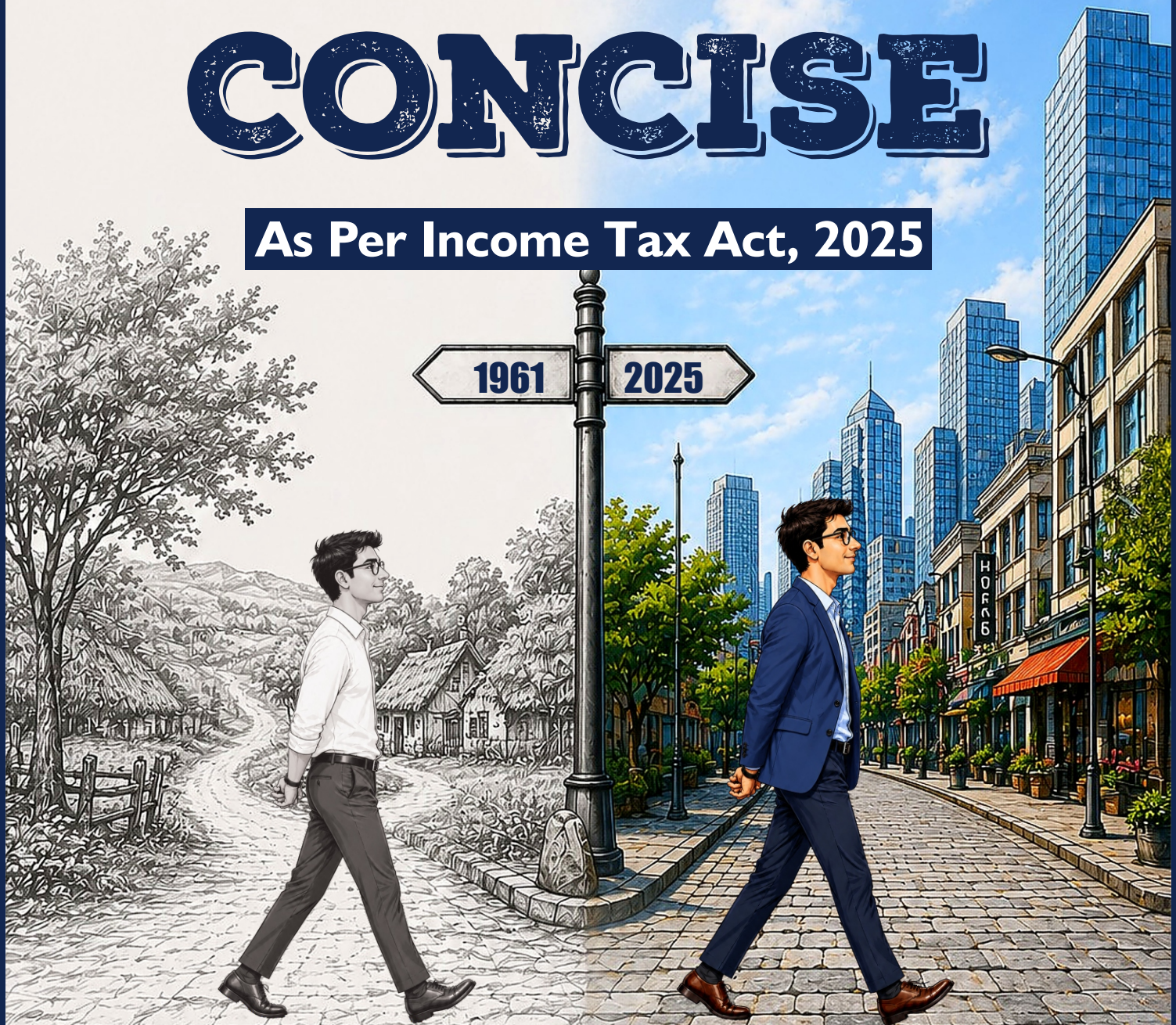


CA/CMA FINAL

DIRECT TAX CONCISE

As Per Income Tax Act, 2025



Applicable For:

CA

May 27/Nov 27

CMA

June 27/Dec 27

— 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”



Every effort has been made to present this publication or book in the most authentic form without any errors and omission. In spite of this errors might have inadvertently crept in, or there may be difference of opinion on certain provision, or some judicial ruling might have been lost sight of any mistake, error or discrepancy noted may be kindly brought to the notice of publisher or author, which shall be dealt with suitably. It is notified that neither the author nor the Publisher or academy guarantees the accuracy or completeness of any information published herein, and the publisher, the author, the academy or seller will not be responsible for any damage or loss, of any kind in any manner, arising out of use of information of this publication or book. This work is published with understanding that the publisher and the author are supplying information but are not attempting to render any services. It is suggested that to avoid any doubt, the reader should cross check all the facts, law and contents of this publication with original government publication or notification.

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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 & 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"> > <i>General provisions under the Act for computation of total income and tax liability for companies and other entities</i> > <i>Special tax regimes under the Act for companies & other entities</i> > <i>Optimisation of tax liability of companies & other entities through tax planning</i> 	I	20%-23%
<p>(ii) <i>Special Provisions relating to charitable and religious trust & 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>		20%-22%
<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"> > <i>Taxation of undisclosed income under the Income-tax Act, 1961</i> > <i>Taxation of undisclosed foreign income and assets</i> > <i>Penalties and offences and prosecution</i> <p>(vi) <i>Miscellaneous Provisions</i></p> <p>(vii) <i>Tax Audit</i></p>	II	20%-30%
<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"> > <i>Transfer Pricing</i> > <i>Non-resident Taxation</i> > <i>Double Taxation Relief</i> > <i>Advance Ruling</i> <p>(ii) <i>Other Aspects of International Taxation, namely,</i></p> <ul style="list-style-type: none"> > <i>Significant articles of OECD & UN Model Tax Conventions</i> > <i>Fundamentals of BEPS</i> > <i>Application and Interpretation of Tax Treaties</i> > <i>Latest developments in international taxation</i> 	III	30%-35%

WEIGHTAGE AS PER ICAI

No.	Contents	Weightage
Section A : Direct Tax Laws		60%
1.	Assessment of Income and Computation of Tax Liability of Various Entities	60%
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	
Section B : International Taxation		40%
12.	Double Taxation and Avoidance Agreements (DTAA)	40%
13.	Transfer Pricing	
14.	GAAR	

A / B / C - ANALYSIS

	Topics	Done in class	Done by me
A	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	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		
C 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.

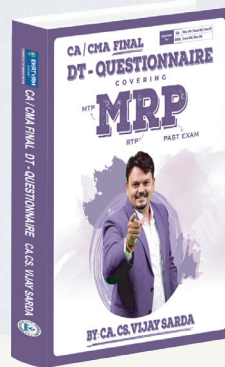
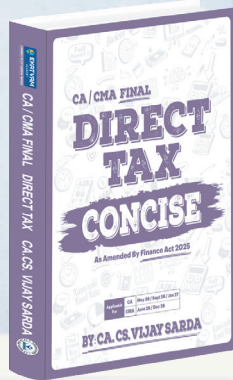
Accordingly, Correction / Update Sheets may be issued periodically and shared through the App, WhatsApp/Telegram groups, email, or other social media platforms. Students are advised to refer to such updates before appearing for the examination or making their final attempt.

Students may also report any errors or suggested corrections at askvjsir@gmail.com for the benefit of the entire student community.

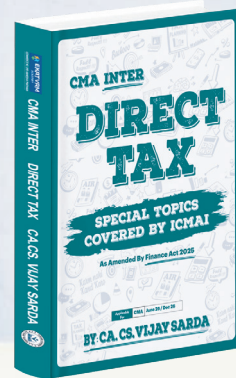
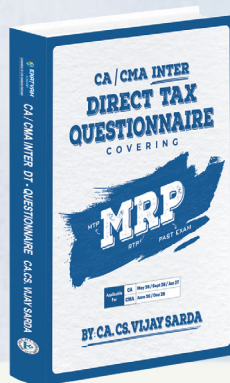
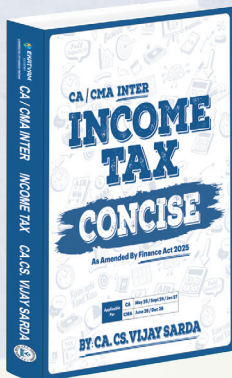
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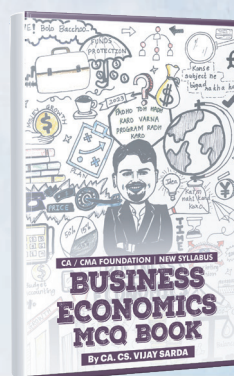
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INTER



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3.	<i>Taxation of Liquidation</i>	3.1 - 3.2
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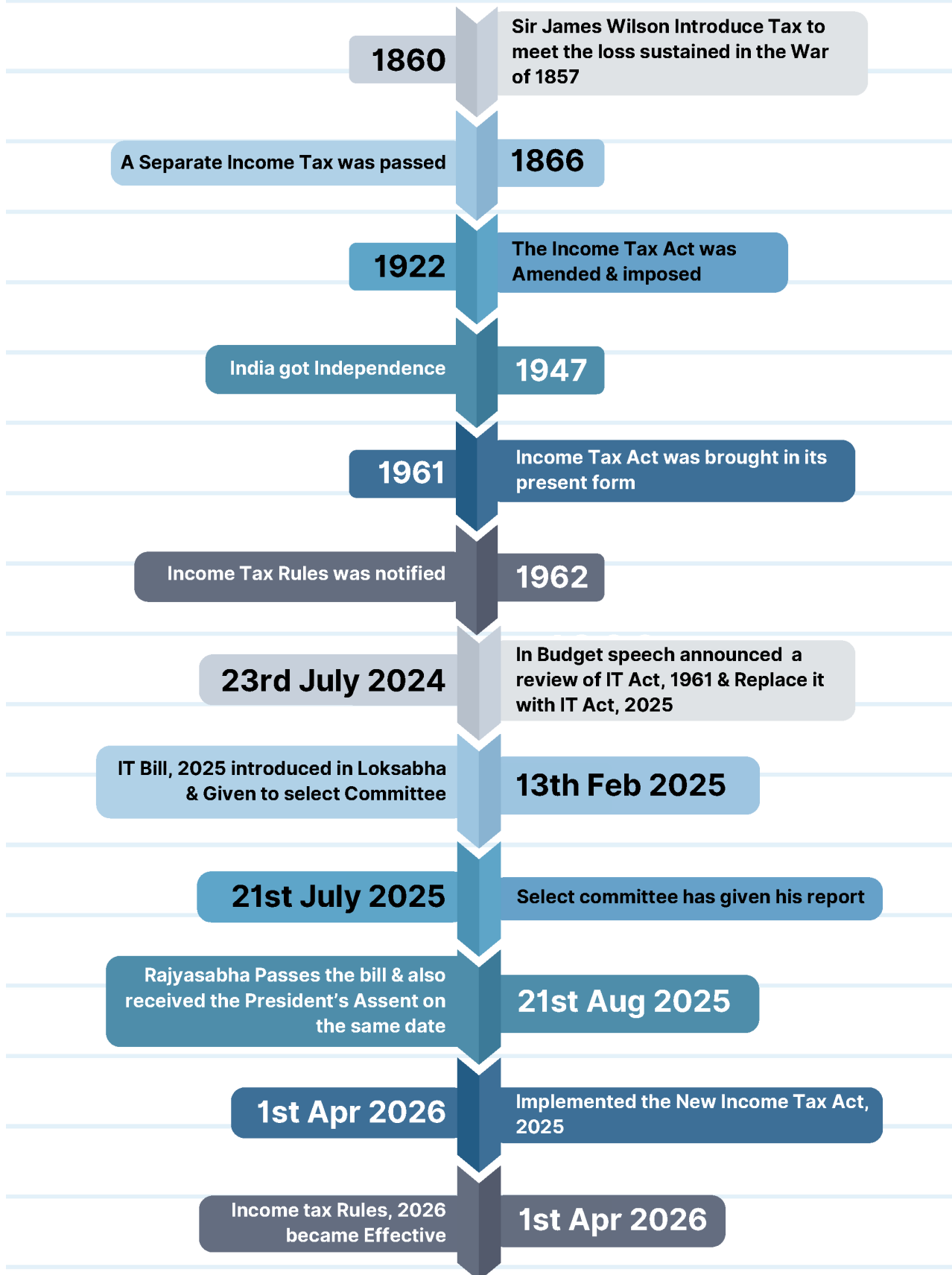
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30.	<i>Public Charitable & Religious Trust</i>	30.1 - 30.14
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32.	<i>Interest</i>	32.1 - 32.4
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34.	<i>Miscellaneous Provisions & Tax Planning</i>	34.1 - 34.4
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01

BASICS OF INCOME TAX

KEY TIMELINES IT ACT, 2025





CHAPTERS

CH 1	Preliminary & Definitions	[Sec 1-3]
CH 2	Basis of Charge	[Sec 4-10]
CH 3	Exempt Income	[Sec 11-12]
CH 4	Heads of Income + Deductions	[Sec 13-95]
CH 5	Clubbing	[Sec 96-100]
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CH 9	Rebate & Reliefs	[Sec 155-160]
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CH 11	GAAR	[Sec 178-184]
CH 12	Mode of Payment	[Sec 185-189]
CH 13	Special Rate of Tax + Assessment of various entity	[Sec 190-235]
CH 14	Tax Administration + Search & Seizure	[Sec 236-261]
CH 15	Return of Income	[Sec 262-267]
CH 16	Assessment Procedure	[Sec 268-301]
CH 17	Misc. Provisions + Assessment of various entities	[Sec 302-355]
CH 18	Appeals, Revision & Dispute Resolution	[Sec 356-389]
CH 19	TDS & TCS	[Sec 390-430]
CH 20	Refund	[Sec 431-438]
CH 21	Penalties	[Sec 439-472]
CH 22	Offences & Prosecutions	[Sec 473-498]
CH 23	Other Miscellaneous Provisions	[Sec 499-536]



Key Changes from IT Act, 1961 to IT Act, 2025

- 1 Bill Retained most of the provisions of IT Act, 1961
- 2 Aims to simplify language and removed redundant provisions.
- 3 Mostly focuses on faceless collection of Information and Taxes. [Including the virtual digital space]
- 4 More focus for Assessments of Income and Collection of taxes on undisclosed income.
- 5 More focus is on reducing dispute and Litigation



Objective of the IT Act, 2025

- 1 Simplifying the language of the Act
- 2 Reducing the volume of the Act.
- 3 Creating easy to understand formulae & tabular structure.
- 4 Remove multiple proviso and explanation.
- 5 Bringing clarity in Act without structural & policy change.



Schedules

I	Activities not to constitute business connection in India
II	Exempt Income
III	Exempt Income of eligible persons
IV	Exempt Income of eligible NR, FC & other persons
V	Exempt income of Investment funds, business trusts & their UH
VI	Exempt Income of eligible persons in IFSC
VII	Persons exempt from tax
VIII	Exempt Income of political parties & electoral trusts
IX	Deduction for tea, Coffee, Rubber development account in "PGBP"
X	Deduction for site restoration fund in PGBP
XI	Recognised provident funds
XII	Minerals
XIII	List of articles or things
XIV	Insurance business
XV	Deduction in respect of LIP & contribution to PF etc
XVI	Permitted modes of investment or deposits

Income Tax Act, 1961		Income Tax Act, 2025
819 Sections	↓ 35% Reduction	536 Sections
14 Schedules	↑ 2 Added	16 Schedules
511 Rules	↓ 35% Reduction	333 Rules
399 Forms	↓ 52% Reduction	190 Forms

Vijju sir Motivation :

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



1. Marks : 4 to 8 marks

2. Frequency : Every attempt

3. Important section : Exception to TY, Sec 156, Old rates, Sec 202 (Default scheme), Undisclosed income

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

Section	Notification	Circular	Proviso	Rules
<p>1. Division of an act in a systematic manner.</p> <p>2. Sec 2(22)(1)(v) this is to be read as sec 2 sub-sec 22 clause 1 & Sub-clause 5.</p>	<p>Sec 2(73) :</p> <p>1. "Notification" means a notification published in Official Gazette with its grammatical variations & cognate expressions</p> <p>2. Issued for communication for any change in Law or Rules.</p> <p>3. All notification 6m before exams are Applicable.</p>	<p>1. Issued by CBDT.</p> <p>2. For clarification of doubt in Law or Rules.</p> <p>3. All Circular 6m before exams are applicable.</p> <p>4. Department is Bound by Circular, Assessee is not bound by Circular.</p>	<p>1. Exception to Sec</p> <p>2. Generally given in the Act as "Provided that".</p>	<p>1. For implementation of Act.</p> <p>2. For carrying out Purposes of the Act.</p> <p>3. Sec 533(1) & (4) :</p> <p>a) CBDT makes the Rule.</p> <p>b) Power to make rules shall include Power to give retrospective effect, not prior to the commencement of Act.</p>

How Law Works

Law makers
They pass the law
(Parliament or President)



PARLIAMENT OF INDIA

Law Implementers
They make Rules/
provide notification/circular



Central Board of Direct Taxes
(CBDT)

Law Interpreters
Law is Interpreted by
Court/Tribunals



Supreme Court

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 :

- Direct
- 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 (7th 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.

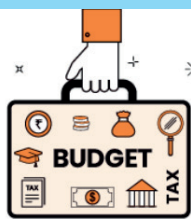
Sec 535 Power to remove Difficulties

1. 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**.
2. Every order made under this section shall be laid, as soon as may be, after it is made, **before each house of parliament**.

Meaning of Various Term

Tax	Surcharge	Cess
Amount collected by Government to provide Various facilities	1. It is an additional Levy . 2. Levied as per article 271. 3. It is collected if Income exceed prescribe limit . 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. It is collected as a % of Tax (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

Contains change in DT & IDT

Direct Tax Amendments

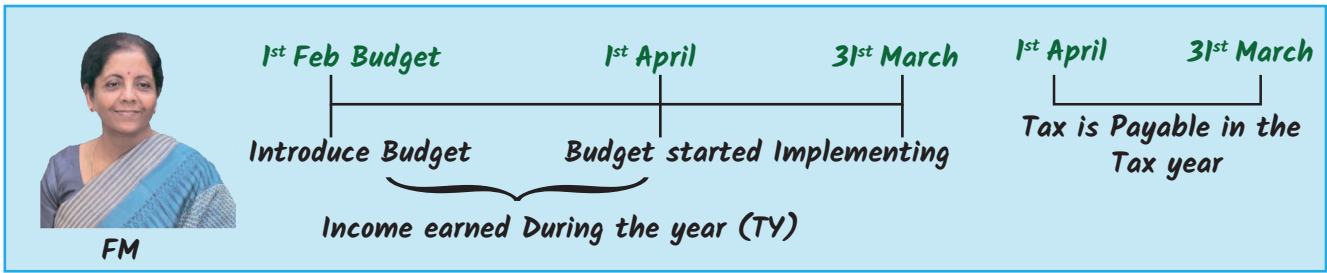
Indirect Tax Amendments

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]



Budget is prepared as per which Act?



Coverage of Finance Act - 1st Schedule to Finance Act Contains

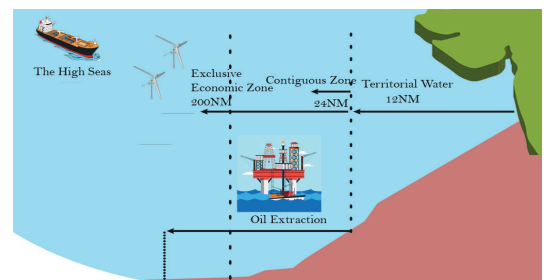
- Part 1 : Specify the *Rate of Tax* applicable to Tax Year.
- Part 2 : Rate at which TDS is deductible in Tax year.
- Part 3 : TDS from Salary & Calculation of Advance Tax.
- Part 4 : Rules for Calculation of Net Agricultural Income.

Sec 1 Short Title, Extent & Commencement

1. This Act may be called the **Income-tax Act, 2025**.
2. It Extends to the **whole of India**.
3. It shall come **into force on the 1st April, 2026**.
4. Total No. of Chapter in Act, 23.
5. Total Sec in Act : 536
6. Total number of Schedule in Act is XVI.

Sec 2(52) 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

Sec 4(1) & (2) :

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

IMP Hai!



Sec 4(3) : Income-tax shall also include any additional income-tax, by whatever name called, levied under this Act.

Sec 4(4) : If this Act provides that income-tax is to be charged in respect of income of a period other than the tax year, it shall be charged accordingly.

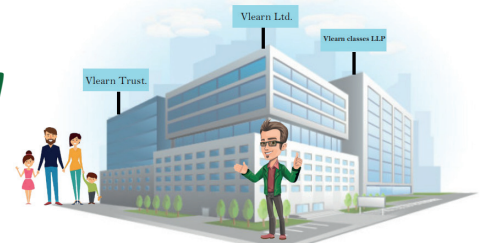
For e.g. If business is started in October then income shall be calculated for 6 months only.

Sec 4(5) : For the income chargeable under this section, income-tax shall be deducted or collected at source or paid in advance as provided under this Act.

Analysis of change : Earlier only TDS & Advance tax was covered. Now, TDS, TCS & Advance Tax is covered.

Sec 2(77) Person

1. An Individual
2. A Hindu Undivided Family [HUF] [Dayabhaga or Mitakshara]
3. A Firm Including LLP [Except for Sec 58]
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]



Whether or not such an association of persons or a body of individuals or a local authority or an artificial juridical person was formed or established or incorporated with the object of deriving income, profits and gains.

Sec 2(11) Assessee

“Assessee” means a person by whom any tax or any other sum of money is payable under this Act, and includes :

- a) Every person in respect of whom any proceeding under this Act has been taken :
 - (i) For the assessment of his income or of the loss sustained by him or refund due to him; or
 - (ii) For the assessment of the income of any other person in respect of which he is assessable, or of the loss sustained by such other person or refund due to such other person

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

Sec 3 Tax Year

1. “Tax year” means the 12 months period of the financial year commencing on the 1st April.
Eg : **Tax Year 26-27 (1/4/26 to 31/3/27)**
2. In the case of Newly Setup Business / Profession or a source of income added in any FY :
 - a) The date of setting up of such business or profession; or
 - b) The date on which such source of income newly comes into existence, and ending with the said FY.

For eg : If Business Started on 1/08/26 then The Tax year will start on 1/08/2026 and end on 31st March 2027.

Income Tax Act, 1961 Governs	Income Tax Act, 2025 Governs
Income earned : FY 2025-26 Filed and Assessed as : AY 2026-27 (Under IT Act, 1961)	Income earned : FY 2026-27 onwards Assessed as : Tax Year 2026-27 (Under IT Act, 2025)

For Eg : If Business Started on 10/03/2026 then
First Tax year : 10/03/2026 to 31/03/2026
Second Tax Year : 1/04/2026 to 31/03/2027

Cases where the Tax and ITR is submitted in Tax year only [IMP] (Dealt Separately)

Generally, after the TY end, A Tax payer is required to submit ITR. However, in following cases AO may required the Assessee to submit ITR and complete the Assessment procedure in the same TY itself :

1. NR Shipping Business [Sec 316]
2. Persons leaving India Permanently or for long period of time [Sec 317]
3. AOP or BOI or Artificial Juridical Person formed for Short Duration [Sec 318]
4. Persons likely to transfer property to avoid tax [Sec 319]
5. Discontinued business [Sec 320]

IMP Hai!



Sec 122(10) Gross Total Income

"Gross Total Income" means the total income computed as per the provisions of this Act, but before making deduction under this chapter :

- 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(108) Total Income

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

Simplified Explanation : Gross total Income (-) deduction under chapter VIII = Total Income
This income is also called taxable income on which tax has to be imposed.

Deductions & Exemptions

Deduction	Exemptions
<ol style="list-style-type: none"> 1. It is partial Exemption. 2. Allowed if condition is Satisfied. 3. It is available in 2 ways : <ol style="list-style-type: none"> a) Head Wise b) From Gross Total Income. 	<ol style="list-style-type: none"> 1. It is 100% Exempt. 2. If Income is Exempt then it is not Included in Total Income. 3. Exemption is covered in Schedules to Income tax Act, 2025

Sec 2(49) Income

1. Income is defined u/s 2(49).
2. The definition is inclusive definition.
3. **Regular Receipt vis-a-vis. Casual Receipt** : Income Tax not only include regular income but also includes casual income which do not arise regularly.
4. **Revenue Receipt vis-a-vis Capital Receipt** :

Revenue Receipt	Capital Receipt
<ol style="list-style-type: none"> 1. All receipts which are not Capital receipts. 2. These are generally chargeable to tax unless deductions & exemptions are provided 	<ol style="list-style-type: none"> 1. Capital receipts are generally not chargeable to tax unless specifically provided. For. e.g. Capital Gains 2. These are generally in the nature of loan or liability. 3. Liquidated damages : Receipt of liquidated damages which are directly linked to procurement of capital asset, which lead to delay in coming into existence of profit making apparatus is a capital receipt. 4. The amount received by the assessee towards compensation for Sterilization of the profit earning source is not in the ordinary course of business. Hence, it is a capital receipt in the hands of assessee.

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 102 Unexplained Credits

1. Where any sum is found credited in the books of an assessee & the **assessee offers no explanation** about the nature and source of such credit **or the explanation offered about the nature & source of such credit by assessee is not satisfactory** in the opinion of the AO then the sum so credited **shall be charged as income** of the assessee of that TY.
2. **The explanation given by tax payer will not be considered satisfactory unless :**
 - a) The Person in whose name the amount is recorded also explains the nature & source of the credit;
 - b) The AO finds the explanation satisfactory.
3. **If a non-public company(Private company) has received share application money/ share capital/ Share premium or similar, the company's explanation will not be enough unless :**
 - a) The resident person in whose name the amount is recorded also explained where it came from;
 - b) AO is satisfied with the explanation.
4. The provision of (2) & (3) are not applicable if the person in whose name the amount is recorded is a **venture capital fund or venture capital company**.

Sec 103 Unexplained Investments

If Assessee has made investments which are **not recorded in the BOA** & the **assessee offers no explanation** about the nature and source **or the explanation offered is not satisfactory** in the opinion of the AO then the value of the such investments or such excess amount as the case may be shall be deemed to be the income of the assessee of that TY.

Sec 104 Unexplained Asset

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 BOA & **the assessee offers no explanation** about the nature & source **or explanation offered is not satisfactory** in the opinion of the AO then, the value of such asset, or such excess amount, shall be deemed to be the income of the assessee of the TY in which such asset has been found to be owned by, or belonging to, the assessee.

Assets includes money, bullion, jewellery, virtual digital asset and other valuable article.

Sec 103 & 104 Unexplained Investment (Investment not fully disclosed)

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

Sec 105 Unexplained Expenditure

- Where any expenditure has been incurred by the assessee in any TY :
 - The assessee offers **no explanation about the source** of such expenditure or part thereof; or
 - The explanation offered about the source of such expenditure by the assessee is **not satisfactory** in the opinion of the AO, then, the amount covered by such expenditure or part thereof, shall be deemed to be the income of the assessee for that TY.
- The amount deemed as income shall not be allowed as a deduction under this Act.

Sec 106 Amount Borrowed or repaid on Hundi

- Where any amount (including interest thereof) is borrowed or repaid through a negotiable instrument or on a hundi, **otherwise than an A/c payee cheque**, or through any mode as specified by the Board in this behalf, the amount so borrowed or repaid (including interest paid on the borrowed amount) shall be deemed to be the income of the person borrowing or repaying, as the case maybe, for the TY in which the amount was borrowed or repaid.
- Where the amount borrowed has been **deemed to be the income** of any person, such person shall not be liable to be assessed again in respect of such amount on repayment of such amount.

Sec 195 Tax on Undisclosed Income

Sec 195(1) : Where the total income includes any undisclosed income and reflected in the ROI furnished u/s 263 or determined by the AO, the income-tax payable shall be the aggregate of :

- Tax shall be **@30% on Undisclosed Income**;
- Tax @ normal rate on other Income. Therefore the Effective tax rate is **@39% (30% + 25% + 4%)**. Where Total Income is determined by AO includes any income referred in sec 102 - 106, such income will be treated as Misreported Income and Penalty u/s 439 will be 200% of tax on misreported income.

Naya hai pucha
ja sakta hai



Particulars	Before Amendment	After Amendment
Tax Rate	78%	39%
Add : Penalty u/s 271AAC @10% on tax liability	7.8%	-
Add : Penalty u/s 439 @200% on tax liability	-	78%
Total Sum Payable	85.8%	117%

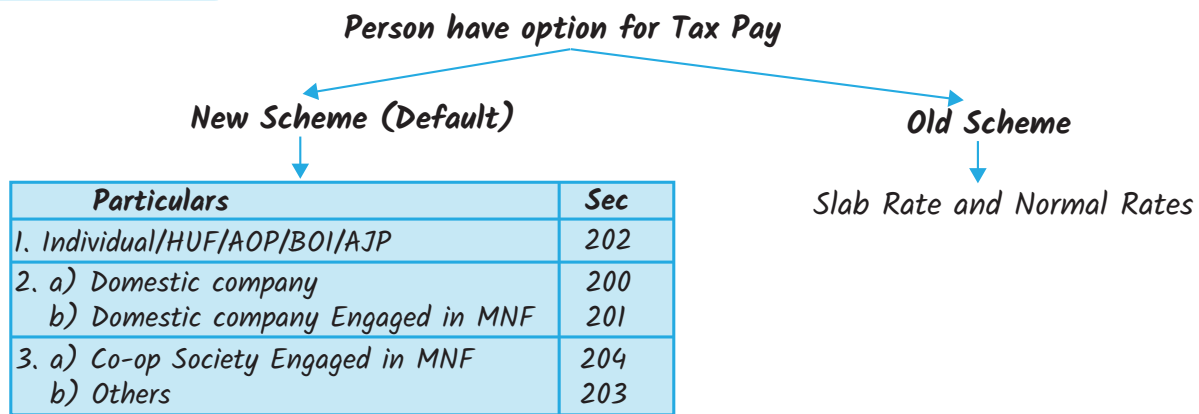
Earlier, where assessee filed a appeal or not, the tax never exceeds 85.8% However, after amendment the limit of 85.8% is applies only if the assessee does not file an appeal. In other words, the same incidence is achieved solely by waiving the right of appeal. If the assessee chooses to appeal and fails to secure a favorable verdict, the burden escalates dramatically.

Sec 195(2) : Further **no deduction** in respect of any expenditure or set off of any loss **shall be allowed** to the assessee from undisclosed Income.

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 VIII.
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.

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	Total Income	Rates%	Shortcut	Total Income	Rates%	Shortcut
Upto ₹2,50,000	Nil	-	Upto ₹3,00,000	Nil	-	Upto ₹5,00,000	Nil	
₹ 2,50,001 to ₹ 5,00,000	5%	₹12,500	₹3,00,001 to ₹5,00,000	5%	₹10,000	₹5,00,001 to ₹10,00,000	20%	₹1,00,000
₹ 5,00,001 to ₹ 10,00,000	20%	₹1,12,500	₹5,00,001 to ₹10,00,000	20%	₹1,10,000	Above ₹10L	30%	
Above ₹10L	30%	-	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 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 156(1) :

- 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 is not available from LTCG u/s 198.
Rebate is available from casual income / Other LTCG & STCG.

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

3. Rounding off :

Sec 516	Round off of Total Income	R/o to nearest multiple of ₹10
	Round off of Total Tax	R/o to nearest multiple of ₹10

If the last figure in that Amount is 5 or more, the amount shall be increased to the next higher amount which is a multiple of 10 and if the last Figure is less than 5, the amount shall be reduced to next lower amount which is a multiple of 10.

4. Income Chargeable at Special rate :

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Income	Rates
STCG referred to in sec 196 (Securities)	20%
LTCG referred to in sec 197	12.5%
LTCG u/s 198 Beyond ₹1.25 Lakh	12.5%
Casual income (e.g. Lottery, Horse winnings, etc.) (Sec 194)	30%
Online gaming sec 194	30%
Unexplained Cash/ Expenses / Investment sec 195	Effective rate 30% + 25% + 4% = 39%
Maximum Marginal Rate (In old scheme)	42.744% [30% + 37% + 4%]
V.D.A (Virtual Digital Taxation u/s 194)	30%

5. Special Adjustment for Resident : If Assessee (**Resident**) has special Income i.e. LTCG (197/198)/STCG (191/196) (**Not casual Income**) & BEL is not Exhausted then such special income shall be first used to cover up BEL & balance, if any, shall be chargeable to special rate of Tax.

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

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

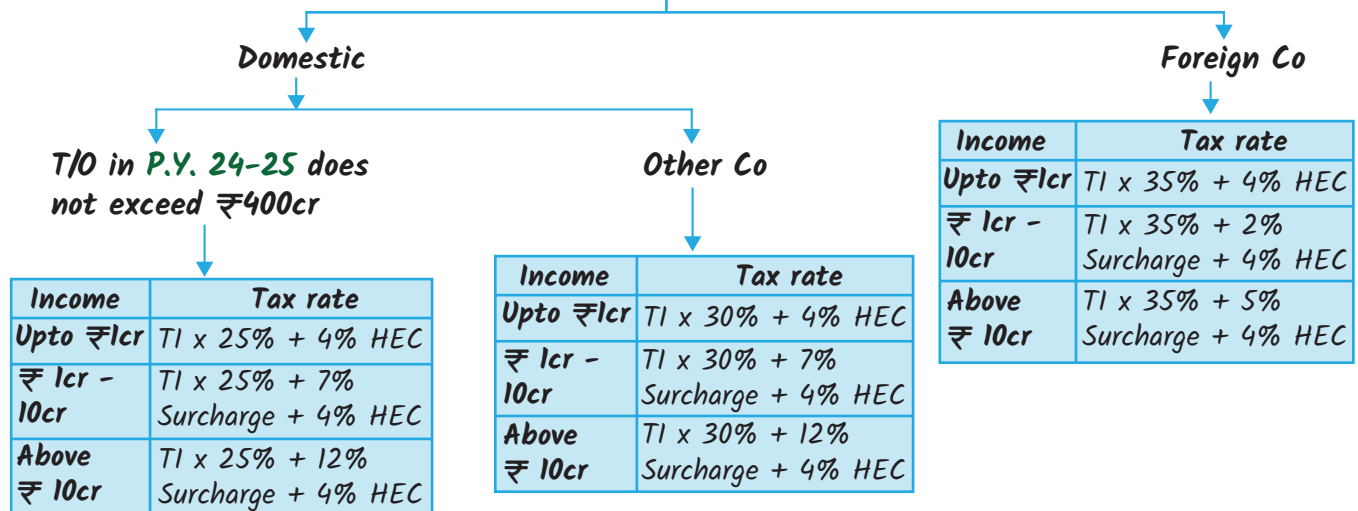
In case of AOP (**consisting of only companies as its member**), the maximum of rate of surcharge is 15%.

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 202 Tax Incentive for Individual & HUF

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

2. **Tax Rate** : Sec 202(1)

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 156(2)** :

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 TY 2026-27, Rebate u/s 156(2) is not available on tax on incomes chargeable at special rates under any provision (e.g Tax on capital gains u/s 196, 197, 198, tax on lottery winnings u/s 194 etc)

4. **Marginal relief incase of income slightly exceed ₹ 12L** : Rebate u/s 156(2) 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 156		(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
Marginal Relief :		
= (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 196 (Securities)	20%
LTCG referred to in sec 197	12.50%
LTCG u/s 198 Beyond ₹1.25 Lakh	12.5%
Casual income/ VDA (e.g. Lottery, Horse winnings, etc.)(Sec 194)	30%
MMR	39% [30% + 25% + 4%]

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

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

7. Rounding off :

Sec 516	Round off of Total Income/ Tax Payable/ Tax Refundable	R/o to nearest multiple of ₹10
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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 202 Deduction and exemptions not allowed

Condition 1 : Restriction on claiming deduction or exemption

Following Deduction cannot be Taken :

Salary :

Salary :

1. Leave travel concession Sch III Table SI No. 8
2. HRA Sch III Table SI No. 11
3. Professional tax u/s 19.
4. Free food & beverage through vouchers provided to EE. [Sec 17 Table No. 3]
5. Some of the allowance mentioned in Sch III Table SI No. 13.

HP :

1. IOBC u/s 22(1)(b) in respect of 2 SOP.

PGBP :

1. Additional depreciation u/s 33(8).
2. Deduction for Tea, coffee, rubber development A/c u/s 48 & Site restoration Fund u/s 49.
3. Deduction for donation to others for scientific research u/s 45(3)(a)/(b)/(c)
4. Capital Expenditure related to specified business u/s 46.
5. Expenditure on Agriculture extension project u/s 47(1)

Deduction :

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

Exemptions :

1. Allowances to MPs/MLAs under Sch III Table SI No. 5,6,7
2. Allowance for income of minor Sch III Table SI No. 17
3. Exemption for SEZ unit contained in sec 144

Other Conditions :

1. If any loss arise owing to the deduction claimed as restricted above then so much of the loss shall **not be able to setoff or carry forward**.
2. Loss from house property” cannot be setoff with any other head of income.
3. **When to Avail 202 :**

Assessee can avail old tax scheme Sec 202(4)

Do not have PGBP income

Opt along with return every year u/s 263(1) for TY

Have PGBP income

1. Once opted will be applied for all year
2. Such Option once exercise shall apply to Subsequent TY's
3. Option can be withdrawn only once (other than the year in which it was exercised)

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 19(1).
6. Deduction for family pension u/s 93(1)(d)

Deduction :

1. Deductions sec 124(1) (employer contribution in notified pension scheme)
2. Sec 146 (new employment)
3. Sec 125(2), (CG contribution towards Agniveer corpus fund)

PGBP :

1. Depreciation is allowed.

IMP Hai!



Case Law : Arun Samnani vs. ITO [2025] : Failure to file option within the prescribed due date does not invalidate the assessee's claim to exercise the option of paying tax under the new tax regime.

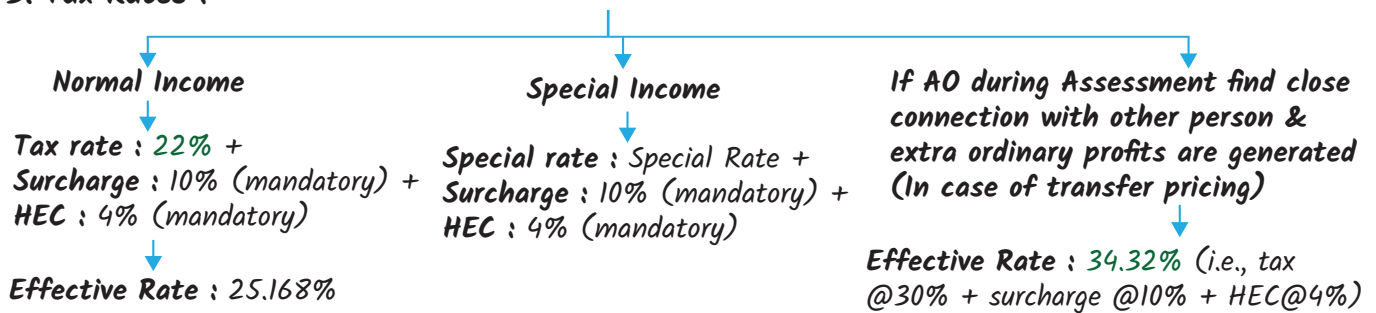
4. If assessee opt for Sec 202 then AMT is not applicable & AMT credit if any cannot be set off.

Sec 200 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 **cannot** be Taken :

PGBP :

1. Additional deprecation u/s 33(8).
2. Deduction for Tea, coffee, rubber development A/c u/s 48 & Site restoration Fund u/s 49.
3. Deduction for donation to others for scientific research u/s 45(3)(a)/(b)/(c)
4. Capital Expenditure related to specified business u/s 46.
5. Expenditure on Agriculture extension project u/s 47(1)
6. Expenditure on skill development project 47(1)

Deduction :

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

Exemptions :

1. Exemption for SEZ unit contained in sec 144

Following Deduction **can** be Taken :

Deduction :

1. Sec 146 (new employment)
2. Sec 147 Offshore banking unit

PGBP :

1. Depreciation is allowed.

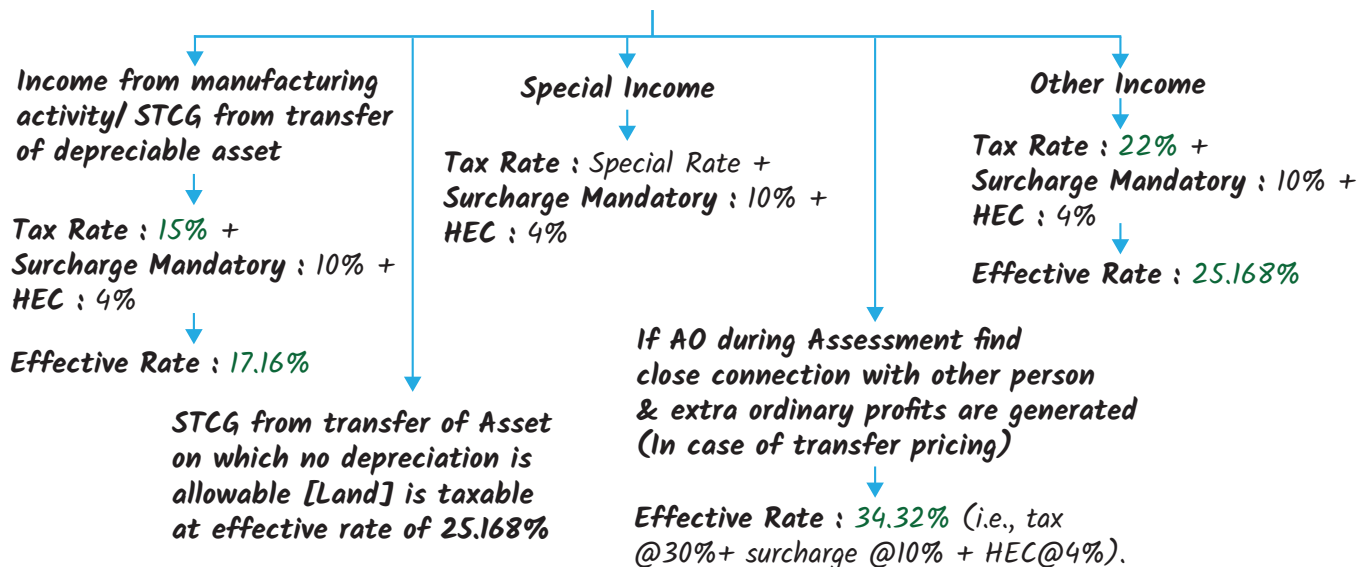
Other Conditions :

1. B/f Losses and unabsorbed depreciation u/s 116 related to above transactions cannot be setoff or carried Forward.
 2. If company opts for sec 200 MAT is not applicable. Hence, B/f MAT credit could not be setoff.
 3. Once the option is exercised it would apply to subsequent TY's. Further, Once the option is exercised for any TY it can't be withdrawn for the same or any other TY.
 4. **Sec 200(2)** : Where the person fails to satisfy the requirements in any TY, the option shall become invalid for such TY & subsequent years & other provisions of the Act shall apply, as if the option had not been exercised for such TY and for subsequent years.
 5. The benefit of this sec is available only if assessee opts for this section while filing the return.
- # Delay in uploading the relevant form for opting this section does not invalidate the right to claim benefit of this section. **[KN Support Services (P Ltd.) vs. CIT 2025]**
6. A domestic company who has opted for sec 201 and whose option has become invalid then he may subsequently exercised sec 200.
 7. If a person has unit in IFSC he can claim deduction u/s 147, but only if they meet conditions of that section.

Sec 201 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 20I

Following Deduction cannot be Taken :

PGBP :

1. Additional depreciation u/s 33(8).
2. Deduction for Tea, coffee, rubber development A/c u/s 48 & Site restoration Fund u/s 49.
3. Deduction for donation to others for scientific research u/s 45(3)(a)/(b)/(c)
4. Capital Expenditure related to specified business u/s 46.
5. Expenditure on Agriculture extension project u/s 47(1)
6. Expenditure on skill development project 47(1)

Deduction :

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

Exemptions :

1. Exemption for SEZ unit contained in sec 144

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 200 is not required to pay MAT.
4. Once the option is exercised it would apply to subsequent TY's. Further, Once the option is exercised for any TY it can't be withdrawn for the same or any other TY.

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 140(4).
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.

Following Deduction can be Taken :

Deduction :

1. Sec 146 (new employment)
2. Sec 147 Offshore banking unit
3. Sec 148 (Dividend)

PGBP :

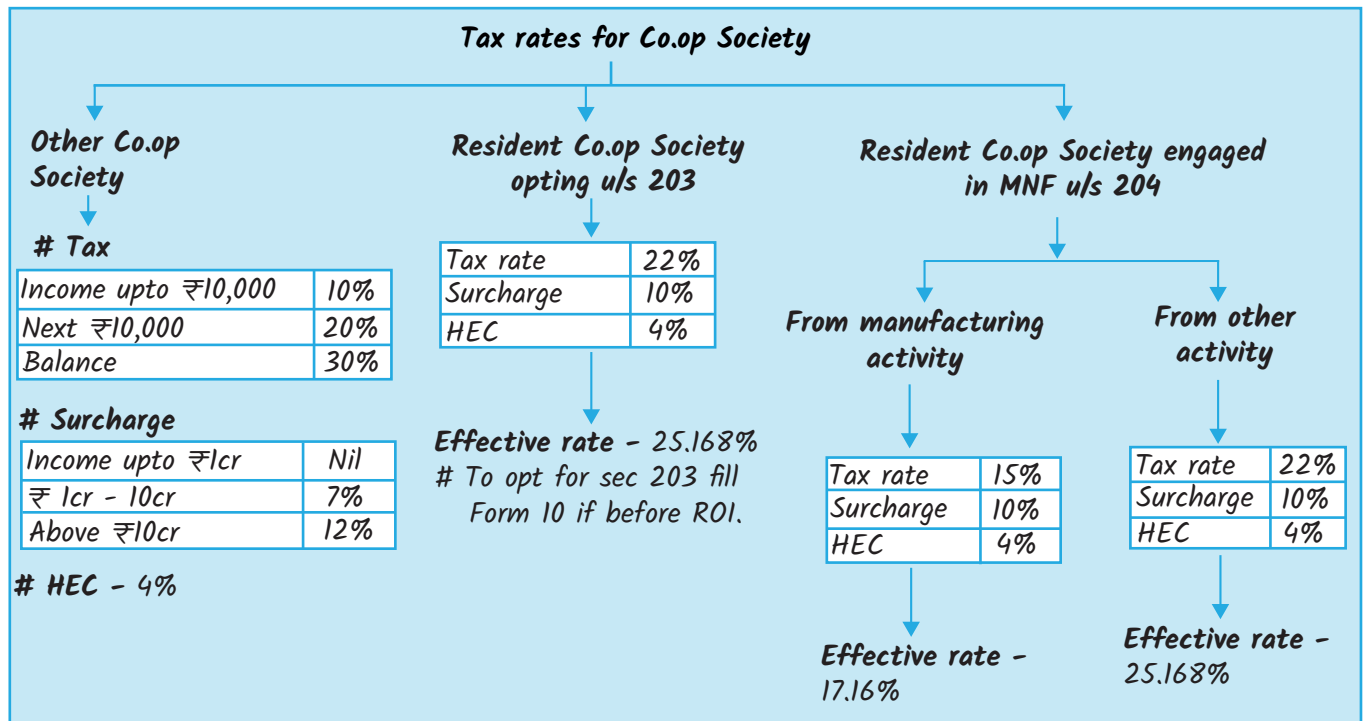
1. Depreciation is allowed.

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 203

Following Deduction cannot be Taken :

PGBP :

1. Additional depreciation u/s 33(8).
2. Deduction for Tea, coffee, rubber development A/c u/s 48 & Site restoration Fund u/s 49.
3. Deduction for donation to others for scientific research u/s 45(3)(a)/(b)/(c)
4. Capital Expenditure related to specified business u/s 46.
5. Expenditure on Agriculture extension project u/s 47(1)
6. Expenditure on skill development project 47(1)

Deduction :

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

Exemptions :

1. Exemption for SEZ unit contained in sec 144

Condition 2 :

1. B/f Losses and unabsorbed depreciation related to above transactions cannot be setoff or carried Forward.
2. If Sec 203 is opted AMT is not applicable. Further, B/f AMT credit could not be setoff.

Following Deduction can be Taken :

Deduction :

1. Sec 146 (new employment)
2. Sec 150

PGBP :

1. Depreciation is allowed.

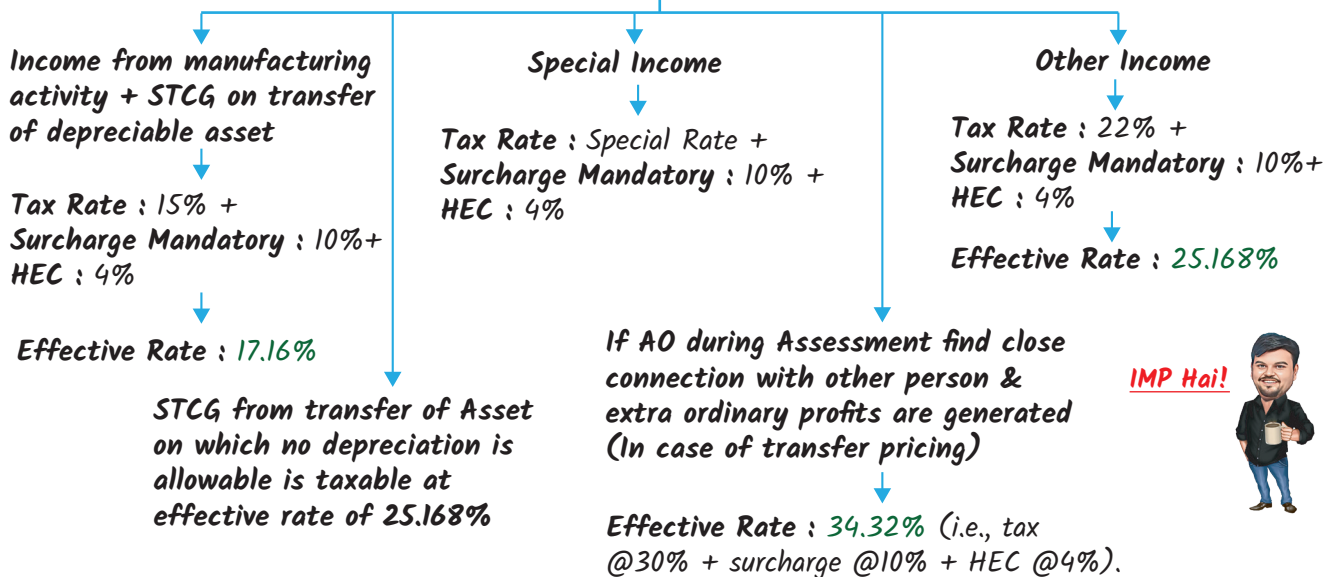
Condition 3 :

1. Option once exercised cannot be withdrawn.
2. If a person has unit in IFSC he can claim deduction u/s 147, but only if they meet conditions of that sec.

Sec 204 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 204

Condition 1 : Deductions not allowed :

Following Deduction cannot be Taken :

PGBP :

1. Additional deprecation u/s 33(8).
2. Deduction for Tea, coffee, rubber development A/c u/s 48 & Site restoration Fund u/s 49.
3. Deduction for donation to others for scientific research u/s 45(3)(a)/(b)/(c)
4. Capital Expenditure related to specified business u/s 46.
5. Expenditure on Agriculture extension project u/s 47(1)
6. Expenditure on skill development project 47(1)

Deduction :

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

Exemptions :

1. Exemption for SEZ unit contained in sec 144

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. Further, B/f AMT 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 140(4).
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; or
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 tax year; and
2. Option once exercised shall apply to subsequent tax years.
3. Co-op Society is required to opt for new tax regime in the 1st year itself.

Tax Rate for AOP/BOI

Old scheme

Particulars	Rate of Income Tax
	TY 2026-27
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 202(1)

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