

AS PER  
INCOME TAX  
ACT, 2025

CA/CMA FINAL  
DIRECT TAX  
QUESTIONNAIRE

MODULE 01

RTP

MTP

MRP

PAST EXAM



BY. CA. CS. VIJAY SARDA



REFERENCE TO ALL QUESTIONS



CONCEPT INTERLINKING



IMP QUESTIONS MARKED

Applicable For:

CA

MAY 27/NOV 27

CMA

JUNE 27/DEC 27

# 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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# THINGS TO NOTICE



**General Concept**



**Important**



**Headings**



**Amendments**

## WEIGHTAGE AS PER ICAI

<i>Contents</i>	<i>Section</i>	<i>Weightage</i>
<p>I. (i) <i>Comprehensive computation of income-tax liabilities of companies &amp; other entities under the alternative tax regimes under the Income-tax Act, 1961 to optimise tax liability</i></p> <ul style="list-style-type: none"> <li>&gt; <i>General provisions under the Act for computation of total income and tax liability for companies and other entities</i></li> <li>&gt; <i>Special tax regimes under the Act for companies &amp; other entities</i></li> <li>&gt; <i>Optimisation of tax liability of companies &amp; other entities through tax planning</i></li> </ul>	I	<b>20%-23%</b>
<p>(ii) <i>Special Provisions relating to charitable and religious trust &amp; institutions, political parties and electoral trusts, business trusts, securitisation trusts, investment funds and other funds/trusts</i></p> <p>(iii) <i>Anti-avoidance provisions under the Act</i></p> <p>(iv) <i>Provisions to address tax challenges on digitalisation</i></p>		<b>20%-22%</b>
<p>II. <i>Tax Administration and Appellate Mechanism</i></p> <p>(i) <i>Deduction, Collection and Recovery of Tax</i></p> <p>(ii) <i>Income-tax Authorities</i></p> <p>(iii) <i>Assessment Procedures</i></p> <p>(iv) <i>Appeals and Revision; and Dispute Resolution</i></p> <p>(v) <i>Provisions to counteract unethical tax practices</i></p> <ul style="list-style-type: none"> <li>&gt; <i>Taxation of undisclosed income under the Income-tax Act, 1961</i></li> <li>&gt; <i>Taxation of undisclosed foreign income and assets</i></li> <li>&gt; <i>Penalties and offences and prosecution</i></li> </ul> <p>(vi) <i>Miscellaneous Provisions</i></p> <p>(vii) <i>Tax Audit</i></p>	II	<b>20%-30%</b>
<p>III. <i>International Taxation</i></p> <p>(i) <i>Taxation of cross border transactions and Non-resident taxation under the Income-tax Act, 1961, including</i></p> <ul style="list-style-type: none"> <li>&gt; <i>Transfer Pricing</i></li> <li>&gt; <i>Non-resident Taxation</i></li> <li>&gt; <i>Double Taxation Relief</i></li> <li>&gt; <i>Advance Ruling</i></li> </ul> <p>(ii) <i>Other Aspects of International Taxation, namely,</i></p> <ul style="list-style-type: none"> <li>&gt; <i>Significant articles of OECD &amp; UN Model Tax Conventions</i></li> <li>&gt; <i>Fundamentals of BEPS</i></li> <li>&gt; <i>Application and Interpretation of Tax Treaties</i></li> <li>&gt; <i>Latest developments in international taxation</i></li> </ul>	III	<b>30%-35%</b>

## WEIGHTAGE AS PER ICAI

No.	Contents	Weightage
<b>Section A : Direct Tax Laws</b>		<b>60%</b>
1.	Assessment of Income and Computation of Tax Liability of Various Entities	<b>60%</b>
2.	Tax Management, Return and Assessment Procedure	
3.	Grievance Redressal	
4.	Penalties and Prosecutions	
5.	Business Restructuring	
6.	Different Aspects of Tax Planning	
7.	CBDT and Other Authorities	
8.	E-commerce Transaction and Liability in Special Cases	
9.	Income Computation and Disclosure Standards (ICDS)	
10.	Black Money Act, 2015	
11.	Case Study	
<b>Section B : International Taxation</b>		<b>40%</b>
12.	Double Taxation and Avoidance Agreements (DTAA)	<b>40%</b>
13.	Transfer Pricing	
14.	GAAR	

## A / B / C - ANALYSIS

	Topics	Done in class	Done by me
<b>A</b>	Basic and Tax Calculation		
	Capital Gains		
	Profits & Gains from Business/ Profession		
	TDS and TCS		
	Assessment Procedure + Search & Seizure + ROI		
	Public Charitable & Religious Trust		
	Residential Status + Non resident Taxation		
	Double Taxation Avoidance Agreement		
	Transfer Pricing		
	Base Erosion & Profit Shifting		
	Tax Audit		
Advance Ruling			
<b>B</b>	Income from Other Sources		
	Penalties & Black Money		
	General Anti-Avoidance Rules & Latest Developments		
	E-Com, & Virtual Digital Transaction		
	Deductions		
	Minimum Alternate Tax & Alternate Minimum Tax		
	Appeals + Revision		
	OMTC or Tax Treaty		
Business Trust			

	Done in class	Done by me
Securitization Trust		
Investment Fund		
Taxation of Firm		
Set Off & Carry Forward		
Interest		
Income Tax Authorities		
Co-operative Society		
Taxation of Association of Persons & body of Individuals		
Taxation of HUF		
<b>C</b> Taxation of Political Party & Electoral Trust		
Exemptions		
Tonnage Taxation		
Miscellaneous Provisions & Tax Planning		
Taxation of Liquidation		
Clubbing of Income		
Amalgamation & Demerger		
Agriculture Income		
Dispute Resolution Committee		
Rectification		
Advance Tax		

### Special Note by Author Regarding New Income tax Act, 2025

With the introduction of the new Income Tax Act, 2025, certain provisions, interpretations, procedures, and references discussed in this book may undergo amendments, updates, or further clarifications from time to time.

While every effort has been made to ensure accuracy at the time of publication, the subject matter is evolving and continues to be interpreted and implemented in practice. Accordingly, I take the liberty to request readers and students to kindly co-operate and stay connected with the respective lectures, updates, and communications issued during the course of learning.

In case any provision, explanation, or content is amended subsequently, students are advised to refer to the latest lecture updates or get in touch with the teacher for the revised position. Your understanding and cooperation in adapting to the changes under the new law will be sincerely appreciated.

### Regarding Corrections and Updates in Book

Every effort has been made to keep the contents of this book, (Concise & MRP Questionnaire) accurate & updated. However, due to Amendments, Circulars, Notifications, typographical errors, printing mistakes, or interpretation changes, certain corrections or updates may become necessary from time to time.

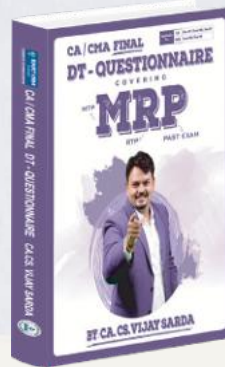
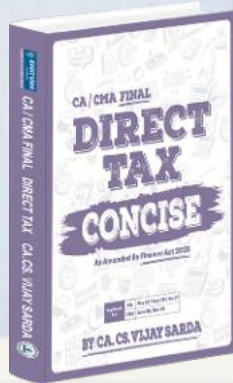
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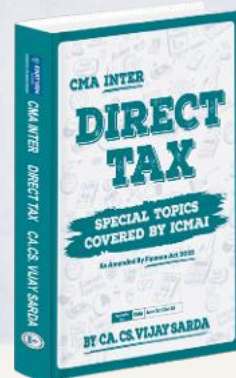
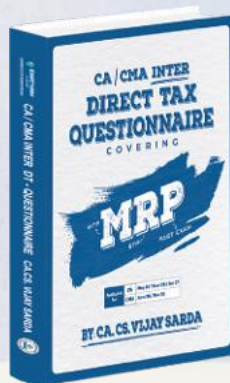
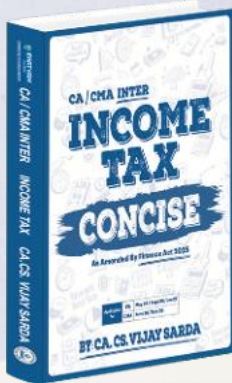
# BOOKS

## OTHER PUBLICATIONS - FOR PROFESSIONAL STUDENTS

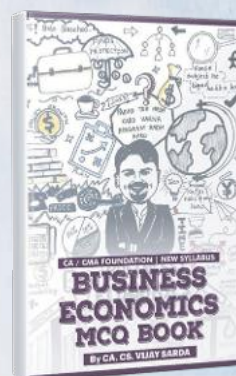
### FINAL



### INTER



### FOUNDATION



# INDE

<b>N</b>	<b>T N</b>	<b>P N</b>
1.	<i>Basic and Tax Calculation</i>	1.1 - 1.14
2.	<i>Agriculture Income</i>	2.1 - 2.3
3.	<i>Amalgamation &amp; Demerger &amp; Liquidation</i>	3.1 - 3.3
4.	<i>Taxation of Firm</i>	4.1 - 4.6
5.	<i>Income from Other Sources</i>	5.1 - 5.11
7.	<i>Profits &amp; Gains from Business/ Profession</i>	7.1 - 7.48
8.	<i>Clubbing of Income</i>	8.1 - 8.6
9.	<i>Set Off &amp; Carry Forward</i>	9.1 - 9.12
10.	<i>Deductions</i>	10.1 - 10.13
11.	<i>xemptions</i>	11.1 - 11.4
12.	<i>TDS &amp; TCS, Advance Tax</i>	12.1 - 12.21
13.	<i>Minimum Alternate Tax &amp; Alternate Minimum Tax</i>	13.1 - 13.16
14.	<i>Return of Income</i>	14.1 - 14.9
15.	<i>Taxation of AOP &amp; BOI</i>	15.1 - 15.3
16.	<i>Taxation of F</i>	16.1 - 16.2
17.	<i>Taxation of Political Party &amp; ectoral Trust</i>	17.1 - 17.2
18.	<i>Co-operative Society</i>	18.1 - 18.3
19.	<i>Investment Fund</i>	19.1 - 19.3
20.	<i>Business Trust</i>	20.1 - 20.6

**Note : Chapter 6-Capital Gain Will Be Co ered in odule 2**



## 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 156 + 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 + <b>Question Based on Amendment</b>	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(11), assessee means a person by whom any tax or any other sum of money is payable under the this Act.

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 TY is assessable in TY itself.**

**SM / Nov- 22**

**Solution:**

Generally after the TY end a tax payer is required to submit ITR however in following cases AO may require The Assessee to submit the ITR and complete the Assessment procedure in the same TY itself. The cases include.

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 year , the income of the period from the expiry of the TY up to the date of such discontinuance may, at the discretion of the Assessing Of cer, be charged to tax.
4. **Person likely to transfer the property to avoid the tax:** it appears to the Assessing Of cer 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
<b>Total Income</b>	<b>4,10,000</b>

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

**Solution:**

For Mr Balaji – Computation of Tax Liability		TY 2026-2027
Particulars	₹	₹
<b>Total Income</b>	4,10,000	
<b>Computation of Tax</b>		
Up to ₹ 2,50,000	Nil	
₹ 2,50,001- 4,10,000 @ 5%	8,000	8,000
<b>Total Tax</b>		8,000
<b>Less: Rebate u/s 156</b>		(8,000)
<b>Net tax Liability</b>		Nil
<b>Add: HEC @ 4%</b>		Nil
<b>Net Tax Liability</b>		Nil
<b>Concept Interlinking:</b>		
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 TY 2026-2027.

**Solution:**

For Mr Trump - Computation of Tax Liability		TY 2026-2027
Particulars	₹	₹
<b>Total Income (Rounded Of )</b>	4,90,000	
<b>Computation of Tax</b>		
<b>A] Normal Income</b>		
Up to ₹ 2,50,000	Nil	
₹ 2,50,001- 4,90,000 @ 5%	12,000	12,000
<b>Total Tax</b>		12,000
<b>Less: Rebate u/s 156</b>		Nil
<b>Net tax Liability</b>		12,000
<b>Add: HEC @ 4%</b>		480
<b>Net tax Liability</b>		<b>12,480</b>
<b>Concept Interlinking:</b>		
1. NR also gets B.E.L & NR (SR Citizen's) BEL is also ₹ 2,50,000.		
2. Rebate u/s 156 is not available to NR.		

Question 5: Based on Basic Tax Calculation + Special Income	Class Question
Mr. Ganesh Assessee age 42 years has following income	
<b>Particulars</b>	<b>₹</b>
1. PGBP	8,00,000
2. LTCG u/s 197	3,00,000
3. Lottery	2,00,000
<b>Total Income</b>	<b>13,00,000</b>
You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the TY 2026-2027.	

**Solution :**

For Mr Ganesh - Computation of Tax Liability		TY 2026-27
Particulars	₹	₹
<b>Total Income</b>	13,00,000	
<b>Computation of Tax</b>		
<b>A] Special Income</b>		
1. LTCG u/s 197	3,00,000 x 12.5%	37,500
2. Lottery	2,00,000 x 30%	60,000
<b>Total Tax [A]</b>		<b>97,500</b>
<b>B] Normal Income</b>		
Upto ₹ 2,50,000	Nil	Nil
₹ 2,50,001- 5,00,000 @ 5%	12,500	
₹ 5,00,001-8,00,000 @ 20%	60,000	
<b>Total tax [B]</b>	72,500	<b>72,500</b>
<b>Total Tax [A+B]</b>		<b>1,70,000</b>
<b>Add: HEC @ 4%</b>		<b>6,800</b>
<b>Total tax Liability</b>		<b>1,76,800</b>

**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 156 is not applicable.

Question 6: Based on Basic Tax Calculation + Special Income	Class Question
Mr. Ali Assessee age 50 years has following income	
<b>Particulars</b>	<b>₹</b>
1. PGBP	16,00,000
2. Dividend	3,00,000
3. LTCG u/s 198	5,00,000
4. Online Winning	2,00,000
<b>Total Income</b>	<b>26,00,000</b>
You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the TY 2026-27.	

**Solution:**

For Mr Ali - Computation of Tax Liability		TY 2026-27
Particulars	₹	₹
<b>Total Income</b>	26,00,000	
<b>Computation of Tax</b>		
<b>A] Special Income</b>		
1. LTCG u/s 198 [₹ 5L – ₹ 1.25L]	3,75,000 x 12.5%	46,875
2. Online Winning	2,00,000 x 30%	60,000
<b>Total Tax [A]</b>		<b>1,06,875</b>
<b>B] Normal Income</b>		
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	



You are requested to compute the tax liability assuming he do not opt for the default Tax scheme for the TY 2026-27.

**Solution:**

For Ms. Akshay – Computation of Tax liability		TY 2026-27
Particulars	₹	₹
Total Income (Roundof )	45,07,000	
<b>Computation of Tax</b>		
<b>A] Special Income</b>		
1. Lottery	10,000 x 30%	3,000
2. LTCG u/s 197	50,000 x 12.5%	6,250
3. LTCG u/s 198 [₹ 1,50,000 – 1,25,000]	25,000 x 12.5%	3125
4. STCG u/s 196	60,000 x 20%	12,000
<b>Total Tax [A]</b>		<b>24,375</b>
<b>B] Normal Income</b>		
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	
<b>Total tax [B]</b>	<b>10,84,500</b>	<b>10,84,500</b>
<b>Total Tax [A+B]</b>		<b>11,08,875</b>
<b>Add: HEC @ 4%</b>		<b>44,355</b>
<b>Net tax Liability</b>		<b>11,53,230</b>
<b>Less: TDS already deducted</b>		<b>(3,000)</b>
<b>Net tax Liability (Post Round of )</b>		<b>11,50,230</b>

**Concept Interlinking:**

1. STCG not covered u/s 196 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 202.

Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		196	197	198		
X (46 years) resident	-	6,00,000	3,00,000	7,00,000	59,00,000	75,00,000

**Solution:**

Particulars	Section 196 (IT rate: 20%)	Section 197 (IT rate: 12.5%)	Section 198 (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
<b>Total</b>	<b>1,32,000</b>	<b>41,250</b>	<b>79,063</b>	<b>17,40,750</b>	<b>19,93,063</b>
HEC @ 4%	5,280	1,650	3,163	69,630	79,723
<b>Tax liability</b>	<b>1,37,280</b>	<b>42,900</b>	<b>82,226</b>	<b>18,10,380</b>	<b>20,72,786</b>
<b>Net Tax Liability (Roundof )</b>					<b>20,72,790</b>

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 202.						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		196	197	198		
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		TY 2026-2027
Particulars	₹	₹
Total Income (Roundof )	6,70,00,000	
<b>Computation of Tax</b>		
<b>A] Special Income</b>		
1. LTCG u/s 197	3,00,000 x 12.5%	37,500
2. LTCG u/s 198 [₹7,00,000 – 1,25,000]	5,75,000 x 12.5%	71,875
3. STCG u/s 196	1,00,000 x 20%	20,000
<b>Total Tax [A]</b>		<b>1,29,375</b>
<b>B] Normal Income</b>		
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	
<b>Total tax [B]</b>	<b>1,95,82,500</b>	<b>1,95,82,500</b>
<b>Total Tax [A+B]</b>		<b>1,97,11,875</b>
<b>Add: Surcharge</b>		
1. LTCG u/s 197	37,500 x 15%	5,625
2. LTCG u/s 198	71,875 x 15%	10,781
3. STCG u/s 196	20,000 x 15%	3,000
4. Other income	1,95,82,500 x 37%	72,45,525
<b>Total Surcharge</b>		<b>72,64,931</b>
<b>Total tax + Surcharge</b>		<b>2,69,76,806</b>
<b>Add: HEC @ 4%</b>		<b>10,79,072</b>
<b>Net tax Liability</b>		<b>2,80,55,878</b>
<b>Net tax Liability (Post Round of )</b>		<b>2,80,55,880</b>
<b>Concept Interlinking:</b>		
1. Surcharge rate in case of special income shall not exceed 15%.		

Question 11: Based on last concept of Surcharge		Class Question
Mr. Mowgli provides you the following:		
	Particulars	₹
	1. PGBP	1,70,00,000
	2. LTCG u/s 197	60,00,000
	<b>Total Income</b>	<b>2,30,00,000</b>
Compute the tax liability of Assessee assuming the taxpayers do not want to opt for the default tax regime u/s 202].		

**Solution:**

For Mr. Mowgli – Computation of Tax liability		TY 2026-2027
Particulars	₹	₹
Total Income (Roundof )	2,30,00,000	
<b>Computation of Tax</b>		
<b>A] Special Income</b>		
LTCG u/s 197	60,00,000 x 12.5%	7,50,000
<b>Total Tax [A]</b>		<b>7,50,000</b>

<b>B] Normal Income</b>		
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	
<b>Total tax [B]</b>	49,12,500	<b>49,12,500</b>
<b>Total Tax [A+B]</b>		<b>56,62,500</b>
<b>Add: Surcharge</b>		
Surcharge @ 15%	56,62,500 x 15%	8,49,375
<b>Total tax + Surcharge</b>		<b>65,11,875</b>
<b>Add: HEC @ 4%</b>		<b>2,60,475</b>
<b>Net tax Liability</b>		<b>67,72,350</b>

**Concept Interlinking:**

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

<b>Question 12: Based on Dividend &amp; Surcharge Concept</b>					<b>Class Question</b>	
Find out the tax liability assuming the tax payers do not want to opt for the default tax regime u/s 202.						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		196	197	198		
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		TY 2026-27
Particulars	₹	₹
<b>Total Income (Roundof )</b>	3,53,00,000	
<b>Computation of Tax</b>		
<b>A] Special Income</b>		
1. LTCG u/s 197	1,00,000 x 12.5%	12,500
2. LTCG u/s 198 [₹ 2,00,000 – 1,25,000]	75,000 x 12.5%	9,375
3. STCG u/s 196	3,00,000 x 20%	60,000
<b>Total Tax [A]</b>		<b>81,875</b>
<b>B] Normal Income</b>		
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	
<b>Total tax [B]</b>	1,02,22,500	<b>1,02,22,500</b>
<b>Total Tax [A+B]</b>		<b>1,03,04,375</b>
<b>Proportionate Tax -</b>		
1. On Dividend [Tax x Dividend / Total Income ]	1,02,22,500 x 13,00,000 / 3,47,00,000	3,82,976
2. PGBP Income [Tax x PGBP / Total Income ]	[1,02,22,500 x 3,34,00,000 / 3,47,00,000]	98,39,524
<b>Add: Surcharge</b>		
1. LTCG u/s 197	12,500 x 15%	1,875
2. LTCG u/s 198	9,375 x 15%	1,406
3. STCG u/s 196	60,000 x 15%	9,000
4. Dividend	3,82,976 x 15%	57,446
5. PGBP Income	98,39,524 x 25%	24,59,881
<b>Total Surcharge</b>		<b>25,29,608</b>
<b>Total tax + Surcharge</b>	<b>[1,03,04,375 + 25,29,609]</b>	<b>1,28,33,983</b>
<b>Add: HEC @ 4%</b>		<b>5,13,359</b>
<b>Net tax Liability</b>		<b>1,33,47,342</b>
<b>Round of</b>		<b>1,33,47,340</b>

**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 TY 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 202.

**Solution:**

For Mr Raja - Computation of Tax Liability		TY 2026-27
Particulars	₹	₹
<b>A] Total Income</b>	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	
<b>Total tax</b>		13,57,500
<b>Add: Surcharge</b>		1,35,750
<b>Total tax</b>		14,93,250
<b>B] Tax Payable on total income of ₹50 lakhs (₹12,500 + ₹1,00,000 + ₹12,00,000)</b>		13,12,500
<b>C] Total Income less ₹50 lakhs</b>		1,50,000
<b>D] Tax payable on total income of ₹50 lakhs plus the excess of total income over ₹50 lakhs (B+C)</b>		14,62,500
<b>E] Tax payable: Lower of (A) and (D)</b>		14,62,500
<b>B] Add: HEC @ 4%</b>		58,500
<b>Total tax Liability</b>		15,21,000
<b>Marginal Relief (A-D)</b>		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 TY 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 202.

**Solution:**

For Mr. Deepak - Computation of Tax Liability		TY 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	
	<b>Total</b>	<b>58,72,500</b>	
	<b>Add: Surcharge @ 25%</b>	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	
	<b>Add: Surcharge @15%</b>	8,71,875	
	<b>Total tax</b>		<b>66,84,375</b>
(C)	Total Income (-) ₹2 crore		2,00,000
(D)	Tax payable on total income of ₹2 crore plus the excess of		68,84,375

	total income over ₹2 crore(B+C)		
(E)	<b>Tax payable: Lower of (A) and (D)</b>		<b>68,84,375</b>
	<b>Add: HEC @ 4%</b>		<b>2,75,375</b>
	<b>Tax Liability</b>		<b>71,59,750</b>
(F)	<b>Marginal Relief (A – D)</b>		<b>4,56,250</b>

<b>Question 15: Based on Marginal relief of companies</b>	<b>SM</b>
<p>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 TY 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 200 or 201.  [Note - The gross receipts of X Ltd. for the year 2024-25 is ₹402 crore]</p>	

**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

<b>Question 16: Based on Basic Tax Calculation Default Tax Scheme</b>	<b>SM</b>
<p>Mr. X has a total income of ₹ 16,00,000 for TY 2026-27, comprising of income from house property and interest on fixed deposits. Compute his tax liability for TY 2026- 27 under the default tax regime u/s 202.</p>	

**Solution:**

For Mr X – Computation of Tax Liability		TY 2026 - 27
Particulars	₹	₹
Total Income	16,00,000	
<b>Tax Liability</b>		
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
<b>Total tax</b>		<b>1,20,000</b>
<b>Add: HEC @ 4%</b>		<b>4,800</b>
<b>Net tax Liability</b>		<b>1,24,800</b>

<b>Question 17: Based on Tax Calculation + Rebate + Marginal Relief</b>	<b>SM</b>
<p>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 202.</p>	

**Solution:**

For Mr Pawan		TY 2026 - 27
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
<b>Net Tax Payable</b>		<b>15,600</b>
<b>Concept Interlinking:</b>		
1. Under the default tax scheme Marginal relief is also available along with Rebate which was not available in old scheme .		

<b>Question 18: Tax Calculation + Special Rate</b>					<b>Class Question</b>	
Find out the tax liability assuming the tax payers want to opt for default tax regime u/s 202.						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		196	197	198		
X (46 years) resident	-	6,00,000	3,00,000	7,00,000	59,00,000	75,00,000

**Solution:**

Particulars	Section 196 (IT rate: 20%)	Section 197 (IT rate: 12.5%)	Section 198 (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
<b>Total</b>	<b>1,32,000</b>	<b>41,250</b>	<b>79,063</b>	<b>14,85,000</b>	<b>17,37,313</b>
HEC @ 4%	5,280	1,650	3,163	59,400	69,493
<b>Tax liability</b>	<b>1,37,280</b>	<b>42,900</b>	<b>82,226</b>	<b>15,44,400</b>	<b>18,06,810</b>

<b>Question 19: Based on Special Rate + Rebate related Amendment</b>		<b>Class Question</b>	
Mr. Vishnu Assessee age 49 years has following income			
	<b>Particulars</b>	<b>₹</b>	
	1. Salary (Computed)	5,10,000	
	2. LTCG u/s 198	4,50,000	
	3. STCG u/s 196	2,40,000	
	<b>Total Income</b>	<b>12,00,000</b>	
You are requested to compute the tax liability assuming he want to opt for the default Tax scheme for the TY 2026-27.			

**Solution:**

For Mr Vishnu		TY 2026 -27
Particulars		₹
<b>Net Income</b>		<b>12,00,000</b>
<b>A) Tax on Special Income</b>		
1. Short term capital gain [Sec. 196](20% of ₹ 2,40,000)		48,000
2. Long term capital gain [Sec. 198] (12.5% of ₹ 3,25,000) [₹ 4,50,000-1,25,000]		40,625
<b>B) Other Income</b>		
- Normal tax on ₹5,10,000 – 4,00,000 (BEL) x 5%		5,500
<b>Total tax (A+B)</b>		<b>94,125</b>
<b>Less: Rebate u/s 156</b>		
Maximum Rebate (refer Note below)		(5,500)
<b>Tax Payable</b>		<b>88,625</b>
<b>Add: HEC @ 4%</b>		<b>3,545</b>
<b>Tax liability (rounded of )</b>		<b>92,170</b>
<b>Concept Interlinking:</b>		
1. Rebate u/s 156 is not available from any Special Income (LTCG/STCG/Lottery etc)		

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 198	1,30,000	4,50,000
3. STCG u/s 196	80,000	2,40,000
<b>Total Income</b>	<b>5,00,000</b>	<b>12,00,000</b>
Deduction u/s 123	10,000	-
<b>Net income</b>	<b>4,90,000</b>	<b>12,00,000</b>

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	TY 2026-27	
Particulars	₹ (Old tax Scheme)	₹ (Default tax Scheme)
<b>Net Income</b>	<b>4,90,000</b>	<b>12,00,000</b>
<b>A] Tax on Special Income</b>		
1. STCG u/s 196 (20% of ₹ 80,000 or ₹ 2,40,000)	16,000	48,000
2. LTCG u/s 198 (12.5% of ₹ 5,000 or ₹ 3,25,000) [After Reducing ₹ 1,25,000)	625	40,625
<b>B] Other Income</b>		
- 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
<b>Total tax (A+B)</b>	<b>18,125</b>	<b>94,125</b>
<b>Less: Rebate u/s 156</b>		
Maximum Rebate (refer Note below)	(12,500)	(5,500)
<b>Tax Payable</b>	<b>5,625</b>	<b>88,625</b>
<b>Add: HEC @ 4%</b>	225	3,545
<b>Tax liability (rounded of )</b>	<b>5,850</b>	<b>92,170</b>

**Concept Interlinking:**

**Notes Related to Old Scheme:**

- Under the old Scheme Rebate u/s 198 is not applicable.
- Deduction u/c VIII is available (U/s 123 is available)
- LTCG u/s 198 = ₹ 1,30,000 – ₹ 1,25,000 = ₹ 5,000
- Other Income ₹ 2,80,000 = Salary Income – Deduction i.e ₹ 2,90,000 – ₹ 10,000. [ Deduction u/c VIII is not available from CG income also.

**Notes related to Default Scheme:**

- Rebate is available upto income of ₹ 12L.
- Deduction u/c VIII (u/s 123 not available) is not applicable from Default tax Scheme.
- LTCG u/s ₹ 4,50,000 – 1,25,000 = ₹ 3,25,000
- Rebate u/s 156 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 202.						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		196	197	198		
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		TY 2026-27
Particulars		₹
Dividend Income		13,00,000
Short term capital gain [Sec. 196]		3,00,000
Long term capital gain [Sec. 197]		1,00,000
Long term capital gain [Sec. 198]		2,00,000
Other Income		6,34,00,000
<b>Net Income</b>		<b>6,53,00,000</b>
<b>A] Tax on Special Income</b>		
1. Short term capital gain [Sec. 196](20% of 3,00,000)		60,000
2. Long term capital gain [Sec. 197] (12.5 % of ₹ 1,00,000)		12,500
3. Long term capital gain [Sec. 198] (12.5% of ₹ 75,000)		9,375
<b>B] Other Income</b>		
- 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
<b>Income tax [ A+ B ]</b>		<b>1,90,71,875</b>
<b>Add: Surcharge</b>		
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		<b>47,21,625</b>
<b>Income tax and surcharge</b>		<b>2,37,93,500</b>
<b>Add: HEC @ 4%</b>		<b>9,51,740</b>
<b>Tax liability (rounded of )</b>		<b>2,47,45,240</b>

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 202.						
Taxpayer	Dividend ₹	Capital gain under section			Other Income ₹	Total ₹
		196	197	198		
B (50 years) resident	-	1,00,00,000	68,00,000	2,00,000	70,00,000	2,40,00,000

**Solution:**

Particulars	Section 196 (IT rate: 20%)	Section 197 (IT rate: 12.5%)	Section 198 (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
<b>Tax liability</b>	<b>23,92,000</b>	<b>10,16,600</b>	<b>11,212</b>	<b>20,09,280</b>	<b>54,29,092</b>
<b>Roundoff</b>					<b>54,29,090</b>

**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 – Sec 201****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
<b>Total income</b>	<b>1,17,95,000</b>

Compute the tax liability assuming he opts for Sec 201.

**Solution:**

For Vijay Ltd		TY 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
<b>Tax Payable</b>		<b>19,40,250</b>
<b>Add: Surcharge</b>	10%	<b>1,94,025</b>
<b>Add: HEC @ 4%</b>		<b>85,371</b>
<b>Tax liability (rounded of )</b>		<b>22,19,650</b>

**Question 24: Based on Only LTCG u/s 198****Class Question**

Mr. Sandeep Assessee age 35 years has following income:

Particulars	₹
1. LTCG u/s 198	7,00,000

You are requested to compute the tax liability from both the scheme.

**Solution:**

For Sandeep		TY 2026-27
Particulars	Old scheme (₹)	New Scheme ₹
LTCG u/s 198	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)
<b>Balance Income</b>	<b>3,25,000</b>	<b>1,75,000</b>
Tax Rate	12.5%	12.5%
<b>Tax Liability</b>	<b>40,625</b>	<b>21,875</b>
<b>Less: Rebate u/s 156</b>	<b>Nil</b>	<b>Nil</b>
<b>Balance tax Payable</b>	<b>40,625</b>	<b>21,875</b>
<b>Add: HEC @ 4%</b>	<b>1,625</b>	<b>875</b>
<b>Balance</b>	<b>42,250</b>	<b>22,750</b>

**Concept Interlinking:**

1. If assessee is **resident** & cannot absorb basic exemption limit and has special income, then such income shall be first adjusted towards basic exemption limit and balance income shall be taxable at special rate.
2. Tax on LTCG u/s 198 is beyond ₹ 1,25,000.
3. Rebate u/s 156 is not available from LTCG u/s 198.

**Question 25: Based on Special Adjustment****Class Question**

Mr. J provides you the following:

Particulars	₹
1. PGBP	2,00,000
2. LTCG u/s 197	7,00,000
<b>Total Income</b>	<b>9,00,000</b>

Compute the tax liability of Assessee assuming the taxpayers do not want to opt for the default tax regime u/s 202.

**Solution:**

For Mr. J – Computation of Tax liability		TY 2026-27
Particulars	₹	₹
Total Income (Roundoff)	9,00,000	
<b>Computation of Tax</b>		
A] Special Income		
LTCG u/s 197	6,50,000 x 12.5%	81,250
<b>Total Tax [A]</b>		<b>81,250</b>
B] Normal Income		
₹ 2,00,000 + 50,000(LTCG) = ₹ 2,50,000 (BEL)		Nil
Total tax [B]		Nil
<b>Total Tax [A+B]</b>		<b>81,250</b>
<b>Add: HEC @ 4%</b>		3,250
<b>Net tax Liability</b>		<b>84,500</b>

**Concept Interlinking:**

1. If normal income cannot absorb BEL and has special income such special income will be first adjusted towards BEL and balance if any shall be taxable at special rate.