

"INCOME TAX RATES STRUCTURE FOR A.Y. 2025-26"

INDIVIDUAL, HUF, AOP/BOI, or ARTIFICIAL JUDICIAL PERSON (AJP):

DEFAULT TAX REGIME (MEANS NO NEED TO OPT FOR THE SAME)

Section 115BAC: Tax on income of individuals, Hindu undivided family and Others:-

Eligible Assessee	<i>Individual / HUF/ AOP/ BOI/ Artificial Judicial Person as referred to in section 2(31)(vii).</i>
Essential conditions to claim the benefit of lower tax rate	<p>(1) <u>Following benefits should not be availed in computing total income:</u></p> <ul style="list-style-type: none"> ➤ 10(5) i.e. Leave travel allowance. ➤ 10(13A) i.e. House rent allowance. ➤ 10(14) i.e. Special allowances except prescribed items (which are 1. Tour / Transfer Allowance 2. Daily Allowance when on Travel 3. Conveyance Allowance for Duties 4. Transport Allowance for Handicapped. ➤ 10(17) i.e. Allowances to MPs or MLAs. ➤ 10(32) i.e. Exemption up to ₹ 1500 per child in case of clubbed income of minor ➤ 16(ii) & 16(iii) i.e., Entertainment allowance & professional tax. ➤ 24(b) i.e. Interest on borrowing in respect of self occupied property etc. ➤ 32(1)(iia) i.e. Additional depreciation. ➤ 33AB, 33ABA i.e. Tea development account, Site restoration account. ➤ 35(1)(ii)/(iia)/(iii)/ 35(2AA) i.e. Scientific research contribution. ➤ 35AD i.e. Investment linked deduction to specified business. ➤ 35CCC i.e. Agriculture extension project. ➤ 80C to 80U (Except section 80CCD(2), section 80CCH(2) i.e.. Central Govt.'s contribution towards Agniveer Corpus Fund, and section 80JJAA) and 10AA. <p>Note: <i>In computing total income under this section, deduction u/s 80LA shall be available to a person being Unit in an IFSC who has exercised option to tax u/s 115BAC upto the A.Y. 2023-24 (when this section 115BAC was optional tax regime).</i></p> <p>Explanatory Remark:</p> <p><i>In computing total income under this section, standard deduction u/s 16(ia) against salary income can be claimed, this standard deduction has been increased from ₹ 50,000/- to ₹75,000/- for such individuals only who are in default tax regime*. Similarly, under "Income from other sources", standard deduction from family pension u/s 57(iia) has been increased* from ₹ 15,000/- to ₹ 25,000/- subject to 1/3 of family pension.</i></p>

	<p>(2) - <i>If due to deduction under any section as mentioned in aforesaid Point No. (1),</i></p> <ul style="list-style-type: none"> - <u>any loss or unabsorbed depreciation has arisen in an earlier year, which are being carried forward in current year, then,</u> - <i>such loss or unabsorbed depreciation and ANY loss under the head “Income from House property”</i> - <i>neither adjusted in computing current year total income nor carried forward.</i> <p>(3) Total income shall be calculated after claiming depreciation [except additional depreciation] <i>determined in prescribed manner, and without any exemption or deduction for allowance or perquisite, by whatever name called, provided under any other law for the time being in force.</i></p> <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>Common Amendment in Rule 5 (relating to Depreciation) for section 115BAA TO 115BAE</p> <ul style="list-style-type: none"> - <u>Depreciation allowance u/s 32(1)(ii) of any block of assets entitled to more than 40% shall be restricted to 40%</u> on written down value of such block of assets - <i>in case of a person who has exercised option u/s 115BAA, 115BAB, 115BAC, 115BAD or 115BAE.</i> </div> <p>(4) Where there is depreciation attributable to additional depreciation, which has not been given full effect upto A.Y. 2023-24 and which is not allowed to be set-off in the A.Y. 2024-25 due to section 115BAC, in such a case, WDV as on 1.4.2023 will be increased by such unabsorbed additional depreciation not allowed to be set-off.</p> <p>Section 115BAC(6): Option for not adopting to tax under this Scheme:-</p> <p><i>Nothing contained in this section shall apply to a person who has exercised the option in the prescribed manner (i.e. in Form No. 10-IEA), for any assessment year, as follows:</i></p> <ul style="list-style-type: none"> (i) Person not having income from business or profession: Such option must be exercised alongwith return of income u/s 139(1) for such previous year (meaning there by, fresh option will be exercised every year for not adopting to tax under this section). (ii) Person having income from business or profession: Such option must be exercised on or before the due date of return of income u/s 139(1) for such assessment year, and such option once exercised shall apply to subsequent years. <p>Moreover, <i>this exercised option can be withdrawn ONLY ONCE for a previous year other than the year in which it was exercised and thereafter, the person shall never be eligible to exercise option under this section (i.e. to exercise the option of availing the benefit of Regular tax regime), except where such person ceases to have any income from business or profession in which case, option under clause (i) shall be available.</i></p>
<p>Computation of Tax liability on total income</p>	<ul style="list-style-type: none"> (i) Tax on special incomes (like, Lottery income, LTCG, STCG u/s 111A etc.) as covered under Chapter XII (i.e. Section 110 to 115BBJ): <i>At special rate as given under Chapter XII (i.e. Section 110 to 115BBJ);</i> (ii) Tax on other incomes: As amended by F. A., 2024

	Up to ₹ 3,00,000	From ₹ 3,00,001 to ₹ 7,00,000	From ₹ 7,00,001 to ₹ 10,00,000	From ₹ 10,00,001 to ₹12,00,000	From ₹ 12,00,001 to ₹ 15,00,000	Above ₹ 15,00,000
	Nil	5%	10%	15%	20%	30%
Surcharge	As applicable in regular tax regime <u>subject to an exception that it cannot exceed 25% even though total income exceed ₹ 5 Crores.</u>					
Cess	@ 4% on aggregate of tax & surcharge on total income.					
Scheme of Partial integration of tax on normal income with agriculture income for resident assessee	<p>Aggregation of agriculture income with non-agriculture income shall be done on the fulfillment of following two conditions:</p> <p>(i) Amount of net agriculture income exceeds ₹ 5,000/- and</p> <p>(ii) Amount of non agriculture income exceeds ₹3,00,000/- i.e. BEL in section 115BAC.</p> <p><u>The procedure for computation of tax payable on non agricultural income:</u></p> <p>(i) Determine tax on aggregate amount of agricultural income & non-agricultural income.</p> <p>(ii) Aggregate the agricultural income with ₹3,00,000/- and determine tax on such amount.</p> <p>(iii) The difference between the tax computed in step (i) and step (ii) will be the tax payable in respect of non-agricultural income.</p>					
AMT not applicable	Alternate Minimum Tax (AMT) provisions i.e. section 115JC shall not apply on a person who pays tax u/s 115BAC i.e. under new default tax regime.					
AMT Credit not available	AMT Credit provision i.e. section 115JD shall not apply on a person who pays tax u/s 115BAC i.e. under new default tax regime.					

QUESTIONS FOR PRACTICE ON SECTION 115BAC (i.e. DEFAULT TAX REGIME):

Question-1:

Aryan (25 years) and Aditya (32 years) are two individuals, resident in India, and they earned salary of ₹ 13 lakhs each during the previous year 2024-25. Aditya had paid interest of ₹ 2,20,000 on loan taken in respect of a self-occupied house property. Aryan had paid ₹ 24,000 towards medical insurance of himself and his spouse. Payment was made through net banking. Aditya contributed ₹ 1,50,000 to a political party by cheque.

You, as a consultant, are required to advise them whether they should exercise his option to shift out from section 115BAC (i.e. Default Tax Regime) or otherwise, showing the tax liability of both individuals.

[September'24- MTP, Similar question in July 2021 Exams]

Answer:

Computation of tax liability of Mr. Aryan & Mr. Aditya for the A.Y. 2025-26 as per section 115BAC

Particulars	Mr. Aryan	Mr. Aditya
Income under the head "Salaries"		

Salary	13,00,000	13,00,000
<i>Less:</i> Standard deduction u/s 16(ia)	<u>75,000</u>	<u>75,000</u>
	12,25,000	12,25,000
<i>Less:</i> Set-off loss from house property in respect interest on loan for self-occupied property [not allowable as deduction u/s 115BAC]	-	-
Gross Total Income	12,25,000	12,25,000
<i>Less:</i> Deduction u/s 80D & 80GGC [Not allowable as deduction u/s 115BAC]	-	-
Total income as per section 115BAC	12,25,000	12,25,000
Tax Liability:		
Upto ₹3,00,000	Nil	Nil
₹3,00,001 to ₹7,00,000 @ 5%	20,000	20,000
₹7,00,001 to ₹10,00,000 @ 10%	30,000	30,000
₹10,00,001 to ₹12,00,000 @ 15%	30,000	30,000
₹12,00,001 to ₹12,25,000 @ 20%	<u>5,000</u>	<u>5,000</u>
	85,000	85,000
<i>Add:</i> Health and education cess @4%	<u>3,400</u>	<u>3,400</u>
Tax Liability	88,400	88,400

Computation of Tax Liability as per regular provisions of Income-tax Act

Particulars	Mr. Aryan	Mr. Aditya
Income under the head "Salaries"		
Salary	13,00,000	13,00,000
<i>Less:</i> Standard deduction u/s 16(ia)	<u>50,000</u>	<u>50,000</u>
	12,50,000	12,50,000
<i>Less:</i> Set-off of loss from house property in respect of interest on loan borrowed for self-occupied property, restricted to ₹2,00,000, as per section 71(3A)	-	<u>2,00,000</u>
Gross Total Income	12,50,000	10,50,000
<i>Less: Deduction u/s VI-A</i>		
Section 80D – Medical insurance premium	24,000	-
Section 80GGC – Contribution to political party by cheque	-	<u>1,50,000</u>
Tax Liability:	12,26,000	9,00,000
Upto ₹2,50,000	Nil	Nil
₹2,50,001 to ₹5,00,000 @ 5%	12,500	12,500
₹5,00,001 to ₹10,00,000 @ 20%	1,00,000	80,000
Above ₹10,00,000 @ 30%	<u>67,800</u>	-
	1,80,300	92,500
<i>Add:</i> Health and Education cess @4%	<u>7,212</u>	<u>3,700</u>

Tax liability	<u>1,87,512</u>	<u>96,200</u>
Tax liability (rounded off)	1,87,510	96,200

Since tax liability of Mr. Aryan as per section 115BAC of ₹ 88,400 is lower than the tax liability of ₹ 1,87,510 computed as per the regular provisions of the Act, it is advisable for him to not to opt out of section 115BAC. Similarly, in case of Mr. Aditya, since his tax liability as the normal provisions of ₹ 96,200 is higher than the tax liability of ₹ 88,400 as per section 115BAC, it is advisable for him also not to opt out of the default tax regime under section 115BAC.

Question-2:

Mr. X (43 years) is a salaried employee, employed by A Ltd. as finance advisor. His income and tax incentives for the previous year 2024-25 are as follows-

	₹
Basic salary	40,00,000
House rent allowance [out of ₹ 90,000, ₹ 60,000 is exempt under section 10(13A)]	90,000
Leave travel concession (LTC) [out of ₹ 1,95,000, ₹ 1,80,000 is exempt u/s 10(5)]	1,95,000
NPS contribution by A Ltd. (12% of basic salary)	4,80,000
Payment of professional tax	2,000
Income from property A (self-occupied)	(1,05,000)
Income from property B (let out)	60,000
Income from property C (let out)	(80,000)
Savings bank account interest received by minor son of X	800
Savings bank account interest received by minor daughter of X	2,000
Interest on savings bank account of X	28,000
Interest on public provident fund credited on March 31, 2025	3,55,000
Interest credited to Sukanya Samriddhi Account in the name of minor daughter	29,000
Deductions under section 80D, 80E, 80EEA, 80EEB, and 80G	2,81,000
NPS contribution by X	4,00,000
PPF contribution by X	20,000

Mr. X wants to know whether he should exercise his option to shift out from section 115BAC (i.e. Default Tax Regime) from the assessment year 2025-26.

Answer:

“Computation of Total income and tax liability of Mr. X”

	<u>Optional tax regime</u> (Normal Provisions)	<u>Default tax regime</u> (Section 115BAC)
<u>Income from Salaries:</u>		
Basic salary	40,00,000	40,00,000
House rent allowance	90,000	90,000
Exemption available under section 10(13A)	(60,000)	Not available
Leave travel concession	1,95,000	1,95,000
Exemption available under section 10(5)	(1,80,000)	Not available

NPS contribution by employer	4,80,000	4,80,000
Gross salary:	45,25,000	47,65,000
Less: Standard deduction	(50,000)	(75,000)
Less: Professional tax payment	(2,000)	Not available
Taxable income from salary:	44,73,000	46,90,000
<u>Income from House Property:</u>		
Income from self-occupied Property A	(1,05,000)	Not available
Income from let out properties: [Property B: 60,000 + Property C: (80,000)]	(20,000)	Not available
<u>Income from other sources:</u>		
- Savings bank interest of minor son	800	800
Less: Exemption under section 10(32)	(800)	Not available
- Saving bank interest of minor daughter	2,000	2,000
Less: Exemption under section 10(32)	(1,500)	Not available
- Saving bank interest of X	28,000	28,000
- Interest credited in PPF account of X	3,55,000	3,55,000
Less: Exemption under section 10(11)	(3,55,000)	(3,55,000)
- Interest credited in Sukanya Samriddhi account of minor daughter	29,000	29,000
Less: Exemption under section 10(11A)	(29,000)	(29,000)
Gross total income:	43,76,500	47,20,800
Less: <u>Deductions under Chapter VI-A:</u>		
➤ Under section 80D, 80E, 80EEA, 80EEB and 80G	(2,81,000)	Not available
➤ U/S 80CCD(2) [i.e., employer's contribution towards NPS, subject to maximum of 10% /14%]	(4, 00,000)	(4,80,000)
➤ Under section 80CCD(1B)	(50,000)	Not available
➤ Under sections 80C and 80CCD (1) [section 80C : ₹ 20,000 + section 80CCD(1) : ₹ 3,50,000, subject to maximum of ₹ 1,50,000]	(1,50,000)	Not available
➤ Under section 80TTA	(10,000)	Not available
Total income:	34,85,500	42,40,800
Tax on total income	8,58,150	9,62,240
Add: Surcharge	Nil	Nil
Income-tax and surcharge:	8,58,150	9,62,240
Add: Health and education cess	34,326	38,490
Tax liability:	8,92,476	10,00,730

Tax liability of X is lower under the optional tax regime (i.e. normal provisions). Therefore, he is advised to opt out from default tax regime (section 115BAC).

INDIVIDUAL, HUF, AOP/BOI, or ARTIFICIAL JUDICIAL PERSON (AJP):**OPTIONAL TAX REGIME**

➤ w.e.f. A.Y. 2024-25, this Regime is applicable only when assessee exercise his option to shift out from section 115BAC, as permitted for the same u/s 115BAC(6). As amended by F. A., 2023

Type of Assessee	Tax Rate	Surcharge	Health & Education cess
(1) <u>Resident Individuals who is the age of 60 years or more</u> (i.e. Senior Citizen)	Up to ₹3,00,000/- : Nil ₹3,00,001 to 5,00,000/- : 5% ₹5,00,001 To 10,00,000/-: 20% Above ₹10,00,000/- : 30%	AS GIVEN BELOW	4% on (Tax + Surcharge)
(2) <u>Resident Individuals who is the age of 80 years or more</u> (i.e. Super / Very Senior citizen)	Up to ₹5,00,000/- : Nil ₹5,00,001 To 10,00,000/-: 20% Above ₹10,00,000/- : 30%		
(3) <u>Other Individuals, HUF, AOP, BOI</u> (Whether resident Or non-resident)	Up to ₹2,50,000/- : Nil ₹2,50,001 To 5,00,000/- : 5% ₹5,00,001 To 10,00,000/-: 20% Above ₹10,00,000/- : 30%		
(4) <u>Artificial Judicial Person</u>	--- Same as given in 3 rd Point-----		

Important Note: A Person born on 1st April, even if his / her birthday celebrated on same day i.e. 1st April in next year onwards, but for computing age under this Act, would be considered to have attained a particular age on 31st March, the day preceding of his / her birthday. **CIRCULAR NO. 28/2016**

Surcharge in case of Individual, HUF, AOP, BOP, or Artificial Judicial person:-

Cases	Situations	Surcharge
(i)	If total income doesn't exceed ₹ 50lakh	Nil
(ii)	If total income exceeds ₹50 lakh but doesn't exceed ₹1 crore	10%
(iii)	If total income exceeds ₹1 crore but doesn't exceed ₹2 crore	15%
(iv)	<u>If total income (including dividend income, STCG u/s 111A, LTCG u/s 112 and 112A) exceeds ₹2crore:</u>	
	➤ On such dividend income, STCG u/s 111A, LTCG u/s 112 and 112A	15%
	➤ <u>On other income (i.e. TI - Dividend, STCG u/s 111A and LTCG u/s 112 and 112A):</u>	
	If → Other income doesn't exceed ₹ 2 crore:	15%
	→ Other income exceeds ₹ 2 crore but doesn't exceed 5 crore:	25%
	→ Other income exceeds ₹ 5 crore:	37%
	➤ In case of an AOP (having only companies as its members), surcharge can not exceed 15%.	

Concept of MARGINAL RELIEF:

ADDITIONAL CHARTS – TO BE DISCUSSED IN CLASS

Case-I : Individual /HUF/AOP/BOI/AJP (+) Total Income is slightly higher than ₹50 Lacs:

Mr. P:

Total Income: 50,10,000

Tax : 11,90,000
Surcharge : NIL } 11,90,000/-

Tax on Excess income (i.e. on 10000) = 3000/-
(+)
Surcharge (in totality) = 1,19,300/-
10,000 } 1,22,300/-

Marginal Relief : 1,12,300/-

Tax payable : 11,93,000
i.e. ↓
NIL + 0.2L + 0.3L + 0.3L + 0.6L + 10.5L + 0.03L

(+) Surcharge @ 10% : 1,19,300
Tax + Surcharge : 13,12,300
(-) Marginal Relief : 1,12,300
Tax + Surcharge (final): 12,00,000
(+) H/E/C @ 4% : 48,000
Final Payable Sum : 12,48,000

Concept:

[Total Tax + Total Surcharge] $\xrightarrow[\text{restricted to}]{\text{Shall be}}$ Tax on ₹ 50 Lakhs + Income in excess of ₹ 50 Lakhs

Case-II : Individual /HUF/AOP/BOI/AJP (+) Total Income is slightly higher than ₹1 crore:

Mr. P:

Total Income: 1,00,10,000

Tax : 26,90,000
Sur.: 2,69,000 } 29,59,000/-

Tax on Excess income (i.e. on 10,000) = 3,000/-
(+)
Excess Surcharge (in totality) = 1,34,950/-
(4,03,950 - 2,69,000)

10,000 } 1,37,950/-

Marginal Relief : 1,27,950/-

Tax payable : 26,93,000
i.e. ↓
NIL + 0.2L + 0.3L + 0.3L + 0.6L + 25.5L + 0.03L

(+) Surcharge @ 15% : 4,03,950
Tax + Surcharge : 30,96,950
(-) Marginal Relief : 1,27,950
Tax + Surcharge (final): 29,69,000
(+) H/E/C @ 4% : 1,18,760
Final Payable Sum : 30,87,760

Concept:

[Total Tax + Total Surcharge] $\xrightarrow[\text{restricted to}]{\text{Shall be}}$ Tax & Surcharge on ₹1 Cr. + Income in excess of ₹ 1 Cr.

Note: Similar equations can easily be made in other cases (like, total income is slightly higher than 2crores).

Section 87A: Rebate of income-tax in case of certain individuals:-

Conditions: Resident Individual (+) TI (i.e. GTI *minus* Deductions u/s 80C to 80U) is ₹ 5.0 lakhs or less.

Quantum of rebate: “100 % of tax payable (before health & education cess)” OR ₹12,500, (whichever is less).

For person who are in default tax regime u/s 115BAC, rebate u/s 87A will be allowed as follows:

Case-I : Where the total income of resident individual is chargeable to tax u/s 115BAC, and *the total income does not exceed ₹7 lakhs:*

Quantum of rebate: “100 % of tax payable (before health & education cess)” OR ₹25,000, (whichever is less).

Case-II : Where the total income of resident individual is chargeable to tax u/s 115BAC, and *the total income exceeds ₹7 lakhs:*

Quantum of rebate (viz. Marginal Rebate):

100 % of tax payable (before cess) on total income *Less* Amount by which total income exceeds ₹ 7.0 lakhs = IF POSITIVE, i.e. Quantum of rebate. (if the figure is negative, then no rebate shall be allowed u/s 87A)

EXAMPLES:

Total Income (a)	Tax liability before rebate u/s 87A (b)	Income in excess of ₹ 7,00,000 [(c)= (a) -7 lakhs]	Excess of tax over income [(d)= (b) - (c)]	Rebate u/s 87A (e)	Net tax liability after rebate (before cess) [(f) = (b) (-) (e)]
7,10,000	21,000	10,000	11,000	11,000	10,000
7,20,000	22,000	20,000	2,000	2,000	20,000
7,25,000	22,500	25,000	(2,500)	-	22,500

Section 288A & 288B: Rounding off Total Income, Amount Payable (like, tax) & Refund due:-

- Any fractional part of rupee i.e. paise shall be ignored, and thereafter
- *if such amount is not a multiple of ten, then,*
- If last figure in amount is five or more: such amount shall be rounded off to nearest next ten.
- If last figure in amount is less than five: such amount shall be rounded off to nearest previous /lower ten.

Income Tax Rates Structure for COMPANIES:**DEFAULT TAX REGIME (MEANS NO NEED TO OPT FOR THE SAME)**

Type of Assessee	Tax Rate	Surcharge	HEC
(i) <u>Domestic company</u> ☞ If its total turnover or Gross receipts in the P.Y. 2022-23 > 400 Crores ☞ In otherwise case	25% 30%	IF, in case of Domestic Co., TI > 1CRORE : NIL 10 CR. > TI > 1CRORE : 7% TI > 10CRORES : 12% ----- IF, in case of Foreign Co., TI > 1CRORE : NIL 10 CR. > TI > 1CRORE : 2% TI > 10CRORES : 5%	4% on (Tax + Surcharge) ----- 4% on (Tax + Surcharge)
(ii) <u>Foreign company</u>	40% 35% As amended by F. A., 2024		

ALTERNATIVE/OPTIONAL TAX REGIME (Applicable when assessee opts for the same)**Section 115BAA: Tax at the rate of 22% on income of certain domestic companies:-**

Eligible Assessee	<i>Any Domestic Company.</i>		
Essential conditions to claim the benefit of lower tax rate	<p>(i) Following benefits should not be availed in computing total income:</p> <ul style="list-style-type: none"> ➤ 32(1)(iia) i.e. Additional depreciation. ➤ 33AB, 33ABA (i.e. Tea development account, Site restoration account). ➤ 35(1)(ii)/(iia)/(iii)/ 35(2AA)/35(2AB) i.e. Scientific research expense/contribution. ➤ 35AD i.e. Investment linked deduction to specified business. ➤ 35CCC, 35CCD i.e. Agriculture extension project or skill development project. ➤ 80C to 80U (Except section 80JJAA, section 80M and section 80LA) and 10AA. <p>(ii) - <i>If due to deduction under any section as mentioned in aforesaid Point No. (i),</i> - <u>any loss or unabsorbed depreciation has arisen in an earlier year, which are being carried forward in current year, or deemed of assessee company u/s 72A, then,</u> - <i>such loss or unabsorbed depreciation</i> - <i>neither adjusted in computing current year total income nor carried forward.</i></p> <p>☞ <u>In case of violation of aforesaid conditions in any previous year, the option exercised under this section shall become invalid in respect of such year of violation and all subsequent years.</u></p>		
Computation of Tax liability on total income		On special incomes (like, Lottery income, LTCG, STCG u/s 111A etc.) as covered under Chapter XII (i.e. Section 110 to 115BBJ)	On other income
	Tax	At special rate as given under these section	22%
	Surcharge	@ 10% on tax computed on total income	
	Health & education cess	@ 4% on aggregate of tax & surcharge on total income	
Optional scheme	<p>To avail the benefit of lower tax rate, option must be exercised in the prescribed manner <i>on or before the due date of ROI for any P.Y. relevant to A.Y. 2020-21 or any subsequent year.</i></p> <p>➤ <u>Option once exercised under this section</u>– can't withdraw <i>neither for same nor for any other year.</i></p>		
MAT not applicable	MAT provision (i.e. section 115JB) shall not apply <u>on a company which has exercised its option us 115BAA.</u>		
MAT Credit not available	MAT Credit provision (i.e., section 115JAA) shall not apply <u>on a company which has exercised its option us 115BAA.</u> <i>Meaning there by, benefit of brought forward MAT Credit u/s 115JAA shall NOT be given.</i>		

Section 115BAB: Tax @ 15% on income of certain new domestic manufacturing companies:-

Eligible Assessee	<i>Domestic Company.</i>	
<p>Essential conditions to claim the benefit of lower tax rate</p>	(i)	<p>Such Company $\xrightarrow{\text{must be}}$</p> <p>(a) Engaged in business of manufacturing or production of any article or thing (including <i>research or distribution of its manufactured or produced article, but not engaged in any other business</i>).</p> <p>(+) (b) Setup & registered on or after 1/10/2019 and commenced manufacturing on or before 31/3/2024.</p>
		<p>Business of manufacture / production of any article or thing includes <i>generation of electricity</i> but does not include business of:</p> <p>(1) Development of computer software in any form or in any media;</p> <p>(2) Mining; or Conversion of marble blocks or similar items into slabs;</p> <p>(3) Bottling of gas into cylinder;</p> <p>(4) Printing of books or production of cinematograph films;</p> <p>(5) Any other business as may be notified by the Central Govt. in this behalf.</p>
	(ii)	<p><u>Following benefits should not be availed in computing total income:</u></p> <ul style="list-style-type: none"> ➤ 32(1)(iia) i.e. Additional depreciation. ➤ 33AB, 33ABA (i.e. Tea development account, Site restoration account). ➤ 35(1)(ii)/(iia)/(iii)/35(2AA)/35(2AB) i.e. Scientific research expense/contribution. ➤ 35AD i.e. Investment linked deduction to specified business. ➤ 35CCC, 35CCD i.e. Agriculture extension project or skill development project. ➤ 80C to 80U (Except 80JJAA and 80M) and 10AA.
	(ii)	<p>- <i>If any loss or unabsorbed depreciation is attributable to any deduction under any section as mentioned in aforesaid Point No. (i), and which is deemed of assessee company u/s 72A (pursuant to amalgamation, etc.) then,</i></p> <p>- <i>such loss or unabsorbed depreciation</i></p> <p>- <i>neither adjusted in computing current year total income nor carried forward.</i></p>
(iii)	<p>(a) It is not formed by <u>splitting up</u>, or the reconstruction of a business in existence.</p> <p>EXCEPTION:</p> <ul style="list-style-type: none"> - <i>If, due to circumstances as specified in section 45(1A) [like, earthquake, flood, accidental fire, etc. – for details, please refer to Capital Gains chapter],</i> - <i>assessee had to close its business by reason of extensive damage of assets, but,</i> - <i>within 3 years from the end of year of discontinuance, formed an eligible business, in such a case benefit of this section will be available.</i> 	

	<p>(b) New plant and machinery must be used by the assessee company.</p> <p>EXCEPTIONS:</p> <p>(i) Any plant and machinery which was used outside India by any person other than the assessee, provided such plant & machinery:</p> <ul style="list-style-type: none"> ➤ is imported into India; ➤ is not used in India and depreciation has not been claimed in respect thereof <i>before the date of installation by assessee.</i> <p>(ii) <u>If total value of previously used plant & machinery does not exceed 20% of the total value of plant & machinery used in the business, then, it shall be deemed that the above condition has been complied with.</u></p>					
	<p>(iv) Assessee does not use any building previously used as a hotel / convention centre.</p>					
	<p>☞ <u>In case of violation of aforesaid conditions in any previous year, the option exercised under this section shall become <i>invalid</i> in respect of such year of violation and all subsequent years.</u></p> <p>☞ Where the option exercised under section 115BAB has been rendered invalid due to violation of <u>conditions specified in (i)(a), (iii)(b), and (iv) above</u>, such person may exercise option under section 115BAA. [Part of section 115BAA]</p> <p>➤ Option once exercised – can't withdraw <i>neither</i> for same <i>nor</i> for any other year.</p>					
<p>Computation of Tax liability on total income</p>		<p>On income, which has been derived from or is incidental to the business of manufacturing or production of an article or thing</p>	<p>On special incomes (like, Lottery income, LTCG, etc.) as covered under Chapter XII (i.e. Section 110 to 115BBJ)*</p>	<p>On any other income</p>		
				<p>On short term capital gain derived from transfer of a capital asset on which no depreciation is allowable</p>	<p>On any other income (e.g. income from house property, capital gain) [See Note below]</p>	
	<p>Tax</p>	<p>15%</p>	<p>At special rate as given under such section*</p>	<p>22%</p>	<p>22%</p>	
	<p>Surcharge</p>	<p>@ 10% on tax computed on total income</p>				
	<p>Health & education cess</p>	<p>@ 4% on aggregate of tax & surcharge computed on total income</p>				
<p>Note: In computing such other income, <i>no deduction or allowance in respect of any expenditure or allowance shall be allowed.</i></p>						

Optional scheme	Option must be exercised in the prescribed manner on or before due date of first ROI. Option once exercised – can't withdraw <i>neither</i> for same <i>nor</i> for any other year. ☞ In case of amalgamation , the option exercised u/s 115BAB shall remain valid in the case of the amalgamated company only and if the essential conditions as given under this section are continued to be satisfied by such company.
MAT not applicable	MAT provision (i.e. section 115JB) shall not apply on a company which has exercised its option us 115BAB.
Power of AO to compute reasonable profit in certain cases Section 115BAB(6)	Due to close connection or for any other reason, if transaction with any person, produces profit more than the ordinary expected profit, then, AO shall consider reasonable profit for the purpose of this section. Provided that in case the aforesaid arrangement involves a specified domestic transaction referred to in section 92BA, the amount of profits from such transaction shall be determined having regard to arm's length price as defined in section 92F. ☞ Income tax on the income in excess of the amount of the profits determined by the Assessing Officer shall be subject to tax @ 34.32% (i.e., Tax @ 30% + Surcharge @ 10% + HEC @ 4%).

Income Tax Rates Structure for CO-OPERATIVE SOCIETIES:

DEFAULT TAX REGIME (MEANS NO NEED TO OPT FOR THE SAME)

Type of Assessee	Tax Rate	Surcharge	HEC
Co-operative Societies	Up to ₹10,000/- : 10% ₹10,001 To 20,000/- : 20% Above ₹20,000/- : 30%	IF, TI ≤ 1CRORE : NIL 10 CR. < TI > 1CRORE : 7% TI > 10CRORES : 12%	4% on (Tax + Surcharge)

ALTERNATIVE/OPTIONAL TAX REGIME (Applicable when assessee opts for the same)

Section 115BAD: Tax @ 22% on income of certain resident co-operative societies:-

Eligible Assessee	Any Resident co-operative society.
Essential conditions to claim the benefit of lower tax rate	(i) Following benefits should not be availed in computing total income: <ul style="list-style-type: none"> ➤ 32(1)(iia) i.e. Additional depreciation. ➤ 33AB, 33ABA (i.e. Tea development account, Site restoration account). ➤ 35(1)(ii)/(iia)/(iii)/ 35(2AA) i.e. Scientific research contribution. ➤ 35AD i.e. Investment linked deduction to specified business.

	<ul style="list-style-type: none"> ➤ 35CCC i.e. Agriculture extension project. ➤ 80C to 80U (Except section 80JJAA and section 80LA) and 10AA. <p>(ii) Same as discussed in section 115BAA.</p>
	<u>Result of violation of aforesaid conditions- Same as discussed in section 115BAA.</u>
Tax computation	In same manner as discussed in section 115BAA.
Optional scheme	To avail the benefit of lower tax rate, option must be exercised in the prescribed manner <i>on or before due date of ROI for any P.Y. relevant to A.Y. 2021-22 (or any subsequent year).</i>
	➤ <u>Result of option once exercised- Same as discussed in section 115BAA.</u>
AMT not applicable	AMT provision (i.e. section 115JC) shall not apply <u>on a person (co-operative society) who has exercised its option u/s 115BAD.</u>
AMT Credit not available	AMT Credit provision (i.e. section 115JD) shall not apply <u>on a person (co-operative society) who has exercised its option u/s 115BAD.</u>

Section 115BAE: Tax @ 15% on income of certain new manufacturing co-operative societies:-

Eligible Assessee	<i>Resident co-operative society.</i>
Essential conditions to claim the benefit of lower tax rate	<p>(i) Such Co-operative society $\xrightarrow{\text{must be}}$</p> <p>(a) Engaged in business of manufacturing or production of any article or thing (including <i>research or distribution of its manufactured or produced article, but not engaged in any other business</i>).</p> <p>(+) (b) Setup & registered on or after 1/4/2023 and commenced manufacturing on or before 31/3/2024.</p>
	<u>Inclusion and exclusions of business of manufacture / production of any article or thing are same as discussed in section 115BAB.</u>
	(ii) Same as discussed in section 115BAB (subject to a difference of <i>non-availability of reference of section 35CCD, 35(2AB), and section 80M under exceptions of section 80C to 80U, because, these deductions are available only to company assessee.</i>
	(iii) (a) It is not formed <u>by splitting up, or the reconstruction of a business in existence.</u> (b) New plant and machinery must be used by the assessee co-operative society. EXCEPTIONS: Same as discussed in section 115BAB
	<u>Result of violation of aforesaid conditions- Same as discussed in section 115BAB.</u>
Tax computation	<i>In same manner as discussed in section 115BAB.</i>

Power of AO to compute reasonable profit	<i>Same as discussed in section 115BAB.</i>
Optional scheme	To avail the benefit of lower tax rate, option must be exercised in the prescribed manner <i>on or before due date of first ROI for any of previous year relevant to asstt. year 2024-25.</i> ➤ <u>Option once exercised under this section</u> – can't withdraw <i>neither for same nor for any other year.</i>
AMT not applicable	AMT provision (i.e. section 115JC) shall not apply <u>on a person (co-operative society) who has exercised its option us 115BAE.</u>

Income Tax Rates Structure for FIRMS (including LLP), LOCAL AUTHORITIES:

DEFAULT TAX REGIME

➤ This Regime is by default applicable, meaning there by, No need to opt for the same.

<u>Type of Assessee</u>	<u>Tax Rate</u>	<u>Surcharge</u>	<u>Health and Education cess</u>
➤ <i>Firms (including LLP)</i>	30%	12% [Only where TI > 1 CRORE]	4% on (Tax + Surcharge)
➤ <i>Local Authorities</i>	30%	12% [Only where TI > 1 CRORE]	4% on (Tax + Surcharge)

➤ **NO ALTERNATIVE TAX REGIME EXISTS FOR THE AFORESAID TWO CATEGORIES.**