 8]

Dividend declared or distributed or paid by a company is deemed to be the income of the shareholder in the previous year in which it is so declared or distributed or paid, as the case may be.

Deemed dividend u/s 2(22)(a)/(b)/(c)/(d) – Distribution by a company which is deemed as dividend u/s 2(22)(a)/(b)/(c)/(d) would be the income of the previous year in which it is so distributed.

Deemed dividend u/s 2(22)(e) – Payment of advance or loan to a shareholder or a concern, as the case may be, which is deemed as dividend u/s 2(22)(e) will be the income of the previous year in which it is so paid.

© The Institute of Chartered Accountants of India



Interim dividend – Interim dividend would be deemed to be the income of the previous year in which such dividend id unconditionally made available by the company to the members who is entitled to it.

Tax rate on dividend income - Any income by way of dividends received by a resident from a company, whether domestic or foreign, is taxable in the hands of a resident shareholder at normal rates of tax.

ILLUSTRATION 1

Rahul, a resident Indian, holding 28% of equity shares in a company, took a loan of ₹ 5,00,000 from the same company. On the date of granting the loan, the company had accumulated profit of ₹ 4,00,000. The company is engaged in some manufacturing activity.

(i) Is the amount of loan taxable as deemed dividend, if the company is a company in which the public are substantially interested?

(ii) What would be your answer, if the lending company is a private limited company (i.e. which is not a company in which the public are substantially interested)?

SOLUTION

Any payment by a company, other than a company in which the public are substantially interested, of any sum by way of advance or loan to an equity shareholder, being a person who is the beneficial owner of shares holding not less than 10% of the voting power, is deemed as dividend under section 2(22)(e), to the extent the company possesses accumulated profits.

(i) The provisions of section 2(22)(e), however, will not apply where the loan is given by a company in which public are substantially interested. In such a case, the loan would not be taxable as deemed dividend.

(ii) However, if the loan is taken from a private company (i.e., a company in which the public are not substantially interested), which is a not a company where lending of money is a substantial part of the business of the company, the provisions of section 2(22)(e) would be attracted. In this case, since the company is a manufacturing company and not a lending company and Rahul holds more than 10% of the equity shares in the company, the provisions of section 2(22)(e) would be attracted.



@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB

Chapter → PGBP + Total Income + TDS/TCS

[28 to 44DB]

Profits And Gains OF Business OR Profession

Business: The term Business has defined in Sec 2(13) to include, any trade, Commerce (or) Manufacture (or) any adventure (or) concern in the Nature of Trade, Commerce (or) Manufacture

Profession :- The term 'profession' has not defined in the Act. It means an occupation requiring some degree of learning. The term profession includes vocation as well Sec-2(36).

- Sections | Topics to be Covered U/H PGBP

28 ✓
29 ✓
30 ✓
31 ✓
Exp 1 to 32(1) ✓
Exp 5 to 32(1)

32(1)(i)
32(1)(ii)
32(1)(iia)
32(1))(iii)
43(1)
proviso to 32(1)

2nd proviso to 32(1)
32(2)
Sec 10AA
43(6)
50(1)
50(2)

38(2)
50A
43CA
33AB
35(1)(i)
35(1)(ii)
35(1)(iia)

35(2AA)
35(2AB)
37(2B)
35CCC
35CCD
35ABB
35ABA

35DD
35DDA
35AD
36 Series
37
exp 1 to 37

40(a)(i)
40(a)(ia)
40(a)(ii)
40(a)(iii)
40(b)
40A(2)
40A(3)



35(1)(iii) 35D Exp. 2 to 37 40A(3A)
35(1)(iv) 40A(7) 40A(9) 41(1)

41(2) 44AA 14A
41(3) 44AB Rule 8D
41(4) 44AD
43B 44ADA
44AE

- How of PGBP chapter / How to read PGBP chapter ?

Section	Provisions	Analysis
28	charging section	kon-kon si income PGBP me taxable hogi
29	Computation of PGBP income	Jo income taxable hogi vo calculate kese hogi
30-38	Expenditure Allowed	kon-kon se expenses P&L me debit kie jayenge
39	Not Relevant	
40	Expenditure Disallowed	kon kon se expenses P&L me debit Nhi kie jaayenge.
41	Recovery of Expenditure allowed Earlier.	Jo expenditure pehle allowed ho chuke hai unki Recovery hogi to kya treatment hai
42	Not Relevant	
43	Deduction on Payment Basis	Jo Expenditure debit honge vo paid basis per honge.
44	Presumptive taxation	छोटे Businessman professionals के लिए क्या scheme है



Section 28 : Charging Section

Following income shall be taxable under the head PGBP :-

(1) Any profit/gain of any Business / Profession.

(2) Profit on sale of Import entitlement license (IEL)

(3) Cash compensatory support or duty drawback (CCS / DBK)

(4) Profit on sale of Duty entitlement passbook scheme (DEPB) or Duty Free Replenishment certificate (DFRC)

(5) The value of any benefit or perquisite arising from business or the exercise of a profession, whether -

a) Convertible into Money or Not, or

b) in cash or in kind or partly in cash and partly in kind.

(6) Non-Compete fees (not carrying out any activity in Relation to any business or profession or Not sharing any know how, patent, copy right etc...

Amount Received and Compensation Received for Not producing CFC / HCFC is Not taxable under Head PGBP

(7) Any amount Received under Keyman Insurance Policy.

(8) Any gift / Benefit / perquisite arising due to Business or profession

(9) Any interest, salary, bonus, Commission received by partner from partnership firm to the extent allowed u/s 40(b) to firm.



(9) Profit on Sale of Carbon Credit shall be chargeable to tax @ 10%. u/s 115 BBC.

(10) Income derived by trade, professional or similar association from specific service performed by its Members

(11) FMV of inventory as on the date of which it is converted into capital asset. clause (viia) [Added by FA 18]
↳ Net taxable income = FMV - Cost

(12) Any compensation, or other payment due to or received by any person, at or in connection with the termination or Modification of the terms and conditions of any contract relating to his business

Section - 29 : How to Compute PGBP income

Particulars	Amount
Net profit as per P&L A/c of Co Act	×××
Add: Jo expenditure debit kie hue the but dibit Nahi hone chahiye the	×××
Less: Jo expenditure debit hone chahiye the but dibit Nahi kie hue the	×××
Add: Jo income Credit honi chahiye thi but Credit Nahi ki hui thi	×××
less: Jo income Credit ki hui thi but Credit Nhi honi chahiye thi	×××
Income from the Head PGBP	××××



Particulars	Amount
Net profit as per P&L A/c of Co. Act	xxx
Add: Expenditure debited in P&L A/c but not allowed U/H PGBP	xx
less: Expenditure allowed U/H PGBP but Not debited in P&L A/c	xx
Add: Income chargeable to tax U/H PGBP but Not Credited in P&L A/c	xx
less: Income Credited in P&L A/c but Not taxable UH PGBP	xx
Income U/H PGBP	xxx

Example :-

To Income tax	200.000	By Gross profit	40,00,000
To Bonus payable	1,00,000	By Int on FD	4,00,000
To provision for Doubtful debt	50,000	By Dividend from I.C	8,00,000
To Dep (SLM)	3,00,000	By profit on Sale of I.E.L	500,000
To Advt. Expenses paid	1,00,000	By Rent Received on H.P	600,000
To H. Tax paid for H.P	50,000		
To Net Profit	55,00,000		
	63,00,000		63,00,000



Other Information :-

1) Bad debts = 30,000 (-) 3) Dep (WDV) = 2,80,000 (-) PGBP → ?

2) Profit on Sale of DFRC = 200,000 +

Income effect

Int on FD	= (4,00,000)
Dividend	= (8,00,000)
Rent	= (6,00,000)
	42,90,000

Solution :-

Net profit	= 55,00,000
Pos of DFRC	= 2,00,000
BID	= (30,000)
Dep (WDV)	= (2,80,000)
IT	= 2,00,000
Bonus	= 1,00,000
PFDID	= 50,000
Dep (SLM)	= 3 00,000
M·Tax paid	= 50,000
	60,90,000

Question :- Profit and loss A/C

To Municipal tax payable paid By owner (Related to HP)	100,000	By gross profit	70,00,000
To Dep (SLM)	250,000	Income from lottery	15,00,000
To provision for DID	80,000	Dividend from Domestic Co	400,000
To Bonus paid to ee	40,000	Perquisite Received during Buss / proft	500,000
To Interest paid Repair of H.P	40,000	By profit on sale of DFRC	10,00,000
To Advertisement Ex. paid	100,000	By Rent from H.P	600,000
	1,03,90,000		
	1,10,00,000		1,10,00,000



Other Information

1) Dep (WDV) = 45000 (-)
2) Profit on sale of JEL = 8,00,000 (+)
3) Salary : 20,000 p.m (part time job)
4) Interest on FD = 2,00,000 ×

Compute total Income and Tax liability if Age of such person is 28 year and opt sec 115 BAC, default tax Regime,

Solution:- Computation final Tax liability

Particulars	Amount	Amount
Income under Head Salary		
Salary (20,000 × 12)	2,40,000	
(-) Standard Deduction 16(ia)	75,000	
	1,65,000	1,65,000
Income from House Property		
Rent / GAV	600,000	
(-) M. Tax payable By owner	-	
NAV	600,000	
(-) Standard Deduction		
• Sec - 24(a) 30% of NAV	(1,80,000)	
• Sec - 24(b) Int on Repair	(40,000)	
	3,80,000	3,80,000
Income under Head PGBP		
Net profit as per P&L A/c	1,03,90,000	
Add: Expenditure debited but Not allowed U/H PGBP		
M. Tax payable	100,000	
Dep (SLM)	2,50,000	
Provision for DD	80,000	



Int on Repair of H·P	40,000	
less:- Expenditure allowed but Not Debited. Depreciation (WDV)	(45,000)	
less: Income Credited but Not taxable		
Income from lottery	(15,00,000)	
Dividend from Co.	(4,00,000)	
Rent from House Prop.	(6,00,000)	
Add:- Income taxable but Not Credited		
Profit on sale of IEL	8,00,000	
	91,15,000	91,15,000
Income under Capital Gain	NIL	NIL
Income O/H OS		
Lottery	15,00,000	
Dividend	4,00,000	
Income from FD	2,00,000	
	11,00,000	11,00,000
Gross Total Income		1,17,60,000
(-) Deduction		NIL.
	30,78,000	
	1,40,000	
	4,82,700	32,18,000
		37,00,700
		1,48,028

Tax on lottery Income = 4,50,000

Tax on OI, 1,02,60,000 ,60,000

Tax on income excess = 26,20,000

Tax on 15L = 1,40,000

32,18,000

+ Surcharge 15% 4,82,700

37,00,700

Cess @ 4% 1,48,028

38,48,728

R·O 38,48,730



9643036663 (only WhatsApp)

Types of Expenditure

- Revenue Expenditure
  - Expenditure Related to Business / Profession → 100% Allowed Subject to Payment
  - Expenditure Not Related to Business / Profession → Not Allowed
- Capital Expenditure
  - Expenditure incurred Related to Business → Allowed in the Ratio of Depreciation
  - Expenditure Not Related to Business → Not Allowed

Section-30 Expenditure Relating to Building (Rent, Repair, Taxes, Insurance)

- Expenditure incurred By owner
  - Revenue → 100% Allowed U/S 30
  - Capital → Add in the cost of Building and claim Dep U/S 32
- Expenditure incurred By Tenant
  - Capital → *Deemed Building and claim Dep U/S 32
  - Revenue → 100% Allowed

* Explanation 1 to Sec-32(1)

Capital Expenditure incurred by tennant / lessee then such expenditure dumed as Building in the hands of tenant and such tenant Can claim depreciation on such capital Expenditure.



Section - 31 Expenditure Related to Machinery, Plant and Furniture (Insurance, Repair)

- Expenditure incurred By owner
  - Revenue → 100% Allowed
  - Capital → Add in Cost of Machinery and claim Dep U/s 32
- Expenditure incurred by tenant
  - Capital → Not Allowed
  - Revenue → 100% Allowed

Example :- Mr. VG owner of Building - used for Business

Cost of Building = 60,00,000

Ins. premium paid By Mr. VG = 50,000 p.a

Tax on property paid By VG = 10,000 p.a

Capital Exp incurred on Building By VG = 5,00,000

Dep. Rate = 10%.

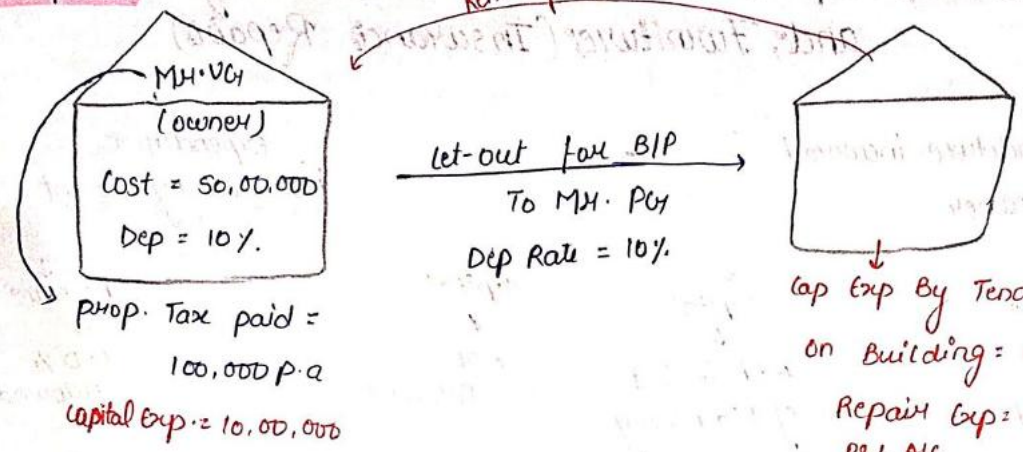
What will be the treatment U/S PGBP?

Solution:- Profit and loss A/c.

To Ins. Premium = 50,000	
To P. Tax = 10,000	
To Dep = 6,50,000 (60,00,000 + 5,00,000) × 10%	



Example : 2



Solution :-

P&L A/C

To P. Tax	=	1,00,000	
To Dep (50L + 10L) × 10%.	=	6,00,000	

P&L A/C

To Rent (50k × 12)	=	600,000	
To Repair	=	50,000	
To Dep (6L × 10%.)	=	60,000	

Section - 32 Depreciation

M·M·M·M·M Important!!

- 32(1)(i) → SLM Method option in case of power Generation distribution and Transmission Co.
- 32(1)(ii) → Normal Depreciation [WDV Method]
- 32(1)(iia) → Additional Depreciation (in addition to Normal dep)



∘ Section 32(1)(ii) Normal Depreciation

Applicable for Both Tax Regime (Normal, Default)

Eligible Assessee = All Assessee (Individual, Co. firm etc...)

Depreciation in respect of :-

→ Tangible Assets
→ Intangible Assets
→ owned
→ wholly (&) partly by the assessee And
→ Used for the purpose of Business (&) profession.
→ Depreciation SHALL BE Allowed on the WDV
→ OF BLOCK OF ASSETS.
→ at the prescribed percentage.

∘ Analysis OF Section 32(1)(ii)

→ **Depreciation** :- Depreciation is Nutshell, Capital Expenditure ko allowed karvane ka tarika hai.

→ **Tangible Assets** :- Land (Not depreciable asset) Building, plant and Machinery, Furniture } wheather old (&) New

→ **Intangible Assets** :- Patent, trademark, License etc... Goodwill

→ **owned** :- Actual or Beneficial owner or Deemed owner [Both Covered]

→ **wholly / partly** :- one owner or More than one owner both person can claim depreciation

→ **Used** :- Actual put to Use and Not Ready to Use.



→ Buss/Prof → wholly personal purpose → Not eligible for depreciation.

→ Shall be allowed :- Mandatory to claim depreciation - Exp S to 32(1)

→ On WDV :- WDV par Milega and WDV Method se Milega.

→ Block of Asset = Depreciation can claim WDV of Block of Asset Not Single Asset

→ Prescribed percentage = given in I. Tax Rules

° Important Points

① In case of Stand by Machinery and Emergency Spare parts, the depreciation shall allowed on Ready to Use Basis Not put to Use.

② In case of lease depreciation always claimed by lessor wheather lease is operating (or) financial.

③ In case of Hire purchase Assessee/Buyer get ownership only after payment of last installment but he can claim Depreciation from beginning assuming assessee is the owner of such asset from beginning

④ Method of Depreciation

Assessee

- Business of generation, distribution, Transmission of Power → option to follow WDV (or) SLM Method
- Other Assessee → ALWAYS FOLLOW WDV



⑤ System of Depreciation

SLM Method → Single Asset Method System shall Apply

WDV Method → Block of Asset System shall Apply

∘ Block of Asset

Means, a "GROUP OF ASSETS" having SAME NATURE AND SAME RATE OF Depreciation

BOA : Same Nature and Same % age का एक group बन जाएगा।

Example :-

VG1
- 3 Machine
  - 2 Machine
  - 1 Machine
- 2 Building

Total Block = 3

RDD : 15% → Block-I ; 40% → Block-II ; 10% → Block-III

Solution :

Example :-

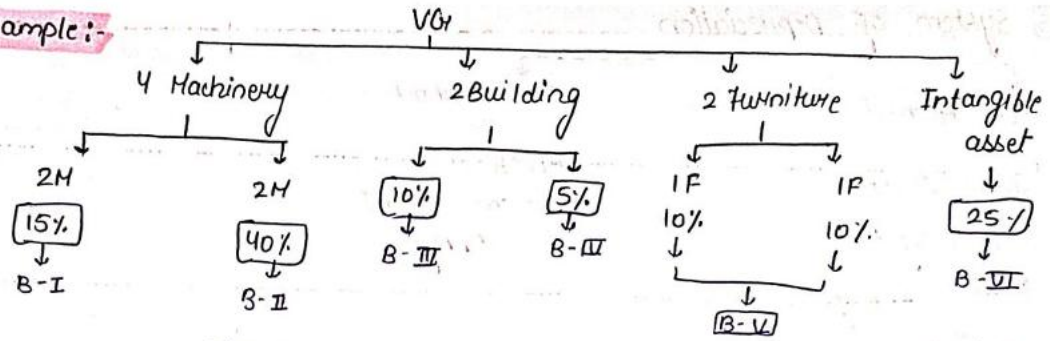
VG1
- 2 Machine
- 2 Building
- 2 Furniture
- I.A

R.D : 15% → I ; 10% → II ; 10% → III ; 25% → IV

Solution :- Total Block = 4

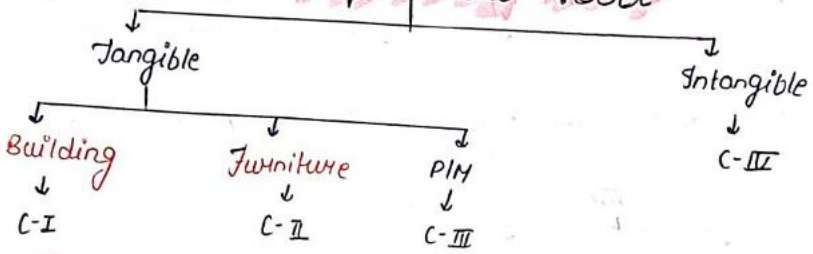


Example :-



Total Block = 6

Classes OF Depreciable Asset



Rate OF Depreciation

Few Depreciation Rates (for other Rates - Refer Book)

Particulars	Rate of Dep
Class-I Building 1) Building which are used Mainly for Residential Purpose Except hotels and boarding House	5%
2) Building which are Not Mainly used for R.P (General Rate)	10%
3) Purely Temporary Erection such as wooden structure	40%



Class - II Furniture and fittings General Rate	10%
CLASS - III Plant and Machinery 1) General Rate	15%
2) Life saving Medical Equipment	40%
3) Computer including computer software, UPS, printer etc...	40%
4) Books owned by assessee	40%
5) Aeroplanes, Aero engines	40%
6) Pollution control Equipment	40%
7) wind mills	40%
8) E- Vehicles	40%
9) Ship, Vessel, Speed boat	20%
Class - IV Intangible Asset (know-how, Patent, Copyright, trademark, License Except goodwill for BP)	25%



Proviso to Section 32(1)

Depreciation shall be restricted to 50% of depreciation allowed if asset is put to use for less than 180 days in the year of acquisition

Cases

a) Purchase and put to use are in same year and Put to Use for 180 Days or More	Full Rate of dep in the year of PTU
b) Purchase and put to Use are in different Year and put to use for 180 days or More	Full Rate of dep in the year of PTU
c) Purchase and put to Use are in same year and put to Use for less than 180 days	Rate of Dep × 50% allowed in the years of P.T.U
d) Purchase and put to Use are in different year and put to Use for less than 180 days	Full Rate of Depreciation

Example: Mr. VG purchase a Machine on 15/4/2024 : 40,00,000 ROD : 15%.

Compute Dep for PY 24-25 and 25-26 if PTU of above Machine as follows :-

1) same Date 15/4/24 (iii) 5/6/2025

2) 18/12/2024 (iv) 8/12/2025

Solution :- Case I PTU 15/4/24 (180 Days or More)

PY 24-25 = 40L × 15% = 600,000

PY 25-26 = 34L × 15% = 5,10,000



Case-2 18/12/24 (less than 180 Days)

P.Y 24-25 = 40L × 7.5% = 3,00,000

25-26 = 37L × 15% = 5,55,000

Case-3 :- 5/6/25

24-25 = NIL since NO PTU.

25-26 = 40L × 15% = 6,00,000

Case-4 P.T.U 8/12/25

24-25 = NIL, Since NO P.T.U

25-26 = 40L × 15% = 600.000 (50% Restriction Not apply in Next Year)

∘ Additional Depreciation : Section 32(1)(iia)

Additional depreciation is allowed only to an assessee who exercise option of shifting out of Default tax Regime u/s 115BAC

[Not allowed under Default scheme]

- Eligible Assessee - All assessee
- Eligible Asset - New plant and Machinery except ships and aircrafts.

→ New Plant and Machinery in any area

↓

Rate of additional depreciation

↓

20%

If put to use for less than 180 days

↓

10% (Balance 10% allowed in next Year)



- Rate is applicable on Actual Cost
- Purpose - Manufacturing or production of any article or thing.
  In the business of generation, distribution and transmission

→ Focus Area

- Any Second hand machinery or plant is not eligible to claim additional depreciation.
- Any Plant and Machinery installed in office premises or residential accomodation is Not eligible to claim add. depreciation.
- Any office appliances @ road transport vehicles is Not eligible to claim depreciation (additional)
- Where plant and Machinery, 100% of actual cost is already allowed as deduction u/s 35 is Not eligible to claim add. dep.
- Additional depreciation is allowed only in first year in which asset is put to use. (If asset is used for less than 180 days, 10% allowed and. Balance 10% will be allowed next year)
- Forklift Truck used in factory is Not treated as transport Vehicle hence it is eligible for additional depreciation.

→ Important Point

If asset is used for less than 180 days Add. Dep @ 10% shall be allowed in C.Y and Balance 10% allowed in immediately succeeding P.Y only if assessee opts optional scheme / Normal scheme in immediately Suceeding P.Y



Cases

1) If Asset used for 180 days or More :-

	Default Scheme u/s 115 BAC	Optional Scheme
Add Depreciation in P.Y	✗ (Not allowed.)	20%

2) If Asset is put to use for less than 180 days :-

- optional scheme in C.Y → 10%. | optional scheme in N.Y → 10%
- optional scheme in C.Y → 10% | 115 BAC in N.Y → ✗
- 115 BAC in C.Y → ✗ | optional scheme in N.Y → ✗
- 115 BAC in C.Y → ✗ | 115 BAC in N.Y → ✗

NOTE :- ✗

when Assessee incurs any expenditure for acquisition of any asset or part there of in respect of which payment or aggregate of payments made to a person in a day, otherwise ✓

◦ Section 43(6) : Computation of WDV

Opening WDV as on 1/4/-	=	×××
Add: Purchase of Assets	=	×××
less : Sale	=	(×××)
WDV Before Depreciation		×××
less : Depreciation of C.Y		(×××)
WDV after Depreciation		××



Section 43(1) Actual Cost of Asset means

Particulars	₹
Cost of asset (Purchase Price)	××
Add: Installation charges	××
Transportation expenses for asset	××
Trial Run / Test Run Expenses	××
Taxes and Duties (If ITC Not available)	××
Interest on loan taken for acquisition of assets upto the date of asset put to use	××
Less: Amount Received on sale of trial Run product	(××)
	××
Less: Subsidy / Govt grants Received for acquisition of of assets.	(××)
Actual Cost	××

→ Amendments

when assessee incurs any expenditure for acquiring of any asset or part there of in respect of which payment or aggregate of payments made to a person in a day, otherwise than by an A/C payee cheque or a/c payee DD or use of electronic clearing system exceeds Rs 10,000 such expenditure shall not form part of Actual Cost.



Example:-

	Value	Payment	Wheather form Part of C.O.A or Not
1) Machine purchase	8000	Cash	✓ Dep ✓
2) Machine Purchase	20,000	10,000 Cash 10,000 A/c Payee cheque	Allowed ✓
3) Machine purchase	10,000	Cash	Dep ✓ ✓
4) Machine Purchase	20,000	Cash	ND Dep ✗
5) Machine purchase	30,000	NEFT	✓ Dep ✓
6) Machine purchase.	40,000	8000 Cash 32000 A/c payee cheque	→ ✗ → Allowed ✓
7) Machine purchase	100,000	11000 Cash 89000 A/c Payee cheque	Only 89000 Allowed.



° Section 50 (Special provisions In case of depreciable assets)

BLOCK OF ASSETS

Picture abhi Baaki hai Mere Dost

BLOCK
A_1, A_2, A_3
A_4, A_5 → op. WDV = 35,00,000
1/4/24

Purchased on 20/6/23 and P.T.U on same day = 15,00,000

Three assets Sold from Block of Assets

→ Case - I = 30,00,000

WDV =	35,00,000
+ purchase =	15,00,000
	50,00,000
(-) Sale	(30,00,000)
WDV =	20,00,000

{NO STCG / LTCG}

→ Case - II

WDV =	35,00,000
(+) purchase =	15,00,000
	50,00,000
(-) Sale	(50,00,000)
WDV =	NIL

{NO STCG / LTCG}

Picture khatm Ho chuki hai Mere dost

BLOCK
A_1, A_2, A_3
A_4, A_5 → 1/4/24 op. WDV = 3500,000

Purchased on 20/6/24 and P.T.U on same day = 1500,000

All assets Sold

→ Case - I = 30,00,000

WDV =	35,00,000
+ purchase =	15,00,000
	50,00,000
(-) Sale =	(30,00,000)
STCL	20,00,000

→ Case - II

WDV =	3500,000
(+) purchase =	15,00,000
	50,00,000
(-) Sale	(50,00,000)
STCG / STCL =	Nil

→ Case - III - 60,00,000

Sale price =	60,00,000
(-) Total Cost =	(50,00,000)
STCG =	10,00,000

WDV doesn't exist in any of the above cases



→ Case III = 60,00,000

WDV = 35,00,000

(+) purchase = 15,00,000

50,00,000

(-) Sale = (50,00,000)

WDV = Nil

Capital gain = STCG

S.P = 60,00,000

(-) Total cost = (50,00,000)

STCG = 10,00,000

CRUX :-

1) AGAR PICTURE BAKI HAI TO

YA TO GAIN AAEGA, YA TO WDV AAEGI, LOSS KABHI BHI NHI AAEGA

2) AGAR PICTURE KHATAM HO CHUKI HAI TO

YA TO GAIN AAEGA. YA TO LOSS AAEGA,

WDV KABHI BHI NAHI AAEGI

- Section 32(1)(i) + 32(1)(iii) + 41(2) + 50A : Special provisions Relating to power generation undertakings
  - Eligible Assessee - Electricity company
  - Option - SLM or WDV

→ If opt SLM

Provision follow : 32(1)(i) + 32(1)(iii) + 41(2) + 50A

→ If opt WDV

Provision follow :- 32(1)(ii) + 32(1)(iia) + 50



→ Concept of SLM Method U/S 32(1)(i)

CASES

Sale price < WDV
↓
Difference b/w (SP - WDV)
↓
Allowed as Deduction in the Name of Terminal depreciation U/S 32(1)(iii)

Sale price > WDV but less than Actual Cost
↓
Difference b/w (SP - WDV)
↓
Taxable U/H PGBP in the Name of Balancing charge U/S 41(2)

Sale price > Actual cost
↓
Difference b/w
- (SP - A Cost) = STCG U/S 50A
- (A Cost - WDV) = Balancing charge U/S 41(2)

Example:- Tata power acquired an Asset (P&M) for power generation Rs 120 lakh. and opt SLM Method for Dep and Rate of dep is 10%. After 6 years, sold on following prices -

Case 1 - 22,00,000 Case 3 - 140 lakh
Case 2 - 90,00,000

Solution:-

Actual Cost	=	1,20,00,000
less: Total dep claimed in 6 years (120,00,000 × 10% × 6)	=	(72,00,000)
WDV		48,00,000

Case-I : SP < WDV

Terminal Depreciation U/S 32(1)(iii) = 48,00,000 - 22,00,000 = 26,00,000

Case - II : SP > WDV

Balancing charge U/S 41(2) = 90,00,000 - 48,00,000 = 42,00,000



Case III : SP > Cost

STCG u/s 50A = SP		140,00,000
(-) Cost		(120,00,000)
		20,00,000

Balancing charge u/s 41 (2)

= Cost		120,00,000
(-) WDV		(48,00,000)
		72,00,000

Section 38(2)

where any Building, Machinery, plant or furniture is not exclusively used for the purpose of Business or profession (i.e partly for Business, partly for personal) then depreciation or deduction u/s 30/31/32 shall be restricted to fair proportionate to use of Business

Example :- opening WDV of P&M (01/04/23) = 400,000

Suppose 70% used for Business purpose and 30% used for personal purpose

Depreciation @ 15 % = Rs. 60,000

70% → Rs. 42,000 → Allowed.

30% → Rs. 18,000 → Disallowed

As ↑ SP ↓

Block of Asset	₹
opening WDV	4,00,000
Less: Dep actually allowed	(42,000)
closing WDV	3,58,000



Q. Mr. VG acquire Machine of Rs. 500,000 on 1/4/2022 and used for the personal purpose and 1/4/2024 Mr. VG used such Asset 60% for Business purpose and 40% personal purpose. Compute Depreciation u/s 32 for P.Y 24-25?

Solution :- 500,000 → 31/3/23 → 75,000

4,25,000 → 31/3/24 → 63,750

$3,61,250 \times \frac{15}{100}$ → 54188

60% → 32513 → Allowed

40% → 21675 → Disallowed

2nd Proviso to Section 32(1)

In case of succession or amalgamation or demerger, depreciation is allowed to predecessor and successor in the Ratio of No of days for which assets were used by them in the P.Y when succession or amalgamation or demerger takes place. Depreciation to be apportioned shall be computed assuming that succession has not taken place

Example :- RPL purchase one plant & Machinery on 1/4/2023 = 250,0000

Rate of Dep = 15%.

RPL amalgamated with RIL on 18/12/2023. After Amalgamation, amalgamated Co. will use such assets Compute depreciation.

Solution :- Depreciation : 2,50,000 × 15% → 3,75,000

In the Hands of RPL - 1/4/23 - 18/12/2023

$= 375000 \times \frac{262}{366}$ = Rs. 2,68,443.



In the Hands of RIL - 19/12/23 - 31/3/24

$= 375,000 \times \frac{104}{366} = Rs.\ 106,557.$

∘ Unabsorbed Depreciation

Section 32(2): Carry Forward and Set off of Depreciation

→ Set off of Unabsorbed Depreciation

Current year depreciation shall be allowed to be set-off against any income of any head except Salary, Casual income (including online games)

→ Carry forward of Unabsorbed depreciation

Depreciation to the extent of Not set-off shall be carried forward to the next year and set-off against the income of any head except salary and casual income

∘ Important Points

① Depreciation shall be allowed to be carried forward even if business has been discontinued.

② The unutilised depreciation can be carried forward for unlimited time.

③ Priority of set-off

(i) C.Y depreciation
(ii) B/F Business loss
(iii) unutilised depreciation

④ Unabsorbed depreciation can be c/f and set off even if ROI is filed after due date or ROI Not filed.

⑤ If assessee avail default scheme, unabsorbed depreciation related to additional depreciation can not be c/f



Section - 10AA (Deduction if Unit is located in SEZ)

Assesse

	Unit located in SEZ	Unit not located in SEZ
Applicability of Sec. 10AA	↓	↓
		×
1st 5 years -	100% profits arising from export sale is exempt	×
Next 5 years -	50% profits arising from export sale is exempt	×

Example:- MM. VG has two units : one located in SEZ and other not located in SEZ. Total Turnover of MM. VG = 80 Crore. (includes 30 Crore of unit located in SEZ)
Rs. 20 Crore : export sale out of 30 Crore.
Total profit of SEZ unit - 16 Crore.
Compute deduction U/S 10AA

Solution → For 1st 5 years = $\frac{16}{30} \times 20$ = 10.67 Crores.

For Next 5 years → $\frac{10.67}{2}$ = 5.33 Crores.



Section 35 ABB/ABA Expenditure for obtaining Telecom

Licence/Spectrum

- Licence obtained Before the commencement of Business → Deduction shall be allowed from the P.Y in which B. comm till the P.Y which licence expire. Expenditure / No of years.
- Licence obtained after Commencement of Business → Deduction shall be allowed from the P.Y in which licence fees is paid till the P.Y in which licence expired.

Example:- Idea Commenced Business of telecom services during 1995-96. Assessee acquired licence on 2/7/23 for 100,000. life of licence 10 year (ITU 30/6/33)

Deduction = $\frac{1,00,000}{11 \text{ (PY 23-24 - 33-34)}}$ = 9091/-

Tax Treatment On Sale OF Licence

Cost of licence = 200L, life of licence = 10 P.Y.

Deduction Allowed = 20L Every year, after 6 year licence sold:-

1) 55L 2) 125L 3) 220L

Solution:- Cost of licence = 200L

Amortised Cost = $\frac{(20L) \times 6}{80L}$

① SP < Unamortised cost
55L < 80L
= 25L (allowed as deduction U/s 35ABB

② ⇒ SP > U. cost
125L > 80L
= 45L
Taxable U/H PGBP

③ ⇒ SP > Cost
SP - Cost ⇒ 220 - 200 = 20L Capital Gain
Cost - U. Cost = 200L - 80L = 120L
(Taxable U/H PGBP)



Section 35 [Expenditure Related to Scientific Research]

Section	Particulars	Regime	Deduction Allowed	Applicability
35(1)(iii)	Donation to specified institute [Social Science or statistical Research]	O	100%	All
35 (1) (iv)	Capital expenditure for Scientific Research • Before Commencement :- (3 years before - all expenses) except land • After Commencement All expenses except Land	O/D	100%	All
35(1)(i)	Research expenditure for Scientific Research • Before Commencement :- 3 years Before only 2 → (Raw Material and salary) (ex. • After Commencement :- All Revenue Expenditure	O/D	100%	All
35(1)(ii)	Donation to Specified institute	O	100%	All
35(1)(iia)	Sum paid to Specified Company Reg in India for Scientific Research	O	100%	All
35 (2AA)	Sum paid to IIT etc... for Research	O	100%	All
35 (2AB)	Expenditure in In-House Research, except Negative Goods, Land → Not Allowed Building → Allowed U/S 35 (1) (iv)		100%	Only Company



35 CCC	Expenditure on Agriculture Extension		100%	All
35 CCD	Expenditure on skill development		100%	only Company
37(2B)	Expenditure on advertisement in Magazine of political party	OID	Disallowed	All
35DD	Expenditure related to Amalgamation		Allowed in 5 equal Installments	Company
35DDA	Expenditure related to VRS	OID	Allowed in 5 equal installments	All

Question-1 Profit & Loss A/c

Particulars	₹	Particulars	₹
To Exp. on Amalgamation	200,000	By gross profit	50,00,000
To Depreciation (SLM)	400,000	By Int from F.D	10,00,000
To VRS	1,20,000		
To Exp. on Sci. Research	100,000		
To Net profit	51,80,000		

Solution :- Net profit as per Co. Act = 51,80,000

less: Int on F.D = (10,00,000)

Add :- Depreciation = 400,000

:- Exp. on Amalgamation = 2,00,000 − 40,000 } 1,60,000

:- VRS (120,000 − 24000) = 96,000

40,36,000



Section 37 : General Deduction

An expenditure, allowed under Section 37, provided shall be :-

→ It is not in the nature of expenditure discribed under Sections 30 to 36.

→ It is not in the nature of capital expenditure.

→ It is not a personal expenditure of the assessee.

→ It is laid out and expended wholly and exclusively for the purpose of business/profession

→ It is not incurred for any purpose which is an offence or which is prohibited by law and [Exp 1 to Sec 37]

→ It is not an expenditure incurred by an assessee on CSR activities referred to in Section 135 of Companies Act, 2013 [Exp 2 to Sec 37]

CRUX :-

Jo expenditure Sec 30 to 36 me allowed Nahi hue, Vo Sabhi expenditure Sec 37 me allowed honge only if -

Revenue expenditure + 100% related to business + legal expenses + CSR wale exp. Na ho.



Section 44AA - Accounts and Records

Assessee

- Carrying Specified Profession
  - Gross receipts more than 1,50,000 in All the 3 preceding previous years
  - Shall Maintain prescribed Books of Accounts
- carrying Business or profession other than Specified profession
  - Individual / HUF
    - Total income more than 2,50,000 in ANY ONE out of 3 immediately preceding P.Y
    - OR
    - Turnover more than ₹ 2,50,00,000 in ANY ONE out of 3 immediately preceeding P.Y
  - other than individual or HUF
    - Total income more than Rs. 1,20,000 in ANY ONE out of 3 imm. preceding PY
    - OR
    - Turnover more than ₹ 10,00,000 in ANY ONE out of 3 imm. preceding P.Y

Shall Maintain BOA

IN Case of Default

Maximum Penalty → upto 25,000 Rs.

Specified Profession

1) Accountancy [CA/CMA]
2) Legal
3) Medical
4) Film Artist
5) Engineering
6) Technical Consultancy
7) Company Secretary
8) Interior Decoration
9) Architectural.
10) Any other profession which, may be Notified by CBDT.



○ Prescribed Books OF Accounts - Rule : 6F

The following Books of A/c's and other documents are required to be maintained :-

(i) CASH Book

(ii) Journal

(iii) Ledger

(iv) Carbon Copies of Bills and Receipts

(v) Original bill and receipts issued to the person in respect of Expenditure.

② If GR/TI/TO less than Specified limit given above are also required to maintain books of A/c's but there have not been prescribed books of A/c

③ If, where the profession, business has been newly set up in the P.Y, his GR, TI, TO are likely to exceed Specified limit, then he is required to maintain books of A/c's.

④ Place at which books of A/c to be kept and Maintained :-

The books of A/c shall be kept and Maintained at the place where the person is carrying on business (or) profession (or) where there is More than one place, at the "principle place of Business"

⑤ Period :- The above books of A/c shall be kept and maintained for a Minimum period of 6 years from the end of Relevant A.Y



⑥ Mandatory to Maintain Books of A/c showing lower Income as compared to Income computed on Presumptive basis u/s 44AE / 44AD / 44ADA /

Section 44AB - Mandatory Audit of Accounts

Assessee

- Specified Profession
  - If Gross Receipt More than ₹ 50 lakh in Relevant P.Y
    - Mandatory
- Business / other professionals
  - upto 5% cash and 95% or More through A/c payee cheque / draft or online payment
    - Limit is Rs. 10 Crore
  - Cash more than 5% and less than 95% through online Mode
    - Limit is 1 Crore.

Audit is done by = CA + COP

Audit Report By = upto 30th Sept of A.Y

If Default = 0.5% of Turnover OR 1,50,000 (Penalty) } LESSER : Maximum Rs. 1,50,000



Example :- Mr. VG Businessman

Turnover	80,00,000	2,40,00,000	2,10,00,000	6,00,00,000	400,00,000
Cash	2,00,000	9,60,000	21,00,000	12,00,000	60,00,000
Sp Mode	78000,000	2,30,40,000	1,89,00,000	5,88,00,000	3,40,00,000
Eligible Limit	10 Crore	10 Crore	1 Crore	10 Crore	1 Crore
Audit ?	X	X	✓	X	✓

○ Important Points

① The requirement of Audit U/s 44AB does not apply to a person who declares profit and gains for the P.Y on the presumptive basis U/s 44AD / 44 ADA / 44 AE

② Audit Mandatory U/s 44 AB

Showing lower Income as compared to income computed on presumptive basis U/s 44AD / 44 ADA / 44 AE

○ Section 44AD/44 ADA [Most Important]

	44 AD	44 ADA
○ Eligible Assessee	Resident → Individual → HUF → Firm (LLP)	Resident → Individual → HUF → Firm (LLP)
○ Section Name	Presumptive taxation for Business or Non-Specified professional	Presumptive Taxation for Specified professional



upto 5%. Cash 95%. or More Specified Mode If Not Satisfied	Turnover upto 3 Crores Turnover upto 2 Crore	Gross Receipts upto 75 Lakhs Gross Receipts upto 50Lakh
◦ Deemed PGBP income	→ 8% of turnover → 6% of turnover (if payment Received through sp. mode upto due date of filing ROI)	50% of Turnover
◦ Expenditure allowed or Disallowed	Not allowed. Not disallowed	Not allowed Not disallowed
◦ Books of Accounts and audit	Not Required	Not Required.
◦ Set off of losses	Allowed	Allowed
◦ Deduction u/c VI-A	Allowed	Allowed
◦ lock-in-period	5 A.Y (44AD lena hai to lagatar 5 years lena hai agar bich me withdraw kia to, Next 5 years 44AD Nahi Milega)	No lock-in-Period



Example :-

	Businessman		Professional	
Turnover/Gross Receipts.	2,60,00,000	190,00,000	70,00,000	40,00,000
Cash	7,80,000	1,10,00,000	140000	25,00,000
Sp. Mode	2,52,20,000	80,00,000	68,60,000	15,00,000
Eligible limit 44AD/ ADA wheather eligible or Not	3 crore Yes	2 crore Yes	75 lakhs Yes	50 Lakh Yes
Deemed PGBP income	7,80,000 × 8% + 2,52,20,000 × 6%.	1,10,00,000 × 8% + 80,00,000 × 6%.	70,00,000 × 50%.	40,00,000 × 50%.
	15,75,600	13,60,000	35,00,000	20,00,000

Section: 44AE

Applicability → Any Assessee who owns not more than 10 Goods carriage during the P.Y

Heavy Goods Vehicle → Gross weight > 12000 kgs

⇒ 1000 per tonne, per Vehicle, per Month (or) part of Month

Other than Heavy goods Vehicle ⇒ 7500 per Vehicle, per Month (or) part of Month.



Goods Carriage Hold kitna kiya ye Matter karta Hai, Put to Use kitna Hua ye Matter Nahi karta Hai

1 Tonne = 1000 kg.

Example :-

No of Vehicle	Gross weight	Hold	Goods Vehicle	Deemed Income
2	11000 kg each	4H 10 days	NHGV	2×7500×5
1	13000 kg	6H 5 days	HGV	1×1000×13×7
3	18000 kg each	8H	HGV	3×18×1000×8
1	9000 kg	9H	NHGV	7500×9
2	15000 kg.	4H 20 days	HGV	2×15×1000×5

8,15,500

#

Expenditure किया → check kro → Sec 30 to 38 → Allowed ↓ If Approval Sec 40

Approval ⇒ Sec 30 to 38 → Sec. 40 → check kiya



∘ Section 40(a)(i) : Amount Not deductible

→ In case of NR

100% of payment which is taxable in India Made outside India or in India to NCNR or to foreign Co. on which either :

→ TDS has not been deducted, or

→ after deduction has not been paid on or before due date of filing Return U/S 139(1)

⇒ If TDS has been deducted in subsequent year or has been deducted in P.Y but paid in subsequent year after due date of filing Return U/S 139(1) -

↓

Such sum shall be allowed as deduction in computing income of P.Y in which such tax is paid

∘ Section 40(a)(iii) : In case of payment of "salary" Made outside India or to a Non-Resident on which TDS has not been deducted or after deduction has not been paid before due date of filing Return U/S 139(1)

↓

100% disallowed and

Forever disallowed

↳ i.e even after subsequent payment of TDS deduction of salary not allowed

(only in case of NR or O/S India)



• Section 40(a)(ia) : Amount not deductible

→ In case of R

30% of payment to a Resident, on which

- TDS has not been deducted. OR
- after deduction has not been paid on or before due date of filing return u/s 139(1)

(i.e 70% allowed, 30% disallowed)

→ If TDS has been deducted in subsequent year or has been deducted in P.Y but paid in subsequent year after due date of filing Return u/s 139(1)

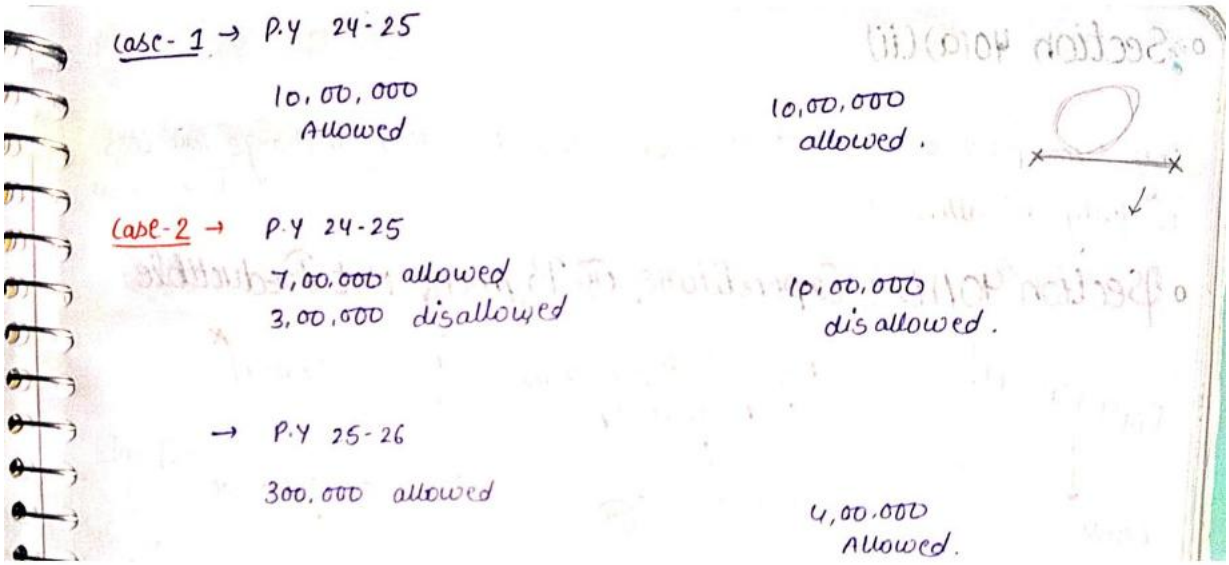
↓

30% Such sum shall be allowed as deduction in computing income of PY in which such tax is paid

Example:-

	MR. VGR	
	↓ Resident	↓ Non-Resident
Salary →	6,00,000 p.a	6,00,000 p.a
Rent →	4,00,000 p.a	4,00,000 p.a
	10,00,000	10,00,000
TDS Rate	10%	10%
ROI Due date	31/10/2025	31/10/2025
TDS deducted but paid on :-	(i) 18/7/25	(i) 18/7/25
	(ii) 25/12/25	(ii) 25/12/25
Deduction allowed	24-25? 25-26?	




case - 1 → P.Y 24-25
10,00,000
Allowed
10,00,000
allowed.
case-2 → P.Y 24-25
7,00,000 allowed
3,00,000 disallowed
10,00,000
disallowed.
→ P.Y 25-26
300,000 allowed
4,00,000
Allowed.



° Section 40(a)(ii)

Any sum paid on account of Income tax including surcharge (or) cess. is fully Disallowed.

° Section 40A(2) Expenditure (or) Payment Not Deductible

ANY PERSON → Excessive Payment OR Unreasonable Payment → Disallowed u/s 40A(2)

Payment / Expenditure (Revenue Exp) → RELATED PARTY

- Excessive (or) → in excess of Market value
- Unreasonable By AO

★ Individual = R.P [Husband, wife, Brother, Sister (or) any lineal ascendant (grand parents) (or) descendant of the Individual] (children)

Firm = Any partner of firm (or) RELATIVE of Such partner

HUF/AOP = Any Member of the AOP (or) HUF (or) ANY RELATIVE of Such Member

Company = Director of the Company (or) RELATIVE of Director

Any Assessee = An individual who has a Substantial interest (20% (or) More voting power) in the Business (or) Relative of Such individual



o Section 40A(3)

Any Expenditure, in respect of payment OR aggregate of payments made to a person in a single day,

otherwise than

→ A/c payee cheque
→ A/c payee draft
→ Electronic clearing system

in Excess of 10,000 then payment must be Disallowed u/s 40A(3)

In case of Payment to Transport Operator limit is to be Rs. 35,000 shall Apply.

If payment exceeds the limit, then entire expenditure would be disallowed.

o Exceptions of above Provisions

① Payment to RBI, SBI, Co-operative Bank.

② Payment to Govt (like Taxes)

③ Payment for purchase of Agriculture produce, Forest produce, fish and fish products.

o Section 40A(3A)

where an Expenditure has been allowed as deduction on accrual basis in any previous year, and payment is made in subsequent Year, otherwise than A/c payee cheque, A/c payee Draft, ECS is in Excess of 10,000/35,000, then the Entire payment shall be Deemed as "PGBP" and charged to tax in subsequent Year. (Add in taxable income)



However deeming provision (40A(3A) will NOT APPLY in case of Exceptions

Section 36 + 40A(7) + 40A(9): Specific Deductions / Certain Deductions

① Premium paid on stock-in-trade of Buss/ profession

② Insurance premium paid by employer to employee

③ Bonus or Commission

④ Interest on capital Borrowed

⑤ Discount on zero coupon Bond on pro-rata basis

⑥ Employer Contribution in Approved Gratuity Fund, Approved Pension Fund, Approved provident Fund or any other Employee welfare fund → Allowed as deduction

If Fund are unapproved Disallowed U/S 40A(7) + 40A(9)

⑦ Bad debts written off (Recovery of bad debts recovered taxable U/S 41(4)

⑧ Expenditure on family planning → Allowed to Company only
- → Revenue exp = 100% Allowed
- → Capital exp = 1/5th Allowed (5 installments)

⑨ STT or CTT paid allowed as deduction

⑩ provision for bad and doubtful debts in case of specified Banks



Section - 41(3)

Amount realised on Transfer of an asset used for Scientific Research

- Without being used for other Business
  - Taxable U/H PGBP
  - Least of the following
    - Deduction allowed U/S 35(1)(iv)
    - OR
    - Sale Price
  - Taxable U/H C.G.
  - S.P - Cost of Asset
- After being used for Business
  - # Cost of Asset = NIL (Since 100% Already allowed)
  - # Sec. 50 Shall Apply at the time of Sale

Example :-

Capital Exp. on S.Res U/S 35(1)(iv) = 100 lakh

Deduction Allowed : 100 L U/S 35(1)(iv)

S.Res Asset Sold without being used in other Business and S.P as follows :-

(i) 70 lakh (ii) 90 L (iii) 140 L

Solution

(i) PGBP Taxable : (i) 100 L, (ii) 70 L → Lower → 70 L

NO CG

(ii) PGBP Taxable : (i) 100 L, (ii) 90 L → Less → 90 L

No CG



(iii) PGBP Taxable = (i) 100L, (ii) 140L → 100L

CG = 140L − 100L = 40L

○ Section 14A + Rule-8D

Any Expenditure incurred to earn exempted income is disallowed under Section 14A

→ What if Mix Exp is to be Given? [Rule-8D]

$$\text{Expenditure Disallowed} = \frac{\text{Total Expenditure}}{\text{Total Income}} \times \text{Exempted Income}$$

Example :- TI = 6,00,000
EI = 4,00,000
Exp incurred to earn 10L = Rs. 2,00,000

$$\text{Disallowed} = \frac{2,00,000}{10,00,000} \times 4,00,000 = 80,000/-$$

50 000



Section : 35 AD : Deduction for essential business (Investment Linked Incentive)

Only for Optional Scheme

[Sec 35AD is optional]

S. No	Business	% of Deduction
1.	Setting up and operating a cold chain facility	100%
2.	Setting up and operating a warehousing facility for agricultural produce.	100%
3.	laying and operating cross country pipeline for distribution of petroleum, oil, Natural gas	100%
4.	Building and operating a hotel of 2- star and above	100%
5.	Building and operating a hospital with Minimum 100 patient beds	100%
6.	Developing and building a housing ~~rent~~ project under slump development scheme.	100%
7.	Developing and Building a Housing project under affordable Housing scheme	100%
8.	Production of Fertilisers in India	100%
9.	Setting up and operating inland container depot or Container freight station	100%
10.	Bee keeping and production of bee's Honey and wax	100%



11.	Setting up and operating a warehousing facility for sugar	100%
12.	laying and operating a slurry pipeline for transportation of iron ore	100%
13.	Setting up and operating a Semi Conductor wafer fabrication Manufacturing unit	100%
14.	Developing or Maintaining and operating or developing, Maintaining and operating a New infrastructure facility	100%

Conditions / Focus Area

① Plant and Machinery must be New

Exceptions - (i) Imported old plant and Mach (on which depreciation not claimed under IT Act)

(ii) 20% of total plant and Machinery can be old.

② Deduction allowed on all Capital expenses except

(a) Land (b) Goodwill (c) Financial Instrument

Further any expenditure in respect of which payment of aggregate of payment made to a person of an amount exceeding Rs. 10,000 in a day otherwise than by A/c payee cheque, or an A/c payee DD or use of ECS through a Bank A/C would not be eligible for deduction.



(3). Depreciation not allowed if deduction claimed U/s 35 AD

(4) Loss of Specified Business can be carried forward indefinitely as per FA 2016, assessee has to file ROI upto due date of ROI for C/f of losses

(5) If asset (on which deduction claimed U/s 35 AD) is sold, then entire sale price, shall be taxable as PGBP (section 28)

(6) Loss of Specified business can be set off only against Specified business income irrespective of wheather the later is eligible for deduction U/s 35 AD.

(8) Infrastructure facility Means -

(i) A road including toll road, a bridge, or a rail system.

(ii) A highway project including housing or other activities being an integral part of highway project.

(iii) A port, airport, inland, waterway, inland port or navigation channel in the sea.

(iv) water supply project, water treatment system, irrigation project, sanitation and sewage system or solid waste

(9) Assets (on which deduction claimed U/s 35AD) should be exclusively used for Specified Business for Minimum 8 years from the year of acquisation.

If it is used for Non-Specified business within 8 years, then,



following shall be taxable U/H PGBP :-

Amount of deduction claimed U/S 35AD earlier	xxx
less :- Depreciation that would have been allowable if Sec 35AD Not there	(xxx)
PGBP	xx

NOTE :-

The above amendment is Not applicable if company becomes sick industrial company.

If asset is transferred from specified business to a Non-Specified business within 8 years, then Actual Cost for Non-Specified business will be :-

Cost of such Asset	xxx
less :- Depreciation allowable if such asset used for Non-specified business from acquisition	(xxx)
	xxx



∘ Section 40(b) : Deduction in case of Any firm / LLP

↓

Important

Partnership Firm

working partner	Non-working Partner
→ Salary, Bonus, Commission, etc... : Allowed in the hands of firm	100% disallowed in the hands of firm.
→ Interest on capital : Allowed upto 12% p.a	Allowed upto 12% p.a

Limit of Deduction u/s 40(b) = I 600,000 Book profit

OR

= 90% of Book Profit

OR

300,000

HIGHER

in case of loss

∘ Balance Book profit = 60% of Book profit



Example :- Partnership firm : Book profit = 20,00,000
working Partner A = 80,000 p.m
working partner B = 50,000 p.m
Deduction u/s 40(b) in the hands of the firm ?

600.000
5,40,000
8.40.000
9.60.000
6.00.000

Solution :- Book profit = 20,00,000

6,00,000 × 90%. | 14,00,000 × 60%.

Higher → = 5,40,000 | ↓ 8,40,000
→ = 3,00,000

5,40,000 + 8,40,000 = 13,80,000 [Deduction u/s 40B)
∴ Salary is allowed.

80,000 × 12 = 9,60,000
50,000 × 12 = 6,00,000
15,60,000

(-) Allowed = (13,80,000)
Disallowed → 1,80,000

Example :2 Book profit = 15,00,000

	Salary	Capital	Int paid By Firm
W.P-A	25000 p.m	500,000	13%
W.P-B	40,000 p.m	4,00,000	9%
N.W.P-C	20,000 p.m	4,00,000	14%

Solution :- Computation of salary allowed

Total Book profit = 15,00,000

1st 6,00,000 ⇒ 6,00,000 × 90%] 5,40,000
OR
300,000



Balance ⇒ 9,00,000 × 60% = 5,40,000.

Salary allowed = 10,80,000.

Salary Disallowed

(W·PA and B) 25,000 × 12 + 40,000 × 12

= 7,80,000 → 100% Allowed.

Disallowed = 0 (paid within the limit)

N·W·P ⇒ C = 20,000 × 12 = 24,000 (Disallowed)

o Interest on Capital :-

Capital	upto 12%.	Excess
500,000	60,000 allowed	5000 Disallowed
4,00,000	36,000	–
4,00,000	48,000	8000 Disallowed.

Book Profit means the net profits as shown in P&L A/c should be increased by Remuneration paid (or) payable to all the partners and Int in excess of 12% which has been debited while computing Net Profit.

Example :-

Profit & Loss A/c.

To Remuneration to partner	4,00,000	Gross profit	20,00,000
To Int @ 14%.	14,000		
To Net profit	15,86,000		

o Book Profit = 15,86,000 + 4,00,000 + 2,000 (Int in excess to 12%. Remuneration)

= 19,88,000



- **Computation of Book Profit**

Net profit as per profit and loss A/c		xxx
Add :- Remuneration paid @ payable to all partners of firm	xx xx	
Add :- Interest in excess of 12%.		
Added if the same has been deducting while computing Net profit.	Book profit	xx

Example :- Case I

Net profit (after deduction of following items) = 8,00,000

→ Remuneration to Partner = 3,00,000

→ Int @ 14% p.a = 1,40,000

Solution :- Book profit = 8,00,000 + 3,00,000 + 20,000 (excess 2%)

= ₹ 11,20,000

Case II :- Net Profit (Before Deduction of following items) = 8,00,000.

→ Remuneration to Partners : 3,00,000.

→ Int @ 14% p.a = 1,40,000

Solution :- Book profit = 8,00,000 − 1,20,000 (12% of Int)

= 6,80,000 Rs.

14% 1,40,000



◦ Section 43B → Certain Deductions to be allowed Only On Payment Basis

In respect of the following sums payable by an Assessee during the P.Y deductions is allowed only in the sum is actually paid on (or) before the ~~deduction~~ due date of ROI filing U/S 139(1)

→ List of the Expenditure as follows :-

1. Tax, duty, Cess, Fees, Contribution to PF, Gratuity fund (or) any other approved employee fund
2. Bonus, Commission
3. Interest on loan (or) borrowing from PFI, Bank, State financial Corporation etc...
4. Any sum payable to the Indian Railway for use of Railway effect

◦ Section : 35D Preliminary Expenditure

a. Preparation of feasibility and Project Report
b. Market Survey.
c. Engineering Service
d. Drafting of AOA / MOA
e. legal Fees.
f. Expenditure Related to public Issue of Shares & Debentures
g. other Expenditure to be Notified



Above Expenditure is allowed in 5 equal installments.

Limit of Deduction = Actual Preliminary Expenditure ---- LESS
OR
5% of cost of Project ----

Section - 43B (Clause h) Deductions available for Payments Made to MSME

Any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the MSME Development Act, 2006 would be allowed as deduction only in that previous year in which such sum is actually paid.

Section 15, of the Micro, Small and Medium Enterprises Development Act, 2006 Mandates payments of goods (or) services to supplier, being a micro (or) small enterprises by the buyer on (or) before the date agreed upon between them in writing. i.e as per the agreement which can not be more than 45 days from the day of acceptance (or) the day of dumed acceptance of Any goods (or) services by a buyer from a supplier. If there is NO such written agreement, the payment shall be Made before the appointed day i.e within 15 days.

If the sum payable by the assessee to a Micro (or) small enterprise is paid as per written agreement (Maximum within 45 days) or within 15 days in case of NO agreement, the deduction can be claimed on accrual basis if Mercantile Method of accounting is followed by the assessee.



However, if the sum payable by the assessee to a Micro (or) Small enterprise is not paid as per written agrument or within 15 Days in case of no Agrument, the deduction would be allowed in the previous year in which it is actually paid.

Example:- Mr. A has purchased goods of Rs. 10,000 from A & Co, a micro enterprise on 1.3.2025. As per the written agrument between them, the payment has to be Made 5.4.2025. Mr. A follows Hexcenfile Method of Accounting.

(i) If Mr. A paid the sum on 2/4/2025
Since Mr. A paid the sum on (or) Before 5/4/25 the deduction would be allowed in P.Y 24-25.

(ii) If Mr. A Paid the sum on 20/4/25
Since Mr. A paid the sum beyond the time limit, the deduction would be allowed in the year of actual payment i.e P.Y 25-26

→ Meaning of Micro and Small Enterprise.

S. No.	Meaning
	Manufacturing Enterprises and Enterprises Rending Services
1.	Micro Enterprises Investment in Plant & Machinery or Equipment ≤ Rs. 1 Crore (AND) Turnover ≤ Rs 5 Crore
2.	Small Enterprise Investment in Plant & Machinery (or) Equipment ≤ Rs. 10 Crore AND Turnover ≤ Rs. 50 Crore



@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB

BASIC OF TDS | TCS

① TDS shall be deducted on the amount without including GST, If GST is separately in the bill. TCS shall be collected on the amount including GST subject to some exceptions.

② TDS requirements arise:

(i) at the time of payment (or) EARLIER

(ii) at the time of crediting the Payee A/c

Exception of above → TDS deducted at the time of Payment:

a) Salary - Sec - 192

b) EPF Payment - 192A

c) Dividend - 194

d) winnings - 194B, 194BB, 194BA

e) Maturity of life Ins. policy - 194DA

i) Cash withdrawal from Bank - 194N

j) Compensation on Comp Act - 194LA

③ In case of Payment to "Resident", TDS rate shall not be increase by Surcharge an H&EC Except Payment of Salary.

④ In case of Payment to "NR", the TDS rates shall be increase by Surcharge and H&EC

⑤ <u>In Case of TCS</u>

→ Payment Received from R = Fix Rate

→ Payment received from NR = Rate + SUR/CESS

TDS, TCS AND ADVANCE TAX

TAX DEDUCTION AT SOURCE

Section	Nature of payment	Threshold Limit for deduction of tax at source	Payer	Payee	Rate of TDS	Time of deduction
192	Salary	Basic exemption limit [₹ 3,00,000 (in case assessee pays tax under default tax regime u/s 115BAC), ₹ 2,50,000/ ₹ 3,00,000 / ₹ 5,00,000, as the case may be, if the assessee has exercised the option of shifting out of the default tax regime providing u/s 115BAC]. This is taken care of in computation of the average rate of income-tax	Any person responsible for paying any income chargeable under the head "Salaries"	Individual (Employee)	Average rate of income-tax	At the time of payment
192A	Premature withdrawal from EPF	Payment or aggregate payment ≥ ₹ 50,000	Trustees of the EPF Scheme or any authorised person under the Scheme	Individual (Employee)	10% on premature taxable withdrawal	At the time of payment
193	Interest on Securities	> ₹ 10,000 in a F.Y., in case of interest on 8% Savings (Taxable) Bonds, 2003/ 7.75% Savings (Taxable) Bonds, 2018. > ₹ 5,000 in a F.Y., in case of	Any person responsible for paying any income by way of interest on securities	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

Special Point
→ TDS as per 115BAC If ee Not given any declaration for optimal scheme
→ Firm Pays Salary to Partner Sec 192 is not attracted since TAXable u/h P&BP
→ In case of TIP – Paid to waiters → TDS Not deducted (Not Treated as Salary)

CRUX

8%, 7.75% Taxable Bonds ⇓ 10,000

Public Co → Int on Deb → R.I/HUF 5000

other Case = No limit

Special Point

No TDS if Interest paid

→ To LIC | GIC (or) other Insurer

→ National Development bonds

		interest on debentures issued by a Co. in which the public are substantially interested, paid or credited to a resident individual or HUF by an account payee cheque > No threshold specified in any other case				
194 M.Gml	Dividend (including dividends on preference shares)	Amount or aggregate amount > ₹ 5,000 in a F.Y., in case of dividend paid or credited to an individual shareholder by any mode other than cash > No threshold in other cases	The Principal Officer of a domestic company or a company which has made the prescribed arrangements for the declaration and payment of dividends within India	Resident shareholder	10%	Before making any payment by any mode in respect of any dividend or before making any distribution or payment of dividend
194A M.Gml	Interest other than interest on securities	Amount or aggregate amount > ₹ 40,000 in a F.Y., in case of interest credited or paid by – (i) a banking company; (ii) a co-operative society engaged in banking business; and (iii) a post office on any deposit	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible	Any Resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

NO TDS

→ Int on Saving Bank A/C

→ Int by Firm to Partners

→ Int on Income Tax Refund

→ Int on S.C.B

→ Int to Bank, Co-op bank, LIC, Ins. Co, UTI.

NBFC Not Cover in exception

Interest paid or credited to the following entities:

(i) banking companies, or co-operative societies engaged in the business of banking, including co-operative land mortgage banks;

(ii) **financial corporations** established by or under any Central, State or Provincial Act.

(iii) the **Life Insurance Corporation of India**.

(iv) **companies and co-operative societies** carrying on the business of insurance.

(v) **the Unit Trust of India;**

© ICAI BOS(A)

		under a notified Scheme. In all the above cases, if payee is a resident senior citizen, tax deduction limit is > ₹ 50,000. > ₹ 5,000 in a F.Y., in other cases	for paying interest other than interest on securities			
194B	Winnings from any lottery, crossword puzzle or card game or other game of any sort or from gambling or betting of any form or nature	Amount or the aggregate of amount > ₹ 10,000 in a F.Y.	The person responsible for paying income by way of such winnings	Any Person	30%	At the time of payment
194BA	Winnings from online games	On the net winnings in a person's user account as computed in prescribed manner	Any person responsible for paying income by way of such winnings from any online game	Any person	30%	At the end of the F.Y. In case there is withdrawal from user account during the F.Y., tax would be deducted at the time of such withdrawal on net winnings comprised in such withdrawal. In addition, tax would also be deducted on the remaining amount of net

Computation of Net winning

(Agg. Amt withdrawn + CL. Bal in A/c) − (Deposit in A/c + OP Bal + TDS already Deducted)

Ex Mr. Lallu is online Fantasy game addict. He having user account with Probo APP.

OP Bal on 1/4/23 = 70,000

Amt deposit in 23-24 = 2,00,000

Amt withdrawn 23-24 = 3,50,000

CL. Bal = 70,000

Net winning = (3,50,000 + 70,000) − (2,00,000 + 70,000) = 1,50,000 @ 30%

© ICAI BOS(A)

						winnings in the user account as computed in prescribed manner at the end of the F.Y.
194BB	Winnings from horse race	Amount or the aggregate of amount > ₹ 10,000 in a F.Y.	Book Maker or a person holding licence for horse racing or for arranging for wagering or betting in any race course	Any Person	30%	At the time of payment
194C	Payments to Contractors	Single sum credited or paid > ₹ 30,000 (or) The aggregate of sums credited or paid to a contractor during the F.Y. > ₹ 1,00,000 Individual/HUF need not deduct tax where sum is credited or paid exclusively for personal purposes	Central/State Govt., Local authority, Central/ State/ Provincial Corpn., company, firm, trust, registered society, co-operative society, university established under Central/ State/ Provincial Act, declared university under the UGC Act, Government of Foreign State or a foreign enterprise, individual/ HUF/AoP/	Any Resident contractor for carrying out any work (including supply of labour)	1% of sum paid or credited, if the payee is an Individual or HUF 2% of sum paid or credited, if the payee is any other person	At the time of credit of such sum to the account of the contractor or at the time of payment, whichever is earlier

However, **"work" shall not include** manufacturing or supplying a product according to the requirement or specification of a customer by using raw material purchased from a person, other than such customer or associate of such customer, as such a contract is a contract for 'sale'.

Non-applicability of TDS under section 194C

No deduction is required to be made from the sum credited or paid or likely to be credited or paid during the previous year to the account of a contractor, during the course of the business of plying, hiring or leasing goods carriages, **if he furnishes his PAN to the deductor.**

No TDS if Contract is for Personal Purpose of Ind/HUF

			BoI whose total sales, gross receipts or turnover > ₹ 1 crore in case of business or > ₹ 50 lakhs in case of profession during the immediately preceding F.Y.			
194D	Insurance Commission	Amount or aggregate amount > ₹ 15,000 in a F.Y.	Any person responsible for paying any income by way of remuneration or reward for soliciting or procuring insurance business	Any Resident	5%, if the payee is a non-corporate resident 10%, if the payee is a domestic company	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194DA	Any sum under a Life Insurance Policy not fulfilling the conditions specified u/s 10(10D)	Amount or aggregate amount ≥ ₹ 1,00,000 in a F.Y.	Any person responsible for paying any sum under a LIP, including the sum allocated by way of bonus	Any resident	5% of the amount of income comprised till 30/9/24 then @ for 2%	At the time of payment
~~**194EE**~~	Payment of deposit under National Saving Scheme	Amount or aggregate amount ≥ ₹ 2,500 in a F.Y.	Any person responsible for paying	Individual or HUF	10%	At the ~~time~~ of payment
194G	Commission on sale of lottery tickets	> ₹ 15,000 in a F.Y.	Any person responsible for paying any income by way of commission, remuneration or prize (by whatever	Any person stocking, distributing, purchasing or selling lottery tickets	5% till 30/9/24 then @ for 2%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier

			name called) on lottery tickets			
194H	Commission or brokerage	> ₹ 15,000 in a F.Y.	Any person (other than an Individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying commission or brokerage	Any resident	5% till 30/9/24 then 0 for 2%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194-I	Rent	> ₹ 2,40,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent	Any resident	For P & M or equipment - 2% For land or building, land appurtenant to a building, furniture or fittings - 10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194-IA	Payment on transfer of	≥ ₹ 50 lakh (Consideration	Any person, being a	Resident transferor	1% of consideration	At the time of credit of such

H.Y.F

No TDS on Refundable deposit

Arrears of Rent Received - TDS reqd to be deducted

TDS Apply on advance Rent also

No requirement to deduct tax at source under section 194-I on remittance of Passenger Service Fees (PSF) by an Airline to an Airport Operator [Circular No. 21/2017, dated 12.06.2017]

	certain immovable property other than agricultural land	for transfer or SDV)	transferee (other than a person referred to in section 194LA responsible for paying compensation for compulsory acquisition of immovable property other than rural agricultural land)		for transfer or SDV, whichever is higher	sum to the account of the transferor or at the time of payment, whichever is earlier
194-IB	Payment of rent by certain individuals or HUF	> ₹ 50,000 for a month or part of a month	Individual/ HUF (other than Individual/ HUF whose total sales, gross receipts or turnover > ₹ 1 crore in case of business or > ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for paying rent	Any Resident	5%	At the time of credit of rent, for the last month of the P.Y. or the last month of tenancy, if the property is vacated during the year, as the case may be, to the account of the payee or at the time of payment, whichever is earlier
~~**194-IC**~~	Payment under specified agreement referred to in section 45(5A)	No threshold specified	Any person responsible for paying any sum by way of consideration, not being consideration in kind, under a registered agreement,	Any Resident	10%	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier

deduct income tax @5% till 30.09.2024. With effect from 01.10.2024, tax has to be deducted @2%.

			wherein L or B or both are handed over by the owner for development of real estate project, for a consideration, being a share in L or B or both in such project, with payment of part consideration in cash			
194J	Fees for professional or technical services/ Royalty/ Non-compete fees/ Director's remuneration	> ₹ 30,000 in a F.Y., for each category of income (However, this limit does not apply in case of payment made to director of a company)	Any person, other than an individual or HUF; However, in case of FPS or FTS paid or credited, individual/ HUF, whose total sales, gross receipts or turnover > ₹ 1 crore in case of business or > ₹ 50 lakhs in case of profession during the immediately preceding F.Y., is liable to deduct tax u/s 194J, except where FPS is credited or paid exclusively for his personal purposes	Any Resident	2% - Payee engaged only in the business of operation of call centre 2% - In case of FTS or royalty, where such royalty is in the nature of consideration for sale, distribution or exhibition of cinemato-graphic films 10% - Other payments	At the time of credit of such sum to the account of the payee or at the time of payment, whichever is earlier

194K	Income from units other than in the nature of capital gains	Amount or aggregate amount > ₹ 5,000 in a F.Y.	Any person responsible for paying any income in respect of units of a mutual fund/ Administrator of the specified undertaking/ specified company	Any resident	10%	At the time of credit of such income to the account of the payee or at the time of payment, whichever is earlier
194LA	Compensation on acquisition of certain immovable property other than agricultural land situated in India	Amount or aggregate amount > ₹ 2,50,000 in a F.Y.	Any person responsible for paying any sum in the nature of compensation or enhanced compensation on compulsory acquisition of immovable property	Any Resident	10%	At the time of payment
194M	- Payments to Contractors - Commission or brokerage - FPS	> ₹ 50,00,000 in a F.Y.	Individual or HUF other than those who are required to deduct tax at source u/s 194C or 194H or 194J	Any Resident	5%	At the time of credit of such sum or at the time of payment, whichever is earlier
194N	Cash withdrawals	> ₹ 3 crore if the recipient is a co-operative society > ₹ 1 crore in case of others	- a banking company or any bank or banking institution - a co-operative society engaged in carrying on the business of banking or	Any person	@2% of such sum In case the recipient has not filed ROI for all the 3 immediately preceding P.Y.s, for which time limit u/s 139(1) has	At the time of payment of such sum

			- a post office who is responsible for paying any sum, being the amount or the aggregate of amounts, as the case may be, in cash > ₹ 1 crore/ ₹ 3 crore in case the recipient is a cooperative society, during the previous year, to any person from one or more accounts maintained by the recipient		expired, such sum shall be the amount or aggregate of amounts, in cash **> ₹ 20 lakh during the P.Y.** **TDS** - **@2% of the sum**, where cash withdrawal > ₹ 20 lakhs but ≤ ₹ 1 crore/ ₹ 3 crore in case the recipient is a co-operative society - **@5% of the sum**, where cash withdrawal > ₹ 1 crore/ ₹ 3 crore in case the recipient is a co-operative society	
194-O	Sale consideration or consideration for services facilitated through digital or electronic facility or platform	> ₹ 5 lakhs, being gross amount of sales or service or both in a F.Y. to an e-commerce participant, being individual or HUF and such e-commerce participant has furnished PAN or Aadhar number to the e-commerce operator > No threshold in other cases	E-commerce operator, who facilitates sale of goods or provision of services of an e-commerce participant through digital or electronic facility or platform	E-commerce participant	1% of gross amount of sale or service or both [In case of failure to furnish PAN, Maximum TDS@5%]	At the time of credit of amount of sale or services or both to the account of an e-commerce participant or at the time of payment, whichever is earlier

194P 	Pension (along with interest on bank account)	Basic exemption limit [₹ 3,00,000 (in case specified senior citizen pays tax under default tax regime u/s 115BAC), ₹ 3,00,000 / ₹ 5,00,000, as the case may be, if specified senior citizen has exercised the option of shifting out of the default tax regime providing u/s 115BAC] [i.e., TI after giving effect to the deduction allowable under Chapter VI-A, if any allowable should exceed the basic exemption limit. Further, in case the individual is entitled to rebate u/s 87A from tax payable, then the same should be given effect to]	Notified specified bank	Specified senior citizen i.e., An individual, being a resident in India, who - is of the age of 75 years or more at any time during the PY; - is having pension income and no other income except interest income received or receivable from any account maintained by such individual in the same specified bank in which he is receiving his pension income; and - has furnished a declaration to the specified bank	Rates in force, where the individual has exercised the option of shifting out of the default tax regime. Rates specified in section 115BAC, where the individual pays tax under the default tax regime.	
194Q 	Purchase of goods	> ₹ 50 lakhs in a P.Y.	Buyer, who is responsible for paying any sum for	Any resident	0.1% of sum exceeding ₹ 50 lakhs [In case of failure	At the time of credit of such sum to the account of the

			purchase of goods Buyer means a person whose total sales, gross receipts or turnover from business > ₹ 10 crores during the F.Y. immediately preceding the F.Y. in which the purchase of goods is carried out		to furnish PAN, maximum TDS @5%]	seller or at the time of payment, whichever is earlier
194R	Any benefit or perquisite, whether convertible into money or not, arising from business or the exercise of a profession The provisions would apply to any benefit or perquisite, whether in cash or in kind or partly in cash and partly in kind	Value or aggregate of value of benefit or perquisite > ₹ 20,000 in a F.Y.	Any person (other than an individual or HUF whose total sales, gross receipts or turnover ≤ ₹ 1 crore in case of business or ≤ ₹ 50 lakhs in case of profession during the immediately preceding F.Y.) responsible for providing to a resident, any benefit or perquisite.	Any resident	10% of value or aggregate of value of such benefit or perquisite	Before providing such benefit or perquisite
206AA	Section 206AA requires furnishing of PAN by the deductee to the deductor, failing which the deductor has to deduct tax at the higher of the following rates, namely, - (i) at the rate prescribed in the Act; or (ii) at the rate or rates in force; or (iii) at the rate of 20% [5%, in case of section 194-O and 194Q]					

206AB	Section 206AB requires tax to be deducted at source under the provisions of this Chapter on any sum or income or amount paid, or payable or credited, by a person **to a specified person**, at higher of the following rates – (i) at twice the rate prescribed in the relevant provision of the Act; (ii) at twice the rate or rates in force i.e., the rate mentioned in the Finance Act; or (iii) at 5% However, section 206AB is **not** applicable in case of tax deductible at source under sections 192, 192A, 194B, 194BA, 194BB, 194-IA, 194-IB, 194M and 194N. **Meaning of "specified person" –** A person who has **not** furnished the ROI for the A.Y. relevant to the P.Y. immediately preceding the F.Y. in which tax is required to be deducted, for which the time limit for furnishing the ROI u/s 139(1) has expired, and the aggregate of TDS and TCS in his case is ₹ 50,000 or more in the said P.Y. However, the specified person would not include - - a non-resident who does not have a PE in India; or - a person who is not required to furnish the ROI for the A.Y. relevant to the said P.Y. and is notified by the Central Government in this behalf (RBI has been notified by the Central Government for this purpose). In case the provisions of section 206AA are also applicable to the specified person, in addition to the provisions of this section, then, tax is required to be deducted at higher of the two rates provided in section 206AA and section 206AB.
The threshold limit given in the table is with respect to each payee.	

TAX COLLECTION AT SOURCE [SECTION 206C]

(1) **Sale of certain goods [Section 206C(1)]-**Sellers of certain goods are required to collect tax from the buyers at the specified rates. The specified percentage for collection of tax at source is as follows:

	Nature of goods	Percentage
(i)	Alcoholic liquor for human consumption	1%
(ii)	Tendu leaves	5%
(iii)	Timber obtained under a forest lease	2.5%
(iv)	Timber obtained by any mode other than (iii)	2.5%
(v)	Any other forest produce not being timber or tendu leaves	2.5%
(vi)	Scrap	1%
(vii)	Minerals, being coal or lignite or iron ore	1%

The tax should be collected at the time of debiting of the amount payable by the buyer to his account or at the time of receipt of such amount from the buyer, whichever is earlier.

© The Institute of Chartered Accountants of India

	However, no collection of tax shall be made in the case of a resident buyer, if such buyer furnishes a declaration in writing in duplicate to the effect that goods are to be utilised for the purpose of manufacturing, processing or producing articles or things or for the purposes of generation of power and not for trading purposes.
(2)	**Lease or a licence of parking lot, toll plaza or mine or a quarry [Section 206C(1C)]** - Every person who grants a lease or a licence or enters into a contract or otherwise transfers any right or interest in any - parking lot or - toll plaza or - a mine or a quarry to another person (other than a public sector company) for the use of such parking lot or toll plaza or mine or quarry for the purposes of business. The tax shall be collected as provided, from the licensee or lessee of any such licence, contract or lease of the specified nature, at the rate of 2%, at the time of debiting of the amount payable by the licensee or lessee to his account or at the time of receipt of such amount from the licensee or lessee, whichever is earlier.
(3)	**Sale of motor vehicle of value exceeding ₹ 10 lakhs [Section 206C(1F)] -** Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹ 10 lakhs, shall, at the time of receipt of such amount, collect tax from the buyer@1% of the sale consideration. With effect from 01.01.2025, the scope of section 206C(1F) has been expanded to include every person, being a seller, who receives any amount as consideration for sale of any other notified goods exceeding ₹ 10 lakhs, to, at the time of receipt of such amount, collect tax from the buyer@1% of the sale consideration.
(4)	**Remittance under LRS of RBI or purchase of an overseas tour package [Section 206C(1G)] -** Every person, - being an authorized dealer, who receives amount under the LRS of the RBI for remittance from a buyer, being a person remitting such amount, - being seller of an overseas tour programme package who receives any amount from the buyer who purchases the package has to collect tax at the time of debiting of the amount payable by the buyer or at the time of receipt of such amount from the said buyer by any mode, whichever is earlier. **Rate of TCS in case of collection by an authorized dealer/ seller of an overseas tour programme package**

S. No.	Amount and purpose of remittance	Rate of TCS
(i)	Where the amount is for purchase of an overseas tour programme package	5% till ₹ 7 lakhs, 20% thereafter

© The Institute of Chartered Accountants of India

(ii)	(a) Where the amount or aggregate of the amounts being remitted by a buyer is less than ₹ 7 lakhs in a financial year	Nil (No tax to be collected at source)
(iii)	(a) where the amount is remitted for the purpose of education or medical treatment; and (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	5% of the amt or agg. of amts in excess of ₹ 7 lakh
(iv)	(a) where the amount is remitted for the purpose other than mentioned in (iii) above; and (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	20% of the amt or agg. of amts in excess of ₹ 7 lakh
(v)	(a) where the amount being remitted out is a loan obtained from any financial institution as defined in section 80E, for the purpose of pursuing any education; and (b) the amount or aggregate of the amounts in excess of ₹ 7 lakhs is remitted by the buyer in a financial year	0.5% of the amt or agg. of amts in excess of ₹ 7 lakh

Cases where no tax is to be collected

(i)	No TCS by the authorized dealer on an amt in respect of which the sum has been collected by the seller.
(ii)	No TCS, if the buyer is liable to deduct tax at source under any other provision of the Act and has deducted such tax.
(iii)	No TCS, if the buyer is the Central Government, a State Government, an embassy, a High Commission, a legation, a commission, a consulate, the trade representation of a foreign State, a local authority or any other person notified by the Central Government, subject to fulfillment of conditions stipulated thereunder. Accordingly, the CBDT has, vide notification no. 99/2022 dated 17.8.2022, notified that the provisions of section 206C(1G) would not apply to a person (being a buyer) who is a non-resident in terms of section 6 and does not have a PE in India.

(5) **Sale of goods of value exceeding ₹ 50 lakh [Section 206C(1H)] -** Every person, being a seller, who receives any amount as consideration for sale of goods of the value exceeding ₹ 50 lakhs in a P.Y., other than exported goods or goods covered in (1)/(3)/(4)], is required to collect tax at source, at the time of receipt of such amount, @0.1% of the sale consideration exceeding ₹ 50 lakhs.

However, tax is not required to be collected if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax.

© The Institute of Chartered Accountants of India

(6)	In case of non-furnishing of PAN [PAN or Aadhaar number in case of section 206C(1H)] by the collectee to the collector, tax is required to be collected at the higher of – (i) twice the rate specified in the relevant provisions of the Act; or (ii) at 5% [1%, in case tax is required to be collected at source u/s 206C(1H)]. [Section 206CC] However, the maximum the rate of TCS under this section shall not exceed 20%. The provisions of section 206CC do **not** apply to a non-resident who does not have a PE in India.
(7)	Section 206CCA requires tax to be collected at source on any sum or amount received by a person from a specified person, at higher of the following rates – (a) at twice the rate specified in the relevant provision of the Act; (b) at 5% However, the maximum the rate of TCS under this section shall not exceed 20%. In case the provisions of section 206CC are also applicable to the specified person, in addition to the provisions of section 206CCA, then, tax is required to be collected at higher of the two rates provided in section 206CC and section 206CCA. **Meaning of "specified person"** – A person who has **not** furnished the ROI for A.Y. relevant to the P.Y. immediately preceding the F.Y. in which tax is required to be collected, for which the time limit for furnishing the ROI u/s 139(1) has expired, and the aggregate of TDS and TCS in his case is ₹ 50,000 or more in the said P.Y. However, the specified person would not include - - a non-resident who does not have a PE in India; or - a person who is not required to furnish the ROI for the A.Y. relevant to the said P.Y. and is notified by the Central Government in this behalf (RBI has been notified by the Central Government for this purpose).

ADVANCE PAYMENT OF TAX

Liability for payment of advance tax [Sections 207 & 208]

- Tax shall be payable in advance during any F.Y. in respect of the total income of the assessee which would be chargeable to tax for the A.Y. immediately following that F.Y.
- Advance tax is payable during a F.Y. in every case where the amount of such tax payable by the assessee during the year is ₹ 10,000 or more.
- However, an individual resident in India of the age of 60 years or more at any time during the P.Y., who does not have any income chargeable under the head PGBP, is not liable to pay advance tax.

© The Institute of Chartered Accountants of India

@CACMACSSTUDYHUB

FOUNDATION से Convocation तक

" Connect With Us In Each Platforms For Helpful Notes, Recent Updates of Institutes, Motivational Videos & Many More Things "

Our Personal Gmail :- cacmastudyhub@gmail.com

Telgram Group (Doubts & Discussion Group)	CLICK HERE
Telgram Channel (All Notes Link)	CLICK HERE
WhatsApp Channel (All Notes Link)	CLICK HERE
Instagram (All Important Updates & Motivational Videos)	CLICK HERE

@CACMACSSTUDYHUB	CACMASTUDYHUB	@CACMACSSTUDYHUB