

# 1 Basics of Income Tax



**Bachooooon,**

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



## History of Income Tax

Chanakaya : we should start levying Tax

Raja : Tax what is this ? and what are its benefits?

Chanakaya : Just as sun draw moisture from Earth and give it back as a rain, we will Collect the Tax and use it for Administration and Services for our people

## 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.

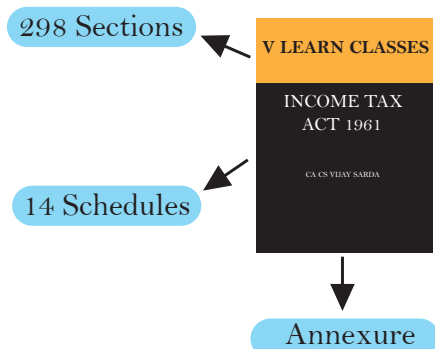
**1961** : Income Tax Act was brought in its present form

**1962** : Income Tax Rules was notified



## Extent of Income-tax Act

- 1 The Income-tax Act, 1961 **came into force with effect from 1/4/1962**.
- 2 It has **XXIII** chapters and **298** sections in all.
- 3 Income-tax Act extends to the whole of India.



## Meaning & Scope of Income Tax

Section	Notification	Circular	Proviso	Rules
1. Division of an Act in a systematic manner. 2. Sec(22)(1)(v) this is to be read as Sec.2 Sub-section 22 clause 1 & Sub-clause 5.	1. Issued by CBDT 2. Issued for communication for any change in Law or Rules 3. All notification 6m before exams are Applicable	1. Issued by CBDT 2. For clarification of doubt in Law or Rules 3. All Circular 6m before exams are applicable	1. Exception to Section 2. Generally given in the Act as "provided that"	1) For implementation Of Act 2) For carrying out Purposes of the Act 3) Sec 295 - CBDT Makes the Rule

## How Law Works



Central Board of Direct Taxes  
(CBDT)



### Law makers

Ministry of Finance in Consultation with ministry of law and Justice draft the Finance bill

#### Legislative Process

Green paper	Discussion/ Consultation documents
White paper	Governments Proposed new law
Bill	Debated and approved in both houses of parliament
Approval	President assent is taken, once approval is received it becomes an Act from the date notified.

### Law Implementers

Parliament approves the law then the power is delegated to another body (CBDT/CBIC) to create working law here the "Rules are made & implemented" In other words it can also be said as subordinate legislation

### Law Interpreters

#### Courts & tribunal

Supreme Court- APEX COURT	Can accept the case when HC grants certificate of Fitness [Article 134-A] or Filing an SPL [article 136]
High Court	Original jurisdiction in most of the cases Writ petition can be filled
Tribunal	Last Authority for Interpretation of Fact

## Sec 298 Power to remove Difficulties

If any difficulty arises in giving effect to the provisions of this Act the 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.

## Constitutional Validity of Act

**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.

### Article 245 :

- (1) Parliament may make laws for the whole or any part of the territory Of India, & the Legislature of a State may Make laws for the whole Or any part of the State.



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

**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.

**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 India.

**Article 246:** The powers has been divided into

- i) **Union List:** Covers Entry no 82 “ taxes on income other than on Agriculture”
- ii) **State List:** Entry no 46 “Taxes on Agricultural income
- iii) **Cocurrent List:** GST is brought through Concurrent List

## Meaning of Various Term

Basis Comparison	Tax	Duty
Meaning	Tax is a financial obligation	Duty is fees payable to Government
Levied On	Income, Services, Sales etc.	Goods & Financial Transactions
Types	Direct Tax & Indirect Tax	Custom Duty & Excise duty
Scope	Wide	Narrow
Authority to Impose	Central or State Government	Central Government

Tax	Surcharge	Cess
Amount collected by Government to Provide Various facility	<ol style="list-style-type: none"> <li>1. It is an additional Levy</li> <li>2. Levied as per article 271</li> <li>3. It is collected if Income Exceed prescribe limit.</li> <li>4. It is collected as a % of Tax</li> </ol>	<ol style="list-style-type: none"> <li>1. It is an additional Levy</li> <li>2. It is collected only for Specific purpose &amp; can be Utilized only for that Purpose.</li> <li>3. It is collected as a % of Tax(after Surcharge or Rebate)</li> <li>4. It is now called as Health &amp; Education Cess(HEC)</li> </ol>

Type of Tax	Direct	Indirect
	<ol style="list-style-type: none"> <li>1. It is Levied on Income &amp; Activities conducted</li> <li>2. The burden of Tax cannot be shifted in case of Direct Tax.</li> <li>3. It is paid Directly by person concerned</li> <li>4. Example Income Tax, Wealth Tax etc.</li> </ol>	<ol style="list-style-type: none"> <li>1. It is Levied on product or Service</li> <li>2. The burden of Tax shifted of Indirect Tax.</li> <li>3. It is paid by one person but he recovers the same from another person i.e. person who actually bear the Tax Ultimate consumer.</li> <li>4. Example GST, Excise duty custom duty sale Tax service Tax</li> </ol>

## Budget & Annual Amendment



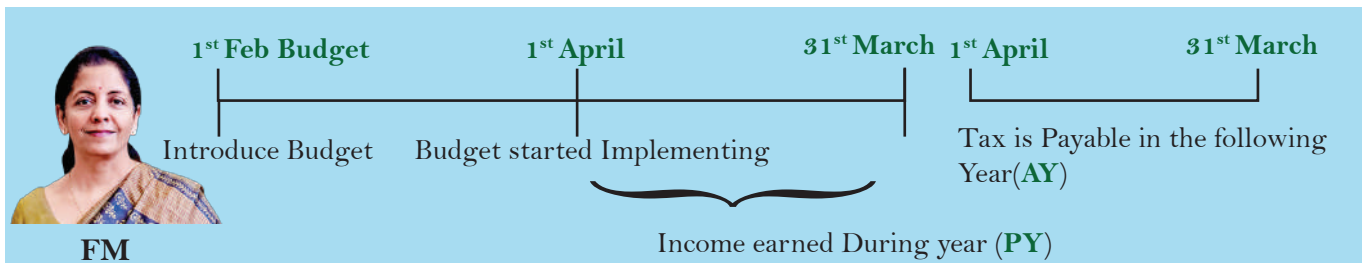
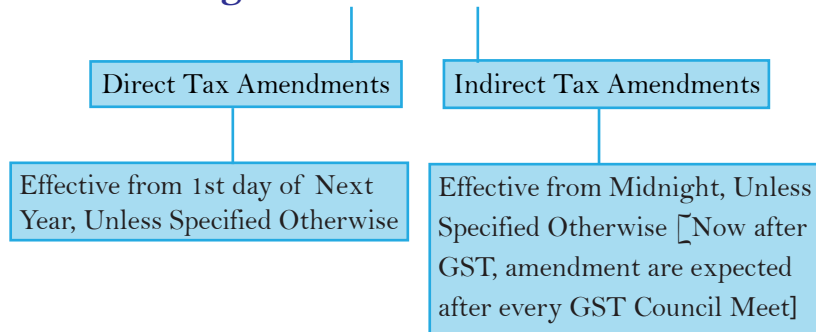
Final Budget ➤ Every Year

Interim Budget ➤ In the Year of Election



Budget is prepared as per which Act ?

## Contains change in DT & IDT



## Sec 1 Short Title, Extent & Commencement

This Act may be called the Income-tax Act, 1961

It Extends to the whole of India

It shall come into force on the 1<sup>st</sup> day of April, 1962

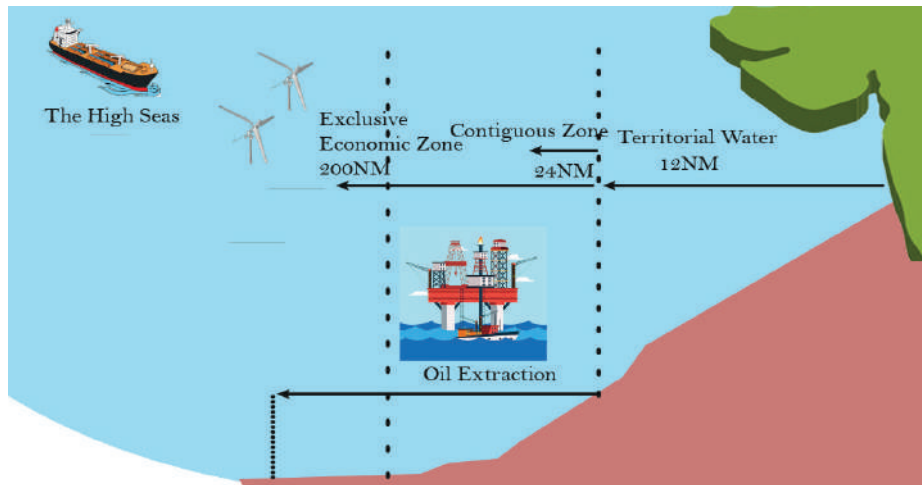
Total No. of Chapter in Act, X XIII

Total Sec. in Act, 298

Total Schedule in Act, Fourteen.

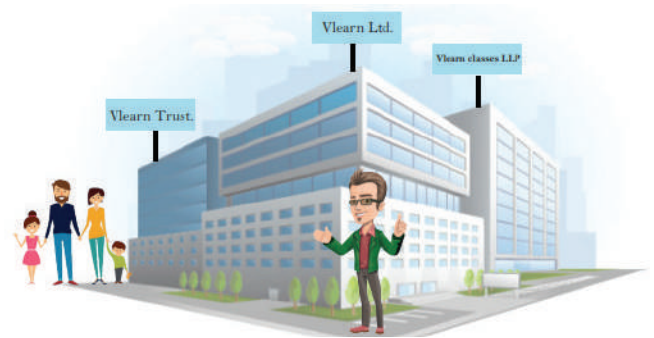
## Sec 2(25A) India (Simplified Definition)

India means the territory of India as referred to in Article 1 of Constitution, its territorial waters, seabed & subsoil underlying waters, continental shelf, exclusive economic zone or any other maritime zone and the air space above its territory & territorial waters.



## Sec 4 Charge Of Income Tax

- ▶ Income Tax is Payable For Any Assessment Year
- ▶ At the rate specified in Annual Finance Act
- ▶ In respect of total income of any
- ▶ Person in the previous year.



## 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 preceding sub-Clauses. [AJP]

## Sec 2(7) Assessee

"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 assessment of fringe benefits or of the income of any other person in respect of which he is assessable, or of the loss sustained by him or by such other person, or of the amount of refund due to him or to such other person.

- a) Every person who is deemed to be an assessee under any provision of this Act
- b) Every person who is deemed to be an assessee in default under any provision of this Act.

## Assessment & Previous Year

Sec 3 Previous Year	Sec 2(9) Assessment Year
PY is a year in which income is earned. It Is same as FY. This uniform PY has to be Followed for all source of income.	AY is a year in which income is charged to Tax 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 P Y 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 \_\_\_\_\_

**Genral 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 Seperately)

- 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]

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

### Deductions & Exemptions

Deduction	Exemptions
1. It is partial Exemption	1. It is 100% Exempt
2. Allowed if Condition is Satisfied	2. If Income Is Exempt then it Is not 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 incl 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 incl. 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

## 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 ₹ 250000	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%	-			

# From AY 21-22, Individual & HUF tax payers have an option to opt for taxation under newly inserted **Sec 115BAC** ( Dealth in Seprate Chapter)

# **CBDT Clarification:** Individual who has attained the age of 60/80 years on the 1st April would be eligible for higher basic exemption limit.

CBDT, hereby clarifies that a person born on 1st April would be considered to have Attained a particular age on 31st March, the day preceding the anniversary of his birthday. In particular, the question of Attainment of age of eligibility for being considered a senior/very senior citizen would therefore be decided on the basis of Above criteria. Therefore, if a person is born on **1 April, 1962/1942** then he shall get slab of ₹ 3,00,000/ ₹5,00,000 in PY **31.3.2022** [Case: Prabhu Dayal Sesma vs. State of Rajasthan]

## Additional point to tax Calculations:

### 1. Rebate u/s 87A

- 1) Assessee is Individual
- 2) He is Resident in India
- 3) whose total income(From All Heads after Deduction) (Normal + Special excluding Agriculture Income and Exempt Income) **does not exceed ₹5 lakh**

Rebate= ₹12500 or 100% of tax payable ,whichever is lower.

Rebate not available for tax computed u/s 112A [FA'18]

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

### 3) Roundiing 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.

**Rule of 5 is applicable.**



#### 4) Income Chargeable at Special rate

Income	Rates
STCG referred to in Sec 111A (Securities)	15%
LTCG referred to in Sec 112	20%
LTCG u/s 112 A Beyond ₹1 Lakh	10%
Casual income (e.g. Lottery, Horse winnings, etc.) (Sec 115 BB)	30%
Unexplained Cash/Expenses/Investment -115 BBA	60%
Maximum Marginal Rate	42.744% [30% + 37% + 4%]

#### 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:

	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 [including Income u/s 111A, 112, 112A & dividend income exceed 2cr but does not exceed 5cr.]	15%	25%
5)	TI [including 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%

#### An AOP consisting of only companies as members

- (a) In case of an AOP consisting of only companies as members, whose total income > ` 50 lakhs but is ≤ ` 1 crore Where the total income exceeds ` 50 lakhs but does not exceed ` 1 crore, surcharge is payable at the rate of 10%
- (b) In case of an AOP consisting of only companies as members, whose total income > ` 1 crore Where the total income exceeds ` 1 crore, surcharge is payable at the rate of 15% (FA.22)

# In case of AOP (consisting of only companies as its member), the maximum of rate of surcharge is 15% for AY 2023 & 24 (FA 22)

#### Marginal Relief

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

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

C) In case of a **Domestic / Foreign Company**, where **TI ₹1cr <= ₹10cr**, aggregate of income tax & surcharge shall be restricted to:

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

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

$$(\text{Tax on ₹10cr with surch of 7\%}) + (\text{Total Income} - ₹10\text{cr})$$

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

$$(\text{Tax on ₹10cr with surch of 2\%}) + (\text{Total Income} - ₹10\text{cr})$$

### For Other Assessee or Persons - Surcharge

Assessee	Rate of Tax	Applicable Surcharge			Rate of HEC
		TI < 1 Cr	1 Cr < TI < 10Cr	TI > 10 Cr	
Domestic Co turnover not exceed not exceed 400 crore in PY 20-21 [FA'22]	25%	-	7%	12%	4%
Other Companies	30%	-	7%	12%	4%
Foreign Company	40%	-	2%	5%	4%
Firm & LLP	30%	-	12%	12%	4%
Local Authority	30%	-	12%	12%	
Co Operative Society	10%	-	-	-	4%
For 1st ₹10000	20%	-	-	-	4%
For next ₹10000	30%	-	7%	12%	4%
For the balance	22%	10%	10%	10%	4%

- ✓ Companies may opt for alternative taxation scheme u/s 115BAA / 115BAB ( Discuss later )
- ✓ Companies are further subject to MAT provisions whereas, other than company assessee are subject to AMT (Discussed in detail later)
- ✓ Co-operative Society may opt for alternative taxation in Sec 115BAD( Discuss later )

#### Optional Tax Scheme :

For Individuals / HUF - Sec 115BAC

For Resident Co-operative Society - Sec 115BAD

For Domestic Company - Sec 115BAB / 115BAA / 115BA

"These sections require you to have knowledge of certain other sections as well & hence, it will be discussed later in detail."

## Examples on Surcharge

Sr. No.	Normal Income	Special Income For example 111A/112/ 112A/ Dividend income	Total Income	Surcharge on Special Income For example 111A/112/112A/ Dividend income	Surcharge on Normal Income
1.	25L	24L	49L	NIL	NIL
2.	30L	32L	62L	10%	10%
3.	48L	62L	110L	15%	15%
4.	40L	300L	340L	15%	15%
5.	40L	700L	740L	15%	15%
6.	160L	280L	430L	15%	15%
7.	330L	100L	430L	15%	25%
8.	630L	100L	730L	15%	37%

## For your Practice

**P. 1** Calculate the Tax Liability of Mr. Bahubali age 43 years having the Following Income (Normal tax calculation with Rebate)

Particulars	₹
Business Income	3,00,000
Dividend Income	1,50,000

**P. 2** Calculate Tax Liability of Mr. Ranga age 40 years having Following Income (Special Income)

Particulars	₹
Business Income	6,00,000
Other Sources	1,50,000
LTCG u/s 112	40,000
STCG	30,000

**P. 3** Calculate Tax Liability of Mr. Kaliya age 52 years having Following Income (Special Income)

Particulars	₹
Business Income	7,00,000
Other Sources	1,50,000
LTCG u/s 112	40,000
STCG u/s 111A	30,000

**P. 4** Calculate Tax Liability of Mr. Micromax age 56 years having following Income (Special Income)

Particulars	₹
Business Income	9,00,000
Other Sources	1,80,000
LTCG u/s 112	60,000
STCG u/s 111A	50,000

**P. 5** Calculate Tax Liability of Mr. Stark age 55 years having Following Income (Surcharge)

Particulars	₹
Business Income	62,00,000
Other Sources	8,00,000
LTCG u/s 112	8,00,000
STCG u/s 111A	2,00,000

**P. 6** Calculate Tax Liability of Mr. Thanos age 33 years having Following Income (Surcharge)

Particulars	₹
Business Income	62,00,000
LTCG u/s 112	8,00,000
STCG u/s 111A	2,00,000

**P. 7** Calculate Tax Liability of Mr. Rocket age 41 years having Following Income (Surcharge)

Particulars	₹
Business Income	2,70,00,000
LTCG u/s 112	51,00,000
STCG u/s 111A	48,00,000

**P. 8** Calculate Tax Liability of Mr. Groot age 48 years having Following Income

Particulars	₹
Business Income	6,30,00,000
LTCG u/s 112	41,00,000
STCG u/s 11A	10,00,000

**P. 9** Calculate Tax Liability of Mr. Hulk age 52 years having Following Income

Particulars	₹
Business Income	1,90,00,000
STCG u/s 11A	40,00,000

## Solved Problems

**P. 1** In-case of a resident Resident individual, age below 60 years, calculation of tax liability and marginal relief shall be as Under-

Total Income	Income Tax & Surcharge
50,00,000	13,12,500 + Nil
51,00,000	13,42,500 + 1,34,250 = 14,76,750 (Restricted to 14,12,500)
1,00,00,000	28,12,500 + 2,81,250 = 30,93,750
1,02,00,000	28,72,500 + 4,30,875 = 33,03,375 (Restricted to 32,93,750)
2,00,00,000	58,12,500 + 8,71,875 = 66,84,375
2,03,00,000	59,02,500 + 14,75,625 = 73,78,125 (Restricted to 69,84,375)
5,00,00,000	1,48,12,500 + 37,03,125 = 1,85,15,625
5,05,00,000	1,49,62,500 + 55,36,125 = 2,04,98,625 (Restricted to 1,90,15,625)

**P2** Compute the tax liability of Mr. Akash (aged 55 years), having total income of ₹1,02,00,000 for the AY 2023-24.

Assume That his total income comprises of salary income, Income from house property and interest from fixed deposit account. Also, assume that Mr. Akash has not opted for the provisions of section 115BAC.

**Solution :**

A)	Tax payable including surcharge on total income of	1,02,00,000	
	2,50,000 - 5,00,000 @ 5%	12,500	
	5,00,000 - 10,00,000 @ 20%	1,00,000	
	10,00,000 - 1,02,00,000 @ 30 %	<u>27,60,000</u>	
	Total	28,72,500	
	Add surcharge @ 15%	4,30,875	33,03,375
B)	Tax on Total Income of 1 cr.		28,12,500
	(+) Surcharge		<u>2,81,250</u>
			30,93,750
C)	Total Income Less 1 cr.		2,00,000
D)	Tax Payable on Total Income of 1 cr. (+) the excess of Total Income over 1 cr.(B+C)		32,93,750
E)	Tax Payable : lower of A & D		32,93,750
	(+) Health & Education cess		<u>1,31,750</u>
	Tax Liability		34,25,500
F)	Marginal Relief (A-D)		9,625

### Alternative method

A)	Tax Payable including surcharge on total income of	1,02,00,000	
	2,50,000 - 5,00,000 @ 5%	12,500	
	5,00,000 - 10,00,000 @ 20%	1,00,000	
	10,00,000 - 1,02,00,000 @ 30%	<u>27,60,000</u>	
	Total	28,72,500	
	Add : Surcharge @ 15%	4,30,875	33,03,375
B)	Tax on Total income of 1cr.		28,12,500
	(+) Surcharge		<u>2,81,250</u>
			30,93,750
C)	Excess Tax payable (A - B)		2,09,625
D)	Marginal Relief (209625 - 200000) being the amount of income in excess of 1cr.		9625
	Tax Payable		32,93,750
	(+) Health & Education cess @ 4%		<u>1,31,750</u>
	Tax Liability		34,25,500

**P3** Compute tax liability of Mr. Deepak (aged 57 years), having total income of ₹2,02,00,000 for the AY 2023-24.

Assume That his total income comprises of

Salary income, Income from house property and interest from fixed deposit account. Also, assume that Mr. Deepak has not opted for the provisions of Section 115 BAC.

Solution :

A)	Tax Payable including surcharge on total income of 2,50,000 - 5,00,000 @ 5% 5,00,000 - 10,00,000 @ 20% 10,00,000 - 2,02,00,000 @ 30% Total Add : Surcharge @ 15%	2,02,00,000 12,500 1,00,000 <u>57,60,000</u> 58,72,500 14,68,125	73,40,625
B)	Tax on Total income of 2cr. (+) Surcharge @ 15%		58,12,500 <u>8,71,875</u> 66,84,375
C)	Total Income less 2cr.		2,00,000
D)	Tax Payable on total income of 2cr (+) the excess of total income over 2 cr. (B+C)		68,84,375
E)	Tax Payable : lower of A & D (+) Health & Education cess Tax Liability		68,84,375 <u>2,75,375</u> 71,59,750
F)	Marginal relief (A-D)		4,56,250

## Alternative method

A)	Tax Payable including surcharge on total income of 2,50,000 - 5,00,000 @ 5% 5,00,000 - 10,00,000 @ 20% 10,00,000 - 2,02,00,000 @ 30% Total Add : Surcharge @ 25%	2,02,00,000 12,500 1,00,000 <u>57,60,000</u> 58,72,500 14,68,125	73,40,625
B)	Tax on Total income of 2 cr. (+) Surcharge @ 15%		58,12,500 <u>8,71,875</u> 66,84,375
C)	Excess Tax payable (A - B)		6,56,250
D)	Marginal Relief (656250 - 200000) Being the amount of income in excess of 2 cr.		4,56,250
	Tax Payable (+) Health & Education cess @ 4% Tax Liability		68,84,375 <u>2,75,375</u> 71,59,750

**P4** Compute tax liability of Mr. Rajesh (aged 57 years), having total income of ₹5,02,00,000 for the AY 2023-24. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit account. Assume that Mr. Rajesh has not opted for the provisions of section 115BAC.

**Solution :**

A)	Tax Payable including surcharge on total income of 2,50,000 - 5,00,000 @ 5% 5,00,000 - 10,00,000 @ 20% 10,00,000 - 5,02,00,000 @ 30% Total Add : Surcharge @ 37%	5,02,00,000 12,500 1,00,000 <u>1,47,60,000</u> 1,48,72,500 55,02,825	2,03,03,375
B)	Tax on Total income of 5cr. (+) Surcharge @ 25%		1,48,12,500 <u>37,03,125</u> 1,85,15,625
C)	Total Income less 2cr.		2,00,000
D)	Tax Payable on total income of 5cr (+) the excess of total income over 5 cr. (B+C)		1,87,15,625
E)	Tax Payable : lower of A & D (+) Health & Education cess Tax Liability		1,87,15,625 <u>7,48,625</u> 1,94,64,250
F)	Marginal relief (A-D)		16,59,700

### Alternative method

A)	Tax Payable including surcharge on total income of 2,50,000 - 5,00,000 @ 5% 5,00,000 - 10,00,000 @ 20% 10,00,000 - 2,02,00,000 @ 30% Total Add : Surcharge @ 15%	5,02,00,000 12,500 1,00,000 <u>1,47,60,000</u> 1,48,72,500 55,02,825	2,03,75,325
B)	Tax on Total income of 5 cr. (+) Surcharge @ 25%		1,48,12,500 <u>37,03,125</u> 1,85,15,625
C)	Excess Tax payable (A - B)		18,59,700
D)	Marginal Relief (1859700 - 200000) Being the amount of income in excess of 5cr.		16,59,700
	Tax Payable (+) Health & Education cess @ 4% Tax Liability		1,87,15,625 <u>7,48,625</u> 1,94,64,250