

**CA / CMA FINAL**

# **DIRECT TAX**

# **CONCISE**

**As Amended By Finance Act 2025**

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

**BY: CA. CS. VIJAY SARDA**

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

## **WEIGHTAGE AS PER ICMAI**

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) [Sec 90, 90A and 91]	<b>40%</b>
13.	Transfer Pricing	
14.	GAAR	

## **A / B / C - ANALYSIS**

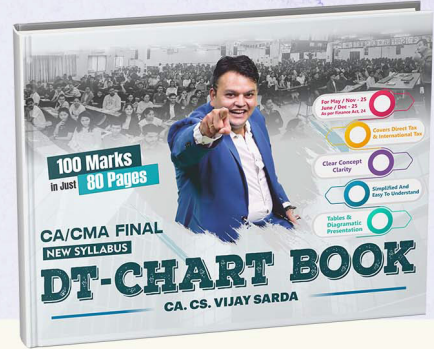
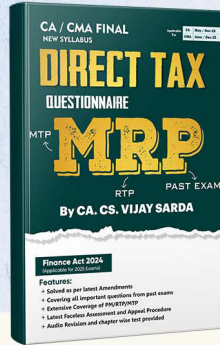
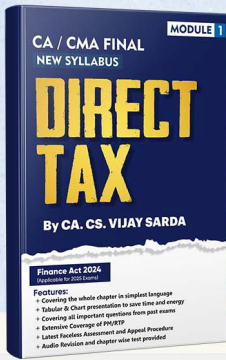
	Topics	Done in class	Done by me
<b>A</b>	Basic and Tax Calculation		
	Capital Gains, ULIP & Segregated Portfolio Scheme		
	Profits & Gains from Business/ Profession		
	Tax Deducted & Collected at Source		
	Assessment Procedure		
	Search & Seizure		
	Public Charitable & Religious Trust		
	Non resident Taxation		
	Double Taxation Avoidance Agreement		
	Transfer Pricing		
<b>B</b>	Income from Other Sources		
	Advance Tax		
	Taxation of Political Party & Electoral Trust		
	Investment Fund		
	Securitization Trust		
	Business Trust		
	Set Off & Carry Forward		

	<i>Topics</i>	<i>Done in class</i>	<i>Done by me</i>
<b>B</b>	<i>Deductions</i>		
	<i>Return of Income</i>		
	<i>Appeals</i>		
	<i>Revision</i>		
	<i>Interest</i>		
	<i>Penalties &amp; Black Money</i>		
	<i>E-Com, &amp; Virtual Digital Transaction</i>		
<b>C</b>	<i>Agriculture Income</i>		
	<i>Taxation of Liquidation</i>		
	<i>Amalgamation &amp; Demerger</i>		
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	<i>Co-operative Society</i>		
	<i>Exemptions</i>		
	<i>Income Tax Authorities</i>		
	<i>Rectification</i>		
	<i>Clubbing of Income</i>		
	<i>Minimum Alternate Tax &amp; Alternate Minimum Tax</i>		
	<i>Tonnage Taxation</i>		
	<i>Miscellaneous Provisions &amp; Tax Planning</i>		
	<i>Residential Status</i>		
	<i>Overview of Model Tax Convention</i>		
	<i>Application &amp; Interpretation of Tax Treaties</i>		
	<i>Advance Ruling</i>		
	<i>Base Erosion &amp; Profit Shifting</i>		
	<i>General Anti-Avoidance Rules &amp; Latest Developments</i>		
<i>Dispute Resolution Committee</i>			
<i>Tax Audit</i>			

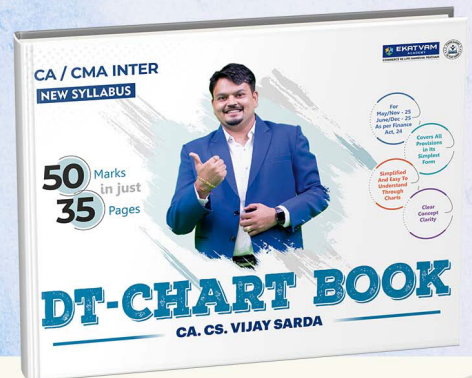
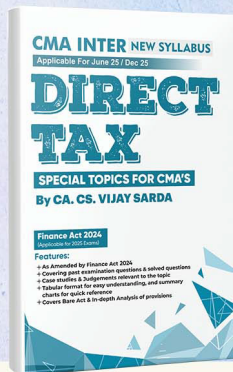
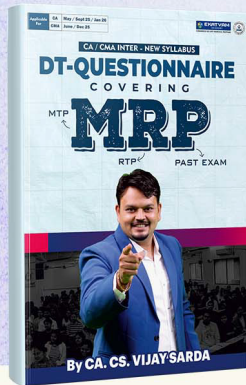
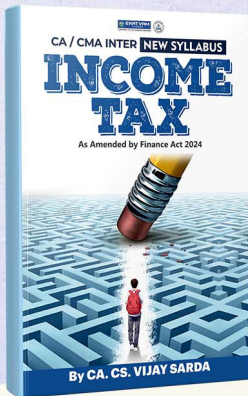
# BOOKS

## Other Publications - For Professional Students

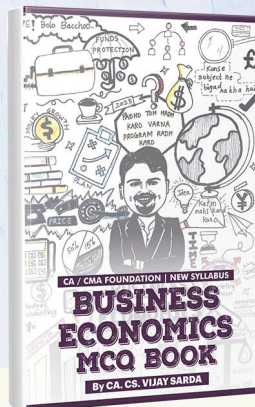
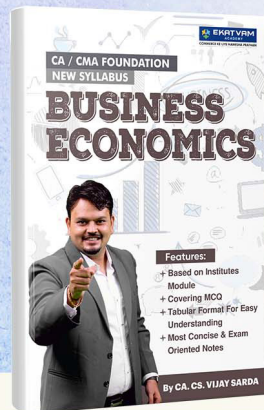
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### INTER



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# 01

# BASICS OF INCOME TAX



## Vijju sir Motivation :

Bachooooon, Padho To Hadd Kar Do Warna Programme Raddh Krdo, Hence we must have Knowledge of Basics of Tax.

## Income Tax During British Rule

1860 : Sir James Wilson Introduce Tax to meet the loss sustained in the War of 1857

1886 : A Separate Income Tax was passed

1922 : The Income Tax Act was Amended and imposed

1947 : India got Independence.

1961 : Income Tax Act was brought in its present form

1962 : Income Tax Rules was notified



1. Marks : 4 to 8 marks

2. Frequency : Every attempt

3. Important section : Exception to AY & PY, sec 87A, old rate sec 115BAC (Default scheme) undisclosed income

## Components of Income Tax / Overview of Income tax law in India

Section	Notification	Circular	Proviso	Rules
1. <b>Division of an act</b> in a systematic manner. 2. Sec(22)(1)(v) this is to be read as sec 2 sub-sec 22 clause 1 & Sub-clause 5.	1. Issued by CBDT. 2. Issued for <b>communication for any change in Law</b> or Rules. 3. All notification 6m before exams are Applicable.	1. Issued by CBDT. 2. For <b>clarification of doubt</b> in Law or Rules. 3. All Circular 6m before exams are applicable. 4. Department is Bound by Circular, Assessee is not bound by Circular.	1. <b>Exception to Sec</b> 2. Generally given in the Act as "Provided that".	1. <b>For implementation of Act.</b> 2. For carrying out Purposes of the Act. 3. <b>Sec 295</b> : CBDT Makes the Rule.

## How Law Works



## Constitutional Validity of Act/ Power to levy Tax

1. **Article 265** : No tax shall be levied or collected except by authority of law.

Tax is of Two Types :  
1. Direct  
2. Indirect

Impose

1. Collection  
2. Recovery

Article 245 & 123

There must be Law (Act) before Levy or collection of tax.

2. **Article 245** : Parliament may make laws for the whole or any part of India, & the Legislature of a State may make laws for the whole or any part of the State.

3. **Article 246 (7<sup>th</sup> Schedule)** : Provides 3 list where power to make Law has been Divided.

List 1 : Union List : Union Govt has Exclusive Power to make Law.

List 2 : State List : State Govt Has Exclusive Power to make Law.

List 3 : Concurrent List : Where Both CG & SG has Power to make Law.

“Income tax Is Covered in **Entry No 82** to the **Union List**”.

4. **Article 123** : **President** has power to bring Ordinances during recess of Parliament.

5. **Article 270** : All the taxes & duties except specified shall be **levied by CG & distributed between Union & State Government** in the manner specified by President or through Recommendation of finance commission.

6. **Article 271** : Parliament may at any time **increase any of the duties or taxes** referred in those articles **by a surcharge** for purposes of the **Union** and the whole proceeds of any such surcharge shall Form part the Consolidated Fund of India.

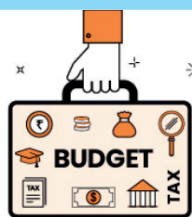
### Sec 298 Power to remove Difficulties

CG may, by general or special order, do anything not Inconsistent with such provisions which appears to it to be necessary or expedient for the purpose of Removing the difficulty.

### Meaning of Various Term

Tax	Surcharge	Cess
Amount collected by Government to provide Various facilities	1. It is an <b>additional Levy</b> . 2. Levied as per article 271. 3. <b>It is collected if Income exceed prescribe limit.</b> 4. It is collected as a % of Tax.	1. It is an additional Levy. 2. It is collected only for Specific purpose & can be Utilized only for that Purpose. 3. <b>It is collected as a % of Tax</b> (after Surcharge or Rebate). 4. It is now called as Health & Education Cess (HEC).

### Budget & Annual Amendment



Final Budget ➔ Every Year

Interim Budget ➔ In the Year of Election



Budget is prepared as per which Act ?

Contains change in DT & IDT

**Direct Tax Amendments**

**Indirect Tax Amendments**

Effective from 1st day of Next Year, Unless Specified Otherwise

Effective from Midnight, Unless Specified Otherwise [Now after GST, amendment are expected after every GST Council Meet]



FM

1<sup>st</sup> Feb Budget

1<sup>st</sup> April

31<sup>st</sup> March

1<sup>st</sup> April

31<sup>st</sup> March

Introduce Budget

Budget started Implementing

Tax is Payable in the following Year (AY)

Income earned During year (PY)

## Coverage of Finance Act - 1<sup>st</sup> Schedule to Finance Act Contains

**Part 1 :** Specify the Rate of Tax applicable to Assessment Year.

**Part 2 :** Rate at which TDS is deductible in Current FY.

**Part 3 :** TDS from Salary & Calculation of Advance Tax.

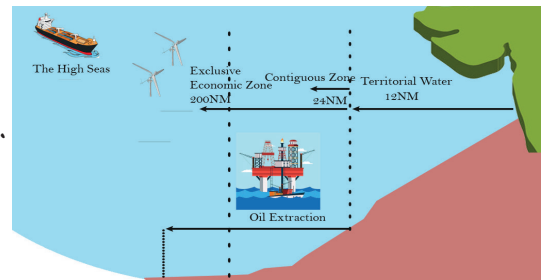
**Part 4 :** Rules for Calculation of Net Agricultural Income.

## Sec 1 Short Title, Extent & Commencement

1. This Act may be called the **Income-tax Act, 1961**.
2. It Extends to the **whole of India**.
3. It shall come **into force on the 1st day of April, 1962**.
4. Total No. of Chapter in Act, XXIII.
5. Total Sec in Act : 298.
6. Total number of Schedule in Act is 14.

## Sec 2(25A) India (Simplified Definition)

1. India means the territory of India.
2. Its territorial waters, seabed & subsoil underlying waters.
3. Continental shelf, exclusive economic zone (Upto 200 nm) or any other maritime zone.
4. The air space above its territory & territorial waters.



## Sec 4 Charge of Income Tax

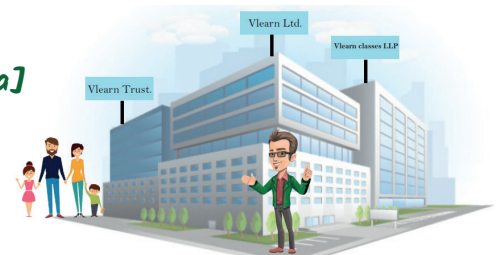
1. **Income Tax** is Payable for any **Assessment Year**.
2. At the **rate specified in Annual Finance Act**.
3. In respect of **total income**.
4. Of **any Person** in the **previous year**.

**IMP Hai!**



## Sec 2(31) Person

1. An Individual
2. A Hindu Undivided Family [HUF] [Dayabhaga or Mitakshara]
3. A Firm Including LLP [Except for Sec 44AD/44ADA]
4. A Company [Domestic & Foreign]
5. Association of Person/Body of Individuals. [AOP/BOI]
6. A Local Authority
7. Every Artificial juridical person not falling within any of the above. [AJP]



## Sec 2(7) Assessee

1. "Assessee" means a person by whom **any tax** or **Any other sum** of money is payable under this Act, and includes every person in respect of whom **any proceeding under this Act has been taken** for the assessment of his income or
3. In respect of other person if he is assessable for his income/ loss/refund (Clubbing).

Every person who is **deemed to be an assessee** under any provision of this Act.  
For Eg : Director for Company

Every person who is deemed to be an **assessee in default** under any provision of this Act.  
For Eg : If a person failed to deduct TDS

**IMP Hai!**



**# Every Assessee is a person but every person is not assessee**

## Assessment & Previous Year

Sec 3 Previous Year	Sec 2(9) Assessment Year
PY is a year in which <b>income is earned</b> . It is same as FY. This uniform PY has to be Followed for all source of income.	AY is a year in which <b>income is charged to Tax</b> or year in which IT is payable. It is a Period of 12 months commencing on 1st April every year.

PY = 1/4/20\_\_\_\_\_ to 31/3/20 \_\_\_\_\_

AY = \_\_\_\_\_

# In case newly started business PY will begin with the date of commencement and ending of 31st March of that year however next year shall always be a period of 12m.  
Suppose Buisness started on 1/8/20\_\_\_\_\_ Then AY\_\_\_\_\_ & PY\_\_\_\_\_.

**General Rule :** Income of previous year is taxable in Assessment year.

For example : Income earned in PY \_\_\_\_\_ is taxable in AY\_\_\_\_\_.

## Exception to above rule [IMP] (Dealt Separately)

IMP Hai!



1. Shipping Business of Non-Resident [Sec 172]
2. Persons leaving India [Sec 174]
3. AOP or BOI or Artificial Juridical Person formed for a particular event or purpose [Sec 174A]
4. Persons likely to transfer property to avoid tax [Sec 175]
5. Discontinued business [Sec 176]



In these cases income is taxable in PY year in which it is earned. [PY = AY]

## Sec 80B(5) Gross Total Income

U/s 14, income of a person is computed under following five heads after Adjusting for Clubbing & Setoff 5 Heads Includes :

- a) Income from Salary
- b) Income from House Property
- c) Income from Business of Profession
- d) Capital Gains
- e) Income from other Sources

## Sec 2(45) Total Income

"Total income" means the total amount of income referred to in sec 5, computed in the manner laid down in this Act.

**Simplified Explanation :**

**Gross total Income (-) deduction under chapter VI-A = Total Income**

This income is also called taxable income on which tax has to be imposed.

## Deductions & Exemptions

Deduction	Exemptions
1. It is <b>partial Exemption</b> .	1. It is <b>100% Exempt</b> .
2. Allowed if condition is Satisfied.	2. If Income is Exempt then it is <b>not</b> Included in Total Income.
3. It is available in 2 ways : a) Head Wise b) From Gross Total Income.	3. Exemption is Covered in Section 10 & 54 Series.

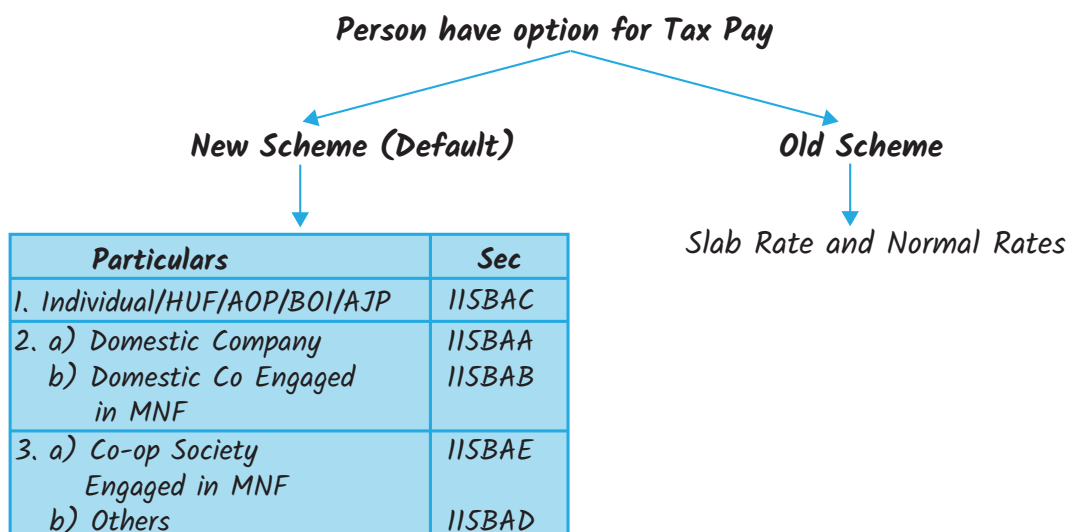
## Sec 2(24) Income

1. Profits or gains of Business / Profession / Dividend / CG.
2. Voluntary Contribution received.
3. Value of perquisite or profit in lieu of salary taxable u/s 17.
4. Export incentives, like Duty Drawback, Cash Compensatory Support, Sale of licences or Government Assistance etc.
5. Income of Partner from a Firm.
6. Winnings from lotteries, crossword puzzles other casual income.
7. Deemed income u/s 41 or 59.
8. Sums received by an assessee from his employees towards welfare fund contributions such as PF/SPF.
9. Amount received under Keyman Insurance Policy including bonus.
10. Amount received under agreement for Intangible.
11. Gift covered u/s 56.
12. Advance received under failed negotiation on transfer of CA.
13. Person received income in connection with termination or modification of any contract relating to Business.
14. FMV of Inventory as on date of which converted into CA.
15. Accumulated Profits [Reserves] of Amalgamated co to also including Reserve of Amalgamating co on date of amalgamation.
16. Gift by Resident to NR of any money situated in India after 05.07.19 shall be taxable in India.

## Steps to Compute Total Income & tax

1. Determine the Person & his Residential Status.
2. Classify the Income under Different Heads.
3. Computation of Income under each head.
4. Clubbing of Income, if Any.
5. Setoff of Losses, if Any & Arrive At Gross Total Income (GTI).
6. Deduction from Gross Total Income under Chapter VI-A.
7. Computation of Total Income (TI).
8. Computation of Tax Liability (Old Scheme/New Scheme).
9. Reduce Tax already in the Form of Advance Tax, TDS/TCS, MAT/AMT Credit, Foreign tax credits.
10. Arrive at Final Tax Payable / Refund Receivable.

## Tax Rate Option



# Old Scheme of Taxation

## Rates of Income Tax

**Normal Rates :** These are specified by the relevant Finance Act.

**Special Rates :** These are specified by Income Tax.

IMP Hai!



## Normal Rates (Slab Rates)

1. Resident Individual below 60.  
2. NR irrespective of Age.  
3. HUF, AOP/BOI, AJP.

**Senior citizens :** Individual (Resident) 60 years or more but not more than 80 years.

**Super Senior citizens :** Individual (Resident) 80 years/more.

Total Income	Rates%	Shortcut
Upto ₹2,50,000	Nil	-
₹ 2,50,001 to ₹ 5,00,000	5%	₹12,500
₹ 5,00,001 to ₹ 10,00,000	20%	₹1,12,500
Above ₹10L	30%	-

Total Income	Rates%	Shortcut
Upto ₹3,00,000	Nil	-
₹3,00,001 to ₹5,00,000	5%	₹10,000
₹5,00,001 to ₹10,00,000	20%	₹1,10,000
Above ₹10L	30%	-

Total Income	Rates%	Shortcut
Upto ₹5,00,000	Nil	-
₹5,00,001 to ₹10,00,000	20%	₹1,00,000
Above ₹10L	30%	-

# **CBDT Clarification :** Any **Resident Individual** whose 60th/80th birthday falls on 1st April 2026 shall be treated as having completed the age of 60/80 years on 31st March 26 i.e PY 2025-26 (AY 2026-27) and hence would be eligible for the higher basic exemption limit of ₹3,00,000 & ₹5,00,000. [Case : Prabhu Dayal Sesma vs. State of Rajasthan]

## Additional points to tax Calculations

### 1. Rebate u/s 87A :

- Assessee is **Individual**
- He is **Resident** in India
- Whose total income does **not** exceed ₹5 lakh  
**Rebate = ₹12,500 or 100% of tax payable, whichever is lower.**  
**# Rebate not available for tax computed u/s 112A.**  
**#**

2. **HEC (Cess) :** Is applicable @4% on income taxable Payable.

### 3. Rounding off :

Sec 288A	Round off of Total Income	R/o to nearest multiple of ₹10
Sec 288B	Round off of Total Tax	R/o to nearest multiple of ₹10

If the last figure in that Amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last Figure is less than five, the amount shall be reduced to next lower amount which is a multiple of Ten.

#### 4. Income Chargeable at Special rate :

IMP Hai!



Income	Rates
STCG referred to in sec 111A (Securities)	20%
LTCG referred to in sec 112	12.5%
LTCG u/s 112A Beyond ₹1.25 Lakh	12.5%
Casual income (e.g. Lottery, Horse winnings, etc.) (Sec 115BB)	30%
Online gaming sec 115BBJ	30%
Unexplained Cash/ Expenses / Investment sec 115BBE	Effective rate 60% + 25% + 4% = 78%
Maximum Marginal Rate (In old scheme)	42.744% [30% + 37% + 4%]
V.D.A (Virtual Digital Taxation u/s 115BBH)	30%

5. **Special Adjustment for Resident** : If Assessee (**Resident**) has special Income i.e. LTCG (112/112A)/STCG (111/111A) (**Not casual Income**) & BEL is not Exhausted then such special income shall be first used to cover up basic exemption limit and balance, if any, shall be chargeable to special rate of Tax.

#### 6. Surcharge : I/HUF/AOP/BOI/AJP as :

No.	Income	u/s 111A, 112, 112A, Dividend Income	Other
1.	TI [including Income u/s 111A,112,112A & dividend income does not Exceed ₹ 50L]	Nil	Nil
2.	TI [including Income u/s 111A,112,112A & dividend income exceed ₹50L but does not exceed ₹ 1 cr]	10%	10%
3.	TI [including Income u/s 111A,112,112A & dividend income exceed ₹1cr but does not exceed ₹2cr]	15%	15%
4.	TI [excluding Income u/s 111A,112,112A & dividend income exceed ₹2cr but does not exceed ₹5cr]	15%	25%
5.	TI [excluding Income u/s 111A,112,112A & dividend income exceed ₹5cr]	15%	37%
6.	TI [including Income u/s 111A,112,112A & dividend income exceed ₹2cr but not covered by situation 4 & 5]	15%	15%

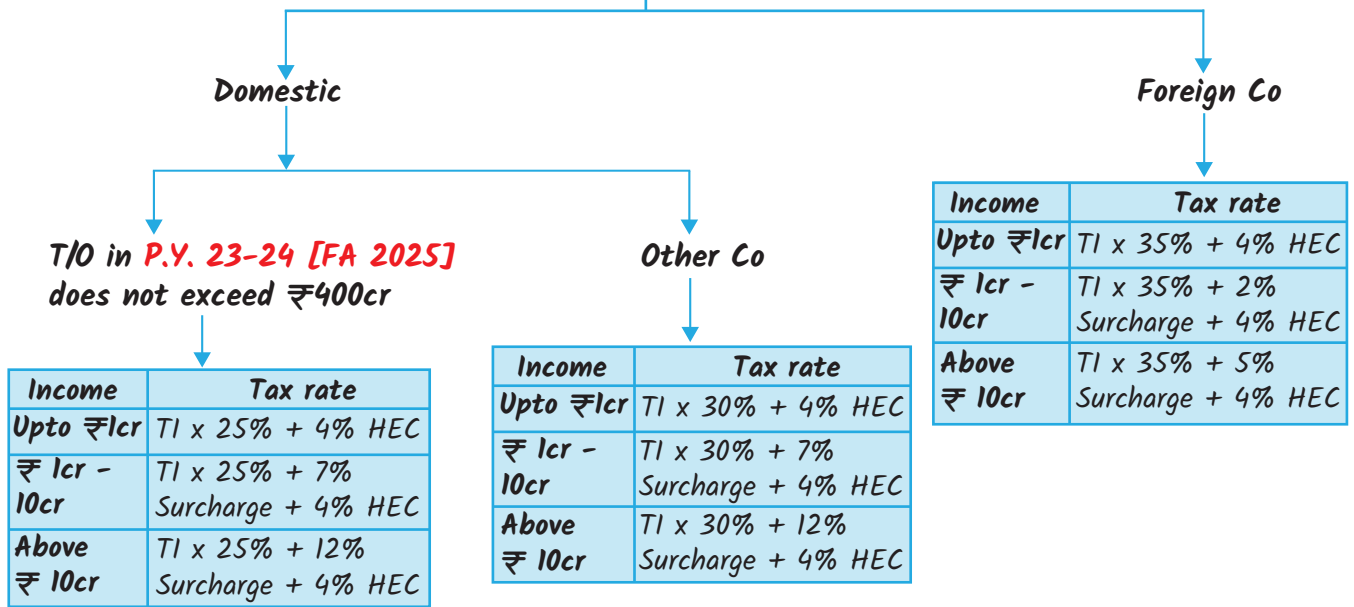
# In case of AOP (**consisting of only companies as its member**), the maximum of rate of surcharge is 15%.

#### Tax rate for firm/LLP/Local Authorities

1.	Tax rate	30%
2.	Surcharge : Income upto ₹ 1cr Exceed ₹ 1cr	No surcharge 12%
3.	HEC	4%

## Tax rate for Companies

### General Rates for Companies



## Marginal Relief

1. In case of an **Local Authority & Firm**, where  $TI < ₹1cr$ , aggregate of income tax & surcharge shall be restricted to :

$$(Tax\ on\ ₹1cr) + (Total\ Income - ₹1cr)$$

2. In case of an **Individual & HUF** :

Total Income	Income Tax & Surcharge Restricted to
₹50L <= ₹1cr	(Tax on ₹50 Lakh) + (Total Income - ₹50 lakhs)
₹1cr <= ₹2cr	(Tax on ₹1 crore with sur @ 10%) + (Total Income - ₹1 crore)
₹2cr <= ₹5cr	(Tax on ₹2 crore with sur @ 15%) + (Total Income - ₹2 crore)
Exceeds ₹5cr	(Tax on ₹5 crore with sur@ 25%) + (Total Income - ₹5 crore)

3. In case of a **Domestic/Foreign Company**, where  $TI > ₹1cr \leq ₹10cr$ , aggregate of income tax & surcharge shall be restricted to :

$$(Tax\ on\ ₹1cr) + (Total\ Income - ₹1cr)$$

4. In case of a **Domestic Company**, where  $TI > ₹10cr$ , aggregate of income tax & surcharge shall be restricted to :

$$(Tax\ on\ ₹10\ cr\ with\ sur\ of\ 7\%) + (Total\ Income - ₹10cr)$$

5. In case of a **Foreign Company**, where  $TI > ₹10cr$ , aggregate of income tax & surcharge shall be restricted to :

$$(Tax\ on\ ₹10\ cr\ with\ sur\ of\ 2\%) + (Total\ Income - ₹10cr)$$

# DEFAULT TAX SCHEME

## Sec 115BAC Tax Incentive for Individual & HUF

1. **Applicable to** : Individual/HUF/AOP/BOI/AJP. (Resident/Non Resident)

IMP Hai!



2. **Tax Rate** : Sec 115BAC(1A) [FA 2025]

Total Income	Rate (%)	Shortcut(₹)
Upto ₹4,00,000	Nil	-
₹ 4L to 8L	5%	20,000
₹ 8L to 12L	10%	60,000
₹ 12L to 16L	15%	1,20,000
₹ 16L to 20L	20%	2,00,000
₹ 20L to 24L	25%	3,00,000
Above ₹ 24L	30%	-

1. **Surcharge** : As may be applicable

2. **HEC** : 4%.

3. **Special Income** : Taxable at special rate (12.50% / 20%) as the case may be

4. These rates are applicable to normal & senior citizens

### 3. Rebate u/s 87A :

a) Assessee is **Individual**.

b) He is **Resident** in India.

c) Whose total income (From All Heads after Deduction) (Normal + Special excluding Agriculture Income and Exempt Income) does not exceed ₹ 12 lakh.

**Rebate = ₹60,000 or 100% of tax payable, whichever is lower.**

# From AY 2026-27, Rebate u/s 87A is not available on tax on incomes chargeable at special rates under any provision (e.g Tax on capital gains u/s 111A, 112, 112A, tax on lottery winnings u/s 115BB etc.) [FA 2025]

#

4. **Marginal relief** incase of income slightly exceed ₹ 12L : Rebate u/s 87A is subject to marginal relief, if net income exceed ₹ 12 Lakhs, Income tax on such income cannot exceed the amount by which net income exceed ₹ 12 lakhs.

Eg 1 : Total Income ₹ 11,92,000

**Solution :**

Particulars	Tax rate	₹
Upto First ₹ 4,00,000	-	NIL
Next ₹4,00,000 - 8,00,000	5%	20,000
Bal ₹8,00,000 - 11,92,000	10%	39,200
Total tax		59,200
(-) Rebate u/s 87A		(59,200)
Tax		NIL

Eg 2 : Total Income ₹ 12,20,000 with marginal relief

**Solution :**

Particulars	Tax rate	₹
Upto First ₹4,00,000	-	NIL
Next ₹4,00,000 - 8,00,000	5%	20,000
Next ₹8,00,000 - 12,00,000	10%	40,000
Bal 20,000	15%	3,000
Total tax		63,000

**Marginal Relief :**

= (Tax on ₹ 12 lakh) + (TI - ₹ 12 lakh)

= Nil + 20,000

= 20,000 (+ HEC @4%)

= 20,800

i.e Tax cannot exceed ₹20,800

Eg 3 : Total Income ₹ 12,30,000 with marginal relief

Solution :

Particulars	Tax rate	₹
Upto First ₹4,00,000	-	NIL
Next ₹4,00,000 - 8,00,000	5%	20,000
Next ₹ 8,00,000 - 12,00,000	10%	40,000
Bal ₹ 30,000	15%	4,500
Total tax		64,500
<b>Marginal Relief :</b>		
= (Tax on ₹12 lakh) + (TI - ₹12 lakh)		
= Nil + 30,000		
= 30,000 (+ HEC @4%)		
= 31,200		
i.e Tax cannot exceed ₹31,200		

### 5. Income Chargeable at Special rate :

Income	Rates
STCG referred to in sec 111A (Securities)	20%
LTCG referred to in sec 112	12.50%
LTCG u/s 112A Beyond 1.25 Lakh	12.5%
Casual income (e.g. Lottery, Horse winnings, etc.)(Sec 115BB)	30%
MMR	39% [30% + 25% + 4%]

### 6. Surcharge : I / HUF/ AOP/ BOI/ AJP as :

Sr No.	Income	u/s 111A,112,112A, Dividend Income	Other
1.	TI [including Income u/s 111A,112,112A & dividend income does not Exceed ₹50L]	Nil	Nil
2.	TI [including Income u/s 111A,112,112A & dividend income exceed ₹50L but does not exceed ₹1cr]	10%	10%
3.	TI [including Income u/s 111A,112,112A & dividend income exceed ₹1cr but does not exceed ₹2cr]	15%	15%
4.	TI [excluding Income u/s 111A,112,112A & dividend income exceed ₹2cr but does not exceed ₹5cr]	15%	25%
5.	TI [excluding Income u/s 111A,112,112A & dividend income exceed ₹5cr]	15%	25%
6.	TI [including Income u/s 111A,112,112A & dividend income exceed ₹2cr but not covered by situation 4 & 5]	15%	15%

### 7. Rounding off :

<b>Sec 288A</b>	Round off of Total Income	R/o to nearest multiple of ₹10
<b>Sec 288B</b>	Round off of Total Tax	R/o to nearest multiple of ₹10

If the last figure in that Amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last Figure is less than five, the amount shall be reduced to next lower amount which is a multiple of Ten.

## Sec 115BAC Deduction and exemptions not allowed

### Condition 1 : Restriction on claiming deduction or exemption

#### Following Deduction can't be Taken :

##### Salary :

1. Leave travel concession sec 10(5).
2. House rent allowance sec 10(13A).
3. Entertainment allowance & employment/ professional tax u/s 16.
4. Free food & beverage through vouchers provided to EE.
5. Some of the allowance mentioned in sec 10(14).

##### HP :

1. Interest u/s 24 in respect of 2 self-occupied or vacant property u/s 23(2). (Loss from house property for rented house not be allowed to be set off under any other head & would be allowed to be c/f as per extant law).

##### PGBP :

1. Additional depreciation u/s 32(1)(iia).
2. Deductions u/s 32AD, 33AB, 33ABA.
3. Deduction u/s 35(1)(ii),(iia),(iii)/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or sec 35CCC.

##### Deduction :

1. Any deduction under chapter VIA **(Except Specified)**.

##### Exemptions :

1. Allowances to MPs/MLAs sec 10(17).
2. Allowance for income of minor sec 10(32).
3. Exemption for SEZ unit contained in sec 10AA.

### Condition 2 :

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or c/f.
2. HP loss cannot be setoff with any other income.
3. Assessee paid tax as per sec 115BAC is not required to pay AMT.
4. B/f AMT credit cannot be set off against income u/s 115BAC.

### Condition 3 :

1. If a person has PGBP income & want to switch out of default scheme then he shall file form 10IEA (to be filed electronically).
2. Form 10IEA not required for salaried employee.
3. If the following declaration is not given it will be assumed that he want to follow default tax system.

#### Following Deduction can be Taken :

##### Salary :

1. Transport Allowance granted to a divyang employee ₹3,200.
2. Conveyance Allowance.
3. Any Allowance granted to meet the cost of travel on tour or on transfer.
4. Daily Allowance to meet ordinary daily charges incurred by an employee on absence from his normal place of duty.
5. Standard deduction u/s 16(ia).
6. Deduction from family pension u/s 57(iia).

##### Deduction :

1. Deductions sec 80CCD(2) (employer contribution in notified pension scheme) & sec 80JJAA (new employment), 80CCH(2) (CG contribution towards Agnipath scheme & 80LA(1A).

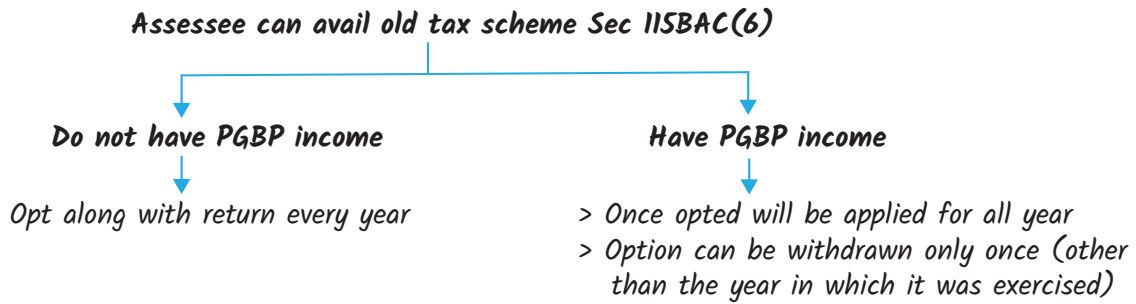
##### PGBP :

1. Depreciation is allowed.

**IMP Hai!**

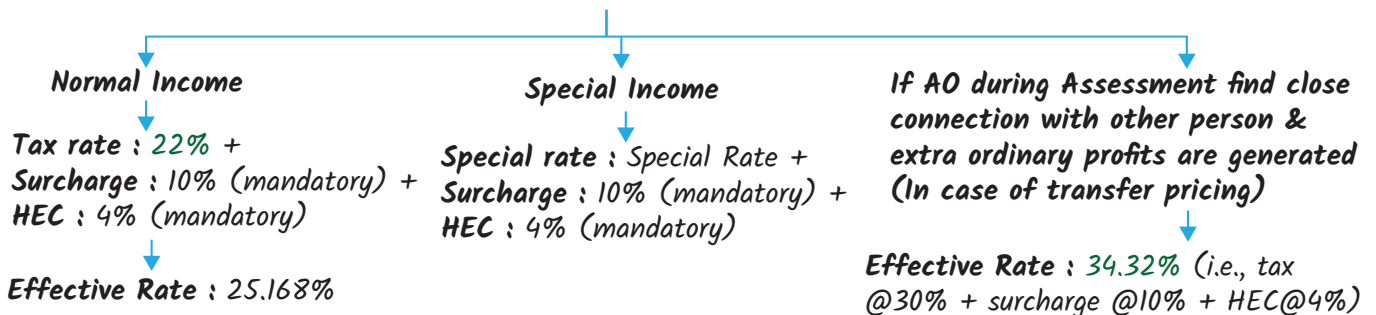


## When to Avail IISBAC



## Sec 115BAA Alternate Tax Scheme for companies (Domestic Company)

1. Applicable to **Domestic Company**.
2. Applicable only if it does not claim deduction as specified in this section
3. Tax Rates :



## Deduction and exemptions not allowed

Following Deduction can't be taken :

**PGBP :**

1. Additional depreciation u/s 32(1)(ia);
2. Deductions u/s 32AD, 33AB, 33ABA;
3. Deduction u/s 35(1)(ii),(ia),(iii)/35(2AA)/35(2AB). (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or sec 35CCC or 35CCD.

**Deduction :**

1. Any deduction under chapter VIA **(Except Specified)**.

**Exemptions :**

1. Exemption for SEZ unit contained in sec 10AA.

**Condition 2 :**

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f MAT credit could not be setoff.
3. Company opting for sec 115BAA is not required to pay MAT.
4. Once the option is exercised it would apply to subsequent AY's. Further, Once the option is exercised for any PY it can't be withdrawn for the same or any other PY.

Following Deduction can be Taken :

**Deduction :**

1. Deductions in Sec 80JJAA (new employment);
2. Deduction u/s 80LA(IA) & 80M.

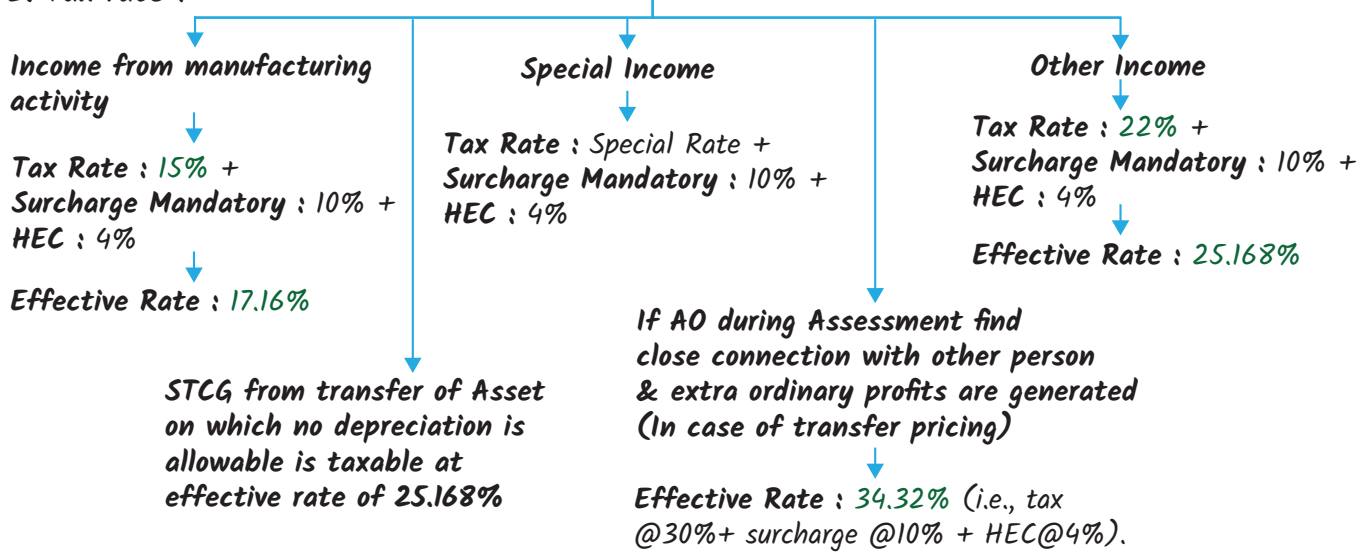
**PGBP :**

1. Depreciation is allowed.

## Sec 115BAB Domestic manufacturing Company opting alternate scheme

1. Applicable to **Domestic manufacturing Company** engaged in production of any article or thing (Except notified).

2. Tax rate :



## Conditions for claiming 115BAB

**Condition 1 :** Deductions not allowed :

Following Deduction can't be taken :  
PGBP :

1. Additional depreciation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35(1)(ii),(iia),(iii)/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or sec 35CCC or 35CCD

**Deduction :**

1. Any deduction under chapter VIA (Except Specified)

**Exemptions :**

1. Exemption for SEZ unit contained in sec 10AA

**Condition 2 :**

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f MAT credit could not be setoff.
3. Company opting for sec 115BAB is not required to pay MAT.
4. Once the option is exercised it would apply to subsequent AYs. Further, once the option is exercised for any PY it can't be withdrawn for the same or any other PY.

Following Deduction can be Taken :  
Deduction :

1. Deductions in sec 80JJAA (new employment);
2. Deduction u/s 80LA(IA) & 80M.

**PGBP :**

1. Depreciation is allowed.

**Condition 3 :**

1. The company should be set-up and registered on or after 1.10.2019.
2. It should commence manufacturing or production of an article or thing on or before 31.3.2024.
3. It should not be formed by splitting up or the reconstruction of a business except given in sec 33B.
4. It does not use second hand P&M. [Refer Note at the end]
5. It does not use any building previously used as a hotel or a convention centre.
6. It should not be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of such article or thing manufactured or produced by it.

**Note :**

**Business of manufacture or production of any article or thing does not include business of :**

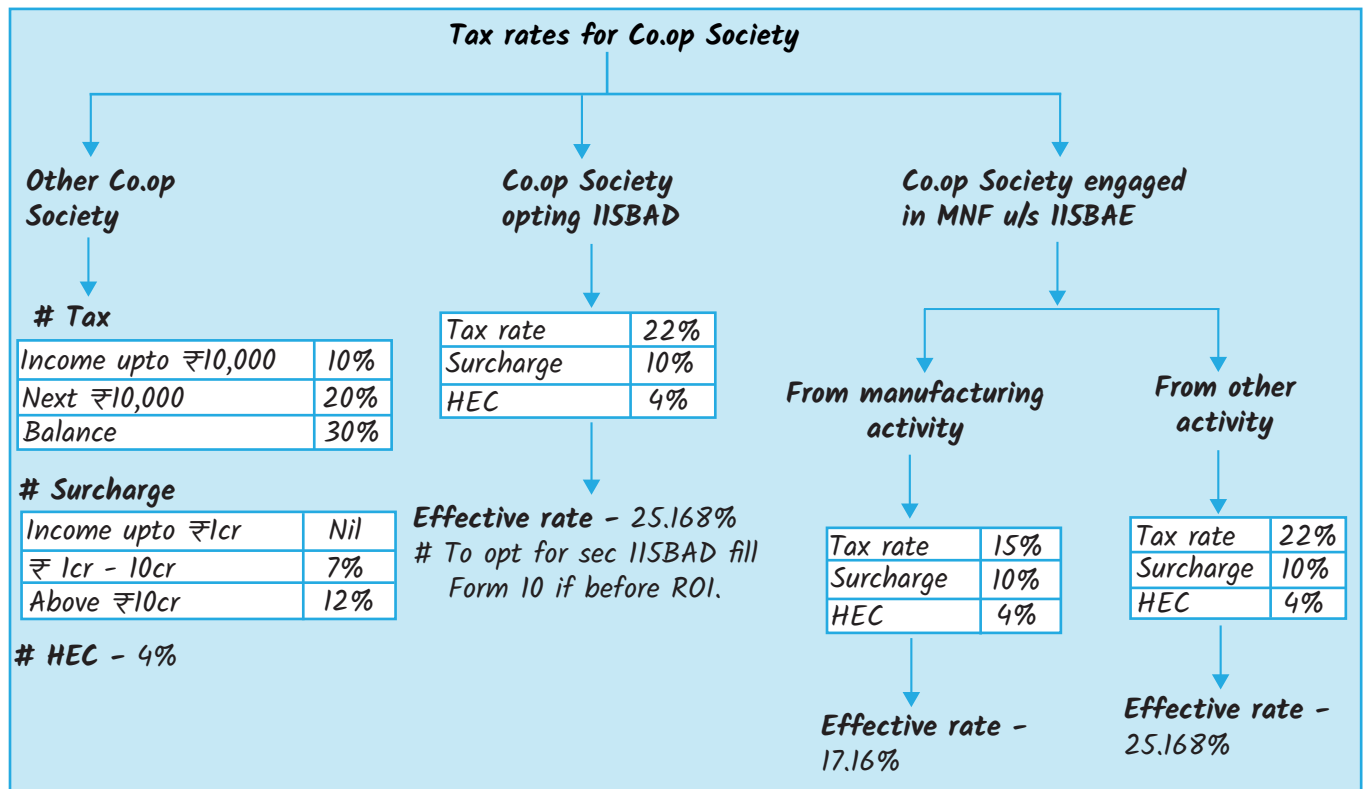
1. Development of computer software in any form or in any media
2. Mining
3. Conversion of marble blocks or similar items into slabs
4. Bottling of gas into cylinder
5. Printing of books or production of cinematography films
6. Any other business as may be notified by the Central Govt. in this behalf.

**Note :**

**A P&M shall not be regarded as Second hand if :**

1. It is imported into India.
2. No depreciation is claimed in India.
3. Value of Second hand P&M does not exceed 20% of the total value of P&M.

**Tax rates for Co.op Society**



## Deduction and exemptions not allowed u/s IISBAD

Following Deduction can't be taken :

**PGBP :**

1. Additional depreciation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA;
3. Deduction u/s 35/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or sec 35CCC.

**Deduction :**

1. Any deduction under chapter VIA. (Except Specified)

**Exemptions :**

1. Exemption for SEZ unit contained in sec 10AA.

**Condition 2 :**

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f AMT credit could not be setoff.

**Condition 3 :**

1. Option once exercised cannot be withdrawn.
2. This section apply if the option is exercised in the form 10 if upto due date of ROI u/s 139(1) for AY 2021-22 or subsequent AY.

Following Deduction can be Taken :  
**Deduction :**

1. Deductions in Sec 80JJAA (new employment) & 80LA(1A);

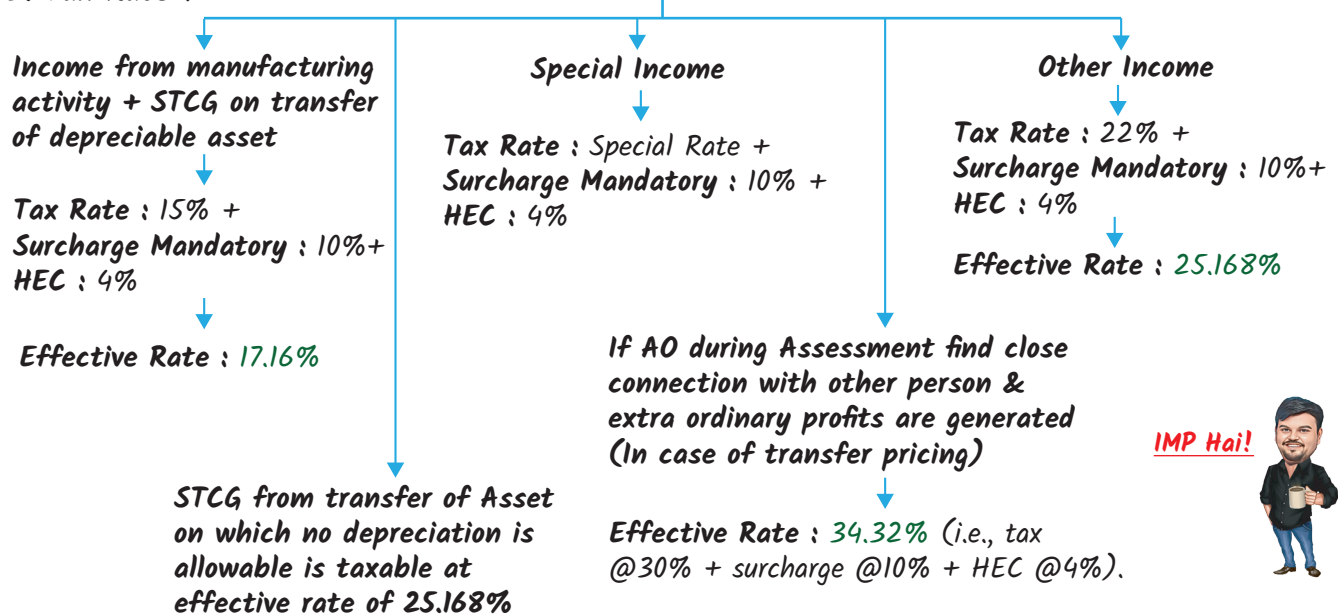
**PGBP :**

1. Depreciation is allowed.

## Sec IISBAE tax Scheme for Resident Manufacturing co-op society

1. **Assessee** : A **Resident co-operative society engaged in manufacturing** shall at his option can opt for this section.

2. **Tax Rate :**



## Conditions for claiming IISBAE

### Condition 1 : Deductions not allowed :

#### Following Deduction can't be taken :

##### PGBP :

1. Additional depreciation u/s 32(1)(iia);
2. Deductions u/s 32AD, 33AB, 33ABA
3. Deduction u/s 35/35(2AA)/35(2AB) (In respect of donation made to other approved institution).
4. Deduction u/s 35AD or sec 35CCC.

##### Deduction :

1. Any deduction under chapter VIA. (Except Specified)

##### Exemptions :

1. Exemption for SEZ unit contained in sec 10AA.

### Condition 2 :

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. B/f MAT credit could not be setoff.

### Condition 3 :

1. The company should be set-up after 1.4.2023 and start manufacture on or before 31.3.2024.
2. It should not be formed by splitting up or the reconstruction of a business except given in sec 33B.
3. It does not use second hand P&M. [Refer Note at the end]
4. It should not be engaged in any business other than the business of manufacture or production of any article or thing and research in relation to or distribution of such article or thing manufactured or produced by it.

#### Note :

##### Business of manufacture or production of any article or thing does not include business of :

1. Development of computer software in any form or in any media;
2. Mining;
3. Conversion of marble blocks or similar items into slabs;
4. Bottling of gas into cylinder;
5. Printing of books or production of cinematography films;
6. Any other business as may be notified by the Central Govt. in this behalf.

##### Notes : A P&M shall not be regarded as Second hand if :

1. It is imported into India.
2. No depreciation is claimed in India.
3. Value of Second hand P& M does not exceed 20% of the total value of P&M.

#### Notes :

1. Option must be exercised before the due date for furnishing the first of the returns of income for any previous year; and
2. Option once exercised shall apply to subsequent assessment years.

#### Following Deduction can be Taken : Deduction :

1. Deductions in sec 80JJAA (new employment).

##### PGBP :

1. Depreciation is allowed.

## Tax Rate for AOP/BOI

### Old scheme

Particulars	Rate of Income Tax
	A.Y. 2025-26
Up to ₹2,50,000	-
₹ 2,50,001 - ₹5,00,000	5%
₹ 5,00,001 - ₹10,00,000	20%
Above ₹ 10,00,000	30%

### Default Scheme IISBAC(IA) [FA 2025]

Net Income Range	Tax rate
Upto ₹ 4,00,000	Nil
From ₹ 4,00,001 to ₹ 8,00,000	5%
From ₹ 8,00,001 to ₹ 12,00,000	10%
From ₹ 12,00,001 to ₹ 16,00,000	15%
From ₹16,00,001 to ₹ 20,00,000	20%
From 20,00,000 to 24,00,000	25%
Above 24,00,000	30%

### Surcharge

If AOP consist only company as member

1. Income upto ₹50L : No Surcharge
2. ₹50L - 1cr : 10%
3. Above ₹1cr : 15%

Other AOP/BOI

As applicable to Individual

## Diversion of Income by overriding title v/s Application of Income

Diversion	Application
If any income is diverted from the source to any other person due to obligation created by any agreement or as per law then such income is not taxable in the hands of assessee but its taxable in hands of such other persons.	If any Income is transfer to any person without any obligation at source is treated as application.

## UNDISCLOSED SOURCES OF INCOME

### Sec 68 Cash Credits

Where any sum is found credited in the books of an assessee & the **assessee offers no explanation** about the nature and source **or the explanation offered is not satisfactory** in the opinion of the Assessing Officer the sum so credited **may be charged as income** of the assessee of that PY.

### Sec 69 Unexplained Investments

If Assessee has made investments which are **not recorded in the books** of account & the **assessee offers no explanation** about the nature and source **or the explanation offered is not satisfactory** in the opinion of the Assessing Officer the value of the investments are taxed **as deemed income** of the assessee of such financial year.

### Sec 69A Unexplained Money

If the assessee is found to be the owner of any money, bullion, jewellery or other valuable article and the same is not recorded in the books of account & **the assessee offers no explanation** about the nature and source **or the explanation offered is not satisfactory** in the opinion of the Assessing Officer the money FMV of bullion may be deemed as income of the assessee of such FY.

### Sec 69B Investments not Fully Disclosed

If the assessee is found to be the owner of any money, bullion, jewellery or other valuable article & the same is **not recorded in the books of account & the assessee offers no explanation** about the nature & source **or the explanation offered is not satisfactory** in the opinion of the Assessing Officer the money FMV of bullion may be deemed as income of the assessee of such financial year.

### Sec 69C Unexplained Expenditure

Where in any financial year an assessee has incurred any expenditure & the assessee offers no explanation about the nature and source **or the explanation offered is not satisfactory** in the opinion of the Assessing Officer Such unexplained expenditure which is deemed to be the income of the assessee & shall not be allowed as deduction under any head of income.

### Sec 69D Amount Borrowed or repaid on Hundi

1. Where any amount is borrowed/Repaid on a hundi otherwise than through an account-payee cheque drawn on a bank, the amount so borrowed or repaid shall be deemed to be the income of the person borrowing or repaying for the PY in which the amount was borrowed or repaid.
2. If Amount is deemed Income at the time of Borrowing it shall not be treated as Income at the time of repayment again.
3. The amount repaid shall include interest paid on the amount borrowed.

### Sec 115BBE Tax on Undisclosed Income

Where the total income includes any undisclosed income and reflected in the ROI furnished u/s 139 or determined by the AO, the income-tax payable shall be the aggregate of :

- i) Tax shall be **@ 60% on Undisclosed Income;** and
- ii) Tax @ normal rate on other Income.

Therefore the Effective tax rate is **@78% (60% + 25%+ 4%)**

Further no deduction in respect of any expenditure or set off of any loss shall be allowed to the assessee from undisclosed Income.