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## Default tax regime u/s 115 BAC of IT ACT 1961

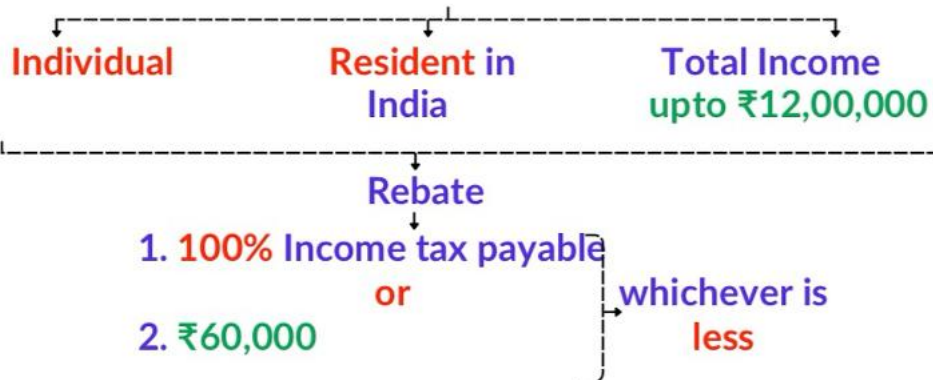
- Other names= Concessional scheme, New regime

Applicability = Individual ,HUF,AOP,BOI,AJP  
(Whether R or NR irrespective of age)

Total Income	Rate
Upto ₹4,00,000	NIL
₹4,00,010 - ₹8,00,000	5%
₹8,00,010 - ₹12,00,000	10%
₹12,00,010 - ₹16,00,000	15%
₹16,00,010 - ₹20,00,000	20%
₹20,00,010 - ₹24,00,000	25%
More Than ₹24,00,000	30%

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## Rebate under 87A



What if total income more than ₹12,00,000?

Step	Process	Amount
Step 1	[A] Total income (-) ₹12,00,000	xxx
Step 2	[B] Compute Tax liability on Total income	xxx
Step 3	[C] If B>A ,rebate = B(-)A	xxx

### Important points

- If Income Increment is More Than Tax Increment, **No rebate allowed.**
- Rebate allowed **before adding 4% H&E cess.**
- No rebate is allowed from Special tax Liabilities (Ex: LTCG 112, 112A, STCG 111A, Lottery Etc.( It Means Rebate Allowed only against the Tax Liability calculated as per Section 115BAC)
- No rebate is allowed **unexplained money.**

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## Special Income tax rate under IT ACT 1961

Applicability: All assessee (Individual, huf, AOP, BOI, AJP, company)

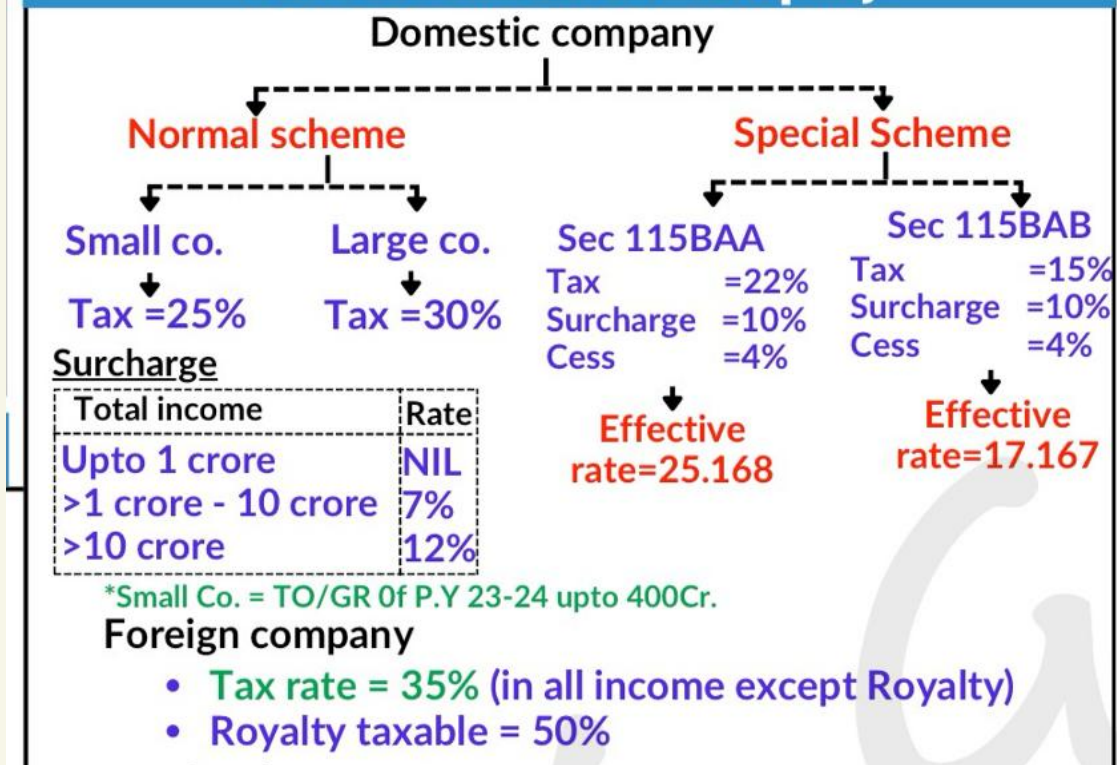
Scheme: - Any scheme (optional or default)

Sec	Income	before 23/7/24	on or after 23/7/24
112	Long term capital gain(LTCG)	20%	12.5%
112A	Long term capital gain(LTCG)	10%	12.5% in excess of 1,25,000
111A	Short term capital gain(STCG)	15%	20%
115BB	Wining from lottery, horse race, puzzle, card games etc.	30%	30%
115BBJ	Net wining from online games	30%	30%
115BBE	Unexplained money, investment	60%	60%
115BBG	Carbon credit income	10%	10%

- LTCG 112A :- Taxable in excess of 1,25,000.  
**Aggregate limit** for whole year.
- Deduction u/s VI-A **not allowed** to above special income

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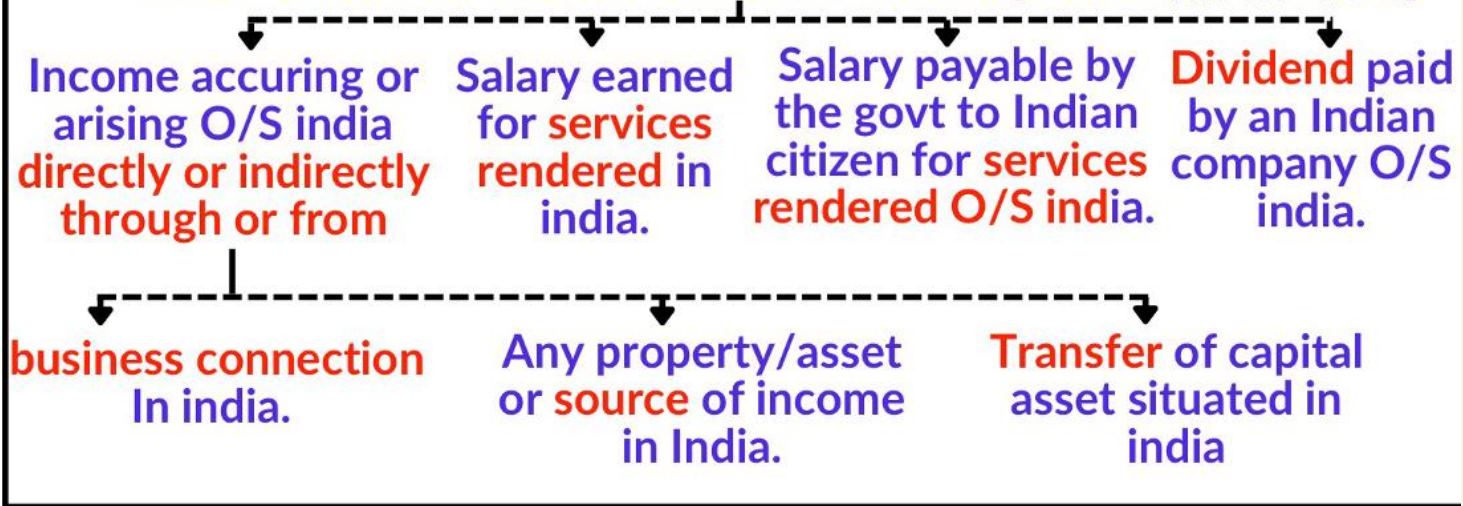
## Tax rates in case of Company



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# Income deemed to be accure or arise in India [Sec -9]

Income deemed to accure or arise in India [clause (i),(ii),(iii),(iv)]



“Purchase of goods in India exclusively for export by a non-resident shall not constitute Significant Economic Presence, even if payment thresholds or volume are high.”

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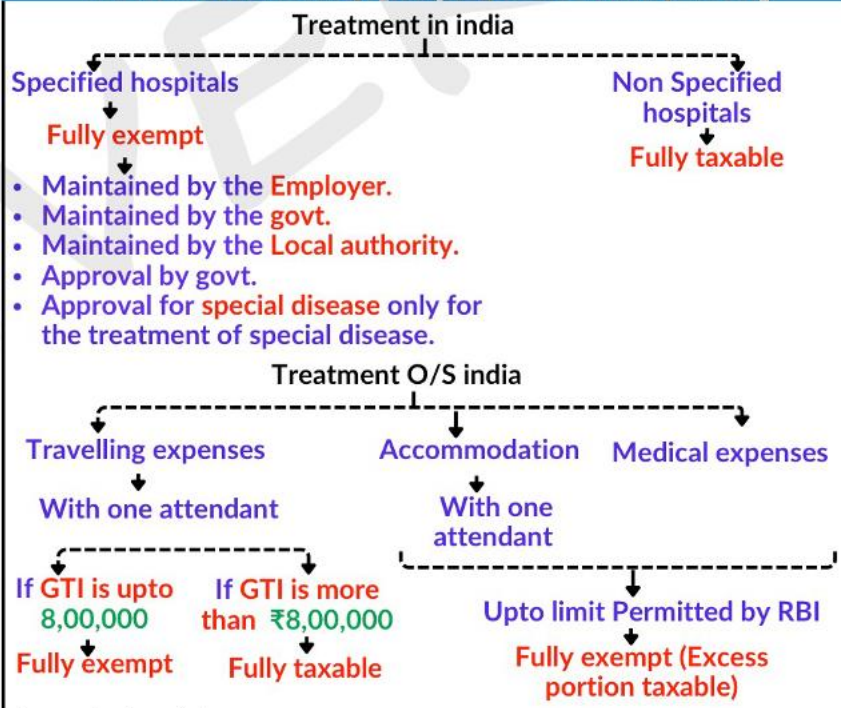
Any monetary obligation of the employee which is discharged by the employer is perquisite in the hands of all employees as per section 17(2)(iv). However, sometimes instead of discharging employees' obligation, employer provides perquisites in the form of facility to the employee. Such perquisites are taxable in the hands of *\*specified employees only*.

Fully exempt Upto exempt

- \*Meaning of Specified Employee:**
- Director of Company
  - An Employee who has Substantial interest in the Company
  - Employee having cash salary More than 4,00,000

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## 14. Medical facility [Employee or family both]



### Important points

- Family means spouse ,children whether dependent or not and parents, brother,sister only when dependent.
- Medical insurance premium paid by Employer are fully exempt

# Background of house property

- Rental income:-
- Not a business of letout
  - Business of letout of residential property } → HP
  - Business of letout of commercial property } → PGBP
- Income from sale of HP
- Business of sale of HP } → PGBP
  - Not a business of sale of HP } → CG

## Case were GAV not to be Compute

Wholly self Occupied    Wholly vacant house    Deemed self occupied

- Option to take GAV NIL of self occupied house is available only for 2 house after that deemed letout.
- The annual value of the property consisting of a house or any part thereof shall be taken as nil, if the owner occupies it for his own residence or cannot actually occupy it due to any reason.

- Any Income from letting Out a Residential house or part thereof by the owner shall not be taxable under head PGBP and it shall be taxable under head house property.
- Speculative Transaction means in which a contract for the purchase or sales of any commodity including stocks and shares, is periodically or ultimately settled otherwise than by the actual delivery.
- Mobile phone are not computers hence 40% dep Not allowed

### Meaning of Micro and Small enterprise

S. No.	Meaning		
<b>Manufacturing enterprises and enterprises rendering services</b>			
(1)	<b>Micro Enterprise</b>		
	Investment in Plant and Machinery or Equipment ≤ ₹ 2.5 crore	<b>AND</b>	Turnover ≤ ₹ 10 crore
(2)	<b>Small Enterprise</b>		
	Investment in Plant and Machinery or Equipment ≤ ₹ 25 crore	<b>AND</b>	Turnover ≤ ₹ 100 crore

Long-Term Capital Gain (LTCG) ko Housing and Urban Development Corporation (HUDCO) / Indian Renewable Energy Development Agency (IREDA) bonds me 6 months ke andar invest karo → Capital Gain Tax se exemption milega (Section 54EC) with 5 years lock-in.

- INDEX RATE 2025 -26 = 376

Under Section 72A and 72AA, when a business is reorganized (like amalgamation), the losses of the old entity (predecessor) can be carried forward and used by the new entity (successor). However, the total time limit remains 8 assessment years counted from the year in which the loss was originally incurred, not from the year of amalgamation. Section 72A applies to companies, firms, and proprietary concerns, while Section 72AA specifically applies to amalgamation of banks and government companies from 1 April 2025 onwards.

Section 140B : Tax on Updated Return
<ol style="list-style-type: none"><li>1. Tax, interest, fee, and additional tax must be paid before filing an updated return under Section 139(8A) at any time <b>within months 48 MONTHS from the end of the relevant assessment year.</b></li><li>2. Computation of Tax Payable (<b>after adjusting</b> the following):<ul style="list-style-type: none"><li>• <b>Advance tax</b> already paid.</li><li>• <b>TDS/TCS</b> deducted or collected.</li><li>• <b>Relief</b> under Section 89 (for salary arrears, etc.).</li><li>• <b>Tax credit</b> under Section 115JD (if shifting from the default tax regime under Section 115BAC).</li></ul></li><li>3. If <b>no return</b> was <b>filed earlier</b>:<ul style="list-style-type: none"><li>• <b>Interest</b> under Section 234A applies on tax payable.</li><li>• <b>Payment of additional tax</b> under Section 140B(3) is required.</li></ul></li><li>4. If a <b>return</b> was <b>filed earlier</b> under Section 139(1), 139(4), or 139(5):<ul style="list-style-type: none"><li>• Tax is payable after <b>reducing interest</b> already paid in earlier returns.</li><li>• The tax payable is increased by any <b>refund received</b> on the earlier return.</li></ul></li><li>5. <b>Additional Income Tax</b> on Updated Return:<ul style="list-style-type: none"><li>• <b>25% of total tax &amp; interest</b> if filed <b>within 12 months</b> from the end of the relevant assessment year.</li><li>• <b>50% of total tax &amp; interest</b> if filed between <b>12 to 24 months</b> from the end of the relevant assessment year.</li><li>• <b>60% of total tax &amp; interest</b> if filed between <b>24 to 36 months from the end of the relevant assessment year.</b></li><li>• <b>70% of total tax &amp; interest</b> if filed between <b>36 to 48 months from the end of the relevant assessment year.</b></li></ul></li><li>6. <b>Proof</b> of payment of tax, additional tax, and interest must be submitted with the updated return.</li><li>7. An updated return furnished under section 139(8A) would be regarded as defective return as referred u/s 139(9) unless such return of income is accompanied by the proof of payment of tax as required under section 140B.</li><li>8. An updated return cannot be filed if such updated return:<ol style="list-style-type: none"><li>a) is a return of a loss; or</li><li>b) results in lower tax liability determined on the basis of original, revised or belated return filed by assessee; or</li><li>c) results in or increasing the refund due on the basis of original, revised or belated return filed by assessee.</li><li>d) An updated return has been furnished by him for that year;</li><li>e) Any prosecution proceedings have been initiated in respect of such person, prior to the date of furnishing of updated return.</li><li>f) where any notice to show-cause under section 148A has been issued in his case after thirty-six months from the end of the relevant assessment year</li></ol></li></ol>

## Section 139AA – Aadhaar Intimation

### ◆ 1. Mandatory Requirement

- Quoting Aadhaar Number is compulsory for:
- PAN application
- Filing of Income Tax Return (ITR)

### ◆ 2. Major Amendment

- From 1 October 2024:
- ❌ Aadhaar Enrolment ID is NOT allowed
- ✔ Only actual Aadhaar Number can be used

### ◆ 3. Who must intimate Aadhaar?

- Persons who:
- Have PAN allotted on or before 1 July 2017, and
- Are eligible to obtain Aadhaar

### ◆ 4. Special Case

- Persons who obtained PAN using Aadhaar Enrolment ID (before 1 Oct 2024)

➡ Must intimate their Aadhaar Number separately

### ◆ 5. Due Date

- Aadhaar must be intimated on or before 31 December 2025
- (or any extended date notified by CBDT)

## Inoperative PAN

### ◆ 1. Basic Rule

- If a person had PAN on 1 July 2017

➡ Must link/intimate Aadhaar

- If not done → PAN becomes inoperative

### ◆ 2. Reactivation of PAN

- PAN becomes active again:
- After linking Aadhaar
  - • Payment of ₹1,000 fee (Sec 234H)
- Activation within 30 days

### ◆ 3. Consequences of Inoperative PAN 🚫

👉 Till PAN becomes active:

- ❌ No Income Tax Refund
- ❌ No interest on refund
- ❌ Higher TDS (Sec 206AA)
- ❌ Higher TCS (Sec 206CC)

## ◆ 4. Relief by CBDT

### Situation.: PAN Inoperative hai

Normally 🖱 Higher TDS/TCS lagega (206AA / 206CC)

#### Relief Rule 1

🖱 If payment made between 1 April 2024 – 31 July 2025

✓ Condition:

PAN becomes operative on or before 30 Sept 2025

🖱 Result:

✗ Higher TDS/TCS NOT applicable

#### Relief Rule 2 (Future Period)

🖱 If payment made on or after 1 Aug 2025

✓ Condition:

PAN becomes operative within 2 months from end of that month

🖱 Result:

✗ Higher TDS/TCS NOT applicable

Parents or guardians can now make payments to a minor's pension account under Section 80CCD(1B) and claim a deduction of up to ₹50,000. If a minor's pension scheme is closed due to their death, the amount received by the parent or guardian will not be treated as income for tax purposes.

**SECTION 10(12BA) INSERTED- NPS VATSALYA SCHEME**  
Partial withdrawals from the National Pension System (NPS) for a minor's account are now exempt, with the limit being 25% of the contributions made by the parent/guardian.

### Tax Exemption on NPS / UPS Payments

#### 1. Exemption at Retirement – Sec 10(12AA)

UPS subscriber ko retirement / superannuation / voluntary retirement par NPS Trust se milne wali amount Corpus ke 60% tak fully tax-exempt hoti hai.

#### 2. Exemption on Lump Sum – Sec 10(12AB)

UPS ke under milne wala lump sum 100% tax-exempt hai.  
Lump sum calculation: 10% of (Basic Pay + DA) for every completed 6 months of qualifying service

# Chapter -12 Advance Tax & TDS & TCS

## TDS /TCS

Deductor (Payer) → Deductee (Payee)

- Concept of Surcharge or cess of TDS rate.
- Payment of TDS
- Return of TDS
- TDS certificate (Sec 203)
- Interest in case of default in payment of TDS [Sec 201(1)]&[Sec 201(1A)]
- Fees or penalty in case of default in return of TDS[Sec 234E]&[sec 271H]
- No deduction of TDS in certain cases

- Requirement of PAN (Sec 206AA)
- A.O Certificate (Sec 197)
- Self declaration (Sec 197A)

## payment of TDS

Payment

- Made to **resident**
  - Payment of **salary**

TDS rates given in sec	xxx
(+) surcharge	xxx
(+) H&E cess	xxx
	xxx
  - Payment of **other than salary**

TDS rates given in section

TDS rates given in sec	xxx
(+) surcharge	xxx
(+) H&E cess	xxx
	xxx
- Made to **non resident**

All cases (salary & other)

TDS rates given in sec	xxx
(+) surcharge	xxx
(+) H&E cess	xxx
	xxx

Monthly payment

April - Feb	7th of next month
March	30th April

## Return of TDS

Quarterly	April - June	31 July
	June - Sept	31 Oct
	Oct - Dec	31 Jan
	Jan - March	31 May

## TDS certificate

Deductor → Issue TDS certificate → Deductee

Form No.	16(salary)	16(other)
Period	Annual	Quarterly
	15 June of the following relevant Fy	15 days from the due date of furnishing TDS return- 15/08,15/11,15/12,15/06

## Interest in case of default in payment of TDS

TDS not deducted Or TDS deducted but not paid  
Deemed as assessee in default  
Interest @1% p.m or part (+) 100% penalty

TDS late deduction Or TDS late paid  
Interest @1.5% p.m or part (Late payment)  
1% p.m or part (Late deduction)

## Fees or penalty in case of return

Default 1

- Penalty if TDS return filed after 1 year.
- late filing of return = 200 per Dat and/or min ₹10,000/max ₹1,00,000

Default 2

- Incorrect information/return
- Penalty = Min ₹10,000 Max ₹1,00,000

## Section 196 : TDS not to be Deducted in following cases

Deductor → Deductee

No TDS deduction irrespective of the amount of payment

- The government
- The RBI
- A Corporation established under Central Act
- Mutual funds

## Section 206AA : TDS rates in case of default in submission of PAN

If deductee fails to furnish PAN to deductor then ,deductor shall deduct TDS at Higher of the following:-

- Rates given in section.
- Rates given in finance Act
- 20% (5% in case of 194-O)

## Section 197 : AO certificate for non deduction of TDS or lower deduction of TDS

Deductor → Deductee → AO

Submit ← Certificate →

- After submission of AO certificate deductor won't deduct TDS or deduct TDS at lower rate prescribed In AO certificate.

## Section 197A : Self declaration for non deduction of TDS

Deductor → Specified payment → Deductee

After this declaration Deductor won't deduct TDS

- Interest on security
- Interest other than Int on securities.
- Amt withdrawn formmRPF
- Amt received in LIC
- Rent
- Insurance commission

Self declaration under form:-

- 15G (normal)
- 14H (senior)

## Section 192 : Salary

Payer	Employer
Payee	Individual Employee
Threshold limit	Basic exemption limit (4 lakh, 2.5/3/5 lakh)
Rate of TDS	Average rate of income-tax
Time of deduction	At the time of payment of salary

1. Employees must inform employers if opting out of the default tax regime (u/s 115BAC); otherwise, the default regime applies.
2. Employers can pay tax on non-monetary perquisites instead of deducting from salary.
3. Employees working for multiple employers in a financial year should provide income details for proper TDS computation.
4. Relief u/s 89(1) is allowed for eligible employees.
5. Employees can declare additional income (e.g., house property loss) for TDS calculation, with a maximum set-off of ₹2,00,000 for house property loss if opting out of the default regime.
6. Employers must issue Form 12BA for employees earning above ₹1,50,000; others receive Form 16 with perquisite details.
7. Employers must follow annual CBDT circulars for TDS compliance.
8. Proof required for deductions:
  - HRA: Landlord's details if rent > ₹1 lakh/year.
  - LTC: Proof of travel expenses.
  - House property interest deduction: Lender's details.
  - Chapter VI-A deductions: Proof of investment/expenditure.

## Section 192A : Premature withdrawal from employees Provident

Payer	Trustee of EPF Scheme or authorized person
Payee	Individual Employee
Threshold limit	₹50,000 ( payment or aggregate payment)
Rate of TDS	10% on taxable premature withdrawal
Time of deduction	At the time of payment

1. Exemptions from TDS:
  - Withdrawal after continuous service of 5 years.
  - Withdrawal before 5 years if:
    - Balance is transferred to a new employer.
    - Termination due to ill health, business discontinuance, or cessation of employment.

## Section 193 : Interest on securities

Payer	Any person responsible for Paying Interest on securities
Payee	Any resident person
Threshold limit	>₹10,000
Rate of TDS	10%
Time of deduction	At the time crediting interest to payee a/c or payment , whichever is earlier.

# Chapter -12 Advance Tax & TDS & TCS

## Section 193 : Continue

- >₹10,000 for interest on 8% Savings Bonds (2003), 7.75% Savings Bonds (2018), Floating Rate Savings Bonds (2020), or any other notified government security (effective from 01.10.2024).  
>₹10,000 for interest on debentures (listed or unlisted) issued by a widely held company, paid to a resident individual/HUF via an account payee cheque.
- No TDS on interest from:
  - National Development Bonds & 7-Year National Savings Certificates (IV Issue).
  - Debentures issued by notified public sector companies, institutions, or co-operative societies.
  - Power Finance Corporation Limited (PFCL) & Indian Railway Finance Corporation Limited (IRFCL) 54EC Capital Gains Bonds.
  - Any Central or State Government security, except specific taxable bonds exceeding ₹10,000 interest.
  - Securities owned or beneficially held by LIC, GIC, subsidiaries of GIC, or any other insurer

## Section 194 : Dividend

Payer	Principal officer of domestic company
Payee	Resident shareholder
Threshold limit	>₹10,000 (only for individuals receiving other than cash); No threshold in other cases
Rate of TDS	10%
Time of deduction	Before making any payment or distribution of dividend

### 1. Exemptions from TDS:

- Dividend paid to LIC, GIC, subsidiaries of GIC, or any insurer if they own or have full beneficial interest in the shares.
- Any other person notified by the Central Government.

## Section 194A : Interest other than interest on securities

Payer	Any person other than individual/HUF (IND/HUF liable T/O >1cr or GR > 50lakh)
Payee	Any resident person receiving interest
Threshold limit	<ul style="list-style-type: none"> <li>General limit &gt;₹10,000</li> <li>Special limits [Note 1]</li> </ul>
Rate of TDS	10%
Time of deduction	At the time crediting interest to payee a/c or payment, whichever is earlier.

### 1. Specified limit

- For banks, co-op banks & post offices: ₹50,000 (₹1,00,000 for senior citizens).
  - For co-op societies (if turnover > ₹50 crore): ₹50,000 (₹1,00,000 for senior citizens).
  - Motor Accident Claims Tribunal compensation: ₹50,000.
2. No TDS on Interest Paid By/To:
- Firms to partners.
  - Deposits under notified government schemes.
  - Interest on savings deposits with banks (except time deposits after 1.7.1995).

## Section 194A : Continue

- Co-op societies paying interest to members or other co-op societies (unless turnover > ₹50 crore).
- Government interest payments under the Income-tax Act.
- Banks, LIC, insurance companies, financial corporations, UTI, and notified institutions (e.g., HUDCO, NSDF).
- Interest on compensation by Motor Accident Claims Tribunal (if ≤ ₹50,000).
- Interest on zero-coupon bonds issued post-1.6.2005 by specified entities

## Section 194B: winnings from lottery, puzzle, card games, gambling, betting

Payer	Any person
Payee	Any person
Threshold limit	Amount of Single Transaction >₹10,000
Rate of TDS	30%
Time of deduction	At the time of payment

## Section 194BA : winnings from online games

Payer	Any person
Payee	Any person
Threshold limit	Amount >₹10,000
Rate of TDS	30% TDS on net winnings
Time of deduction	At the time of withdrawal or end of FY

### 1. Other Points:

- If winnings are in kind or partly in cash (insufficient for TDS), the payer must ensure tax payment before release.
- If winnings and losses are credited/debited in a user account, TDS applies before setting off losses, and net amount (after tax and losses) is paid.

## Section 194BB : winnings from horse race

Payer	person holding license of horse race
Payee	Any person
Threshold limit	Amount of Single Transaction >₹10,000
Rate of TDS	30%
Time of deduction	At the time of payment

## Section 194C : Payment to contractors

Payer	Any person
Payee	Resident contractor
Threshold limit	<ul style="list-style-type: none"> <li>&gt;₹30,000 per contract</li> <li>&gt;₹1,00,000 Aggregate per FY</li> </ul>
Rate of TDS	1% for ind/HUF, 2% for other
Time of deduction	At the time credited or payment, whichever is earlier.

## Section 194C : continue

- "Work": Includes advertising, broadcasting, transport (excluding railways), catering, and manufacturing as per customer specifications (if material is supplied by the customer).
- Valuation for TDS: If material value is separately mentioned in the invoice, TDS applies only on the service component; otherwise, it applies to the full invoice amount.
- Exemptions:
  - No TDS on payments to transport contractors if they own ≤10 goods carriages, are engaged in transport business, and provide PAN and declaration.
  - No TDS on professional services (covered under Section 194J).
- Non-applicability to Contracts for Sale: TDS applies only to works and labor contracts, not pure sales contracts.
- Motor Vehicles Definition: Includes goods carriages but excludes vehicles with <4 wheels, ≤25cc engine, or those running on rails/factory premises.

## Section 194D : Insurance commission

Payer	Any person
Payee	Any resident person
Threshold limit	Amount >₹20,000 in FY
Rate of TDS	<ul style="list-style-type: none"> <li>2% for non corporate resident</li> <li>10% for domestic company</li> </ul>
Time of deduction	At the time credit or payment, whichever is earlier.

## Section 194DA : Any sum under life insurance policy

Payer	Any person
Payee	Any resident person
Threshold limit	Amount > ₹1,00,000 in FY
Rate of TDS	2% on the income portion (w.e.f. 01.10.2024)
Time of deduction	At the time of payment

- No TDS if the sum received qualifies for exemption under section 10(10D)

## Section 194G : Commission from lottery tickets

Payer	Any person commission or prize on lottery
Payee	Any person distributing, selling tickets
Threshold limit	Amount > ₹20,000 in FY
Rate of TDS	2% (w.e.f. 01.10.2024).
Time of deduction	At the time credit or payment, whichever is earlier.

# Chapter -12 Advance Tax & TDS & TCS

## Section 194H : TDS on Commission & Brokerage

Payer	Any person other than individual/HUF ( IND/ HUF liable T/O >1cr or GR > 50lakh)
Payee	Any resident person (other than cover u/s 194D)
Threshold limit	Amount > ₹20,000 in FY
Rate of TDS	• 2% (w.e.f. 01.10.2024).
Time of deduction	At the time credit or payment , whichever is earlier.

1. Other Points:
- Commission includes payments for services, buying/selling of goods, or transactions involving assets.
  - No TDS on professional services (legal, medical, engineering, etc.).
  - No TDS on commission paid by BSNL/MTNL to PCO franchisees.
  - No TDS on payments by TV channels/newspapers to ad agencies for booking advertisements.

## Section 194-I : Rent

Payer	Any person other than individual/HUF ( IND/ HUF liable T/O >1cr or GR > 50lakh)
Payee	Any resident person
Threshold limit	Amount > ₹50,000 for a month or part of month
Rate of TDS	• 2% for plant, machinery or equipment. • 10% for land, building furniture or fittings
Time of deduction	At the time credit or payment , whichever is earlier.

1. Other Points:
- Rent includes payments for land, building, plant, machinery, furniture, or fittings.
  - No TDS on cooling charges paid to cold storage owners (TDS under 194C applies).
  - No TDS on Passenger Service Fees (PSF) paid by airlines to airport operators.
  - TDS is deducted on rent excluding GST if mentioned separately in the agreement.
  - No TDS on lump sum lease premium or upfront lease charges for long-term lease.

## Section 194-IA : T/F of immovable property other than Agricultural land

Payer	Any person other than cover u/s 194LA
Payee	Any resident person
Threshold limit	Amount > ₹50,00,000 (Consideration or SDV ,whichever is higher)
Rate of TDS	1% of Consideration or SDV ,whichever is higher)
Time of deduction	At the time credit or payment , whichever is earlier.

1. Other Points:
- No requirement of TAN under Section 203A.
  - Consideration includes club membership fees, parking fees, maintenance charges, etc.
  - From 01.10.2024, if there are multiple transferors or transferees, TDS applies on the total amount paid by all transferees.

## Section 194IB : Payment of rent by Ind/HUF

Payer	Ind/HuF not deduct TDS u/s 194-I
Payee	Resident person
Threshold limit	Rent exceeding ₹50,000 per month
Rate of TDS	• 2% (w.e.f. 01.10.2024).
Time of deduction	Last month of the FY or tenancy, whichever is earlier

1. Other Points:
- No requirement to obtain TAN under Section 203A.
  - "Rent" includes payments under lease, sub-lease, or tenancy for land or buildings.
  - If tax deduction is under Section 206AA (due to no PAN), TDS cannot exceed the last month's rent.

## Section 194J : Fees for professional or technical services

Payer	Any person (except ind/HUF not covered under tax audit.)
Payee	Resident professional, technical service providers, director, royalty recipient, non compete fee recipient.
Threshold limit	₹50,000 per FY (Separately for each category) No limit for payments to directors.
Rate of TDS	2% for technical services(except professional services),2% for Royalty on cinematographic film and call center; 10% for others.
Time of deduction	At the time credit or payment , whichever is earlier.

1. Other Points:
- Individuals/HUFs covered under tax audit must deduct TDS on professional/technical fees.
  - No TDS if payment is for personal purposes.
  - "Professional services" include legal, medical, engineering, IT, advertising, film artists, sports-related services, etc.
  - "Fees for technical services" include managerial, technical, consultancy services, but exclude construction, mining, or salary payments.
  - TPAs must deduct TDS on payments to hospitals for medical services.
  - Consideration for software use/license is treated as royalty and subject to TDS.
  - Exemption from TDS on software payments if acquired without modification and tax was deducted in prior transfer.

## Section 194K : Income from units other than nature of CG

Payer	Mutual fund, specified undertaking, or specified companies
Payee	Any resident person
Threshold limit	Amount > ₹10,000 in FY
Rate of TDS	10%
Time of deduction	At the time credit or payment , whichever is earlier.

- Applicable only on income from units, not on capital gains.

## Section 194LA : Compensation for acquisition of immovable property other than Agricultural land in india

Payer	Any person
Payee	Any person
Threshold limit	Amount > ₹5,00,000 in FY
Rate of TDS	10%
Time of deduction	At the time of payment

- TDS provisions do not apply to compensation for the acquisition of agricultural land in India, whether rural or urban.

## Section194M : Payment by Ind/HUF to- contractors, commission or brokerage, Fees for professional services

Payer	Ind/HUF not deduct TDS u/s 194C,194H,or 194J
Payee	Any person
Threshold limit	Consideration > ₹50,00,000 in FY
Rate of TDS	• 2% (w.e.f. 01.10.2024).
Time of deduction	At the time credit or payment , whichever is earlier.

1. No TDS required if the payer is already liable under Sections 194C, 194H, or 194J.
2. No requirement to obtain TAN.

## Section194N : TDS on Cash Withdrawal

Payer	Bank ,cooperative society, Post office
Payee	Any person withdrawing cash
Threshold limit	₹1 crore ( ₹3 crore for co-operative society)
Rate of TDS	• 2% • 5% If withdrawal exceeds ₹1crore/₹3crore in case of co-operative society
Time of deduction	At the time of payment

1. For non-filers of ITR (last 3 years):
  - 2% on cash withdrawal > ₹20 lakh but ≤ ₹1 crore (₹3 crore for co-op societies).
  - 5% on cash withdrawal > ₹1 crore (₹3 crore for co-op societies).
2. Exemptions: Government, banks, co-op banks, post offices, business correspondents, white-label ATM operators.
3. Central Govt. may notify exclusions or reduced rates with RBI consultation.

## Section194P: Pension & interest For senior citizen

Payer	Notified specified banks
Payee	Specified senior citizen (75 years or older, having only pension & interest income from the same bank)
Threshold limit	Basic exemption limit
Rate of TDS	As per applicable slab rates
Time of deduction	At the time of computing total income& deducting tax.

1. Bank computes total income, allows deductions (Chapter VI-A) & rebate (87A) before deducting tax.
2. No requirement to file ITR if tax is deducted under this section.

# Chapter -12 Advance Tax & TDS & TCS

## Section 194Q : Purchase of goods

Payer	Buyer (having T/O > 10cr in preceding FY)
Payee	Any resident person
Threshold limit	Purchase > ₹50,00,000 in PY
Rate of TDS	0.1% on sum exceeding ₹50,00,000
Time of deduction	At the time credit or payment, whichever is earlier.

1. TDS not applicable if tax is deductible under other provisions or collectible under 206C (except 206C(1H)).
2. If both 194Q & 206C(1H) apply, TDS under 194Q is applicable.
3. Crediting the sum to any account (e.g., suspense account) is considered as credit for TDS purposes.

## Section 194R : TDS on Benefits or perquisites

Payer	Any person other than individual/HUF (IND/HUF liable T/O > 1cr or GR > 50lakh)
Payee	Any resident person receiving benefit /perquisite
Threshold limit	Value > ₹20,000 in FY
Rate of TDS	10% of value of Perquisite/benefit
Time of deduction	Before providing benefits/perquisites

1. Applicable to benefits/perquisites in cash, kind, or both.
2. If provided wholly in kind or partly in cash but cash is insufficient for TDS, the provider must ensure tax is paid before releasing the benefit.

## Tax collection at source

### Section 206C(1) : sale of certain goods

Seller	Person selling goods specified u/s 206C(1)
Buyer	Any person
Consideration	
Rate of TCS	<ul style="list-style-type: none"> <li>Alcoholic liquor = 1%</li> <li>Tendu leaves = 5%</li> <li>Timber = 2.0%</li> <li>other forest produce = 2.0%</li> <li>Scrap = 1%</li> <li>Minerals (coal, lignite, iron ,ore) = 1%</li> </ul>
Time of Collection	At time of debited or payment which is earlier

1. No TCS applies if the resident buyer submits a declaration that goods are for manufacturing, processing, production, or power generation, not trading.
2. No TCS if purchase for personal use.

### Section 206(1C) : lease or license of parking lot ,mine or quarry

Seller	Any person granting a lease, license or contract for a parking lot ,toll plaza, mine or quarry
Buyer	Any person (license or lease (except public sector companies) using asset for business purpose.
Consideration	
Rate of TCS	2%
Time of Collection	At time of debited or payment which is earlier

1. Mining and quarrying exclude mineral oil (petroleum and natural gas).

## Section 206(1F) : Sale of moter vehicle or Notified Goods\*

Seller	Any person receiving consideration for selling a moter vehicle or other notified goods exceeding ₹10 lakh
Buyer	Any purchaser
Consideration	Sale > 10,00,000
Rate of TCS	1% of sale consideration
Time of Collection	At time of receipt of consideration.

1. From 01.01.2025, TCS also applies to other notified goods exceeding ₹10 lakhs.

## Section 206(1G) : remittance under LRS of RBI or overseas tour package

Seller	<ul style="list-style-type: none"> <li>Authorized dealer receiving remittance under LRS</li> <li>seller of overseas tour package</li> </ul>
Buyer	<ul style="list-style-type: none"> <li>Person remitting money under LRS</li> <li>Person purchase an overseas tour package</li> </ul>
Consideration	
Rate of TCS	<ul style="list-style-type: none"> <li>Overseas tour package = 5% upto ₹ 10 lakh; 20% thereafter</li> <li>Education/medical remittance = No TCS upto ₹10 lakh ; 5% more than ₹10 lakh.</li> <li>Education loan remittance = 0.5% beyond ₹7lakh</li> <li>Other remittance = 20%beyond ₹10 lakh</li> </ul>
Time of Collection	At time of debited or payment which is earlier

1. No TCS if:
  - Already collected by the seller.
  - Buyer deducts TDS under other provisions.
  - Buyer is the government, diplomatic entities, or notified persons.
  - Buyer is a non-resident without a permanent establishment in India

## Section 206(1H) : Sale of goods exceeding ₹50 lakh

Seller	Any person receiving consideration for the sale of goods exceeding ₹50 lakh (Excluding exports and goods u/s 206C(1),(1F),or (1G).
Buyer	Any purchaser
Consideration	sale above ₹50 lakh in PY
Rate of TCS	0.1% on the amount exceeding ₹50 lakh
Time of Collection	At time of receipt of consideration.

1. No TCS if the buyer deducts TDS under any other provision of the Act.

## Advance Tax

### Liability for payment of advance tax

- Applicable if advance tax payable is ₹10,000 or more (Section 208).
- Exemption for Senior Citizens (60+ years) if they have no income from business/profession.
- Advance tax is paid on estimated current income.
- No penalty under Sections 234B & 234C if advance tax liability is below ₹10,000.

## Computation of Advance tax

- Self-estimation method or as per Assessing Officer's (AO) order (Section 210).
- AO may amend the order before 1st March based on updated income.
- Tax calculated is reduced by TDS actually deducted (not just deductible).
- Net agricultural income is considered for computation.

## Advance tax Installment & Due dates

Due date	Minimum % of Advance tax payable
15th june	15%
15th sept	45% (Cumulative)
15th Dec	75% (Cumulative)
15th March	100%(Cumulative)

For presumptive taxable (Section 44AD/44ADA)

- Entire Advance paid before 15th march
- What if Advance tax not paid before due date but paid before 31/3 ?
- Treatment as advance tax but assessee bear penalty or interest.

## Section 234B : Interest on late payment

Applicability = Advance tax paid during the PY < 90% of Actual tax

Value. = Actual tax (-) Advance Tax paid during PY  
 Interest = 1% per month or part of month  
 Time = 1 April to until tax paid/assessment done

## Section 234C : Interest on late payment or Deferment instalment

Due date	Minimum Tax govt wants	Tax actual paid	If shortfall arise	Interest on shortfall	period
15th june	15%	x	x	1% per month	3 month
15th sept	45%	x	x	1% per month	3 month
15th Dec	75%	x	x	1% per month	3 month
15th Mar	100%	x	x	1% per month	1 month

- Exception: No interest if advance tax paid by 15th June & 15th September is at least 12% & 36% of 45% & 75%
- No interest under 234C for:
  - Capital gains
  - Lottery winnings
  - First-time business/profession income
  - Dividend income (excluding deemed dividend u/s 2(22)(e))

## \*NOTIFIED GOODS -

- The scope of section 206C(1F) has been expanded to include every person, being a seller, who receives any amount as consideration for sale of any other notified goods exceeding ₹ 10 lakhs, to, at the time of receipt of such amount, collect tax from the buyer@1% of the sale consideration. Goods notified for collection of tax at source are wrist watch, art piece such as antiques, painting, sculpture, collectibles such as coin, stamp, yacht, rowing boat, canoe, helicopter, pair of sunglasses, bag such as handbag, purse, pair of shoes, sportswear and equipment such as golf kit, ski-wear, home theatre system and horse for horse racing in race clubs and horse for polo

(iv)	If such return is furnished after the expiry of 36 months from the end of the relevant assessment year but before completion of the period of 48 months from the end of the relevant assessment year.	<b>75% of aggregate of tax and interest payable, as determined in (1) above</b>
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### Computation of Additional income-tax

For the purpose of computation of "Additional income-tax",

- tax would include surcharge and cess, by whatever name called, on such tax.
- the interest payable would be interest chargeable under any provision of the Act, on the income as per updated return furnished under section 139(8A), as reduced by interest paid in the earlier return, if any.

However, the interest paid in the earlier return would be considered to be nil, if no earlier return has been furnished.

**Note** - An updated return furnished under section 139(8A) would be regarded as defective return as referred u/s 139(9) unless such return of income is accompanied by the proof of payment of tax as required under section 140B.

### (3) Power to CBDT to issue guidelines

In case of any difficulty arises in giving effect to the provisions of this section, the CBDT may issue guidelines for the purpose of removing the difficulty, with the approval of the Central Government. Every guideline issued shall be laid before each House of Parliament.

### ILLUSTRATION 3

*Rishi, a 34 years resident individual, did not file his return of income for the A.Y. 2020-21, 2021-22 and 2022-23. For A.Y. 2023-24, he has filed his return of income on 31.07.23. He filed updated return u/s 139(8A) on 30.04.25 for A.Y. 2024-25. He gives the following information regarding each of the A.Y.-*

Particulars	A.Y. 2020-21	A.Y. 2021-22	A.Y. 2022-23	A.Y. 2023-24	A.Y. 2024-25
<b>Declared Income u/s 139(1)/139(8A)</b>	-	-	-	(₹3,50,000)	₹7,50,000

<b>Tax liability on total income before TDS/TCS/Interest/Self-Assessment tax</b>	₹ 14,50,000	₹ 5,60,000	₹ 6,30,000	-	-
<b>TDS deducted</b>	₹ 5,00,000	₹ 10,00,000	₹ 2,00,000	-	-
<b>Interest u/s 234A/B/C</b>	₹ 2,90,000	-	₹ 90,000	-	-
<b>Self-Assessment Tax Paid</b>	-	-	₹ 1,00,000	-	-

*In May 2025, Rishi came to know about loss from house property of ₹ 2,00,000 which he forgets to claim while filing the return of income for A.Y. 2023-24. Moreover, in A.Y. 2024-25, he has earned dividend income of ₹ 4,500 and ₹ 4,150 from A Ltd. & B Ltd., respectively, which he has not reported in his return of income u/s 139(8A). He approaches you on 16.5.2025 to file updated return for all the assessment years under section 139(8A) in order to clear his income-tax records. You are required to prepare a suggestion for which of the assessment years Rishi can file an updated return and tax payable at the time of filing updated return.*

### **SOLUTION**

An updated return can be furnished for the previous year relevant to the assessment year at any time within 48 months from the end of the relevant assessment year.

Accordingly, the following are the suggestions to Rishi with respect to updated return on 16.5.2025 for A.Y. 2020-21, A.Y. 2021-22, A.Y. 2022-23, A.Y. 2023-24 and A.Y. 2024-25 and tax payable at the time of filing updated return:

**A.Y. 2020-21:** Since the period of 48 months from the end of A.Y. 2020-21 expired on 31.3.2025, updated return cannot be furnished on 16.5.2025 for A.Y. 2020-21.

**A.Y. 2021-22:** Since the period of 48 months from the end of A.Y. 2021-22 expired on 31.3.2026, updated return can be furnished on 16.5.2025 for A.Y. 2021-22. However, the amount of tax payable of ₹ 5,60,000 is before adjusting TDS of ₹ 10,00,000. In such a case, since the refund of ₹ 4,40,000 would arise, an updated return cannot be furnished for A.Y. 2021-22.

**A.Y. 2022-23:** Since the period of 48 months from the end of A.Y. 2022-23 expired on 31.3.2027, updated return can be furnished on 16.5.2025 for A.Y. 2022-23. Since updated return would be furnished after the expiry of 24 months from the end of the relevant assessment year but before completion of the period of 36 months from the end of the relevant assessment year, additional income tax would be payable @60% of aggregate of tax (after taking into consideration tax deducted at source and self-assessment tax paid) and interest payable u/s 234A/B/C. Rishi is required to pay additional income-tax of ₹ 2,52,000 i.e., 60% of ₹ 4,20,000 [₹ 3,30,000 (₹ 6,30,000 – ₹ 2,00,000 – ₹ 1,00,000) + ₹ 90,000] in addition to tax payable of ₹ 3,30,000, interest payable of ₹ 90,000 and late fees of ₹ 5,000.

**A.Y. 2023-24:** Since the period of 48 months from the end of A.Y. 2023-24 expired on 31.3.2028, updated return can be furnished on 16.5.2025 for A.Y. 2023-24. However, Rishi has declared loss of ₹ 3,50,000 in his original return of income and he wishes to claim additional loss from house property of ₹ 2,00,000 which he forgot to claim while filing the return of income u/s 139(1). In such case, since his loss will increase from ₹ 3,50,000 to ₹ 5,50,000, an updated return cannot be furnished for A.Y. 2023-24.

**A.Y. 2024-25:** Since Rishi has already furnished an updated return u/s 139(8A) for A.Y. 2024-25, he cannot again furnish an updated return u/s 139(8A) for A.Y. 2024-25.

## 11. DEFECTIVE RETURN [SECTION 139(9)]

- (1) Under this section, the Assessing Officer has the power to call upon the assessee to rectify a defective return.
- (2) Where the Assessing Officer considers that the return of income furnished by the assessee is defective, he may intimate the defect to the assessee and give him an opportunity to rectify the defect within 15 days from the date of intimation. The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee in this behalf. The period of 15 days will have to be reckoned from the date on which the communication is served upon the assessee.
- (3) If the defect is not rectified within the period of 15 days or such further extended period, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.

### Q.1

Mr. Raj, a salaried employee, contributed ₹80,000 during PY 2025-26 to the NPS Vatsalya account opened in the name of his minor son. He also contributed ₹1,50,000 to his own NPS account eligible under section 80CCD(1).

Compute the deduction available to Mr. Raj under section 80CCD, clearly specifying the treatment of contribution made to the minor's account.

### Answer

- Contribution to minor's account → Eligible under Sec 80CCD(1B)
- Maximum deduction allowed = ₹50,000

👉 Deduction for minor account = ₹50,000

👉 Balance ₹30,000 = Not allowed

(Own NPS contribution separate treatment)

### Q.2

Mrs. Neha contributed ₹2,00,000 to the NPS Vatsalya account of her minor daughter over the years. During PY 2026-27, she withdrew ₹90,000 from the account while the minor is still alive.

Compute the amount taxable and exempt, giving reasons.

### Answer

- 25% of contribution = ₹50,000 → Exempt
- Remaining ₹40,000 → Taxable

👉 Only 25% withdrawal allowed tax-free

### Q.3

Mr. Arjun had contributed ₹3,00,000 to the NPS account of his minor son. Due to unfortunate circumstances, the minor passed away and the entire accumulated amount of ₹3,80,000 was paid to Mr. Arjun.

Discuss the tax implications in the hands of Mr. Arjun.

### Answer

👉 Entire ₹3,80,000 = Fully Exempt

✓ In case of death → Full exemption allowed

✓ Includes contribution + returns

**Q.4**

Mr. Vivek retires in PY 2026-27 and receives a total corpus of ₹15,00,000 from the National Pension System (NPS). Out of this, he withdraws 60% immediately and utilizes the balance for annuity purchase.

Compute the amount exempt and taxable.

**Answer**

- 60% of ₹15,00,000 = ₹9,00,000 → Exempt
- Remaining ₹6,00,000 → used for annuity (taxable as per rules when received)

**Q.5**

Mr. Karan retires under the Unified Pension Scheme (UPS) after completing 25 years of service. His Basic Salary plus Dearness Allowance at the time of retirement is ₹70,000 per month.

Compute the lump sum amount receivable and its tax treatment.

**Answer**

- Half-years =  $25 \times 2 = 50$
- Lump sum =  $10\% \times 70,000 \times 50$

👉 = ₹7,000 × 50 = ₹3,50,000

👉 ₹3,50,000 = Fully Exempt



## TEST YOUR KNOWLEDGE

1. ✓ Ashwin doing manufacture and wholesale trade furnishes you the following information:

Total turnover for the financial year -

Particulars	₹
2024-25	1,05,00,000
2025-26	95,00,000

Examine whether tax deduction at source provisions are attracted for the below said expenses incurred during the financial year 2025-26:

Particulars	₹
Interest paid to UCO Bank on 15.8.2025	41,000
Contract payment to Raj (2 contracts of ₹ 12,000 each) on 12.12.2025	24,000
Shop rent paid	₹ 40,000 per month
Commission paid to Balu on 15.3.2026	7,000

2. Compute the amount of tax deduction at source on the following payments made by M/s S Ltd. during the financial year 2025-26 as per the provisions of the Income-tax Act, 1961.

S. No.	Date	Nature of Payment
(i)	1-10-2025	Payment of ₹ 2,00,000 to Mr. R, a transporter who owns 8 goods carriages throughout the previous year and furnishes a declaration to this effect alongwith his PAN.
✓ (ii)	1-11-2025	Payment of fee for technical services of ₹ 25,000 and Royalty of ₹ 20,000 to Mr. Shyam who is having PAN.
(iii)	30-06-2025	Payment of ₹ 25,000 to M/s X Ltd. for repair of building.

(iv)	01-01-2026	Payment of ₹ 2,00,000 made to Mr. A for purchase of diaries made according to specifications of M/s S Ltd. However, no material was supplied for such diaries to Mr. A by M/s S Ltd or its associates.
(v)	01-01-2026	Payment of ₹ 2,30,000 made to Mr. Bharat for compulsory acquisition of his house as per law of the State Government.
(vi)	01-02-2026	Payment of commission of ₹ 14,000 to Mr. Y.

3. Examine the applicability of TDS provisions and TDS amount in the following cases:
- Rent of ₹ 55,000 per month was paid for hire of machinery by B Ltd. to Mr. Raman in FY 2025-26 .
  - Fee paid on 1.12.2025 to Dr. Srivatsan by Sundar (HUF) ₹ 55,000 for surgery performed on a member of the family.
  - ABC and Co. Ltd. paid ₹ 19,000 to one of its Directors as sitting fees on 01-01-2026.
4. Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the F.Y. 2025-26:
- Payment made by a company to Mr. Ram, sub-contractor, ₹ 3,00,000 with outstanding balance of ₹ 1,20,000 shown in the books as on 31.3.2026.
  - Winning from horse race ₹ 1,50,000 paid to Mr. Shyam, an Indian resident.
  - ₹ 2,00,000 paid to Mr. A, a resident individual, on 22-02-2026 by the State of Uttar Pradesh on compulsory acquisition of his urban land.
5. Briefly discuss the provisions relating to payment of advance tax on income arising from capital gains and casual income.
6. Examine the applicability of Tax deduction at source (TDS) or Tax collection at source (TCS) as per the Income-tax Act, 1961 for the A.Y 2026-27 in the following situations
- Mr. Raja paid ₹ 12 lakhs on 1.11.2025 to M/s. Thomas Cook for a holiday package to Singapore for a week with his family, comprising of his wife and two children, being twins aged 22 years, in the last week of

November. Mr. Raja also remitted ₹ 13 lakhs on 28.3.2026, out of his personal savings, under LRS through Bank of India, as gift to his sister residing in London, on the occasion of her 50th birthday.

- (ii) Mr. Rohit and Mr. Raj are the joint owners of a house property. They sold the house property on 31.12.2025 for ₹ 60 lakhs, receiving ₹ 30 lakhs each as their respective shares. However, the stamp duty value (SDV) of the property on the date of transfer is ₹ 75 lakhs. The property was jointly purchased by Ms. Shashi and Ms. Sujata.
- (iii) XYZ Ltd. provided a luxury car worth ₹ 15 lakh to its distributor, Mr. A, as an incentive for achieving high sales targets.
7. Mr. Sameer, aged 52 years, provides you the following information and requests you to determine his advance tax liability with due dates for the financial year 2025-26.

Estimated tax liability for the financial year 2025-26	₹ 80,000
Tax deducted at source for this year	₹ 12,000

## ANSWERS

1. As the turnover of business carried on by Ashwin for F.Y. 2024-25, has exceeded ₹ 1 crore, he has to comply with the tax deduction provisions during the financial year 2025-26, subject to the exemptions provided for under the relevant sections for applicability of TDS provisions.

### **Interest paid to UCO Bank**

TDS under section 194A is not attracted in respect of interest paid to a banking company.

### **Contract payment of ₹ 24,000 to Raj for 2 contracts of ₹ 12,000 each**

TDS provisions under section 194C would not be attracted if the amount paid to a contractor does not exceed ₹ 30,000 in a single payment or ₹ 1,00,000 in the aggregate during the financial year. Therefore, TDS provisions under section 194C are not attracted in this case.

**Shop Rent paid ₹ 40,000 per month** – Tax under section 194-I would not be attracted since the rental payment does not exceed ₹ 50,000 per month or part of the month.

**Commission paid to Balu** – No, tax has to be deducted under section 194H in this case as the commission does not exceed ₹ 20,000.

2. (i) No tax is required to be deducted at source under section 194C by M/s S Ltd. on payment to transporter Mr. R, since he satisfies the following conditions:
- (1) He owns ten or less goods carriages at any time during the previous year.
  - (2) He is engaged in the business of plying, hiring or leasing goods carriages;
  - (3) He has furnished a declaration to this effect along with his PAN.
- (ii) As per section 194J, liability to deduct tax is attracted only in case the payment made as fees for technical services and royalty, individually, exceeds ₹ 50,000 during the financial year. In the given case, since the individual payments for fee of technical services i.e., ₹ 25,000 and royalty ₹ 20,000 is less than ₹ 50,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for technical services and royalty were made during the year to Mr. Shyam.
- (iii) Provisions of section 194C are not attracted in this case, since the payment for repair of building on 30.06.2025 to M/s X Ltd. is less than the threshold limit of ₹ 30,000.
- (iv) According to section 194C, the definition of "work" does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer or associate of such customer.
- Therefore, there is no liability to deduct tax at source in respect of payment of ₹ 2,00,000 to Mr. A, since the contract is a contract for 'sale'.
- (v) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is responsible for deduction of tax at source if such payment

or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 5,00,000.

In the given case, no liability to deduct tax at source is attracted as the payment made does not exceed ₹ 5,00,000.

- (vi) As per section 194H, tax is deductible at source if the amount of commission or brokerage or the aggregate of the amounts of commission or brokerage credited or paid during the financial year exceeds ₹ 20,000.

Since the commission payment made to Mr. Y does not exceed ₹ 20,000, the provisions of section 194H are not attracted.

3. (a) Since the rent paid for hire of machinery by B. Ltd. to Mr. Raman exceeds ₹ 50,000 per month or part of the month, the provisions of section 194-I for deduction of tax at source are attracted.

The rate applicable for deduction of tax at source under section 194-I on rent paid for hire of plant and machinery is 2%, assuming that Mr. Raman had furnished his permanent account number to B Ltd.

Therefore, the amount of tax to be deducted at source:

$$= ₹ 6,60,000 \times 2\% = ₹ 13,200.$$

**Note:** In case Mr. Raman does not furnish his permanent account number to B Ltd., tax shall be deducted @ 20% on ₹ 6,60,000, by virtue of provisions of section 206AA.

- (b) As per the provisions of section 194J, a Hindu Undivided Family is required to deduct tax at source on fees paid for professional services only if the total sales, gross receipts or turnover from the business or profession exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession, as the case may be, in the financial year preceding the current financial year and such payment made for professional services is not exclusively for the personal purpose of any member of Hindu Undivided Family.

Section 194M, provides for deduction of tax at source by a HUF (which is not required to deduct tax at source under section 194J) in respect of fees for professional service if such sum or aggregate of such sum exceeds ₹ 50 lakhs during the financial year.

In the given case, the fees for professional service to Dr. Srivatsan is paid on 1.12.2025 for a personal purpose, therefore, section 194J is not attracted. Section 194M would have been attracted if the payment or aggregate of payments exceeded ₹ 50 lakhs in the P.Y.2025-26. However, since the payment does not exceed ₹ 50 lakh in this case, there is no liability to deduct tax at source under section 194M also.

- (c) Section 194J provides for deduction of tax at source @10% from any sum paid by way of any remuneration or fees or commission, by whatever name called, to a resident director, which is not in the nature of salary on which tax is deductible under section 192. The threshold limit of ₹ 50,000 upto which the provisions of tax deduction at source are not attracted in respect of every other payment covered under section 194J is, however, not applicable in respect of sum paid to a director.

Therefore, tax@10% has to be deducted at source under section 194J in respect of the sum of ₹ 19,000 paid by ABC Ltd. to its director.

Therefore, the amount of tax to be deducted at source:

$$= ₹ 19,000 \times 10\% = ₹ 1,900$$

4. (1) Provisions of tax deduction at source under section 194C are attracted in respect of payment by a company to a sub-contractor. Under section 194C, tax is deductible at the time of credit or payment, whichever is earlier @1% in case the payment is made to an individual.

Since the aggregate amount credited or paid during the year is ₹ 4,20,000, tax is deductible @1% on ₹ 4,20,000.

$$\text{Tax to be deducted} = ₹ 4,20,000 \times 1\% = ₹ 4,200$$

- (2) Under section 194BB, tax is to be deducted at source, if the winnings from horse races exceed ₹ 10,000 in respect of a single transaction. The rate of deduction of tax at source is 30%.

$$\text{Hence, tax to be deducted} = ₹ 1,50,000 \times 30\% = ₹ 45,000.$$

- (3) As per section 194LA, any person responsible for payment to a resident, any sum in the nature of compensation or consideration on account of compulsory acquisition under any law, of any immovable property, is required to deduct tax at source, if such payment or the aggregate amount of such payments to the resident during the financial year exceeds ₹ 5,00,000.

In the given case, there is no liability to deduct tax at source as the payment made to Mr. A does not exceed ₹ 5,00,000.

5. The proviso to section 234C contains the provisions for payment of advance tax in case of capital gains and casual income.

Advance tax is payable by an assessee on his/its total income, which includes capital gains and casual income like income from lotteries, crossword puzzles, etc.

Since it is not possible for the assessee to estimate his capital gains, or income from lotteries etc., it has been provided that if any such income arises after the due date for any instalment, then, the entire amount of the tax payable (after considering tax deducted at source) on such capital gains or casual income should be paid in the remaining instalments of advance tax, which are due.

Where no such instalment is due, the entire tax should be paid by 31st March of the relevant financial year.

No interest liability on late payment would arise if the entire tax liability is so paid.

**Note:** In case of casual income the entire tax liability is fully deductible at source @30% under section 194B, 194BA and 194BB. Therefore, advance tax liability would arise only if the surcharge, if any, and health and education cess@4% in respect thereof, along with tax liability in respect of other income, if any, is 10,000 or more.

6. (i) M/s. Thomas Cook, being a seller of an overseas tour programme package has to collect tax at source @5% till ₹ 10 lakhs and 20% thereafter under section 206C(1G) from Mr. Raja on receiving amount for purchase of package.

M/s Thomas Cook has to collect tax of ₹ 90,000, being ₹ 50,000 (5% of ₹ 10 lakhs) and ₹ 40,000 (20% of ₹ 2 lakhs).

Bank of India, being an authorized dealer has to collect tax at source under section 206C(1G) @20% on amount in excess of ₹ 10 lakhs remitted under the LRS since the remittance of ₹ 13 lakhs is not for the purpose of education and medical treatment.

Bank of India has to collect tax of ₹ 60,000 i.e., 20% of ₹ 3 lakhs, being the amount remitted in excess of ₹ 10 lakhs.

- (ii) As per section 194-IA, if a person (transferor) transfers any immovable property whose consideration for transfer or stamp duty value is not less than ₹ 50 lakh to a person (transferee), then transferee is required to deduct tax at source @1% of consideration for transfer or stamp duty value, whichever is higher.

In case there are multiple transferee or transferor in respect of any immovable property, consideration shall be the aggregate of the amounts paid or payable by all the transferees to the transferor or all the transferors for transfer of such immovable property.

Accordingly, in the present case, Ms. Shashi and Ms. Sujata are required to deduct tax at source @1% on ₹ 75 lakhs, being the amount higher of consideration of ₹ 60 lakhs and stamp duty value of ₹ 75 lakhs.

- (iii) As per section 194R, if any person (other than an individual or HUF whose total sales or gross receipts does not exceed ₹ 1 crore in case of business or ₹ 50 lakhs in case of profession during the immediately preceding previous year) provides any benefit or perquisite to a resident arising from his business or profession and the total value of such benefits exceeds ₹ 20,000 in a financial year, then such person is required to deduct tax at source @10% of the total value of the benefit or perquisite. Where the benefit or perquisite is in kind, the person has to ensure before releasing such benefit or perquisite that the tax required to be deducted has been paid in respect of such benefit or perquisite.

In the present case, XYZ Ltd. provided a luxury car worth ₹ 15 lakh to Mr. A, as an incentive which qualifies as a perquisite u/s 194R. Therefore, XYZ Ltd. has to ensure before releasing the car that the tax of ₹ 1,50,000 i.e., 10% of ₹ 15 lakhs has been paid by Mr. A.

7.

**Determination of Advance Tax Liability of Mr. Sameer**

Particulars	₹
Estimated tax liability for the financial year 2025-26	80,000
Less: Tax deducted at source	<u>12,000</u>
<b>Tax payable</b>	<b><u>68,000</u></b>

Due Date of installment	Amount payable	₹
On or before 15 <sup>th</sup> June, 2025	Not less than 15% of advance tax liability	10,200
On or before 15 <sup>th</sup> September, 2025	Not less than 45% of advance tax liability <i>less</i> amount paid in earlier installment	20,400 (₹ 30,600, being 45% of ₹ 68,000 - ₹ 10,200)
On or before 15 <sup>th</sup> December, 2025	Not less than 75% of advance tax liability <i>less</i> amount paid in earlier installment(s)	20,400 (₹ 51,000, being 75% of ₹ 68,000 - ₹ 30,600)
On or before 15 <sup>th</sup> March, 2026	Whole of the advance tax liability <i>less</i> amount paid in earlier installment(s)	17,000 (₹ 68,000, being 100% of ₹ 68,000 - ₹ 51,000)

Mr. Rahul is engaged in the business of real estate. He has let out one of his residential properties and earns rent of ₹3,00,000 per annum. He claims that since renting is part of his business, the income should be taxed under PGBP.

**Examine the correctness of his claim.**

**Answer**

✓ Income from letting out a residential house property

➡ Always taxable under House Property

**Even if:**

- Person is businessman
- Letting is regular activity

**Final Answer:**

✘ Mr. Rahul's claim is incorrect

➡ Income will be taxable under Income from House Property

**Question 2**

Mr. A enters into the following transactions:

- He purchases shares for ₹1,00,000 and sells them for ₹1,20,000 without taking delivery
- He also purchases shares for ₹2,00,000 and sells them for ₹2,30,000 with actual delivery

✘ Compute speculative income.

**Answer**

**Step 1: Identify speculative transaction**

✘ Without delivery

➡ Speculative

✘ With delivery

➡ Non-speculative

**Step 2: Calculate**

- Speculative profit = ₹20,000
- Non-speculative profit = ₹30,000

**Final Answer:**

✘ Speculative Income = ₹20,000

### Question 3

ABC Ltd. purchased the following assets:

- Computer system = ₹1,00,000
- Mobile phones = ₹1,00,000

The company claims depreciation @40% on both.

👉 Examine the correctness of the claim.

### Answer

#### Step 1: Computer

✓ Eligible for 40% depreciation

#### Step 2: Mobile phones

✗ Mobile ≠ Computer

➡ 40% not allowed

✓ Depreciation at normal rate (15%)

### Final Answer:

👉 Computer → 40% ✓

👉 Mobile → 15% ✗ (not 40%)

ABC Ltd. has:

- Investment in plant & machinery = ₹2 crore
- Turnover = ₹8 crore

👉 Classify the enterprise.

✓ Answer

👉 Micro ke liye condition:

- Investment ≤ ₹2.5 crore ✓
- Turnover ≤ ₹10 crore ✓

➡ Dono satisfy

✓ Final Answer:

👉 Micro Enterprise

## Question 2

XYZ Ltd. has:

- Investment = ₹2 crore
- Turnover = ₹15 crore

👉 Determine classification.

### Answer

👉 Micro ke liye:

- Investment ✓
- Turnover ✗ (₹15 crore > ₹10 crore)

👉 Small ke liye:

- Investment × ₹25 crore ✓
- Turnover × ₹100 crore ✓

✓ **Final Answer:**

👉 Small Enterprise

## Question 3

PQR Ltd. has:

- Investment = ₹25 crore
- Turnover = ₹100 crore

👉 Classify the enterprise.

### Answer

👉 Small Enterprise:

- Investment × ₹25 crore ✓
- Turnover × ₹100 crore ✓

👉 Boundary values allowed (×)

**Final Answer:**

👉 **Small Enterprise**

## Question 4

LMN Ltd. has:

- Investment = ₹30 crore
- Turnover = ₹90 crore

👉 Determine classification.

✓ **Answer**

👉 Micro:

✗ Investment exceeds

👉 Small:

✗ Investment exceeds ₹25 crore

Mr. Rahul sold a long-term capital asset on 1 June 2025 and earned Long-Term Capital Gain of ₹80,00,000.

He made the following investments:

- ₹50,00,000 in HUDCO bonds on 30 September 2025
- ₹30,00,000 in IREDA bonds on 10 January 2026

Compute the amount of exemption under Section 54EC and taxable LTCG.

### Answer (Step-wise)

◆ Step 1: Time Limit Check (6 Months)

- Transfer Date = 1 June 2025
- Last Date = 30 November 2025

✓ HUDCO Investment (30 Sept 2025) → ✓ Within time

✗ IREDA Investment (10 Jan 2026) → ✗ After 6 months → Not allowed

◆ Step 2: Eligible Investment

Only ₹50,00,000 (HUDCO) is valid

◆ Step 3: Maximum Limit

Max limit u/s 54EC = ₹50,00,000

✓ Eligible = ₹50,00,000

◆ Step 4: Exemption

Exemption = ₹50,00,000

◆ Step 5: Taxable LTCG

Total LTCG = ₹80,00,000

Less: Exemption = ₹50,00,000

👉 Taxable LTCG = ₹30,00,000

### Conclusion:

- Exemption allowed only for HUDCO investment
- IREDA investment ignored (late investment)

## Q.2


Ms. Priya sold a long-term capital asset and invested ₹40,00,000 in IREDA bonds on 15 July 2025.

However, due to urgent need of funds, she sold the bonds after 3 years.


Discuss the tax implication under Section 54EC.

### Answer

#### ◆ Step 1: Initial Benefit

- Investment in IREDA bonds (after 9 July 2025) →  Eligible
- Exemption u/s 54EC = ₹40,00,000 allowed

#### ◆ Step 2: Lock-in Violation

- Required holding period = 5 years
- Sold after 3 years →  Condition violated

#### ◆ Step 3: Tax Treatment

👉 Earlier exemption withdrawn

✓ ₹40,00,000 will be taxable as LTCG in the year of sale of bonds

## Q.1

PQR Ltd. incurred a business loss of ₹30,00,000 in PY 2023-24.

It was amalgamated with XYZ Ltd. on 1 April 2026.

Determine the last assessment year up to which XYZ Ltd. can carry forward and set off the loss under Section 72A

### ✓ Answer

- Loss incurred in PY 2023-24

➡ First computed in AY 2024-25

👉 As per amended law:

8 AYs will be counted immediately AFTER AY 2024-25

AY 2025-26 to AY 32-33

👉 Loss can be carried forward up to AY 2032-33

✓ Amalgamation (2026) ka koi effect nahi

✓ Counting always from year after first computation

## Q.2

A bank incurred losses in PY 2022-23. It was amalgamated with another bank on 1 May 2025.

The successor bank claims:

It can carry forward losses for 8 years from the date of amalgamation, OR

At least it should get fresh 8 years after amalgamation

Examine the correctness of the claim under Section 72AA (as amended).

Answer ❌ Both claims are INCORRECT

◆ Correct Legal Position:

Loss in PY 2022-23

➡ First computed in AY 2023-24

👉 8 years counted after AY 2023-24



## CHAPTER 1

## INCOME TAX (BASIC CONCEPTS)

## Question 1

Compute the tax liability of Mr VG as **Per Default Tax Regime** in the following cases for Assessment Year 2026-27.

- (i) Mr X has total income of ₹ 7,00,000
- (ii) Mr X has total income of ₹ 10,00,000
- (iii) Mr X has total income of ₹ 12,00,000

## Question 2

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	5,49,681

Deductions allowed u/s 80C to 80U are ₹ 1,15,000. Compute the income tax liability if Mr VG Opted Out Default Tax Regime for AY 2026-27

## Question 3

Compute tax liability in the following cases for Assessment Year 2026-27:

- (i) Mr VG (resident) has total income of ₹ 20,00,000
- (ii) Mr VG (non-resident) has total income of ₹ 20,00,000
- (iii) Mr VG (resident), aged 60 years has total income of ₹ 20,00,000
- (iv) Mr VG (non-resident), aged 60 years has total income of ₹ 20,00,000
- (v) Mr VG (resident), aged 80 years has total income of ₹ 20,00,000
- (vi) Mr VG (non-resident), aged 80 years has total income of ₹ 20,00,000

## Question 4 (Surcharge)

Compute tax liability in the following cases for Assessment Year 2026-27.

- (i) Mrs VG (resident) has total income of ₹ 50,50,000
- (ii) Mrs VG (resident) has total income of ₹ 51,00,000
- (iii) Mrs VG (resident) has total income of ₹ 51,50,000

(iv) Mrs VG (resident), aged 60 years has total income of ₹ 51,80,000

(v) Mrs VG (resident), aged 80 years has total income of ₹ 52,50,000

(vi) Mrs VG (resident) has total income of ₹ 1,01,00,000

(vii) Mrs VG (resident) has total income of ₹ 1,02,00,000

(viii) Mrs VG (resident) has total income of ₹ 1,03,00,000

#### Question 5 (Surcharge)

Compute the tax liability of Mr Yog Raj as Per Default Tax, aged 60 years, for AY 2026-27 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
Deductions u/s 80C-80U	1,30,000

#### Question 6

Compute the tax liability of Mr VG having total income of ₹ 4,49,000.

#### Question 7

Compute the tax liability as per Default Tax Regime of Mr VG for Assessment Year 2026-27.

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

#### Question 8

Compute the tax liability of Mrs VG, aged 64 years for PY 2025-26 (AY 2026-27):

"Gross total income ₹ 4,44,000; Deductions allowed u/s 80C to 80U are ₹ 98,000 "

Case 1: Mrs VG is a resident

Case 2: Mrs VG is a non-resident

#### Question 9

Compute tax liability of Mr VG for AY 2026-27 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 {Taxable u/s 112}	1,90,000
Short Term Capital Gains	42,000
Short Term Capital Gains u/s 111A	5,00,000
Lottery Income	2,00,000
Other Income	11,000
Deductions allowed u/s 80C	1,50,000
Deduction allowed u/s 80CCD(2)	20,000

- Case 1: Mr B is resident (Opted Default Scheme)
- Case 2: Mr B is resident and aged about 68 years. (Opted Default Scheme)
- Case 3: Mr B is resident and aged about 81 years. (Opted Normal Tax Regime)
- Case 4: Mr B is non-resident. (Opted Normal Tax Regime)

## Additional Questions

①  $PGBP = 2,00,000$

$IFHP = 1,00,000$

$STCG 111A = 50,000$

$LTCG 112A = 1,50,000$

$LTCG 112 = 1,00,000$

②  $PGBP = 3,00,000$

$STCG = 3,00,000$

$LTCG 112 = 1,00,000$

$LTCG 112A = 1,50,000$

③  $LTCG 112 = 2,00,000$

$STCG 111A = 1,00,000$

$LTCG 112A = 2,00,000$

Dividend =  $1,50,000$

Lottery =  $2,00,000$

④ Total Income = 12,10,000

⑤ Total Income = 12,75,000

⑥ P<sub>u</sub>BP = 8,10,000      ① 1000

LTCY II2 = 4,00,000      ② 7100

**Question:**

ABC Inc., a company incorporated in USA, purchases goods from India worth ₹5 crore during the previous year. The goods are exclusively exported outside India without any domestic sale.

Further, ABC Inc. does not have any office, agent or business connection in India.

Determine whether ABC Inc. will have Significant Economic Presence (SEP) in India.

**Answer:**

As per Explanation 2A to section 9(1)(i), SEP includes:

- Transaction in goods/services exceeding ₹2 crore
- OR interaction with users exceeding prescribed limit

**However, exception provided:**

✓ Purchase of goods in India exclusively for export

➡ will NOT constitute SEP

**Analysis:**

- ABC Inc. purchased goods = ₹5 crore (threshold crossed ✓)
- But goods are exclusively exported ✓

**Conclusion:**

👉 Despite exceeding ₹2 crore,  
ABC Inc. will NOT have SEP in India  
because it falls under export purchase exception

## QUESTION 2

**Question:**

XYZ Ltd., a non-resident company, enters into the following transactions in India during the previous year:

1. Purchases goods worth ₹3 crore exclusively for export
2. Sells digital services in India worth ₹1.5 crore
3. Has interaction with 3.5 lakh users in India

Determine whether XYZ Ltd. has Significant Economic Presence in India.

## Answer:

As per Explanation 2A to section 9(1)(i):

SEP arises if:

- Transactions exceed ₹2 crore OR
- Users exceed prescribed limit (3 lakh)

## Analysis:

1 Purchase of goods for export (₹3 crore)

👉 Covered under exception

✗ Not considered for SEP

2 Digital services (₹1.5 crore)

👉 Below ₹2 crore

✗ No SEP on this basis

3 User interaction = 3.5 lakh

👉 Exceeds threshold (3 lakh) ✓

➡ Due to user interaction exceeding threshold

👉 Export purchase is ignored due to exception

Mr. Rahul is an employee of XYZ Ltd. His salary details are as follows:

- Basic Salary = ₹3,80,000
- DA (forming part) = ₹40,000
- Employer paid his personal electricity bill = ₹30,000

Compute taxable perquisite.

### ✓ Answer (Step-wise clarity)

Step 1: Check nature of benefit

- 👉 Employer ne employee ka personal bill pay kiya
- ➡ This is monetary obligation discharged by employer

✓ Covered under Section 17(2)(iv)

✓ Taxable in ALL employees (specified/non-specified doesn't matter)

### Step 2: Taxability

- 👉 Electricity bill = ₹30,000
- ➡ Fully taxable as perquisite

### ✓ Final Answer:

Taxable Perquisite = ₹30,000

### Question 2

Mr. Aman is working in ABC Ltd. The company provides him with a rent-free accommodation (facility). His salary is ₹3,50,000.

Is the perquisite taxable?

### Answer

Step 1: Nature of benefit

Rent-free accommodation = Facility (not monetary payment)

### Step 2: Rule of taxability

- 👉 Facility-based perquisites
- ➡ Taxable ONLY in specified employees

Step 3: Check specified employee

Salary = ₹3,50,000

- 👉 Less than ₹4,00,000
- 👉 Not director
- 👉 No substantial interest

✗ NOT a specified employee

Final Answer:

- 👉 Perquisite NOT taxable

Mr. Raj, an employee of ABC Ltd., went to the USA for medical treatment. The company paid:

- Travelling expenses (for employee + 1 attendant) = ₹3,00,000
- GTI of Mr. Raj = ₹7,80,000

**Compute taxable perquisite.**

**Answer**

**Step 1: Check condition**

GTI ≤ ₹8,00,000 ✓

Step 2:

👉 If GTI ≤ ₹8 lakh

➡ Travelling expenses = Fully Exempt

**Final Answer:**

👉 Taxable Perquisite = NIL

**Question 2**

Mrs. Neha, an employee of XYZ Ltd., went abroad for medical treatment. The employer paid:

- Travelling expenses (employee + 1 attendant) = ₹4,50,000
- GTI of Mrs. Neha = ₹9,20,000

Compute taxable perquisite.

**Answer**

Step 1: Check GTI

👉 GTI > ₹8,00,000 ✗

**Step 2:**

👉 If GTI exceeds ₹8 lakh

➡ Travelling expenses = Fully Taxable (Not even partial exemption)

**Final Answer:**

👉 Taxable Perquisite = ₹4,50,000

# CHARGE OF GST



## 1. Amendments in the list of notified services tax on which is paid by the electronic commerce operator (ECO) if such services are supplied through it.

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the **electronic commerce operator (ECO)** if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council [Section 9(5) of the CGST Act/Section 5(5) of the IGST Act].



**Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017** as amended has notified the following categories of services **supplied through ECO** for this purpose –

- (a) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motorcycle, or any other motor vehicle except omnibus;
- (b) Services by way of transportation of passengers by an omnibus except where the person supplying such service through ECO is a company\*\*.
- (c) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying such service through electronic commerce operator is liable for registration under section 22(1).

(d) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1).



(e) supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

***(f) services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under sub section (1) of section 22 of the Central Goods and Services Tax Act, 2017.***

\*\*The tax on services by way of transportation of passengers by an omnibus provided by a company through ECO is not payable by ECO. It will be payable by the company itself.

**[Effective from 22.09.2025]**

***[Notification No.17/2025 CT(R) and Notification No. 17/2025 IT(R) both dated 17.09.2025]***

## **2. Change in GST rates**

### **(i) Taxability of Goods Transport Agency (GTA) services**

**(a)** Where GTA has not taken the Input Tax Credit (ITC) on goods or services used in supplying GTA service (there can be either of the cases - where GTA exercises the option to itself pay GST at said rate or /does not exercise the option to itself pay GST at said rate, on services supplied by it) – taxable @ **5%** (2.5% CGST+2.5% SGST/UTGST or 5% IGST)-**This remains unchanged.**

**(b)** Where GTA wishes to avail ITC on goods or services used in supplying GTA service– Earlier taxable @ 12% (6% CGST+6% SGST/UTGST or 12% IGST) , **this rate has been changed to 18% (9% CGST+9% SGST/UTGST or 18% IGST)**

(ii) **Taxability of service by way of renting of any motor vehicle designed to carry passengers where the cost of fuel is included in the consideration charged from the service recipient**



- (a) If supplier of services has taken only the limited ITC (of input services in the same line of business) – taxable @ **5%** (2.5% CGST+2.5% SGST/UTGST or 5% IGST) --**This remains unchanged.**
- (b) Where Supplier wishes to avail ITC without restriction on goods or services used in supplying renting of motor vehicles service - Earlier taxable @ 12% (6% CGST+6% SGST/UTGST or 12% IGST), **this rate has been changed to 18%<sup>1</sup> (9% CGST+9% SGST/UTGST or 18% IGST).**

***[Effective from 22<sup>nd</sup> September, 2025]***

***[Notification No. 15/2025 CT (R) dated 17.09.2025 & Notification No. 15/2025 IT(R) both dated 17.09.2025]***

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<sup>1</sup> Amended vide *Notification No. 11/2017 CT (R) dated 28.06.2017*. It may be noted that *Reverse Charge Notification No. 13/2017 CT (R) dated 28.06.2017* still contains 12% rate.

## Question:

Zomato, an electronic commerce operator, provides food and local delivery services through its platform.

Rohit, a delivery partner associated with Zomato, provides local delivery services and earns ₹2,50,000 annually. He is not registered under GST.

Later, his turnover increases to ₹25,00,000, making him liable for registration under section 22.

## Determine:

1. Who is liable to pay GST on delivery services initially?
2. Who will be liable after Rohit becomes liable for registration?

✅ Answer:

As per Section 9(5) of CGST Act:

- GST on notified services (like local delivery) is payable by ECO

## 📊 Analysis:

◆ Initial Case (Turnover ₹2,50,000 – Not liable for registration)

- Rohit is unregistered

👉 GST liability = Zomato (ECO)

◆ After Increase (Turnover ₹25,00,000 – Liable for registration)

👉 Exception applies

👉 GST liability = Rohit (Delivery Partner)

## 🎯 Conclusion:

- Before threshold → ECO pays GST
- After threshold → Service provider pays GST

## Question:

Dunzo, an electronic commerce operator, facilitates local delivery services (like grocery and parcel delivery).

Amit, an unregistered individual, provides delivery services through Dunzo and receives payment from customers via the platform.

Dunzo claims that it is only a facilitator and hence not liable to pay GST.

Examine the validity of Dunzo's claim under GST law.

✔ **Answer:**

**As per Section 9(5) of CGST Act:**

- Certain notified services (including local delivery services)

👉 GST is payable by ECO, not by actual supplier

📌 **Application:**

- Service: Local delivery through ECO
- Supplier: Amit (unregistered)

👉 Covered under Section 9(5)

👉 **Therefore:**

- Dunzo becomes deemed supplier
- GST liability = Dunzo (ECO)

🎯 **Conclusion:**

Dunzo's claim is not valid, as it is liable to pay GST under Section 9(5).

# EXEMPTIONS FROM GST



Entry Nos. referred to in this chapter correspond to entries in Notification No. 12/2017 CT (R) dated 28.06.2017 which grants exemption from GST for intra-State supply of specified services. However, these entry numbers have been given only for reference purposes and are not relevant for examination purpose.

## 1. Amendments in the services exempted from GST

Notification no. 12/2017 CT(R) dated 28.06.2017 provides list of services exempted from CGST. Parallel exemptions from IGST have been granted to inter-State supply of services vide Notification No. 9/2017 IT(R) dated 28.06.2017.

The amendments in the list of exempted services have been highlighted in bold italics/in strikethrough form, hereunder:

### (i) Amendments in the existing exemptions

Following existing exemptions have been amended:

Sl. No.	Description of services	Effective from
18	Services by way of transportation of goods- (a) by road except the services of— (i) a goods transportation agency; (ii) a courier agency;	22.09.2025

	<p>(b) by inland waterways.</p> <p><b>Explanation. - Nothing contained in this entry shall apply to:</b></p> <p><b>(i) local delivery services provided by an Electronic Commerce Operator; or</b></p> <p><b>(ii) local delivery services provided through an Electronic Commerce Operator.</b></p>	
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**(ii) New exemption introduced**

Following new services have been exempted from CGST:

Sl. No.	Description of services	Effective from
<b>36C</b>	<p><b>Services of life insurance business provided by an insurer to the insured, where the insured is not a group.</b></p> <p><b>Explanation: For the removal of doubts, it is hereby clarified that:</b></p> <p><b>a. This exemption shall apply to a contract of insurance where the insured is an individual, or an individual and family of the said individual.</b></p> <p><b>b. For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.</b></p>	22.09.2025
<b>36D</b>	<p><b>Services of health insurance business provided by an insurer to the insured, where the insured is not a group.</b></p> <p><b>Explanation: For the removal of doubts, it is hereby clarified that:</b></p> <p><b>a. This exemption shall apply to a contract of insurance where the insured is an individual, or an</b></p>	22.09.2025

	<p><i>individual and family of the said individual.</i></p> <p><i>b. For the purposes of (a) above, family shall include all individuals insured as family in the contract of insurance.</i></p>	
<b>36E</b>	<b><i>Reinsurance of the insurance services specified in serial numbers 36C or 36D.</i></b>	22.09.2025

**(iii) Amendments in the existing definition**

**Following existing definition has been substituted in paragraph 2:**

<b>Sl. No.</b>	<b>Description of services</b>	<b>Effective from</b>
ze	<p><del><b>Goods Transport agency (GTA) means any person who:</b></del></p> <ul style="list-style-type: none"> <li><del>❖ <b>provides service in relation to transport of goods by road and</b></del></li> <li><del>❖ <b>issues consignment note, by whatever name called.</b></del></li> </ul> <p><b><i>'goods transport agency' means any person who provides service in relation to transport of goods by road and issues a consignment note by whatever name called, but does not include</i></b></p> <p><b><i>(i) an electronic commerce operator by whom the services of local delivery are provided,</i></b></p> <p><b><i>(ii) an electronic commerce operator through whom the services of local delivery are provided.</i></b></p>	22.09.2025

## Question:

Swiggy facilitates delivery of groceries through its platform. Ramesh, an unregistered person, provides delivery services through Swiggy.

Ramesh claims that his services are exempt from GST as transportation of goods by road is exempt (other than GTA/courier).

Examine whether GST is applicable in this case.

✅ Answer:

As per GST law:

- Transportation of goods by road (other than GTA/courier) is generally exempt

However, important exception:

👉 This exemption does NOT apply to:

- Local delivery services provided by or through an ECO

📊 Application:

- Service: Local delivery
- Mode: Through ECO (Swiggy)

👉 Falls under exception

➡ Therefore:

- Exemption is not available

👉 As per Section 9(5):

- GST will be paid by Swiggy (ECO)

🎯 Conclusion:

Ramesh's claim is incorrect.

Local delivery via ECO is taxable, and GST is payable by Swiggy.

## Question:

Mr. Amit provides delivery services in two ways:

1. Directly to customers (without any platform)
2. Through Zeplo (ECO platform)

He is not registered under GST.

Determine the GST applicability in both cases.

✔ Answer:

◆ **Case 1: Direct delivery (No ECO)**

- Transportation of goods by road
- Not a GTA / courier

👉 Exempt from GST

◆ **Case 2: Delivery through ECO (Zepto)**

- Local delivery via ECO

👉 Exemption not applicable (as per explanation)

👉 Therefore:

- Supply becomes taxable
- As per Section 9(5):

👉 GST payable by ECO (Zepto)

**Question**

Rahul purchases a life insurance policy from LIC covering himself and his wife. The premium is ₹50,000 per annum.

Determine whether GST exemption is available on the above service.

✔ Answer:

As per GST exemption:

- Life insurance services are exempt when:
- Insured is an individual, or
- Individual + family

👉 In this case:

- Policy covers Rahul (individual) + his wife (family)

➡ Hence, it qualifies as individual/family policy

🎯 **Conclusion:**

✔ GST exemption is available

**Question:**

ABC Pvt. Ltd. takes a group health insurance policy for all its employees from Star Health Insurance. The premium is paid by the company.

The company claims that health insurance services are exempt under GST.

Examine the validity of the claim.

✔ Answer:

As per GST provisions:

- Health insurance is exempt only when:
- Insured is an individual or family
- Group insurance is NOT covered under exemption

👉 In this case:

- Policy taken by company for employees

➡ This is a group insurance policy

🎯 Conclusion:

✗ Exemption is NOT available

👉 GST is applicable

**Question:**

LIC provides life insurance services to individual customers (which are exempt). LIC further enters into a reinsurance agreement with a foreign reinsurer to transfer part of its risk.

Determine whether GST exemption is available on reinsurance services.

✔ Answer:

As per GST exemption (Entry 36E):

- Reinsurance of exempt life/health insurance services is also exempt

👉 In this case:

- Original service (life insurance to individual) = Exempt
- Reinsurance relates to same service

🎯 Conclusion:

✔ Reinsurance service is also exempt from GST

# VALUE OF SUPPLY



## 1. Clarification on various doubts related to treatment of secondary or post-sale discounts under GST

*Circular No. 251/08/2025-GST dated 12.09.2025* has clarified as follows:

**Issue:** Whether the full input tax credit is available to the recipient of supply when the recipients make discounted payments to the supplier of goods on account of financial/ commercial credit notes issued by the said supplier?

**Clarification:**

Section 16 (1) of the CGST Act, 2017 provides that every registered person shall be entitled to take credit of input tax charged on any supply of goods or services or both, which are used or intended to be used in the course or furtherance of his business.

It has been clarified vide *Circular No. 92/11/2019-GST, dated 7th March 2019* that the supplier of goods can issue financial/ commercial credit notes and in such cases, he will not be eligible to reduce his original tax liability. As the transaction value is not allowed to be reduced on account of issuance of financial/ commercial credit note, accordingly the tax charged from the recipient would also not get reduced.

**Thus, it is clarified that the recipient will not be required to reverse the Input Tax Credit<sup>2</sup> attributed to the discount provided on the basis of financial/ commercial Credit notes issued by the supplier, as there is no reduction in the original transaction value of the supply and accordingly the corresponding tax liability would also not get reduced.**

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<sup>2</sup> It may be noted that detailed provisions pertaining to reversal of input tax credit are outside the scope of syllabus at Intermediate Level.

**Issue:**

Whether a post-sale discount offered by a manufacturer to its dealer/ distributor, would be treated as a consideration paid by the manufacturer for the dealer's supply of the same goods to the end customer as a monetary value of the inducement to supply of goods manufactured by him to the end customer?

**Clarification:**

Section 2 (31) of the CGST Act, 2017 defines consideration as to include the monetary value of any act for the inducement of the supply of goods or services, whether by the recipient or by any other person.

In cases where there is no agreement between the manufacturer and the end customer, there are two independent sale transactions, one from the manufacturer to the dealer and the other from the dealer to the end customer.

The essence of the matter is that in a contract of sale, the sale is completed on the transfer of title to the goods to the buyer. Once this happens, the buyer becomes the owner of the goods, and the seller has no vestige of the title or claims therein. The dealer takes ownership of the goods purchased from the manufacturer and subsequently sells them to the end customer and transaction between the manufacturers to dealer operates on a principal-to-principal basis.

These discounts are simply given for competitive pricing to push sales and merely reduce the sale price of the goods and are not linked to any independent activity rendered to the manufacturer. Therefore, it is clarified that such a discount cannot be included in consideration as the monetary value of the inducement of further supply of these goods.

However, in cases where the manufacturer has some agreement with an end customer to supply goods at a discounted price, the manufacturer may issue commercial or financial credit notes to the dealer, enabling such dealer to provide the goods at the agreed discounted rate to the end consumer. Therefore, it is clarified that such a post-sale discount, given by the manufacturer to the dealer for supplying goods to the end customer at a discounted rate, should be included in the overall consideration as it is an inducement towards the supply of goods by the dealer to the end customer.

**Issue:**

Whether a post-sale discount extended by the manufacturer to the dealer can be treated as a consideration in lieu of the activities performed to promote the sale of the goods?

**Clarification:**

When dealers receive such post-sale discounts, they may engage in promotional activities to boost sales. However, these activities ultimately enhance the sale of goods that the dealers themselves own, thereby increasing their own revenue. In this context, the discount merely reduces the sale price of the goods and is not linked to any independent service rendered to the manufacturer. Therefore, it is clarified that post-sale discounts offered by manufacturers to dealers in such cases shall not be treated as consideration for a separate transaction of supply of services.

However, GST would be leviable in cases where a dealer undertakes specific sales promotional activities, such as advertising campaigns, co-branding, customization services, special sales drives, exhibition arrangements, or customer support services, etc., only when such services are explicitly stated in the agreement with a clearly defined consideration payable for such a supply. In such cases, the dealer provides a distinct service to the supplier, and accordingly, GST would be chargeable.

- 👉 Normal Discount → GST nahi
- 👉 Sale push / condition wala Discount → GST lagega
- 👉 Service ke badle paisa → GST lagega

A manufacturer sells goods to a dealer for ₹2,00,000. The dealer further sells the goods to the customer for ₹2,40,000. Later, the manufacturer gives a post-sale discount of ₹20,000 to the dealer without any prior agreement with the customer.

👉 Examine whether GST is applicable on such discount.

✅ Answer:

- No agreement with end customer
- Two independent transactions exist
- Discount is only price reduction

👉 Therefore,

❌ Not treated as consideration

❌ No GST applicable

## QUESTION 2

A manufacturer agrees with a customer to supply goods at ₹90,000. The dealer purchases goods for ₹1,00,000 and sells to the customer at ₹90,000. The manufacturer later compensates the dealer by giving ₹10,000.

👉 Determine GST implication on ₹10,000.

✅ Answer:

- Discount is linked to supply
- It is given to induce dealer to sell at lower price

👉 Therefore,

✅ Treated as consideration

✅ GST applicable

## QUESTION 3

A dealer receives ₹50,000 from the manufacturer after sale of goods. As per agreement, the dealer undertakes advertising and branding activities for the manufacturer.

👉 Determine whether GST is applicable.

✅ Answer:

- Dealer is providing separate service
- Consideration is clearly defined

👉 Therefore,

✅ It is a supply of service

✅ GST applicable on ₹50,000

# TAX DEDUCTION AT SOURCE AND TAX COLLECTION AT SOURCE



1. **Amendments in the list of notified services tax on which is paid by the electronic commerce operator (ECO) if such services are supplied through it.**

The Government may, on the recommendations of the GST Council, notify specific categories of services the tax [CGST/SGST/IGST] on supplies of which shall be paid by the **electronic commerce operator (ECO)** if such services are supplied through it. Such services shall be notified on the recommendations of the GST Council.



**Notification No. 17/2017 CT (R) dated 28.06.2017/ Notification No. 14/2017 IT (R) dated 28.06.2017** as amended has notified the following categories of services **supplied through ECO** for this purpose –

- (a) services by way of transportation of passengers by a radio-taxi, motorcab, maxicab, motorcycle, or any other motor vehicle except omnibus;
- (b) Services by way of transportation of passengers by an omnibus except where the person supplying such service through ECO is a company\*\*.
- (c) services by way of providing accommodation in hotels, inns, guest houses, clubs, campsites or other commercial places meant for residential or lodging purposes, except where the person supplying

such service through electronic commerce operator is liable for registration under section 22(1).

- (d) services by way of house-keeping, such as plumbing, carpentering etc, except where the person supplying such service through electronic commerce operator is liable for registration under sub-section 22(1).
- (e) supply of restaurant service other than the services supplied by restaurant, eating joints etc. located at specified premises.

***(f) services by way of local delivery except where the person supplying such services through electronic commerce operator is liable for registration under sub section (1) of section 22 of the Central Goods and Services Tax Act, 2017.***

\*\*The tax on services by way of transportation of passengers by an omnibus provided by a company through ECO is not payable by ECO. It will be payable by the company itself.

***[Effective from 22.09.2025]***

***[Notification No.17/2025 CT(R) and Notification No. 17/2025 IT(R) both dated 17.09.2025]***

# RETURNS



## 1. Filing of annual return exempted in specific case

Section 44(1) of the CGST Act, 2017 provides that the Commissioner may, on the recommendations of the Council, by notification, exempt any class of registered persons from filing annual return under this section.

**In exercise of above powers, the Commissioner, on the recommendations of the Council, in respect of filing of annual return for the financial year 2024-25 onwards, has exempted the registered person whose aggregate turnover in any financial year is up to two crore rupees, from filing annual return that said financial year.**

***[Notification No. 15/2025 CT dated 17.09.2025]***

Discuss whether a registered person having aggregate turnover of ₹1.80 crore in the financial year 2024–25 is required to file Annual Return under Section 44 of the CGST Act, 2017. Also, mention the legal provision applicable.

✓ Answer:

As per Section 44(1) of the CGST Act, 2017, every registered person is required to file an annual return. However, the Commissioner is empowered to exempt any class of registered persons from filing annual return on the recommendations of the GST Council.

In exercise of this power, it has been notified that:

👉 Registered persons having aggregate turnover up to ₹2 crore in a financial year (from FY 2024–25 onwards) are exempt from filing Annual Return.

📌 Application to the case:

- Turnover = ₹1.80 crore
- Limit = ₹2 crore

👉 Since turnover is within the prescribed limit,

✓ the registered person is NOT required to file Annual Return.