

CA / CMA INTER
DIRECT TAX
QUESTIONNAIRE
C O V E R I N G

MRP
MTP
RTP
PAST EXAM

Applicable For	CA	May 26 / Sept 26 / Jan 27
	CMA	June 26 / Dec 26

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Dear Students

*It gives us immense pleasure to present before you a Comprehensive book on Direct Taxes. This book would not have been a reality if not from the Tremendous support of **Pallavi Sarda**. Special Thanks to **my Notes team**, who has been involved “day & night literally” to fulfill this dream book without whom this would not have been the light of the day.*

I have been blessed to have an extraordinary support terms of colleagues, friends & family who have helped me in every sphere of my journey called this life. All these people deserve much more than a deep thank and love. I express all my gratitude to each and everyone of them for assisting me in all my endeavors. Thanks to the student community for inviting me into your academics & making me your teacher. I am grateful for the opportunity to be of service to you. The love & affection you have shown is immense & invaluable.

“Padho toh Hadh kardo warna Program radh kardo”

*I express my respect, love and gratitude to **My Parents & My Family** for not only giving me life but giving your entire life to me. I am indebted to all of you a lot, indeed more than my life & to my wife to bear with me in all times I spent on making notes. And last to all my CRITICS because your criticism continuously keep me grounded and gave me power to do even better. Every care has been taken to make the presentation in this book from blemish.*

Let us remind you two important things :

- 1. This book is not a substitute for study material issued by ICAI/ICMAI, it's only an aid.*
- 2. There is no short cut to success, it is resolute hard work that pays.*

“Quality is what I serve, & my Passion drives it”



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WEIGHTAGE AS PER ICAI

No.	Contents	Section	Weightage
1.	Basic Concepts	I	10%-20%
2.	Residential status & scope of total income		
3.	Heads of income and the provisions governing computation of income under different heads : i) Salaries ii) Income from house property iii) Profits and gains of business or profession iv) Capital gains v) Income from other sources	II	25%-30%
4.	Clubbing of income, set-off & carry forward, Deductions	III	15%-20%
5.	Advance tax, Tax deduction at source & tax collection at source	IV	15%-20%
6.	Provisions for filing return of income and self-assessment		
7.	Computation of total income and income-tax payable by an individual under the alternative tax regimes under the Income-tax Act, 1961 to optimise tax liability.	V	20%-25%

WEIGHTAGE AS PER ICMAI

No.	Contents	Weightage
1.	Basics of Income Tax	10%
2.	Heads of Income	25%
3.	Total Income and Tax liability of individuals & HUF	15%

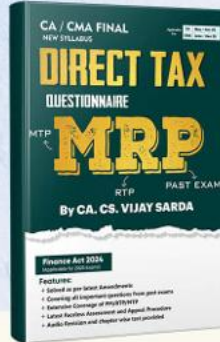
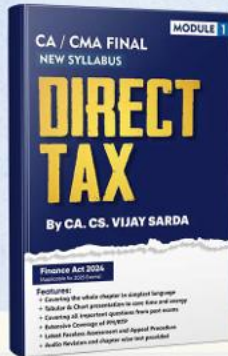
A / B / C - ANALYSIS

	Topics	Done in class	Done by me	IMP Done
A	Basics of Income Tax			
	Income from salary			
	Capital Gains			
	Profits & Gains from Business/Profession			
	Set-off & Carry Forward			
	Tax Deducted & Collected at Source			
	Computation of Total Income			
B	Income from House Property			
	Income from Other Sources			
	Deduction			
	Return of Income			
C	Residential Status			
	Agriculture Income			
	Clubbing of Income			
	Exemptions			
	Alternate Minimum Tax			
	Advance Tax			

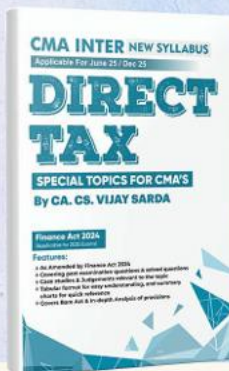
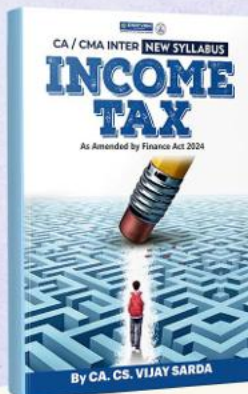
BOOKS

Other Publications – For Professional Students

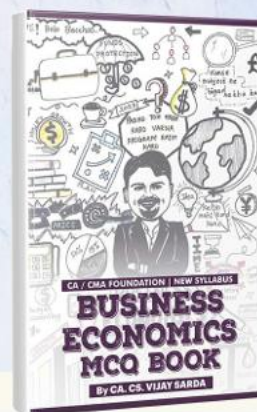
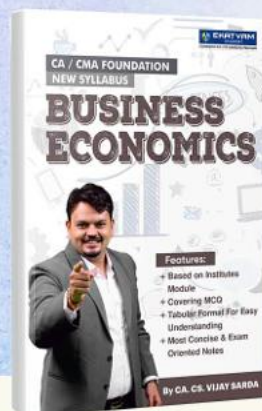
FINAL



INTER



FOUNDATION



IN E

No.	Topic Name	Page No.
1.	Basics of Income Tax	1.1 - 1.14
2.	Residential Status	2.1 - 2.15
3.	Agriculture Income	3.1 - 3.5
4.	Income from House Property	4.1 - 4.24
5.	Income from salary	5.1 - 5.50
6.	Income from Other Sources	6.1 - 6.11
7.	Capital Gains	7.1 - 7.26
8.	Profits & Gains from Business/Profession	8.1 - 8.43
9.	Clubbing of Income	9.1 - 9.11
10.	Set-off & Carry Forward	10.1 - 10.17
11.	Deduction	11.1 - 11.16
12.	Exemptions	12.1 - 12.5
13.	Advance Tax, Tax Deducted at Source & Tax Collected at Source	13.1 - 13.19
14.	Alternate Minimum Tax	14.1 - 14.3
15.	Return of Income	15.1 - 15.10
16.	Computation of Total Income	16.1 - 16.46
17.	Amendments	17.1

Comparative Analysis

Question no	Section Cross Reference	Based on Concept	M/R/P/SM	IMP	Page no [To be filled by Student]
1,2	Sec.2 & 5	Def nitions	P & SM	Both	
3-12	Sec.87A + Special rates	Basic Tax Calculations – old scheme	Class Work	4,7,8,10, 11,12	
13-15	Marginal relief	Marginal relief	SM	15	
16-21	Special Rates	Basic Tax Calculations – Default scheme + Question Based on Amendment	SM + Class	19,20	
22	Co's Tax rate	Alternative tax scheme for Companies	Class work	-	
23-25	Concept Check	Various Concept	Class Work	-	

Questions Based on Theory

Question 1: Who is an “Assessee”?

SM / MAY 16

Solution:

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

In addition, the term includes –

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

Question 2: State any 4 Instances where Income of the PY is assessable in PY itself instead of AY.

SM /
Nov- 22

Solution:

The income of an assessee for a PY is charged to income-tax in the AY. However, in a few cases, the income is taxed in the previous year in which it is earned. The exceptions are as follows:

1. **Non resident Shipping Business :** Where a ship, belonging to or chartered by a non-resident, carries passengers, livestock, mail or goods shipped at a port in India.
2. **AOP/ BOI formed for Short Duration:** If an AOP/BOI etc. is formed or established for a particular event or purpose and the AO apprehends that the AOP/BOI is likely to be dissolved in the same year.
3. **Closure of Business:** any business or profession is discontinued in any AY , the income of the period from the expiry of the PY up to the date of such discontinuance may, at the discretion of the Assessing Officer, be charged to tax.
4. **Person likely to transfer the property to avoid the tax:** it appears to the Assessing Officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets to avoid payment of any liability under this Act

Questions Based on Basic Tax Calculation- Old Scheme

Question 3: Based on Basic Tax Calculation + Rebate

Class Question

Mr. Balaji Resident Assessee has following income

Particulars	₹
1. PGBP	3,20,000
2. IFOS	90,000
Total Income	4,10,000

You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the AY 2026-2027.

Solution:

For Mr Balaji – Computation of Tax Liability		AY 2026-2027
Particulars	₹	₹
Total Income	4,10,000	
Computation of Tax		
Up to ₹ 2,50,000	Nil	
₹ 2,50,001- 4,10,000 @ 5%	8,000	8,000
Total Tax		8,000
Less: Rebate u/s 87A		(8,000)
Net tax Liability		Nil
Add: HEC @ 4%		Nil
Net Tax Liability		Nil

Concept Interlinking:

1. HEC is after adjusting for Rebate.

Question 4: Based on Basic Tax Calculation + Rebate + Round of	Class Question
Mr. Trump (NR) Assessee age 62 years has following income	
Particulars	₹
1. PGBP	4,89,999
You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the AY 2026-2027.	

Solution:

For Mr Trump - Computation of Tax Liability		AY 2026-2027
Particulars	₹	₹
Total Income (Rounded Of)	4,90,000	
Computation of Tax		
A] Normal Income		
Up to ₹ 2,50,000	Nil	
₹ 2,50,001- 4,90,000 @ 5%	12,000	12,000
Total Tax		12,000
Less: Rebate u/s 87A		Nil
Net tax Liability		12,000
Add: HEC @ 4%		480
Net tax Liability		12480
Concept Interlinking:		
1. NR also gets B.E.L & NR (SR Citizen's) BEL is also ₹ 2,50,000.		
2. NR Do not get Rebate u/s 87A.		

Question 5: Based on Basic Tax Calculation + Special Income	Class Question
Mr. Ganesh Assessee age 42 years has following income	
Particulars	₹
1. PGBP	8,00,000
2. LTCG u/s 112	3,00,000
3. Lottery	2,00,000
Total Income	13,00,000
You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the AY 2026-2027.	

Solution :

For Mr Ganesh - Computation of Tax Liability		AY 2026-2027
Particulars	₹	₹
Total Income	13,00,000	
Computation of Tax		
A] Special Income		
1. LTCG u/s 112	3,00,000 x 12.5%	37,500
2. Lottery	2,00,000 x 30%	60,000
Total Tax [A]		97,500
B] Normal Income		
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,001-8,00,000 @ 20%	60,000	
Total tax [B]	72,500	72,500
Total Tax [A+B]		1,70,000
Add: HEC @ 4%		6,800
Total tax Liability		1,76,800
Concept Interlinking:		
1. HEC is calculated on net tax Liability.		
2. Generally special income is directly taxable at special rate without B.E.L.		
3. Since Total Income (normal + Special) exceed ₹ 5L rebate u/s 87A is not applicable.		

Question 6: Based on Basic Tax Calculation + Special Income	Class Question
Mr. Ali Assessee age 50 years has following income	
Particulars	₹
1. PGBP	16,00,000
2. Dividend	3,00,000
3. LTCG u/s 112A	5,00,000
4. Online Winning	2,00,000
Total Income	26,00,000
You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the AY 2026-2027.	

Solution:

For Mr Ali - Computation of Tax Liability		AY 2026-2027
Particulars	₹	₹
Total Income	26,00,000	
Computation of Tax		
A] Special Income		
1. LTCG u/s 112A [₹ 5L – 1.25L]	3,75,000 x 12.5%	46,875
2. Online Winning	2,00,000 x 30%	60,000
Total Tax [A]		1,06,875
B] Normal Income		
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,001-10,00,000 @ 20%	1,00,000	
Balance ₹ 9,00,000 @ 30%	2,70,000	
Total tax [B]		3,82,500
Total Tax [A+B]		4,89,375
Add: HEC @ 4%		19,575
Total tax Liability		5,08,950
Concept Interlinking:		
1. In case of LTCG u/s 112A tax is applicable beyond ₹ 1,25,000.		

Question 7: Based on Rebate + Special Income	Class Question
Ms. Vaishnavi Assessee age 22 years has following income	
Particulars	₹
1. PGBP	3,00,000
2. LTCG u/s 112	1,00,000
3. Lottery	50,000
4. Horse race winning	20,000
Total Income	4,70,000
You are requested to compute the tax liability assuming she do not opt for the default Tax scheme for the AY 2026-2027.	

Solution:

For Ms. Vaishnavi – Computation of Tax liability		AY 2026-2027
Particulars	₹	₹
Total Income	4,70,000	
Computation of Tax		
A] Special Income		
1. LTCG u/s 112	1,00,000 x 12.5%	12,500
2. Online Winning	50,000 x 30%	15,000
3. Horse races	20,000 x 30%	6,000
Total Tax [A]		33,500
B] Normal Income		
Upto ₹2,50,000	Nil	

₹ 2,50,001- 3,00,000 @ 5%	2,500	
Total tax [B]	2,500	2,500
Total Tax [A+B]		36,000
Less: Rebate u/s 87A		(12,500)
Total tax Liability		23,500
Add: HEC @ 4%		940
Net tax Liability		24,440

Concept Interlinking:

1. Rebate u/s 87A is not available from LTCG u/s 112A but it is available from LTCG u/s 112, Lottery & Horse races etc. under the old tax regime.
2. Rebate is available because Total income is less than ₹ 5L.
3. **Recall :** We reduce ₹ 1.25L from LTCG u/s 112A, not from LTCG.

Question 8: Based on Normal + Special + TDS Adjustments		Class Question
Ms. Akshay Assessee age 29 years has following income		
Particulars	₹	
1. PGBP	28,00,000	
2. STCG	14,00,000	
3. STCG u/s 111A	60,000	
4. Dividend	40,000	
5. LTCG u/s 112A	1,50,000	
6. LTCG u/s 112	50,000	
7. Lottery (TDS Deducted 3000)	7,000	
Total Income	45,07,000	
You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the AY 2026-2027.		

Solution:

For Ms. Akshay – Computation of Tax liability		AY 2026-2027
Particulars	₹	₹
Total Income (Roundoff)	45,07,000	
Computation of Tax		
A] Special Income		
1. Lottery	10,000 x 30%	3,000
2. LTCG u/s 112	50,000 x 12.5%	6,250
3. LTCG u/s 112A [₹ 1,50,000 – 1,25,000]	25,000 x 12.5%	3125
4. STCG u/s 111A	60,000 x 20%	12,000
Total Tax [A]		24,375
B] Normal Income		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,000 – 10,00,000 @ 20%	1,00,000	
Balance ₹ 32,40,000 @ 30%	9,72,000	
Total tax [B]	10,84,500	10,84,500
Total Tax [A+B]		11,08,875
Add: HEC @ 4%		44,355
Net tax Liability		11,53,230
Less: TDS already deducted		(3,000)
Net tax Liability (Post Round of)		11,50,230

Concept Interlinking:

1. STCG not covered u/s 111A shall be taxable at normal slab Rate.
2. If Income is given net of TDS still while calculating tax liability, we shall consider the gross income and TDS already deducted shall be reduce from net tax liability.
3. If instead of TDS advance tax details were given then also we would have done the same adjustment of reducing it from net tax liability.

Question 9: Based on Surcharge					Class Question	
Find out the tax liability assuming the taxpayers do not want to opt for default tax regime u/s 115BAC].						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		111A	112	112A		
X (46 years) resident	-	6,00,000	3,00,000	7,00,000	59,00,000	75,00,000

Solution:

Particulars	Section 111A (IT rate: 20%)	Section 112 (IT rate: 12.5%)	Section 112A (IT rate: 12.5% on CG exceeding ₹ 1.25 lakh)	Other income ₹	Total ₹
Income tax	1,20,000	37,500	71,875	15,82,500	18,11,875
Surcharge @ 10%	12,000	3,750	7,188	1,58,250	1,81,188
Total	1,32,000	41,250	79,063	17,40,750	19,93,063
HEC @ 4%	5,280	1,650	3,163	69,630	79,723
Tax liability	1,37,280	42,900	82,226	18,10,380	20,72,786
Net Tax Liability (Roundof)					20,72,790

Question 10: Based on Surcharge					Class Question	
Find out the tax liability assuming the tax payers do not want to opt for the default tax regime u/s 115BAC].						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		111A	112	112A		
X (46 years) resident	-	1,00,000	3,00,000	7,00,000	6,59,00,000	6,70,00,000

Solution:

For Mr. X – Computation of Tax liability		AY 2026-2027
Particulars	₹	₹
Total Income (Roundof)	6,70,00,000	
Computation of Tax		
A] Special Income		
1. LTCG u/s 112	3,00,000 x 12.5%	37,500
2. LTCG u/s 112A [₹7,00,000 – 1,25,000]	5,75,000 x 12.5%	71,875
3. STCG u/s 111A	1,00,000 x 20%	20,000
Total Tax [A]		1,29,375
B] Normal Income		
Upto ₹2,50,000	Nil	
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,000 – 10,00,000 @ 20%	1,00,000	
Balance Income 6,49,00,000 @ 30%	1,94,70,000	
Total tax [B]	1,95,82,500	1,95,82,500
Total Tax [A+B]		1,97,11,875
Add: Surcharge		
1. LTCG u/s 112	37,500 x 15%	5,625
2. LTCG u/s 112A	71,875 x 15%	10,781
3. STCG u/s 111A	20,000 x 15%	3,000
4. Other income	1,95,82,500 x 37%	72,45,525
Total Surcharge		72,64,931
Total tax + Surcharge		2,69,76,806
Add: HEC @ 4%		10,79,072
Net tax Liability		2,80,55,878

Net tax Liability (Post Round of)	2,80,55,880
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Concept Interlinking:

1. Surcharge rate in case of special income shall not exceed 15%.

Question 11: Based on last concept of Surcharge	Class Question
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Mr. Mowgli provides you the following:

Particulars	₹
1. PGBP	1,70,00,000
2. LTCG u/s 112	60,00,000
Total Income	2,30,00,000

Compute the tax liability of Assessee assuming the taxpayers do not want to opt for the default tax regime u/s 115BAC].

Solution:

For Mr. Mowgli – Computation of Tax liability		AY 2026-2027
Particulars	₹	₹
Total Income (Roundof)	2,30,00,000	
Computation of Tax		
A] Special Income		
LTCG u/s 112	60,00,000 x 12.5%	7,50,000
Total Tax [A]		7,50,000
B] Normal Income		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,000 – 10,00,000 @ 20%	1,00,000	
Balance Income ₹ 1,60,00,000 @ 30%	48,00,000	
Total tax [B]	49,12,500	49,12,500
Total Tax [A+B]		56,62,500
Add: Surcharge		
Surcharge @ 15%	56,62,500 x 15%	8,49,375
Total tax + Surcharge		65,11,875
Add: HEC @ 4%		2,60,475
Net tax Liability		67,72,350

Concept Interlinking:

1. When other income along with Special Income exceed 2Cr then maximum surcharge rate shall be 15%.

Question 12: Based on Dividend & Surcharge Concept	Class Question
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Find out the tax liability assuming the tax payers do not want to opt for the default tax regime u/s 115BAC].

Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		111A	112	112A		
X (46 years) resident	13,00,000	3,00,000	1,00,000	2,00,000	3,34,00,000	3,53,00,000

Solution:

For Mr. X – Computation of Tax liability		AY 2026-2027
Particulars	₹	₹
Total Income (Roundof)	3,53,00,000	
Computation of Tax		
A] Special Income		
4. LTCG u/s 112	1,00,000 x 12.5%	12,500
5. LTCG u/s 112A [₹ 2,00,000 – 1,25,000]	75,000 x 12.5%	9,375
6. STCG u/s 111A	3,00,000 x 20%	60,000
Total Tax [A]		81,875
B] Normal Income		

Upto ₹ 2,50,000	Nil	
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,000 – 10,00,000 @ 20%	1,00,000	
Balance Income ₹ 3,37,00,000 @ 30%	1,01,10,000	
Total tax [B]	1,02,22,500	1,02,22,500
Total Tax [A+B]		1,03,04,375
Proportionate Tax -		
1. On Dividend [Tax x Dividend / Total Income]	$1,02,22,500 \times 13,00,000 / 3,47,00,000$	3,82,976
2. PGBP Income [Tax x PGBP / Total Income]	$[1,02,22,500 \times 3,34,00,000 / 3,47,00,000]$	98,39,524
Add: Surcharge		
1. LTCG u/s 112	$12,500 \times 15\%$	1,875
2. LTCG u/s 112A	$9,375 \times 15\%$	1,406
3. STCG u/s 111A	$60,000 \times 15\%$	9,000
4. Dividend	$3,82,976 \times 15\%$	57,446
5. PGBP Income	$98,39,524 \times 25\%$	24,59,881
Total Surcharge		25,29,608
Total tax + Surcharge	[1,03,04,375 + 25,29,609]	1,28,33,983
Add: HEC @ 4%		5,13,359
Net tax Liability		1,33,47,342
Round of		1,33,47,340
Concept Interlinking:		
1. Surcharge rate in case of special income shall not exceed 15%.		
2. Recall the rate of Surcharge on dividend & Cap gains is 15% & on other income is 25%.		

Questions Based on Marginal relief

Question 13: Based on Basic Tax Calculation + Marginal relief	SM
Compute the tax liability of Mr. Raja (aged 42 years), having total income of ₹51.5 lakhs for the AY 2026-27. Assume that his total income comprises of salary income, income from house property and interest from saving bank account. Also, assume that Mr. Raja has not opted for the provisions of sec 115BAC.	

Solution:

For Mr Raja - Computation of Tax Liability		AY 2026-2027
Particulars	₹	₹
A] Total Income	51,50,000	
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,001-10,00,000 @ 20%	1,00,000	
Balance ₹ 41,50,000 x 30%	12,45,000	
Total tax		13,57,500
Add: Surcharge		1,35,750
Total tax		14,93,250
B] Tax Payable on total income of ₹50 lakhs (₹12,500 + ₹1,00,000 + ₹12,00,000)		13,12,500
C] Total Income less ₹50 lakhs		1,50,000
D] Tax payable on total income of ₹50 lakhs plus the excess of total income over ₹50 lakhs (B+C)		14,62,500
E] Tax payable: Lower of (A) and (D)		14,62,500
B] Add: HEC @ 4%		58,500
Total tax Liability		15,21,000
Marginal Relief (A-D)		30,750

Question 14: Based on Basic Tax Calculation + Marginal relief	SM
Compute the tax liability of Mr. Deepak (aged 57 years), having total income of ₹2,02,00,000 for the AY 2026-27. Assume that his total income comprises of salary income, income from house property and interest from fixed deposit account. Also, assume that Mr. Deepak has not opted for the provisions of sec 115BAC.	

Solution:

For Mr. Deepak - Computation of Tax Liability		AY 2026-27	
	Particulars	₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,02,00,000		
	₹ 2,50,000 – 5,00,000 @ 5%	12,500	
	₹ 5,00,000 – 10,00,000 @ 20%	1,00,000	
	₹ 10,00,000 – 2,02,00,000 @ 30%	57,60,000	
	Total	58,72,500	
	Add: Surcharge @ 25%	14,68,125	73,40,625
(B)	Tax Payable on total income of ₹2 crore		
	(₹12,500 + 1,00,000 + ₹57,00,000)	58,12,500	
	Add: Surcharge @15%	8,71,875	
	Total tax		66,84,375
(C)	Total Income (-) ₹2 crore		2,00,000
(D)	Tax payable on total income of ₹2 crore plus the excess of total income over ₹2 crore(B+C)		68,84,375
(E)	Tax payable: Lower of (A) and (D)		68,84,375
	Add: HEC @ 4%		2,75,375
	Tax Liability		71,59,750
(F)	Marginal Relief (A – D)		4,56,250

Question 15: Based on Marginal relief of companies	SM
Compute the marginal relief available to X Ltd., a domestic company, assuming that the total income of X Ltd. is ₹1,01,00,000 for AY 2026-27 and the total income does not include any income in the nature of capital gains. Assume that the company has not exercised option u/s 115BAA or 115BAB.	
[Note - The gross receipts of X Ltd. for the PY 2022-23 is ₹402 crore]	

Solution:

The tax payable on total income of ₹1,01,00,000 of X Ltd. computed @**32.1% (30% + surcharge @7%)** is ₹32,42,100. However, the tax cannot exceed ₹31,00,000 (i.e. the tax of ₹30,00,000 payable on total income of ₹1crore plus ₹1,00,000, being the amount of total income exceeding ₹1 crore). Therefore, the tax payable on ₹1,01,00,000 would be ₹31,00,000 + 4%. Final tax liability = ₹ 32,24,000.
The marginal relief is ₹ 1,42,100 (i.e., ₹32,42,100 - ₹31,00,000).

Questions Based on Basic Tax Calculation- New Scheme

Question 16: Based on Basic Tax Calculation Default Tax Scheme	SM
Mr. X has a total income of ₹ 16,00,000 for PY 2025-26, comprising of income from house property and interest on fixed deposits. Compute his tax liability for AY 2026- 27 under the default tax regime u/s 115BAC.	

Solution:

For Mr X – Computation of Tax Liability		AY 2026 - 2027
Particulars	₹	₹
Total Income	16,00,000	
Tax Liability		
Upto ₹ 4,00,000	Nil	
₹ 4,00,001-8,00,000 @ 5%	20,000	

₹ 8,00,001-12,00,000 @ 10%	40,000	
₹ 12,00,001-16,00,000 @ 15%	60,000	1,20,000
Total tax		1,20,000
Add: HEC @ 4%		4,800
Net tax Liability		1,24,800

Question 17: Based on Tax Calculation + Rebate + Marginal Relief	SM
Mr. Pawan aged 35 years and a resident in India, has a total income of ₹ 12,15,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability under default tax regime u/s 115BAC.	

Solution:

For Mr Pawan		AY 2026 - 2027
Particulars	₹	₹
Tax on total income of ₹ 12,15,000		
Upto ₹ 4,00,000	Nil	
₹ 4,00,001-8,00,000 @ 5%	20,000	
₹ 8,00,001-12,00,000 @ 10%	40,000	
₹ 12,00,000-12,15,000 @ 15%	2,250	62,250
Income in excess of ₹ 12L		15,000
By Applying the concept of Marginal relief with rebate the tax payable cannot exceed the additional income earned		15,000
Add: HEC @ 4%		600
Net Tax Payable		15,600
Concept Interlinking:		
1. Under the default tax scheme Marginal relief is also available along with Rebate which was not available in old scheme .		

Question 18: Tax Calculation + Special Rate					Class Question	
Find out the tax liability assuming the tax payers want to opt for default tax regime u/s 115BAC].						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		111A	112	112A		
X (46 years) resident	-	6,00,000	3,00,000	7,00,000	59,00,000	75,00,000

Solution:

Particulars	Section 111A (IT rate: 20%)	Section 112 (IT rate: 12.5%)	Section 112A (IT rate: 12.5% on CG exceeding ₹ 1.25 lakh)	Other income ₹	Total ₹
Income tax	1,20,000	37,500	71,875	13,50,000	15,79,375
Surcharge @ 10%	12,000	3,750	7,188	1,35,000	1,57,938
Total	1,32,000	41,250	79,063	14,85,000	17,37,313
HEC @ 4%	5,280	1,650	3,163	59,400	69,493
Tax liability	1,37,280	42,900	82,226	15,44,400	18,06,810

Question 19: Based on Special Rate + Rebate related Amendment		Class Question
Mr. Vishnu Assessee age 49 years has following income		
Particulars	₹	
1. Salary (Computed)	5,10,000	
2. LTCG u/s 112A	4,50,000	
3. STCG u/s 111A	2,40,000	
Total Income	12.00.000	

You are requested to compute the tax liability assuming he want to opt for the default Tax scheme for the AY 2026-2027.

Solution:

For Mr Vishnu	AY 2026 -27
Particulars	₹
Net Income	12,00,000
A] Tax on Special Income	
1. Short term capital gain [Sec. 111A](20% of 2,40,000)	48,000
2. Long term capital gain [Sec. 112A] (12.5% of ₹ 3,25,000) [₹ 4,50,000-1,25,000)	40,625
B] Other Income	
- Normal tax on ₹5,10,000 – 4,00,000 (BEL) x 5%	5,500
Total tax (A+B)	94,125
Less: Rebate u/s 87A	
Maximum Rebate (refer Note below)	(5,500)
Tax Payable	88,625
Add: HEC @ 4%	3,545
Tax liability (rounded of)	92,170
Concept Interlinking:	
1. As per Finance Act, 2025 Rebate u/s 87A is not available from any Special Income (LTCG/STCG/Lottery etc.)	

Question 20: Based on Special Rate + Rebate in the old + Default Scheme Comparative understanding		Class Question
Mr. Bhima Assessee age 49 years has following income		
Particulars	₹ (Old Scheme)	₹ (Default Tax Scheme)
1. Salary (Computed)	2,90,000	5,10,000
2. LTCG u/s 112A	1,30,000	4,50,000
3. STCG u/s 111A	80,000	2,40,000
Total Income	5,00,000	12,00,000
Deduction u/s 80C	10,000	-
Net income	4,90,000	12,00,000
You are requested to compute the tax liability assuming assessee clearly want to understand the new amendment brought w.r.t. Rebate. Further solve both above questions as per the scheme mentioned.		

Solution:

For Mr. Bhima – Computation of Tax Liability	AY 2026-27	
Particulars	₹ (Old tax Scheme)	₹ (Default tax Scheme)
Net Income	4,90,000	12,00,000
A] Tax on Special Income		
1. STCG u/s 111A (20% of ₹ 80,000 or 2,40,000)	16,000	48,000
2. LTCG u/s 112A (12.5% of ₹ 5,000 Or 3,25,000) [AFTER REDUCING 1,25,000)	625	40,625
B] Other Income		
- Normal tax on For Old Scheme ₹ 2,80,000 – 2,50,000 (BEL) = 30,000 x 5% (Refer Note) (2,90,000 – 10,000) For New Scheme: ₹5,10,000 – 4,00,000 (BEL)= 1,10,000 x 5% (refer Note)	1,500	5,500
Total tax (A+B)	18,125	94,125
Less: Rebate u/s 87A		
Maximum Rebate (refer Note below)	(12,500)	(5,500)
Tax Payable	5,625	88,625
Add: HEC @ 4%	225	3,545
Tax liability (rounded of)	5,850	92,170

Concept Interlinking:**Notes Related to Old Scheme:**

1. Under the old Scheme Rebate u/s 112A is not applicable.
2. Deduction u/c VI-A is available (80C is available)
3. LTCG u/s 112A = 1,30,000 – 1,25,000 = 5,000
4. Other Income 2,80,000 = salary Income – Deduction i.e 2,90,000 – 10,000. [Deduction u/c VIA is not available from CG income also.

Notes related to Default Scheme:

1. As per amendment FA, 2025. The rebate is available upto income of ₹ 12L.
2. Deduction u/c VI-A (80C not available) is not applicable from Default tax Scheme.
3. LTCG u/s ₹ 4,50,000 – 1,25,000 = ₹ 3,25,000
4. As per Finance Act, 2025 Rebate u/s 87A is not available from any Special Income (LTCG/STCG/Lottery etc) hence rebate is restricted to ₹ 5,500 i.e other income

Question 21: Based on Dividend & Surcharge Concept**Class Question**

Find out the tax liability assuming the tax payers want to opt for the default tax regime u/s 115BAC].

Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		111A	112	112A		
Z (50 years) resident	13,00,000	3,00,000	1,00,000	2,00,000	6,34,00,000	6,53,00,000

Solution:

For Z – Computation of Tax Liability		AY 2026-27
Particulars		₹
Dividend Income		13,00,000
Short term capital gain [Sec. 111A]		3,00,000
Long term capital gain [Sec. 112]		1,00,000
Long term capital gain [Sec. 112A]		2,00,000
Other Income		6,34,00,000
Net Income		6,53,00,000
A] Tax on Special Income		
3. Short term capital gain [Sec. 111A] (20% of 3,00,000)		60,000
4. Long term capital gain [Sec. 112] (12.5 % of ₹ 1,00,000)		12,500
5. Long term capital gain [Sec. 112A] (12.5% of ₹ 75,000)		9,375
B] Other Income		
- Normal tax on ₹ 6,47,00,000		1,89,90,000
▪ Tax on dividend income (₹ 13,00,000 ÷ ₹ 6,47,00,000 x ₹ 1,89,90,000)		3,81,561
▪ Tax on balance of ₹ 6,34,00,000 (₹ 6,34,00,000 ÷ ₹ 6,47,00,000 x ₹ 1,89,90,000)		1,86,08,439
Income tax [A+ B]		1,90,71,875
Add: Surcharge		
Surcharge on dividend income (15% of 3,81,561)		57,234
Surcharge on Short term capital gain (15% of 60,000)		9,000
Surcharge on Long term capital gain (15% of 12,500)		1,875
Surcharge on Long term capital gain (15% of ₹ 9,375)		1,406
Surcharge on balance (25% of ₹ 1,86,08,439)		46,52,110
Total surcharge		47,21,625
Income tax and surcharge		2,37,93,500
Add: HEC @ 4%		9,51,740
Tax liability (rounded of)		2,47,45,240

Question 22: Based on Last Concept of Surcharge					Class Question	
Find out the tax liability assuming the taxpayers want to opt for the default tax regime u/s 115BAC].						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		111A	112	112A		
B (50 years) resident	-	1,00,00,000	68,00,000	2,00,000	70,00,000	2,40,00,000

Solution:

Particulars	Section 111A (IT rate: 20%)	Section 112 (IT rate: 12.5%)	Section 112A (IT rate: 12.5% on capital gain exceeding ₹ 1.25 lakh)	Other income ₹	Total ₹
Income tax	20,00,000	8,50,000	9,375	16,80,000	45,39,375
Surcharge @ 15%	3,00,000	1,27,500	1,406	2,52,000	6,80,906
Income tax & surcharge	23,00,000	9,77,500	10,781	19,32,000	52,20,281
HEC @ 4%	92,000	39,100	431	77,280	2,08,811
Tax liability	23,92,000	1,01,66,000	11,212	20,09,280	54,29,092
Roundoff					54,29,090

Concept Interlinking:

1. Applicable surcharge rate in case of default tax scheme is 15% when special income along with other income exceed ₹ 2 crore.

Questions Based on Tax Calculation of Alternative tax Scheme for Companies – Sec115BAB

Question 23: Based on Last Concept of Surcharge		Class Question
Vijay Ltd provide you with following Income		
Particulars		₹
1. Income from manufacturing Activity		90,95,000
2. Bank Interest (from FD kept as per direction of Municipal corporation to get license)		3,00,000
3. STCG on transfer of Land (No Depreciation taken)		18,00,000
4. House property Income (Computed)		6,00,000
5. STCG (From transfer of Depreciable Assets)		20,000
Total income		1,17,95,000
Compute the tax liability assuming he opts for 115BAB .		

Solution:

For Vijay Ltd		AY 2026-27
Particulars	₹	₹
Net Income		1,17,95,000
1. Tax on Income out of Manufacturing Income + Bank FD (Owing to Business) + Income from transfer of Depreciable Assets	94,15,000 x 15%	14,12,250
2. STCG on transfer of non-depreciable Assets	18,00,000 x 22%	3,96,000
3. HP Income	6,00,000 x 22%	1,32,000
Tax Payable		19,40,250
Add: Surcharge	10%	1,94,025
Add: HEC @ 4%		85,371
Tax liability (rounded of)		22,19,650

Question 24: Based on Only LTCG u/s 112A	Class Question
Mr. Sandeep Assessee age 35 years has following income	
Particulars	₹
1. LTCG u/s 112A	7,00,000
You are requested to compute the tax liability from both the scheme.	

Solution:

For Sandeep		AY 2026-27
Particulars	Old scheme (₹)	New Scheme ₹
LTCG u/s 112A	7,00,000	7,00,000
(-) Basic Exemption Limit	(2,50,000)	(4,00,000)
Balance	4,50,000	3,00,000
Exemption Upto	(1,25,000)	(1,25,000)
Balance Income	3,25,000	1,75,000
Tax Rate	12.5%	12.5%
Tax Liability	40,625	21,875
Less: Rebate u/s 87A	Nil	Nil
Balance tax Payable	40,625	21,875
Add: HEC @ 4%	1,625	875
Balance	42,250	22,750
Concept Interlinking:		
1. If assessee is resident & cannot adsorb basic exemption limit and has special income, then such income shall be frst adjusted towards basic exemption limit and balance income shall be taxable at special rate. 2. Tax on LTCG u/s 112A is beyond ₹ 1,25,000. 3. Rebate u/s 87A is not available from LTCG u/s 112A.		

Question 25: Based on Special Adjustment	Class Question
Mr. J provides you the following:	
Particulars	₹
1. PGBP	2,00,000
2. LTCG u/s 112	7,00,000
Total Income	9,00,000
Compute the tax liability of Assessee assuming the taxpayers do not want to opt for the default tax regime u/s 115BAC].	

Solution:

For Mr. J – Computation of Tax liability	AY 2026-2027
Particulars	₹
Total Income (Roundof)	9,00,000
Computation of Tax	
A] Special Income	
LTCG u/s 112	6,50,000 x 12.5%
Total Tax [A]	81,250
B] Normal Income	
₹ 2,00,000 + 50,000(LTCG) = ₹ 2,50,000 (BEL)	Nil
Total tax [B]	Nil
Total Tax [A+B]	81,250
Add: HEC @ 4%	3,250
Net tax Liability	84,500
Concept Interlinking:	
1. If normal income cannot absorb BEL and has special income such special income will be frst adjusted towards BEL and balance if any shall be taxable at special rate.	