Basics and Tax Rates

To run and develop any country, government needs Power and Money. Government gets money from Businesses, Taxes and Loans.

Power :- Entry No 82 of union list in seventh schedule of Article 246 of constitution of India has given Power to central Government to make laws on Taxes or Income other than Agriculture Income.

→ Entry No. 46 of state list in seventh schedule of Article 246 of constitution of India has given power to state gov. to make law on taxes on Agriculture Income.

In this subject, we have to calculate Total Income and Tax liability of a person.

* Statement of Income PY 25-26 AY 26-27

Name of Assesse

Computation of Total Income / Net Taxable Income

Income from Salary	xx
Income from House Property	xx
Income from Business and Profession	xx
Income from capital gain	xx
Income from other sources	xx
Gross Total Income (GTI)	xx
Less:- Deduction u/c VI A	(xx
Total Income / Net Taxable Income	xx

For computation of Total Income and tax liab, we should have knowledge of Income Tax law.

1) Income Tax Act, 1961 → It is the main source of Tax law. It provides determination of Total income and Tax liability etc. It is applicable to whole India from 1st April 1962

→ Proviso :- It means exception or condition of section.

→ Explanation :- It means meaning of any term used in the section.

2) Income Tax Rules 1962 → Income Tax Act empowered CBDT (Central Board of Direct Taxes) to make rules. Rate of Depreciation, all forms, valuation rules, etc are provided in Income Tax Rules.

3) Finance Act, 2025 → Every year finance minister present finance Bill in Parliament which contains various amendments in Direct and Indirect Taxes. Finance Bill 2025 was presented by Nirmala Sitaraman on 1st feb 2025. As soon as Bill wass passed by parliament and after receiving approval from President, it becomes finance Act. Finance Bill became finance Act on 29th March 2025.

4) Notification :- It is issued by Central Government / CBDT to give effect of amendments or to give effect of provision of the Act. It is binding to Assessee as well as department

Circular :- They are issued by CBDT to clarify the meaning of certain provision. It is binding to Income Tax department but not binding to Assessee.

* sec 4 :- Charging section of Income Tax

Income Tax is charged for every Assessment Year. It is charged on Total Income earned by person in previous year. It is charged on every person. Tax is charged at the rate prescribed in the finance Act.

Year

- ~~Calender Year (Jan to Dec) 1st Jan to 31st Dec~~
- Financial Year 1st Apr to 31st Mar
  - Year of Income → Previous Year (PY 2025 - 26) [1|4|25 to 31|3|26]
  - Year of Tax → Assessment Year (AS 2026 - 27) [1|4|26 to 31|3|27]

* Sec 2(9): Assessment Year

It means a period of 12 months commencing every year from 1st April and end on 31st March. Income earned in previous year is Tax in Assessment Year. It means Assesse pays tax and files his return in Assessment Year. Income earned in PY 25-26 will be taxed in AY-26-27.

* Sec (3) :- Previous Year

It means the Year in which Assesse earn the income. Previous Year start from 1st April of every year and end on 31st March normally but incase of the New Business or profession (New source of Income), Previous Year start from the date on which new business or profession was set up or new source of Income arised, till 31st March of the year.

eg:- Mr Lakshay started business on 10th Dec 2025, In this case PY 2025-26 will commence from 10 Dec 25 and end on 31 March 2026

* Sec 2(31):- Person

1) Individual :- It means Natural Person that is Human Being. It includes: Male, Female, Minor, Third Gender, or Unsound Mind.
eg:- Mr. Jeet is an example of a person.

2) Hindu Undivided Family (HUF) :-

Schools of Hindu law

Dayabaga school

West Bengal and Assam
(Child cannot acquire right in property till the time head of the family is alive)

Mitakshara school

Rest of India except West Bengal and Assam.
(Child acquire right in property by birth).

Note :- Jain undivided families and Sikh undivided families would also be treated as HUF.

3) Company :-

i) Indian Co. :- Any Body corporate incorporated in India (under Companies Act, 2013 or any other state law)

ii) Foreign Co. :- Any Body corporate incorporated outside India

iii) Domestic Co :- All Indian Companies are domestic co. foreign company can also be treated as Domestic Co; if they made prescribed arrangement in India.

4) Partnership firm :- It means firm defined under Sec 4 of The Indian Partnership Act, 1932 or Limited Liability Partnership Act, 2008.
Eg :- A and B firm.

5) Association of Person / Body of Individual (AOP/BOI) :-
Under AOP any person can become the member but under BOI only Individual can become the member.
Eg :- KK Joint Venture

6) Local Authority :- Gram Panchayat, Municipility, District Board, etc.

7) Artificial Juridical Person (AJP) :- Person which is not covered in above six categories.
Eg :- Deities, Bar Council, Universities, etc.

Sec 2(7) :- Assesee :- It means person required to pay tax or any other sum under Income Tax Law.
All Assesses are person but all persons are not Assesses.

Tax Rates for Assessment Year 2026-27 (PY 25-26)

General Tax Rate → Finance Act, 2025

Special Tax Rate → Income Tax Act, 1961

1) General Tax Rates

A) In case of Individuals / HUF / AOP / BOI / AJP

a) In case of Individual / HUF / AOP / BOI / AJP (Resident or Non Resident)

Total Income upto 250000 (Basic exemption)	— —
> 250000 upto 500000	5%
> 500000 upto 1000000	20%
> 1000000	30%

b) In case of senior citizen (Resident Individual Age 60 yrs or more in PY but less than 80 yrs)

Total Income upto 300000	— —
> 300000 upto 500000	5%
> 500000 upto 1000000	20%
> 1000000	30%

c) In case of super senior citizen (Resident Individual Age 80 yrs or more in PY)

Total Income upto 500000	—
> 500000 upto 1000000	20%
> 1000000	30%

Date of Birth	Basic exemption for PY 25-26 (AY 26-27)
1/04/1966	300000 (completed Age of 60 yrs on 31/3/26)
1/04/1946	500000 (completed Age of 80 yrs on 31/3/26)

* Surcharge *

	%
→ Total Income upto 5000000	NIL
Total Income > 50 lakhs upto 1 cr.	10% of Tax
> 1 cr to 2 cr	15% of Tax
> 2 cr to 5 cr	25% of Tax
> 5 crores	37% of Tax

* Health and Education cess :- 4% Always on the taxes + surcharge (if any).

Note :- Total Income and Net tax liability is always rounded off in the nearest ₹ of 10

₹ 25902 ⟶ 25900
₹ 25905 ⟶ 25910
₹ 25908 ⟶ 25910

Q1 Pg1

(a) Age 45 years

		₹
upto 250000	—	—
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 1200000	30%	60000
		172500
Add surcharge		—
		172500
Add H&EC @ 4%		6900
Net tax liab		179400

b) Age 63 years

		₹
upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 1200000	30%	60000
		170000
Add: surcharge		–
		170000
Add H&EC @ 4%		6800
		176800

c) Age 82 years

		₹
upto 500000	—	–
> 500000 upto 1000000	20%	100000
> 1000000 upto 1200000	30%	60000
		160000
Add H&EC @ 4%		6400
		166400

Eg 1:-

Total Income of Mr Nano (Age 62 years) is ₹64 lakh He is Resident of India. Calculate tax liability for AY 26-27 [Assume he opted out from sec 115BAC]

* Calculation of Tax liability

upto 300000	—	—
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	100000
> 1000000 upto 6400000	30%	1620000
		1730000
Add surcharge @ 10%		173000
		1903000
Add H&EC @ 4%		76120
Net Tax liability		1979120

Eg 2:-

Mr Lobo (Age 82 years) is a Non Resident, having total income of 1,20,30,000. Calculate Tax liability for AY 26-27 [Assume he opted out from sec 115BAC]

Calculation of Tax liability

upto 250000	—	—
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 12030000	30%	3309000
		3421500
Add surcharge 15%		513225
		3934725
Add H&EC @ 4%		157389
		4092114
		i.e 4092110

Eg 3:-

Total Income of Mr Ganesh is ₹ 2,32,50,000 for AY 26-27. calculate Tax liability [Assume he opted out from sec 115BAC]

Calculation of Tax liability

upto 250000	—	—
>250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 23250000	30%	6675000
		6787500
Add surcharge 25%		1696875
		8484375
Add H&EC @ 4%		339375
Net Tax liability		8823750