

Lecture 2

Chapter 1 :- Basic Concept of Income Tax1. 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 Tax1. Direct Tax2. Indirect TaxMeaning 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
Customers.



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3. Difference between DT & IDT ?

	Direct Tax	Indirect Tax
Meaning	levy and Burden on same person	levy burden on different person
Nature	<p>It is Progressive in nature</p> <p>Income \uparrow Tax \uparrow</p> <p>These are linked with paying Capacity of person</p> <p>Rich person will pay more tax in comparison to poor person</p>	<p>It is Regressive in nature</p> <p>Fixed in Nature</p> <p>These are not linked with paying Capacity of person</p> <p>IDT is uniform whether goods / services availed by Rich person or poor person</p>
Department	<p>CBDT</p> <p>Central Board of Direct Tax</p>	<p>CBIC</p> <p>Central Board of Indirect Tax & Custom</p>
Concept of PY and AY	In Income Tax income of PY assessed in AY	There is Not such concept of PY & AY



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Distribution of payment of Revenue	Revenue to CG	Revenue to CG & SG
Taxable Event	Income Arise	GST = Supply — बाहर से आमान India से आना Customs = Import or Export — India से आमान बाहर जाना
Example	<ul style="list-style-type: none"> - Income Tax - Corporate Tax - Gift Tax 	<ul style="list-style-type: none"> - GST - Custom

4. Why Govt → Levied Taxes ?

The reason for levy tax is that they constitute the basic source of the Govt, Here's the following objectives of collecting TAX :-

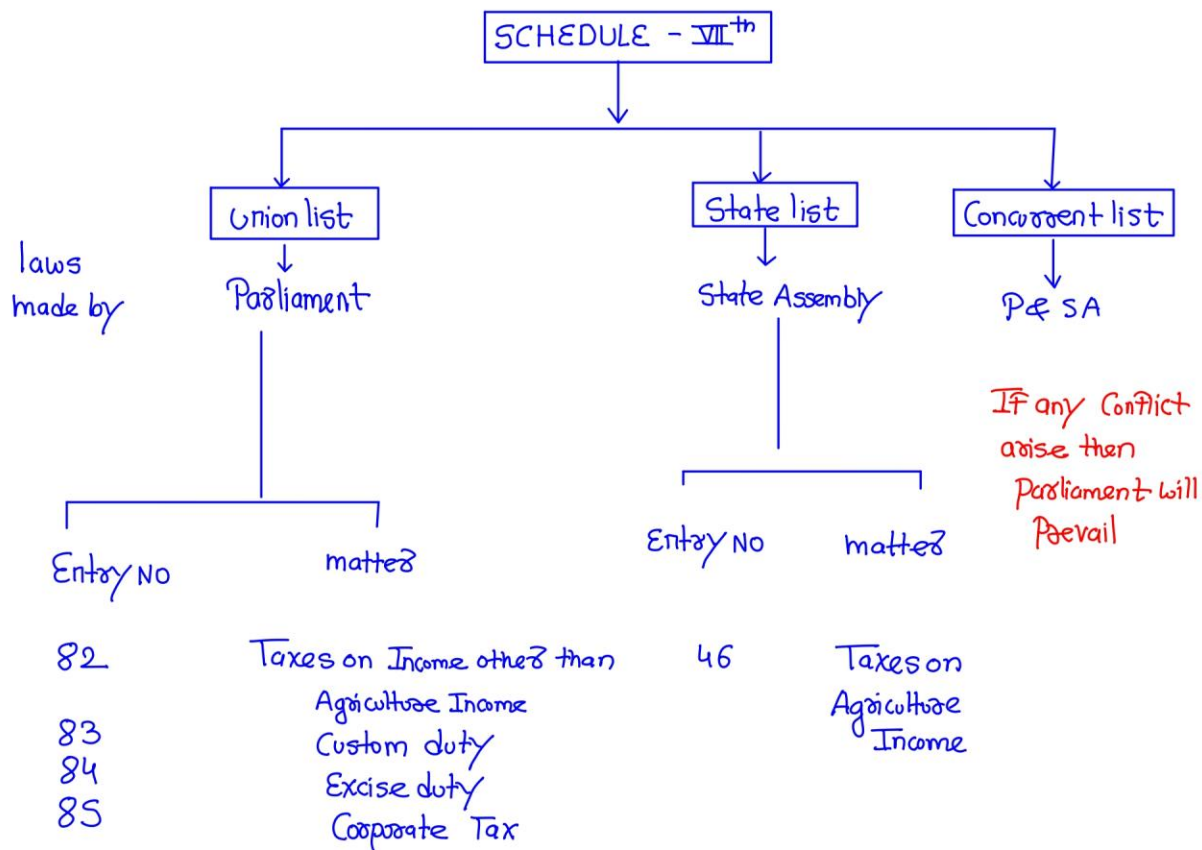
1. Raising Revenue
2. Promoting economic growth
3. Encourage Domestic Industry
4. Development of backward region
5. Reducing income inequality
6. Price stability
7. To Increase, defence, Education, Health etc



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5. Power to levy Tax ?

Article 245 & 246



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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 = CG 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)



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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.



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2. Income Tax Rules, 1962

1. The administration of Direct Tax is looked after by the CBDT
2. The CBDT is empowered to make rules for carrying out the purpose of the Act
3. Rules also have sub-rules, proviso, explanation etc.
4. Rules contain procedure of provision under Income Tax Act, 1961.
5. Rules cannot 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 passed by both houses of Parliament and gets the assent of the President of India and it becomes 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 is divided into 4 parts

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



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 CG or CBDT can issue notification



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



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

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

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

X

X



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 year.

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, College, Machine, God etc.
Person not Covered above

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

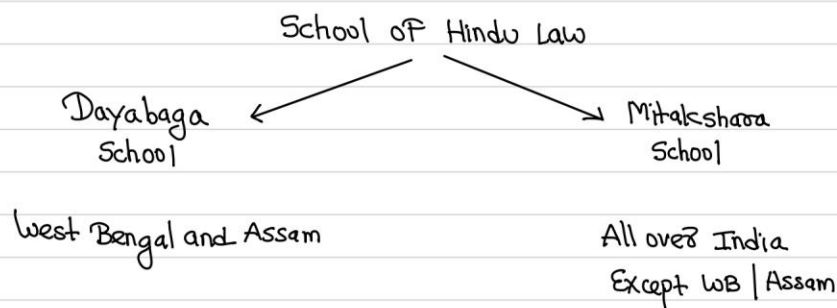
- Male, Female
- Major, Minor
- Married, unmarried
- Sound mind, unsound mind
- Indian Citizen, Foreign Citizen
- Indian origin, Foreign origin
- R or NR



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** HUF = Under Income Tax Act, 1961 HUF is treated as a separate entity for the purpose 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.



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 acquire the right, share in the property by birth as long as head of the family is living.	One acquire the right to the family property by birth and not by succession irrespective of the fact that his elder are living.



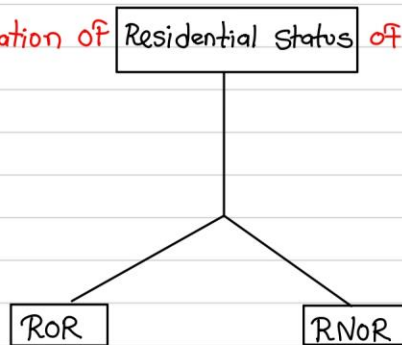
How to Calculate Total Income & Final Tax liability

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.

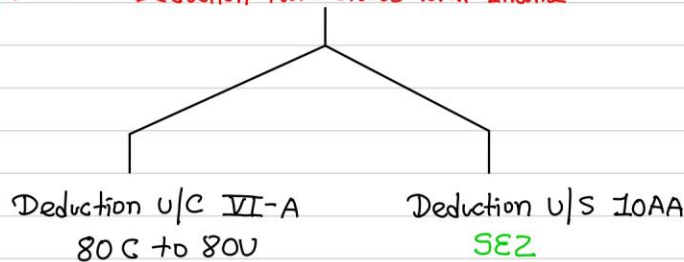
Gross Income under different head	xxx
↳ Deducting Relevant Expenditure	xxx
↳ Internal Deduction	xxx
Total Income under each head	xxx

Step 4 :- Clubbing of income in case of income transferred 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



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



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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 of ₹1

last Digit 0.5 or more = Next ₹1

last Digit less than 0.5 = last ₹1

Example :-

$$1. 848 = 848$$

$$5. 891.80 = 892$$

$$2. 845.40 = 845$$

$$6. 877.10 = 877$$

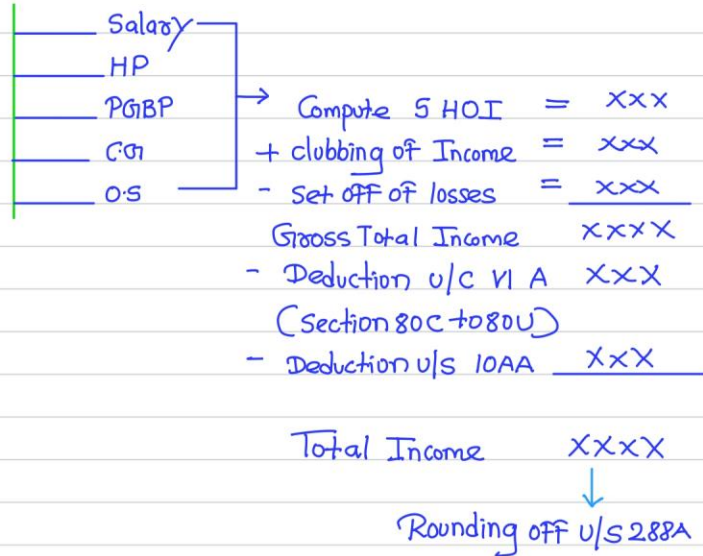
$$3. 844.70 = 845$$

$$4. 890 = 890$$



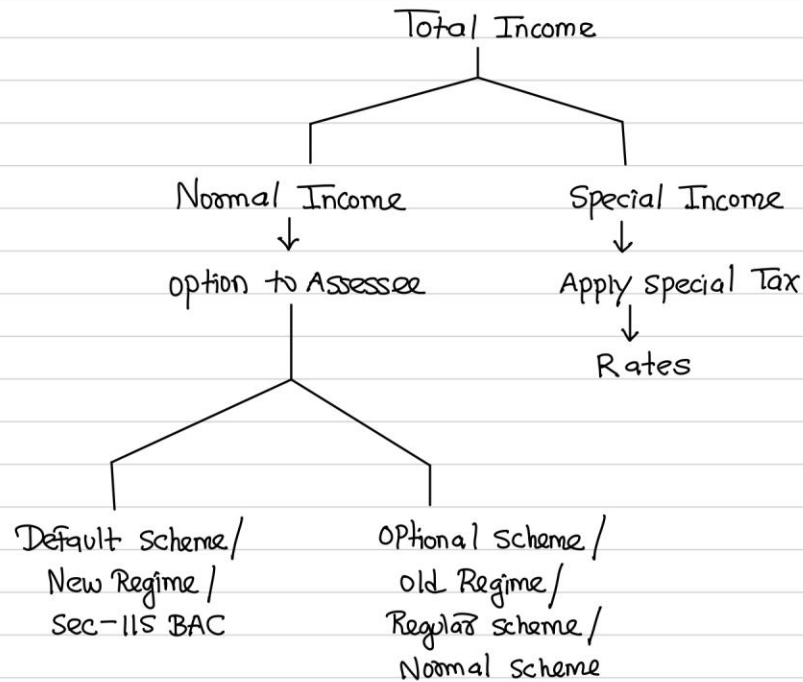
Case of above step-1 to step-9

Residential status ^{Classify} Income



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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



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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

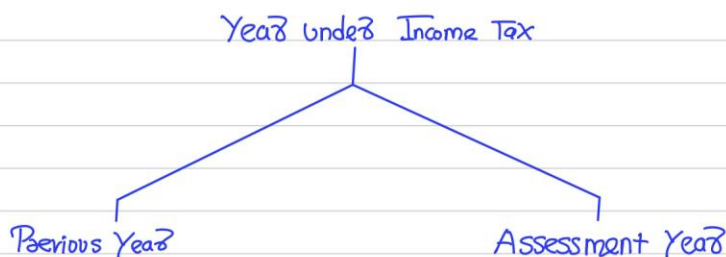
Example :- Final Tax	Final After Round off
848	850
847.20	850
841.20	840

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



Meaning of Previous Year or Assessment Year

↓
Sec 3 of Income Tax Act ↓
Sec 2 (9) of Income Tax Act



1. PY means the year in which income is earned.

2. It may be 12 m or less than 12 m

3. Normal case → starting from = 1st April
ending to = 31st March

If New business = Starting from the date of
Set up Business Set up

ending to = 31st March

1. AY means the year in which income is chargeable to Tax.

2. It shall be always 12 m

3. starting from = 1st April
Ending to = 31st March

For June / Dec 2025 P.Y = 1/4/2024 - 31/3/2025 = PY 24-25

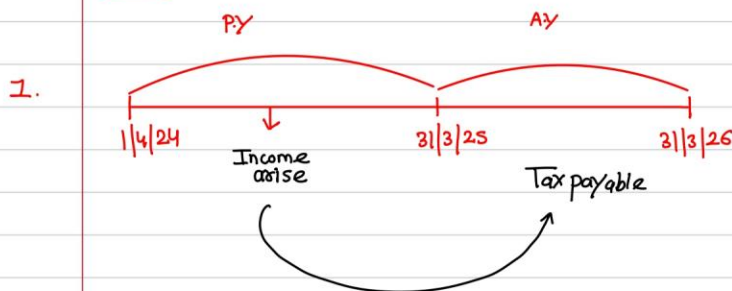
A.Y = 1/4/2025 - 31/3/2026 = AY 25-26



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] 31/8/25	5/4/25	31/3/25 - 31/3/25	1/4/25 - 31/3/26

Cox



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



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General Rule

Income of a previous year is taxable in A.Y



Exception of above Rule

Cases where income of PY Taxable in PY 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

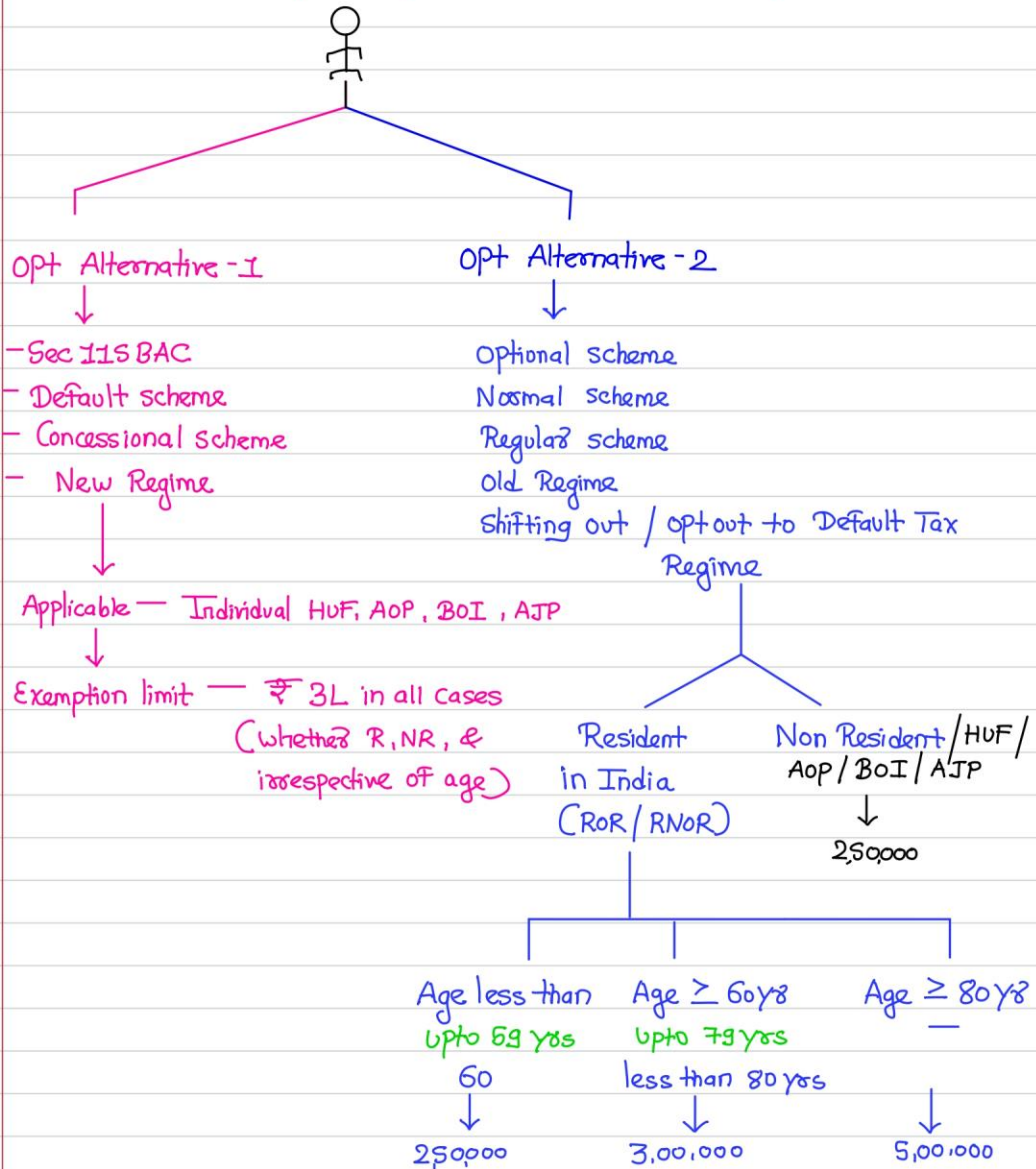


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Lecture 7

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



* Age 60 yrs or more = At any time during the PY

* Age 80 yrs or more = At any time during the PY



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What if DOB on 1st April?

Case-1

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

Case - 2

If DOB on 1/4/1965 = Deemed 60 years on 31/3/2025 and Exemption limit ₹3L shall apply for Computation of tax liability for PY 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



All Assessors 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.



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.

→ Bhoor 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 other than

- 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



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115BAC

S.NO	Total Income	Tax Rates
1.	upto ₹ 3,00,000	Nil
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 liability before cess.

Example :-

Mx.A Total Income 24,00,000

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

3L	= Nil	} → 410000
4L X 5%	= 20000	
3L X 10%	= 30000	
2L X 15%	= 30000	
3L X 20%	= 60000	
9L X 30%	= 270000	

Example :-

Mx.A Total Income 18,00,000

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

3L	= Nil	} → 230000
4L X 5%	= 20000	
3L X 10%	= 30000	
2L X 15%	= 30000	
3L X 20%	= 60000	
3L X 30%	= 90000	



Hw Calculate Tax liability As Per Default Tax Regime

Assessee	Residential Status	Age	Total Income	Tax
	Not Matter in IIS BAC			
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



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

300000 = Nil

400000 X 5% = 20000

240000 X 10% = 24000

44000

+4% Cess 1760

45760

2. Mr. B Total Income 12,80,000

300000 = Nil

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 16,40,000

300000 = Nil

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	=	Nil
400000	X 5%	= 20000
300000	X 10%	= 30000
200000	X 15%	= 30000
280000	X 20%	= 56000
		<u>136000</u>
+ 4% cess		5440
		<u>141440</u>

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

300000	=	Nil
400000	X 5%	= 20000
210000	X 10%	= 21000
		<u>41000</u>
+ 4% cess		1640
		<u>42640</u>

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

300000	=	Nil
400000	X 5%	= 20000
115000	X 10%	= 11500
		<u>31500</u>
+ 4% cess		1260
		<u>32760</u>



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

$$\begin{array}{rcl}
 300000 & = & \text{Nil} \\
 400000 & \times 5\% & = 20000 \\
 90000 & \times 10\% & = 9000 \\
 & & \hline
 & & 29000
 \end{array}$$

$$\begin{array}{rcl}
 +4\% \text{ cess} & & 1160 \\
 & & \hline
 & & 30160
 \end{array}$$

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

$$\begin{array}{rcl}
 300000 & = & \text{Nil} \\
 400000 & \times 5\% & = 20000 \\
 300000 & \times 10\% & = 30000 \\
 190000 & \times 15\% & = 28500 \\
 & & \hline
 & & 78500
 \end{array}$$

$$\begin{array}{rcl}
 +4\% \text{ cess} & & 3140 \\
 & & \hline
 & & 81640
 \end{array}$$

9. Mr. I Total Income 18,40,000

$$\begin{array}{rcl}
 300000 & = & \text{Nil} \\
 400000 & \times 5\% & = 20000 \\
 300000 & \times 10\% & = 30000 \\
 200000 & \times 15\% & = 30000 \\
 300000 & \times 20\% & = 60000 \\
 340000 & \times 30\% & = 102000 \\
 & & \hline
 & & 242000
 \end{array}$$

$$\begin{array}{rcl}
 +4\% \text{ cess} & & 9680 \\
 & & \hline
 & & 251680
 \end{array}$$



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

		=		=	
300000					Nil
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



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Lecture 8

Question :- Mr. VG is a Resident in India, Age 46 Years, he arise 14,80,000 Income during the py. 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
I st	₹ 3,00,000	= Nil	Nil
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	<u>1,36,000</u>
		Add 4%	5,400
		Health and Education cess	<u> </u>
		Final Tax	1,41,400



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

1] Surcharge

2] Marginal Relief

3] Rebate u/s 87A

→ Applicable for Individual, HUF, AOP, BOI, AJP

→ Applicable for Individual only.

Surcharge :-

Sr.no	Total Income	Surcharge Rates
1.	If total Income upto ₹ 50,00,000 in a P.Y.	Nil
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



EX1. TI 65,00,000 - 15L → 50L X 30% →

	15,00,000
	+ 1,40,000
	<hr/>
	16,40,000
+ Surcharge @ 10%	+ 1,64,000
	<hr/>
	18,04,000
+ 4% Cess	+ 72,160
	<hr/>
	18,76,160

EX2. TI 50,25,000 - 15L → 35,25,000 X 30% →

	10,57,500
	+ 1,40,000
	<hr/>
	11,97,500
+ Surcharge @ 10%	+ 1,19,750
	<hr/>
	13,17,250
+ 4% Cess	+ 52,690
	<hr/>
	13,69,940

Application of Surcharge and MR

TI 50,25,000 Tax 11,97,500 S+ 1,19,750 <hr/> Tax+S 13,17,250	TI 50,00,000 Tax 11,90,000 S+ Nil <hr/> Tax+S 11,90,000
---	--

Tax ↑	12,72,500
Income Increase	2,50,000
MR	1,02,250

- MR (1,02,250)	
	<hr/>
	12,15,000
+ 4% Cess	48,600
	<hr/>
	12,63,600



TI 2,02,00,000

$$2,02,00,000 - 15L \rightarrow 1,87,00,000 \times 30\% \rightarrow \begin{array}{r} 56,10,000 \\ + 14,00,000 \\ \hline \text{Tax} \quad 57,50,000 \\ \text{25\% Surcharge} + 14,87,500 \\ \hline \text{T+S} \quad 71,87,500 \end{array}$$

TI 2,00,00,000

$$\begin{array}{r} \text{Tax} \quad 56,90,000 \\ \text{15\% Surcharge} + 8,53,500 \\ \hline \text{Tax+S} \quad 65,43,500 \end{array}$$

TI 2,02,00,000

$$\begin{array}{r} \text{Tax} \quad 57,50,000 \\ \text{25\% Surcharge} \quad 14,87,500 \\ \hline \text{Tax+S} \quad 71,87,500 \end{array}$$

$$\begin{array}{r} \text{Tax} \uparrow 64,000 \\ \text{Income Increase} \quad 2,00,000 \\ \hline \text{MR} \quad 44,40,000 \end{array}$$

$$\begin{array}{r} - \text{MR} \quad (44,40,000) \\ \hline 67,43,500 \\ + 4\% Cess \quad 2,69,740 \\ \hline \text{Final Tax} \quad 70,13,240 \end{array}$$



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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 SOL/ICB/2CB = $xxxx$

+ 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 step 2 = $xxxx$

Income Increment $xxxx$ (D)



Step 5 Computation of marginal Relief

Cases

If Tax Increment \leq Income Increment

or

If $C \leq D$



No MR

If Tax Increment $>$ Income Increment

If $C > D$



MR Available



$$(C - D) = \text{xxxx MR}$$

(Tax Increment - Income Increment)

Step 6 :- Computation of final Tax

If MR Not Available

$$\text{Tax under step 1} + 4\% \text{ Cess} = \text{xxxx Final Tax}$$



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IF MR Available

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

Final Tax $\frac{+4\% \text{ Cess}}{XXXX}$

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
Toori	1,07,00,000	NOMR	3468400

With presentation



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Q1.

Bhindi

Total Income = 51,10,000

<p>TI 5000000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: right;">1190000</td> </tr> <tr> <td style="text-align: right;">Surcharge +</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">Tax + S</td> <td style="text-align: right; border-top: 1px solid black;">1190000</td> </tr> </table>	Tax	1190000	Surcharge +	Nil	Tax + S	1190000	<p>TI 5110000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: right;">1223000</td> </tr> <tr> <td style="text-align: right;">10% Surcharge +</td> <td style="text-align: right;">122300</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">Tax + S</td> <td style="text-align: right; border-top: 1px solid black;">1345300</td> </tr> </table>	Tax	1223000	10% Surcharge +	122300	Tax + S	1345300
Tax	1190000												
Surcharge +	Nil												
Tax + S	1190000												
Tax	1223000												
10% Surcharge +	122300												
Tax + S	1345300												
<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: right;">155800</td> </tr> <tr> <td style="text-align: right;">Income Increase</td> <td style="text-align: right;">110000</td> </tr> <tr> <td style="text-align: right; border-top: 1px solid black;">MR</td> <td style="text-align: right; border-top: 1px solid black;">453200</td> </tr> </table>		Tax	155800	Income Increase	110000	MR	453200						
Tax	155800												
Income Increase	110000												
MR	453200												
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-	MR (45300)												
	1300000												
+4% Cess	52000												
	1352000												



VGSR

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Q2.

Aaru

Total Income : 1,01,20,000

Ans:-

Step 1: Computation of Tax liability on Total Income = 1,01,20,000

$$\begin{aligned} \text{Tax liability} &= 27,26,000 \\ (+) \text{ Surcharge (15\%)} &= \frac{4,08,900}{} \\ (=) \text{ Tax + Surcharge} &= \underline{31,34,900} \quad (A) \end{aligned}$$

Step 2: Computation of tax liability on Total Income = 100,00,000

$$\begin{aligned} \text{Tax liability} &= 26,90,000 \\ (+) \text{ Surcharge (10\%)} &= \frac{2,69,000}{} \\ (=) \text{ Tax + Surcharge} &= \underline{29,59,000} \quad (B) \end{aligned}$$

Step 3: Computation of Tax increment

$$(A) - (B) = 31,34,900 - 29,59,000$$

$$\text{Tax increment} = 1,75,900$$

Step 4: Computation of Income Increment

$$1,01,20,000 - 1,00,00,000$$

$$\text{Income Increment} = 12,000$$

Step 5: Computation of marginal Relief

$$\text{Tax increment} > \text{Income Increment}$$

$$\therefore \text{marginal Relief} = \text{Tax Increment} \leftrightarrow \text{Income Increment}$$

$$= 1,75,900 - 12,000$$

$$\text{marginal Relief} = 55,900$$



VGSR

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Step 6: Computation of Final Tax liability

Tax	2726000
(+) Surcharges (15%)	<u>408900</u>
(=) Tax + surcharges	<u>3134900</u>
(-) Marginal Relief	<u>(55900)</u>
	3079000
(+) Cess 4%	<u>123160</u>
(=) Final Tax	3202160



Q3.

Paneer

Total Income = 2,08,00,000

<p>TI 2,00,00,000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: left;">569000</td> </tr> <tr> <td style="text-align: right;">15% Surcharge +</td> <td style="text-align: left;"><u>853500</u></td> </tr> <tr> <td style="text-align: right;">Tax + S</td> <td style="text-align: left;">6543500</td> </tr> </table>	Tax	569000	15% Surcharge +	<u>853500</u>	Tax + S	6543500	<p>TI 2,08,00,000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: left;">5930000</td> </tr> <tr> <td style="text-align: right;">25% Surcharge +</td> <td style="text-align: left;"><u>1482500</u></td> </tr> <tr> <td style="text-align: right;">Tax + S</td> <td style="text-align: left;">7412500</td> </tr> </table>	Tax	5930000	25% Surcharge +	<u>1482500</u>	Tax + S	7412500
Tax	569000												
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Tax	869000												
Income Increase	<u>80000</u>												
MR	69000												
<table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">- MR</td> <td style="text-align: left;"><u>(69000)</u></td> </tr> <tr> <td></td> <td style="text-align: left;">7343500</td> </tr> <tr> <td style="text-align: right;">+ 4% Cess</td> <td style="text-align: left;"><u>293740</u></td> </tr> <tr> <td></td> <td style="text-align: left;">7637240</td> </tr> </table>		- MR	<u>(69000)</u>		7343500	+ 4% Cess	<u>293740</u>		7637240				
- MR	<u>(69000)</u>												
	7343500												
+ 4% Cess	<u>293740</u>												
	7637240												



VGSR

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Q4.

Gobhi

Total Income = 5900000

<p>TI 5000000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: right;">1190000</td> </tr> <tr> <td style="text-align: right;">Surcharge</td> <td style="text-align: right;">Nil</td> </tr> <tr> <td style="text-align: right;">Tax + S</td> <td style="text-align: right; border-top: 1px solid black;">1190000</td> </tr> </table>	Tax	1190000	Surcharge	Nil	Tax + S	1190000	<p>TI 5900000</p> <table style="margin-left: auto; margin-right: auto;"> <tr> <td style="text-align: right;">Tax</td> <td style="text-align: right;">1460000</td> </tr> <tr> <td style="text-align: right;">10% Surcharge +</td> <td style="text-align: right;">146000</td> </tr> <tr> <td style="text-align: right;">Tax + S</td> <td style="text-align: right; border-top: 1px solid black;">1606000</td> </tr> </table>	Tax	1460000	10% Surcharge +	146000	Tax + S	1606000
Tax	1190000												
Surcharge	Nil												
Tax + S	1190000												
Tax	1460000												
10% Surcharge +	146000												
Tax + S	1606000												
<div style="display: flex; justify-content: space-around; align-items: center;"> <div style="text-align: center;"> <p>Tax 416000</p> <p>Income Increase 900000</p> <p>MR NO MR</p> </div> <div style="text-align: center;"> <p>MR (-)</p> <p style="border-top: 1px solid black;">1606000</p> <p>+ 4% Cess</p> <p style="border-top: 1px solid black;">64240</p> <p style="border-top: 1px solid black;">1670240</p> </div> </div>													



VGSR

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Qs.

Toni

Total Income : 1,07,00,000

Ans:-

Step 1: Computation of Tax liability on Total Income = 107,00,000

$$\begin{aligned} \text{Tax liability} &= 29,00,000 \\ (+) \text{ Surcharge (15\%)} &= \frac{435,000}{} \\ (=) \text{ Tax + Surcharge} &= \underline{33,35,000} \quad (A) \end{aligned}$$

Step 2: Computation of tax liability on Total Income = 100,00,000

$$\begin{aligned} \text{Tax liability} &= 26,90,000 \\ (+) \text{ Surcharge (10\%)} &= \frac{2,69,000}{} \\ (=) \text{ Tax + Surcharge} &= \underline{29,59,000} \quad (B) \end{aligned}$$

Step 3: Computation of Tax increment

$$(A) - (B) = 33,35,000 - 29,59,000$$

$$\text{Tax increment} = 3,76,000$$

Step 4: Computation of Income Increment

$$107,00,000 - 100,00,000$$

$$\text{Income Increment} = 7,00,000$$

Step 5: Computation of marginal Relief

$$\text{Tax increment} < \text{Income Increment}$$

Hence, No Marginal Relief



Step 6: Computation of Final Tax liability

Tax	2900000
(+) Surcharges (15%)	<u>435000</u>
(=) Tax + surcharge	<u>3335000</u>
(-) Marginal Relief	<u>-</u>
	3335000
(+) Cess 4%	<u>133400</u>
(=) Final Tax	<u>3468400</u>



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

] Computation of Tax on 2,03,40,000

$$\text{First } 3,00,000 = \frac{\text{Tax Rate}}{\text{Nil}} = \frac{\text{Tax}}{\text{Nil}}$$

$$\text{Next } 4,00,000 = 5\% = 20,000$$

$$\text{Next } 3,00,000 = 10\% = 30,000$$

$$\text{Next } 2,00,000 = 15\% = 30,000$$

$$\text{Next } 3,00,000 = 20\% = 60,000$$

$$\text{Balance } 1,80,40,000 = 30\% = \frac{56,52,000}{57,92,000}$$

$$+ \text{ Surcharge @ } 25\% \quad 14,48,000$$

$$\text{(Since TI} > 2\text{cr)} \quad \underline{\hspace{2cm}} \\ \text{Tax + Surcharge } 72,40,000 \text{ CA)}$$



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

$$\begin{array}{r} \text{First } 15,00,000 = 14,000 \\ \text{Balance } 18,50,000 = 550,000 \\ \hline \text{Tax } 56,90,000 \end{array}$$

$$\begin{array}{r} + \text{Surcharge @ 15\%} \quad 8,53,500 \\ \hline \text{Tax + Surcharge } 65,43,500 \text{ (CB)} \end{array}$$

3) Computation of Tax Increment

$$\text{Tax under step 1} = 72,40,000$$

$$\text{Tax under step 2} = 65,43,500$$

$$\text{Tax Increment} \quad \underline{6,96,500}$$

4) Computation of income Increment

$$\text{Income under step 1} \quad 2,03,40,000$$

$$\text{Income under step 2} \quad \underline{2,00,00,000}$$

$$\text{Income Increment} \quad \underline{3,40,000}$$



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

$$\text{Tax under step-1 (i.e. on 2,03,40,000)} = 72,40,000$$

$$\begin{array}{r} \text{(-) MR} \\ \hline \text{Tax - MR} \end{array} = \frac{3,56,500}{68,83,500}$$

$$\begin{array}{r} + 4\% \text{ H\&ES} \\ \hline \text{Final Tax} \end{array} = \frac{2,75,1340}{71,58,840}$$



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



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Example :-	I	II	III	IV	V
Total Income	3,80,000	4,50,000	6,10,000	6,80,000	7,00,000
Tax	4000	7500	15500	19000	20000
→ Rebate u/s 87A	$\frac{4000}{\text{Nil}}$	$\frac{7500}{\text{Nil}}$	$\frac{15500}{\text{Nil}}$	$\frac{19000}{\text{Nil}}$	$\frac{20000}{\text{Nil}}$

CRUX अगर कोई Resident Individual पूरे साल में 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	III	IV	V
Total Income	7,05,000	7,15,000	7,20,000	7,22,000	7,25,000
Step 1 (TI - TL) A	5000 (7,05,000 - 7,00,000)	15,000 (7,15,000 - 7,00,000)	20,000 (7,20,000 - 7,00,000)	22,000 (7,22,000 - 7,00,000)	25,000 (7,25,000 - 7,00,000)
Step 2 Tax (B)	20,800	21,500	22,000	22,200	22,500
Step 3	B > A	B > A	B > A	B > A	B < A
Rebate	✓	✓	✓	✓	X
Amount of Rebate	15,500 (20,800 - 5,000)	6,500 (21,500 - 15,000)	2,000 (22,000 - 20,000)	200 (22,200 - 22,000)	0
Tax after Rebate	5,000 (20,800 - 15,500)	15,000 (21,500 - 6,500)	20,000 (22,000 - 2,000)	22,000 (22,200 - 200)	22,500 (22,500 - 0)
Cess @ 4%	200	600	800	880	900
Final Tax	5,200	15,600	20,800	22,880	23,400



H.w

Example	Total Income	Answer
Bablu	1,01,80,000	3264860
Tablu	7,16,000	16640
Arun	6,95,000	Nil
Ganesh	2,04,00,000	7221240
Riya	50,80,000	1320800
kashish	7,35,000	24440



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Q1] TI 1,01,80,000

TI 10180000 Tax 2744000 15% Surcharge + 411600 <hr/> Tax+S 3155600	TI 10000000 Tax 2690000 10% Surcharge + 269000 <hr/> Tax+S 2959000						
↓							
<table style="margin: auto;"> <tr> <td style="padding-right: 20px;">Tax</td> <td style="text-align: right;">196600</td> </tr> <tr> <td style="padding-right: 20px;">Income Increase</td> <td style="text-align: right;">180000</td> </tr> <tr> <td style="padding-right: 20px;">MR</td> <td style="text-align: right;">16600</td> </tr> </table>		Tax	196600	Income Increase	180000	MR	16600
Tax	196600						
Income Increase	180000						
MR	16600						
↓							
<table style="margin: auto;"> <tr> <td style="padding-right: 20px;">- MR (16600)</td> <td style="text-align: right;">3139000</td> </tr> <tr> <td style="padding-right: 20px;">+ 4% Cess</td> <td style="text-align: right;">125560</td> </tr> <tr> <td></td> <td style="text-align: right; border-top: 1px solid black;">3264560</td> </tr> </table>		- MR (16600)	3139000	+ 4% Cess	125560		3264560
- MR (16600)	3139000						
+ 4% Cess	125560						
	3264560						

Q2.

716000

Step 1 → Remove Income Increment

$$\begin{array}{r} \text{Total Income} \quad 700000 \\ 716000 - 700000 = 16000 \rightarrow \textcircled{A} \end{array}$$

$$\text{Step 2} \rightarrow \text{Tax} \rightarrow 21600 \rightarrow \textcircled{B}$$

$B > A$

$$\begin{array}{r} \text{Step 3} \rightarrow \text{Rebate } 5600 \text{ (} 21600 - 16000 \text{)} \\ \text{Tax After Rebate} \quad 16000 \text{ (} 21600 - 5600 \text{)} \\ + 4\% \text{ Cess} \quad 640 \\ \hline 16640 \end{array}$$



Q3. TI 6,95,000

300000	Nil	
395000 @ 5%		19750
87A Rebate		19750
		<u>Nil</u>

Q4. TI 20400000

TI 20400000	TI 20000000
Tax 5810000	Tax 5690000
25% Surcharge + 1452500	15% Surcharge + 853500
Tax+S 7262500	Tax+S 6543500

Tax 719000
Income Increase 400000
MR 319000

- MR (319000)
<u>6943500</u>
+ 4% Cess 277740
<u>7221240</u>



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Q5. TI 5080000

TI 5080000 Tax 1214000 10% Surcharge + 121400 <hr/> Tax + S 1335400	TI 5000000 Tax 1190000 Surcharge Nil <hr/> Tax + S 1190000
Tax 145400 Income Increase 80000 <hr/> MR 65400	
- MR (65400) <hr/> 1270000 + 4% Cess 50800 <hr/> 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



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Lecture 10

Section 115BAC 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(c) - Leave Travel Concession (LTC)
- Section 10(13A) - House Rent Allowance (HRA)
- Section 10(14) - Special Allowance (13 Approx)

Except

Exemption Allowed
he in default scheme also

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

- 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

Self occupied House

Self occupied Property



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PGBP

- 1) Section 10AA = Deduction in respect of SEZ
- 2) Section 32(1)(ii a) = Additional Depreciation
- 3) Section 35(1)(ii) = Deduction to specified Approved Institute
- 4) Section 35(1)(ii a) = 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

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

Other Important Point

Section 10(17) — Allowance to MP/MLA



Can I change scheme every year ?

If depends

Assessee does not
have any PGBP Income

You have an option
of default scheme
or Normal scheme
every year (opt for the
Due date of filing of RIT)

Assessee have
PGBP Income

Ya तो आप Default scheme
में आए नहीं,
अगर Default scheme ले ली है
तो withdraw मत करो,
अगर withdraw कर रहे हो तो
दुबारा Default scheme नहीं
मिलेगी

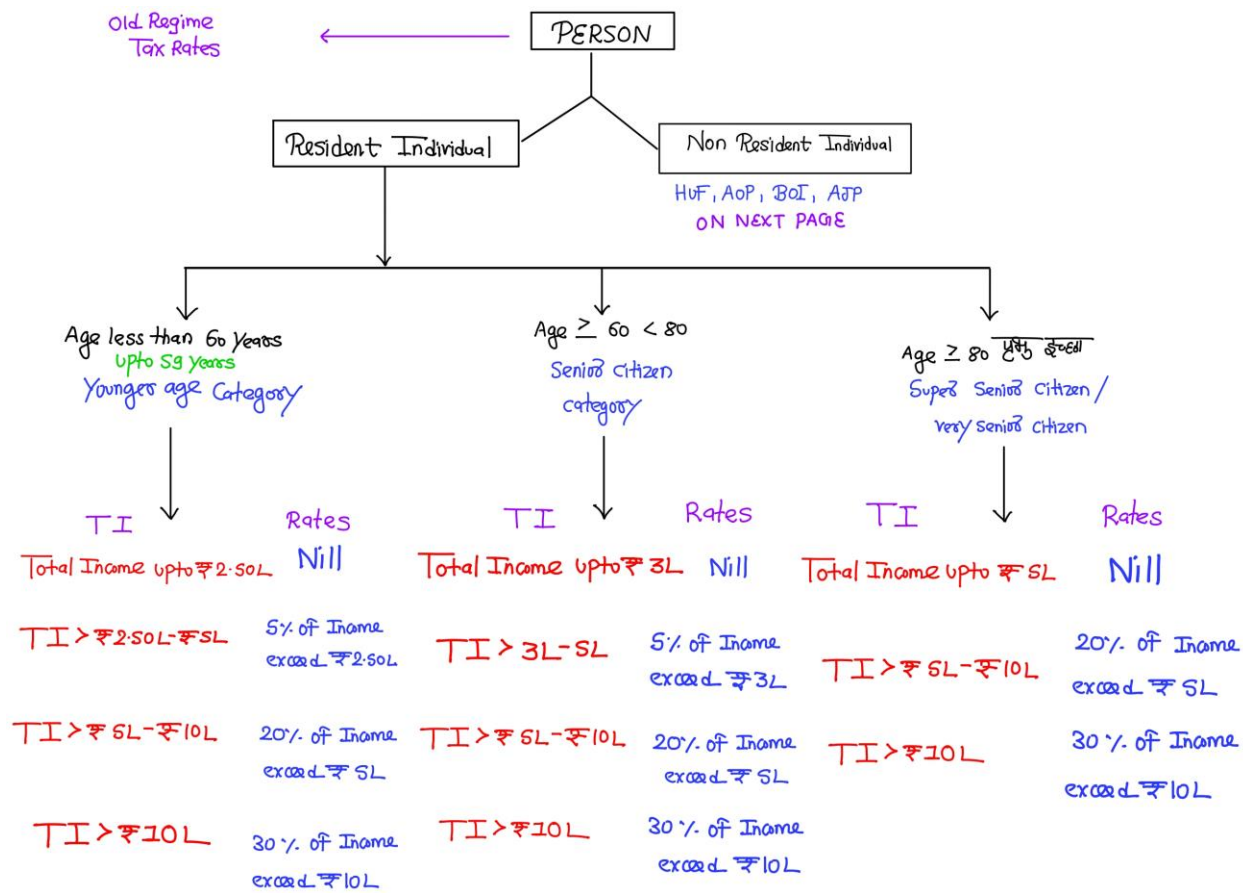
Tax Rates Prescribed by Annual Finance Act for

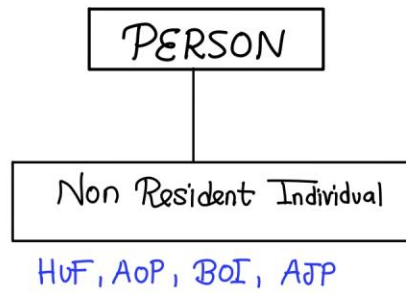
“Optional Tax Regime” / “Normal Tax Regime” / “Regular Tax Regime” /

“Shifting out to Default Tax Regime”.



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TI	Rates
Total Income upto ₹2.50L	Nil
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



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Surcharge :- under Normal Tax Regime \rightarrow 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.	Nil
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 - पुष्प 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 ₹ 50,000

Quantum of Rebate $\left. \begin{array}{l} 100\% \text{ of Tax} \\ 08 \\ 12,500 \end{array} \right\} \begin{array}{l} \text{Max Rebate} \\ 12,500 \end{array}$ Which ever is less



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 SL)	(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	Nil	—
Next 250000	5%	12500
Next 500000	20%	100000
Bal 9100000	30%	<u>2730000</u>

$$\begin{aligned} \text{Tax} &= 2842500 \\ (+) \text{Surcharge @ 15\%} &= \underline{426375} \\ (=) \text{Tax + Surcharge} &= 3268875 \text{ (A)} \end{aligned}$$

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

First 100000	112500
Balance 90,00,000	<u>2700000</u>
Tax	2812500
(+) Surcharge @ 10%	<u>281250</u>
(=) Tax + Surcharge	3093750 (B)



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Step 3: Computation of Tax Increment

$$(A) - (B) = 3268875 - 3093750$$

$$\text{Tax increment} = 175125$$

Step 4: Computation of Income Increment

$$10100000 - 10000000$$

$$\text{Income Increment} = 100000$$

Step 5: Computation of marginal Relief

$$\text{Tax increment} > \text{Income Increment}$$

$$\therefore \text{marginal Relief} = \text{Tax Increment} - \text{Income Increment}$$

$$= 175125 - 100000$$

$$\text{marginal Relief} = 75125$$

Step 6: Computation of Final Tax liability

Tax under 1	3268875
(-) Marginal Relief	(75125)
	<u>3193750</u>
(+) Cess 4%	<u>127750</u>
(=) Final Tax	3321500



Q2]

B - Age 61 - Resident - TI 5,01,00,000 - Normal Scheme

Step 1: Computation of Tax liability on Total Income 5,01,00,000

First	300000	Nil	—
Next	200000	5%	10000
Next	500000	20%	100000
Bal	49100000	30%	<u>14730000</u>

$$\begin{aligned} \text{Tax} &= 14840000 \\ (+) \text{ Surcharge @ 37\%} &= \underline{5490800} \\ (=) \text{ Tax + Surcharge} &= 20330800 \quad (A) \end{aligned}$$

Step 2: Computation of tax liability on Total Income 5,00,00,000 (Assumed)

First	1000000	110000
Balance	490,00,000	<u>14700000</u>
Tax		14810000
(+) Surcharge @ 25%		<u>3702500</u>
(=) Tax + Surcharge		18512500 (B)

Step 3: Computation of Tax increment

$$(A) - (B) = 20330800 - 18512500$$

$$\text{Tax increment} = 1818300$$

Step 4: Computation of Income Increment

$$\begin{aligned} &50100000 - 50000000 \\ \text{Income Increment} &= 100000 \end{aligned}$$



Step 5: Computation of marginal Relief

Tax increment > Income Increment

$$\begin{aligned} \therefore \text{marginal Relief} &= \text{Tax Increment} - \text{Income Increment} \\ &= 1818300 - 100000 \\ \text{marginal Relief} &= 1718300 \end{aligned}$$

Step 6: Computation of final Tax liability

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

Q3.

C - Age 71 - Non Resident - TI 480000 - Normal scheme

Computation of Tax

First 250000	Nil	-
Balance 230000	5%	<u>11500</u>
Tax		<u>11500</u>

(-) Rebate u/s 87A
(Not available to a Non-Resident)

(Nil)

11500

(+) 4% Cess	<u>+ 460</u>
Final Tax	<u><u>11960</u></u>



Q4. D - Age 80 - Resident - TI 704000 - Default scheme

Step 1 Computation of Tax liability on 704000

First	300000	Nil	-
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)
	<u>Nil</u>

= Tax

Step 3 Tax increment $20400 - 0 = 20400$

Step 4 Income Increment = $704000 - 700000 = 4000$

Step 5 Rebate u/s 87A

$$\begin{aligned} \text{Rebate} &= \text{Tax increment} - \text{Income increment} \\ &= 20400 - 4000 \end{aligned}$$

$$\text{Rebate} = 16400$$

Step 6 Final Tax = Tax under ① 20400

(-) Rebate 16400

(=) Tax - Rebate 4000

(+) 4% Cess 160

(=) Final Tax 4160



Q 5. E - Age 45 - Non Resident - T.I 5100000 - Normal scheme

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

First	250000	Nil	—
Next	250000	5%	12500
Next	500000	20%	100000
Bal	4100000	30%	<u>1230000</u>

$$\begin{aligned} \text{Tax} &= 1342500 \\ (+) \text{ Surcharge @ 10\%} &= \frac{134250}{10} \times 10 = 134250 \\ (=) \text{ Tax + Surcharge} &= 1476750 \quad (A) \end{aligned}$$

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

First	250000	Nil	—
Next	250000	5%	12500
Next	500000	20%	100000
Balance	4100000	30%	<u>1200000</u>
Tax			1312500
+ Surcharge			—
Tax + Surcharge			<u>1312500</u>

Step 3: Computation of Tax increment

$$(A) - (B) = 1476750 - 1312500$$

$$\text{Tax increment} = 164250$$

Step 4: Computation of Income Increment

$$\begin{aligned} 5100000 &- 5000000 \\ \text{Income Increment} &= 100000 \end{aligned}$$



Steps Computation of marginal Relief

$$\begin{aligned} \text{Rebate} &= \text{Tax increment} - \text{Income increment} \\ &= 164250 - 100000 \\ \text{Rebate} &= 64250 \end{aligned}$$

Steps Final Tax = Tax under ① 1476750

(-) MR	64250
(=) Tax	1412500
(+) 4% cess	56500
(=) Final Tax	<u>1469000</u>

Q 6. F - Age 70 - Resident - TI 498000 - Normal scheme

First	300000	Nil	-
Balance	198000	5%	<u>9900</u>
Tax			9900
(-) Rebate u/s 87A		(9900)	<u> </u>
Final Tax			<u>Nil</u>



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Lecture 11

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

Highest 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

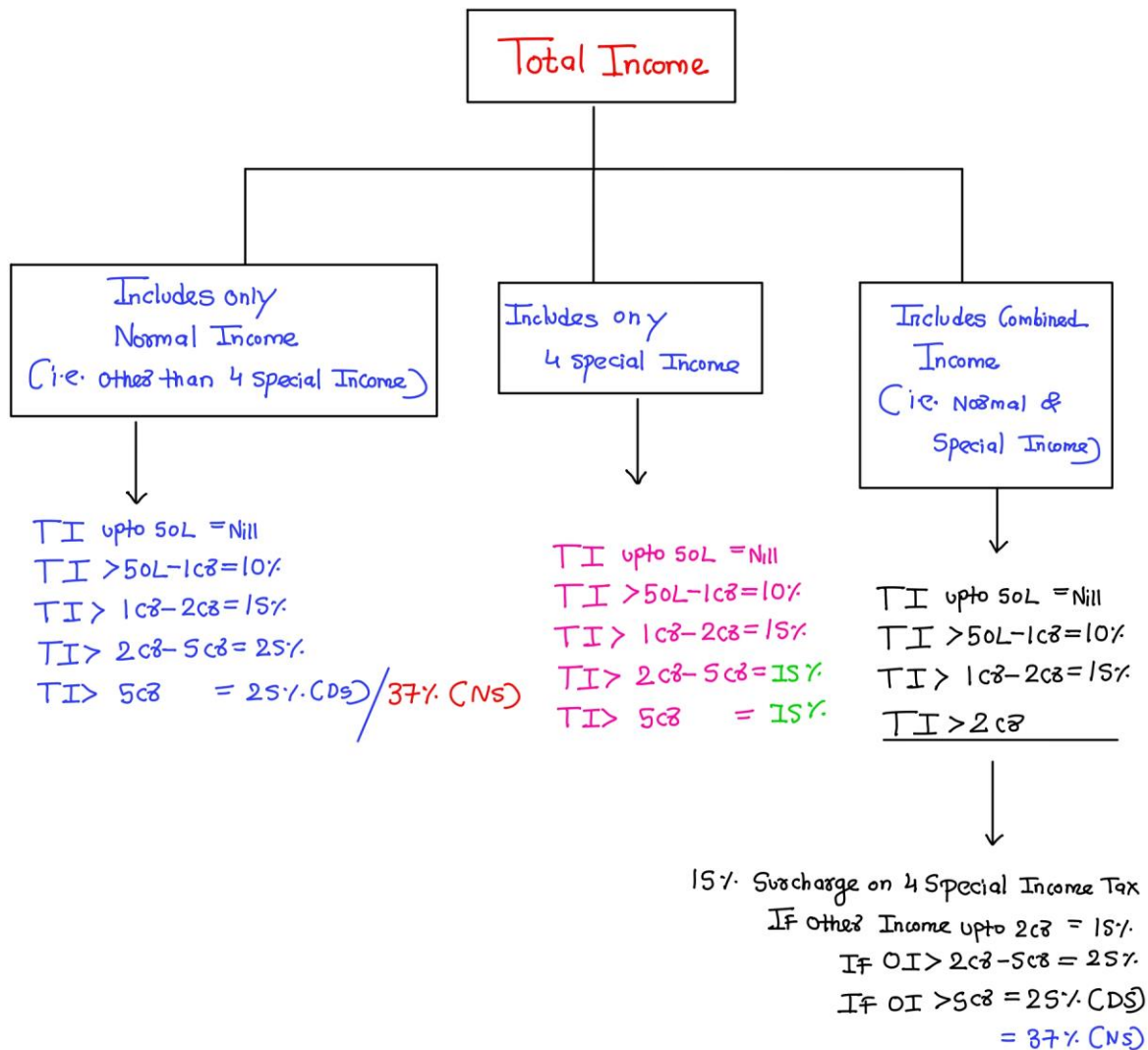
4] Dividend Income

→ Maximum Surcharge Apply
on such Tax liability @ 15%



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Special Treatment of Surcharge in case of 4 Special Income



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(Sif Rates Batana hain)

Example	Total scheme	Scheme	Surcharge on Tax
1.	PGBP = 45,00,000	DS	Nil
2.	LTCG u/s 112 = 40,00,000	NS	Nil
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.	$\begin{array}{r} \text{PGBP} = 40,00,000 \\ \text{LTCG 112} = 1,70,00,000 \\ \hline 2,10,00,000 \end{array}$	NS	Other Income → 15% Special Income → 15%
7.	$\begin{array}{r} \text{PGBP} = 2,25,00,000 \\ \text{STCG 111A} = 70,00,000 \\ \hline 2,95,00,000 \end{array}$	DS	Other Income → 25% Special Income → 15%
8.	$\begin{array}{r} \text{PGBP} = 5,01,00,000 \\ \text{LTCG 112} = 99,00,000 \\ \hline 5,91,00,000 \end{array}$	DS	Other Income → 25% Special Income → 15%
9.	$\begin{array}{r} \text{PGBP} = 1,60,00,000 \\ \text{LTCG 112} = 5,10,00,000 \\ \hline 6,70,00,000 \end{array}$	NS	Other Income → 15% Special Income → 15%
10.	$\begin{array}{r} \text{PGBP} = 1,00,00,000 \\ \text{LTCG 112} = 2,40,00,000 \\ \hline 2,15,00,000 \end{array}$	DS	Other Income → 15% Special Income → 15%



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11.	$\begin{aligned} \text{PGBP} &= 40,00,000 \\ \text{HP} &= 80,00,000 \\ \text{Salary} &= 90,00,000 \\ \text{LTCS 112} &= 2,10,00,000 \\ \hline \text{T.I} &= 4,20,00,000 \end{aligned}$	NS	<p>Other Income \rightarrow 25%</p> <p>Special Income \rightarrow 15%</p>
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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 - $\frac{100}{80}$ $\frac{20}{80}$ = 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	= 3,63,000
		12%	
Tax	30,00,000	T+S	33,93,000
		- MR	2,93,600
	Tax = 3,93,600		31,00,000
	I = 1,00,000	+ 4% Cess	1,24,000
	MR = 2,93,600		32,24,000



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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 - 20000 = 30% of Income excess ₹ 20000

Surcharge

Total Income upto 1cr = Nil
 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%	<u>2.2%</u>
	24.2%
4% Cess	<u>0.968%</u>
Effective Rate of Tax	25.168%

Sec-115BAE

Applicability = Resident Co-operative Society
 + Manufacturing Business

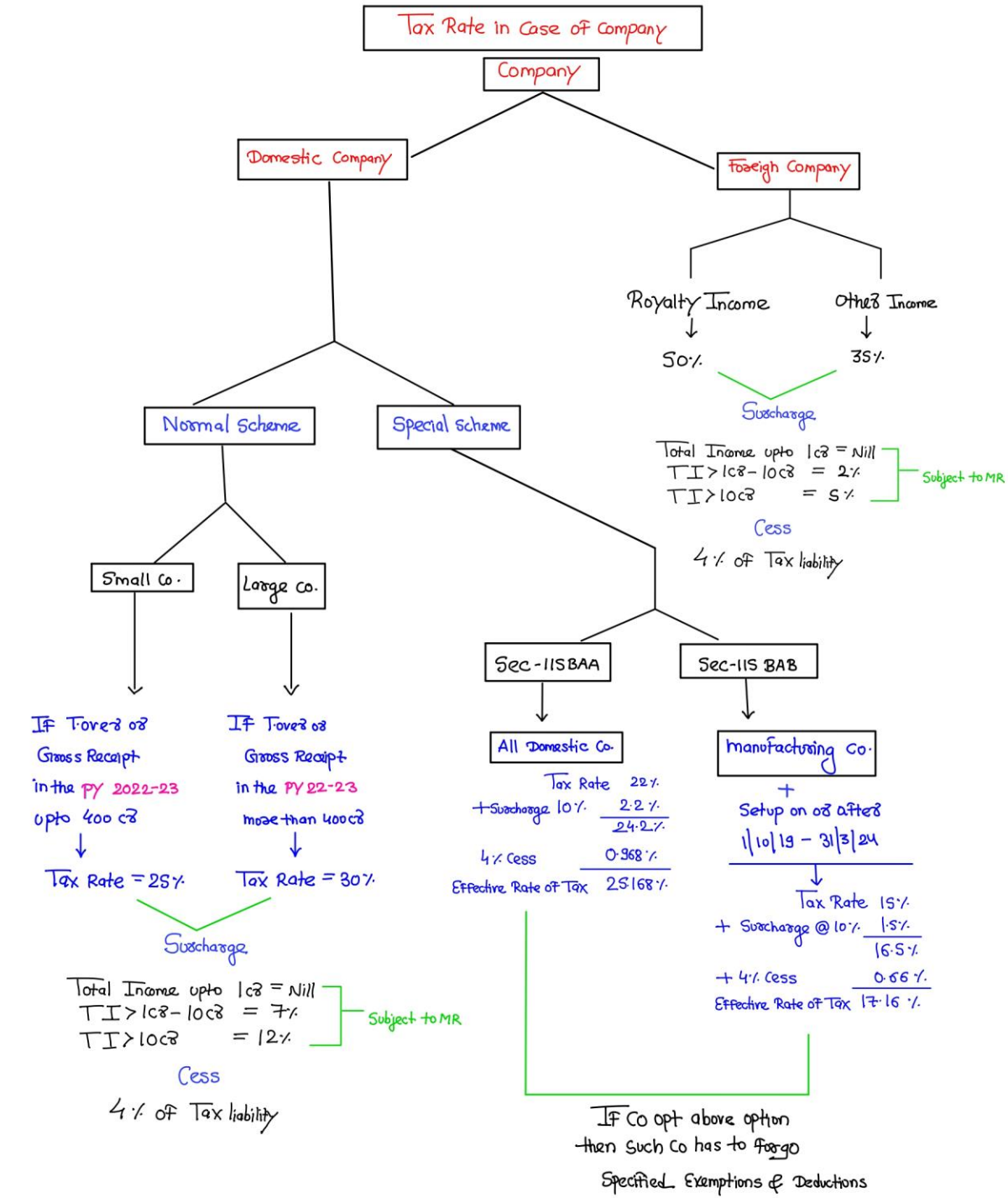
Setup on or after 11/4/23 to 31/3/24

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

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



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Pending Topics

1] Agriculture Income | Partial Integration method

2] Capital Receipt / Revenue Receipt

3] Undisclosed 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



(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 = Nil
in excess of 1,25,000 10% or 12.5%

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

4] IISBB - Winning from lottery, Crossword puzzle, Races, Card games, other games,
Gambling, betting etc = 30%

5] IISBBJ - Net winning from online gaming = 30%

6] IISBBE - Unexplained money = 60%

For detail discussion please refer Capital Gain and other source chapters



VGSR

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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	= <u>₹30,000</u>
		= ₹1,70,000
Add: Health and Education cess @ 4%		= <u>₹6,800</u>
		= <u>₹1,76,800</u>

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 –

- 45 years
- 63 years
- 82 years

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

SOLUTION

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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	= <u>₹1,80,000</u>
		= ₹2,92,500
Add: Health and Education cess@4%		= <u>₹11,700</u>
		= <u>₹3,04,200</u>

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	= <u>₹1,80,000</u>
		= ₹2,90,000
Add: Health and Education cess@4%		= <u>₹11,600</u>
		= <u>₹3,01,600</u>

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	= <u>₹1,80,000</u>
		= ₹2,80,000
Add: Health and Education cess@4%		= <u>₹11,200</u>
		= <u>₹ 2,91,200</u>



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%	<u>₹12,30,000</u>	
Total	₹13,42,500	
Add: Surcharge @ 10%	<u>₹1,34,250</u>	₹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%		<u>₹56,500</u>
Tax liability (including cess)		<u>₹14,69,000</u>
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%	<u>₹12,30,000</u>
Total	₹13,42,500



Add: Surcharge@10%	<u>₹1,34,250</u>	₹14,76,750
B. Income-tax computed on total income of ₹50 lakhs (₹12,500 plus ₹1,00,000 plus ₹12,00,000)		<u>₹13,12,500</u>
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%		<u>₹56,500</u>
Tax liability (including cess)		<u>₹14,69,000</u>

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%	<u>₹1,22,360</u>
Tax liability (including cess)	<u>₹31,81,360</u>
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%	<u>₹57,30,000</u>	
Total	₹58,42,500	
Add: Surcharge @ 25%	<u>₹14,60,625</u>	₹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%		<u>₹8,71,875</u>
		₹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%		<u>₹2,71,375</u>
Tax liability [including cess]		<u>₹70,55,750</u>
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%	<u>₹57,30,000</u>
Total	₹58,42,500



Add: Surcharge@25%	<u>₹14,60,625</u>	₹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%]		<u>₹66,84,375</u>
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%		<u>₹2,71,375</u>
Tax liability (including cess)		<u>₹70,55,750</u>

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%	<u>₹1,45,80,000</u>
Total	₹1,47,20,000
Add: Surcharge@25%	<u>₹36,80,000</u>
	₹1,84,00,000
Add: Health and education cess @4%	<u>₹7,36,000</u>



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%	<u>₹1,47,30,000</u>	
Total	₹1,48,40,000	
Add: Surcharge @ 37%	<u>₹54,90,800</u>	₹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%		<u>₹37,02,500</u>
		₹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%		<u>₹7,44,500</u>
Tax liability [including cess]		<u>₹1,93,57,000</u>
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%	<u>₹1,47,30,000</u>	
Total	₹1,48,40,000	
Add: Surcharge @ 37%	<u>₹54,90,800</u>	₹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%]	<u>₹1,85,12,500</u>
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%	<u>₹7,44,500</u>
Tax liability (including cess)	<u>₹1,93,57,000</u>

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	₹
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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%	₹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. 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%	<u>₹11,02,500</u>	
Total	₹12,42,500	
Add: Surcharge@10%	<u>₹1,24,250</u>	₹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%	<u>₹54,600</u>
Tax liability	<u>₹14,19,600</u>



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		
<u>Tax@12.5%</u> 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		
<u>Tax@12.5%</u> 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.

- Mr X has total income of ₹ 7,00,000
- 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:

- Mr A (resident) has total income of ₹ 20,00,000
- Mr A (non-resident) has total income of ₹ 20,00,000
- 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:

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

- The firm has income under the head Business/Profession ₹ 10,000.
- 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 & 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 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 ₹ 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 & 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: Marginal 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 ₹ 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 @ 30% u/s 115BB	1,05,000
Add: Health & 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 @ 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
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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		
• LTCCG	5,00,000	
• STCG u/s 111A	2,00,000	7,00,000
Income under the head other sources (Casual Income)		3,00,000
Gross 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 & 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
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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
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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

