

# 3 Most Important Concepts in case of Individual, HUF, AOP, BOI and AJP

(110)

- Surcharge
- Marginal Relief
- Rebate u/s 87A (ONLY FOR INDIVIDUAL)

## Surcharge

- a) If Total Income upto 50 lakh = NIL
- b) If Total Income > 50 lakh - 1 crore = 10% of Tax
- c) If Total Income > 1 crore - 2 crore = 15% of Tax
- d) If Total Income > 20 - 49.5 ₹ ₹ = 25% of Tax

Question:- MU SIR Age : 28 year. Total Income = 2,80,00,000 Rs.

→ Tax on first 15,00,000 = 1,40,000

→ Tax on balance  
[2,65,00,000 x 30%] =  $\frac{79,50,000}{80,90,000}$

Surcharge 25% =  $\frac{20,22,500}{1,01,12,500}$

Cess @ 4% =  $\frac{4,04,500}{1,05,17,000}$

Rs. 1,05,17,000 Ans.

# Marginal Relief

## HOW TO COMPUTE MARGINAL RELIEF

Step:1 Computation of tax liability on given Income =  $xxxx$   
Add: Surcharge (10% / 15% / 25%) =  $xxxx$

Tax + SURCHARGE (A)  $xxxx$

Step:2 Computation of Tax liability on 50% / 10% / 20% =  $xxxx$

Add: Surcharge (10% / 15%) =  $xxx$

Tax + Surcharge (B)  $xxx$

Step:3 Computation of Tax Increment

Tax under (A) - Tax under (B) =  $xxxx$

Step:4 Computation of Income Increment

Income given under step-1 =  $xxx$

(-) Income given under step-2 =  $\frac{xxx}{xxx}$

Step:5 Computation of Marginal Relief.

CASES

If tax increment is more than Income Increment  
↓  
Marginal Relief Available  
(Tax Income - Income Increment)

If tax increment is less than Income increment  
↓  
NO Marginal Relief

## Step: 6 Computation of Final Tax

Tax Computed under step: 1 =  $xx$

(-) Marginal Relief under step: 5 =  $(xx)$

Tax after MR  $\underline{xxx}$

Add:- 4% Less

Final tax  $\underline{xx}$

## Rebate - 87A # M.M.H Imp

Rebate to Resident Individual paying tax u/s 115BAC

Rebate allowed from Income tax payable if all the below mentioned conditions are satisfied :-

- Assessee must be an individual.
- Resident in India (ROR  $\textcircled{or}$  RNOR)
- Total Income upto Rs. 7,00,000

Quantum of Rebate :-

a) 100% Income tax Payable  
OR

b) Rs. 25,000

whichever is less.

Max  
Rebate  
Rs. 25,000

# Rebate u/s 87A is allowed from Income tax computed **BEFORE** less @ 4%.

# Rebate u/s 87A is however, not available in respect of long term Capital Gain u/s 112A @ 10%.

### Example:-

	I	II	III	IV	V
TI	4,00,000	500,000	5,80,000	6,10,000	7,00,000
Tax	5,000	10,000	14,000	15,500	20,000
Rebate U/s 87A					
Final Tax					

### WHAT IF INCOME MORE THAN 7,00,000?

If total Income of such individual more than 7,00,000 and Income tax payable on such income exceeds the amount by which the total Income is in excess of Rs. 700,000

Rebate would be as follows:-

Step:1 Total Income - 700,000 = xxx (A) Income Increment

Step:2 Compute Income tax liability on total Income = xx B  
Tax Increment

Step:3 If  $B > A$ , Rebate U/s 87A would be  $(B - A)$

# 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	III	IV	V
TI	7,10,000	7,20,000	7,30,000	7,15,000	7,00,000
Step-1 (TI - 7L) A	10,000	20,000	30,000	15,000	00,000
Step-2 Tax (B)	21,000	22,000	23,000	21,500	28,000
Step-3	B > A	B > A	B < A	B > A	B < A
Rebate	✓	✓	✗	✓	✗
Amount of Rebate	11000	2000	NIL	6500	NIL
Tax payable	10,000	20,000	23,000	15000	28,000
4%	400	800	920	600	1120
Final Tax	10,400	20,800	23,920	15,600	29,120