



Finance Act' (No. 1 & 2)
2024

Amendments in
DIRECT TAX
(CA INTER)

May '25
Sept. '25
Jan. '26

UT Academy

॥ २०२५ ॥

CA CS UMANG THAKKER

1 INTRODUCTION 1,2,3

2 RESIDENCE OF AN ASSESSEE (X)

3 INCOME UNDER THE HEAD SALARIES 4 & clarifiⁿ

4 INCOME FROM HOUSE PROPERTY (X)

5 PROFITS & GAINS FROM BUSINESS OR PROFESSION 5,6,7

6 AGRICULTURE INCOME (X)

7 CAPITAL GAINS 8,9,10,11,12,13

8 INCOME UNDER THE HEAD OTHER SOURCES 14,15,21

9 CLUBBING OF INCOME (X)

10 SET OFF & CARRY FORWARD OF LOSSES clarifiⁿ (X)

11a DEDUCTIONS UNDER CHAPTER VI - A (PART I)

11b DEDUCTIONS UNDER CHAPTER VI-A (PART - II)

12 RETURN OF INCOME 22

13 ADVANCED TAX & INTEREST (X)

14 TAX DEDUCTION & COLLECTION AT SOURCE 17,18,19,20

15 ALTERNATE MINIMUM TAX (X)

16 COMPUTATION OF TOTAL INCOME (X)

17 INCOME WHICH DO NOT FORM PART OF TOTAL INCOME (X)

PY24-25
AY25-26

Finance Act (No.1 & 2), 2024 Amendments (CA Inter - Direct Tax)

↓
Applicable for May '25 / Sept. '25 / Jan. '26 Attempts :-

↓
1st Amendment : Rate of Tax u/s 115BAC

ICAI Study Mat.
Pg. 1.53 & 1.63

Old Provision

Tax Rates :-

<u>Total Income</u>	<u>Tax Rate</u>
upto 3L	Nil
3L - 6L	5%
6L - 9L	10%
9L - 12L	15%
12L - 15L	20%
> 15L	30%

Rate of Surcharge :-

<u>If Total Inc. is</u>	<u>SC @</u>
upto 50L	Nil
> 50L but ≤ 1Cr	10%
> 1Cr but ≤ 2Cr	15%
> 2Cr but ≤ 5Cr	25%
> 5Cr	37%

Rebate u/s 87A :-

Available to a Resident Individual whose Total Income is ≤ 5L



New Provision

Tax Rates :-

<u>Total Income</u>	<u>Tax Rate</u>
upto 3L	Nil
3L - 7L	5%
7L - 10L	10%
10L - 12L	15%
12L - 15L	20%
> 15L	30%

Rate of Surcharge :-

<u>If Total Inc. is</u>	<u>SC @</u>
upto 50L	Nil
> 50L but ≤ 1Cr	10%
> 1Cr but ≤ 2Cr	15%
> 2Cr but ≤ 5Cr	25%
> 5Cr	37% 25%

Rebate u/s 87A :-

Available to a Resident Individual whose Total Income is ≤ ~~5L~~ 7L



Amt. of Rebate u/s 87A :-

(a) 100% of Tax on TI (excl.
Tax on LTCG u/s 112A)

OR

(b) Max. ₹12,500

(Lower of a & b above)

If Total Income exceeds
₹5L, then no Rebate is
available u/s 87A.

ICAI Study Mat.
Pg. 1.83

Amt. of Rebate u/s 87A :-

(a) 100% of Tax on TI (excl.
Tax on LTCG u/s 112A)

OR

(b) Max. ~~₹12,500~~ ₹25,000

(Lower of a & b above)

If Total Income exceeds
~~₹5L~~, then no Rebate is
available u/s 87A.

⇓

Amt. of Rebate in such case
shall be computed in the
following manner :-

(A) Total Income (-) ₹7L = XX

(B) Tax on Total Inc. = XX

|

If (B) is > (A)

⇓

Rebate u/s 87A (✓)

⇓

Amt. of Rebate shall
be (B) - (A)

If (B) is ≤ (A)

⇓

Rebate u/s 87A (✗)

⇓

Amt. of Rebate shall
be Nil

Example 1:-

<u>Particulars</u>	<u>Amt. (₹)</u>
Total Income	6,10,000
Tax on 6,10,000 = (Nil + 15,500)	15,500
(-) <u>Rebate u/s 87A :</u>	
(a) 100% of Tax on Total Inc. = {15,500}	
OR	
↓ (b) Max. Amt. u/s 87A = <u>25,000</u>	<u>(15,500)</u>
Tax on Total Inc. after Rebate u/s 87A	Nil
(+) Health & Educ ⁿ Cess @ 4%	<u>Nil</u>
Final Tax Liability	<u>Nil</u>

Example 2:-

<u>Particulars</u>	<u>Amt. (₹)</u>
Total Income	₹ 15,000
Tax on ₹ 15,000 = (Nil + 20,000 + 1500)	21,500
<u>(-) Rebate u/s 87A :</u>	
Ⓐ ₹ 15,000 - ₹ 10,000 = 15,000	
Ⓑ Tax on ₹ 15,000 = 21,500	
∴ Ⓑ is > Ⓐ ∴ Rebate u/s 87A ✓	
Amt. of Rebate = Ⓑ - Ⓐ = 21,500 - 15,000 =	<u>6,500</u>
Tax on Total Inc. after Rebate u/s 87A:	15,000
(+) Health & Educ ⁿ Cess @ 4%	= <u>600</u>
Final Tax Liability	<u>= 15,600</u>

Example 3:-

<u>Particulars</u>	<u>Amt. (₹)</u>
Total Income	7,30,000
Tax on 7,15,000 = (Nil + 20,000 + 3000)	23,000
<u>(-) Rebate u/s 87A :</u>	
(A) 7,30,000 - 7,00,000 = 30,000	
(B) Tax on 7,30,000 = 23,000	
∴ (B) is < (A) ∴ Rebate u/s 87A (X)	<u>(Nil)</u>
Tax on Total Inc. after Rebate u/s 87A:	23,000
(+) Health & Educ ⁿ Cess @ 4%	= 920
Final Tax Liability	<u>= 23,920</u>

Note 1:-

Computation of Total Income shall be done without giving effect to certain specified Dedⁿ & Exempⁿ
→ (Remains as it is)

Note 2:-

Sec. 115BAC is applicable by default to Individuals, HUFs, AOPs/BOPs and AJPs.

If the assessee wish to pay tax as per normal rates (given under the Fin. Act) then he has to shift out of the default tax regime u/s 115BAC.

Tax Rates, Rate of Surcharge, Rebate u/s 87A remains same i.e. no change in the normal provisions.

2nd Amendment - Normal Tax Rate for Foreign Cos.

Old Rate
↓
40%

ICAI Study Mat.
Pg. 1.82

New Rate
↓
35%

3rd Amendment - Normal Tax Rate for Domestic Cos.

Old Rate
↓
25%

ICAI Study Mat.
Pg. 1.81

New Rate
↓

25% PY 22-23

(if T/O of PY 21-22 was
≤ 400 Crores)

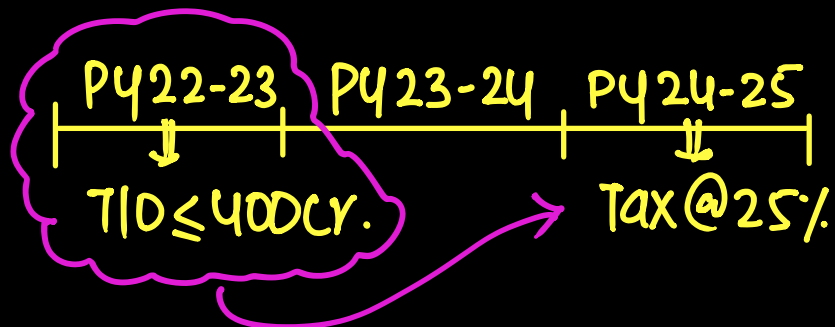
(if T/O of ~~PY 21-22~~ was
≤ 400 Crores)

↓

Otherwise - 30%

↓

Otherwise - 30%



4th Amendment - Standard Dedⁿ u/s 16(ia) u/n 'salaries'

Old Provision
↓
If the Assessee

ICAI Study
Mat. Pg 3.101

New Provision
↓
If the Assessee

opts for
IISBAC

opts out of
IISBAC

opts for
IISBAC

opts out of
IISBAC

↓

↓

↓

↓

Std. Dedⁿ
₹ 50,000

Std. Dedⁿ
₹ 50,000

Std. Dedⁿ
₹ 50,000

Std. Dedⁿ
~~₹ 50,000~~
₹ 75,000

Clarification w.r.t. Accommodation Facility :-

(Related to LY Amendment)

Sec. 17(2)(i) & (ii)
r.w. Rule 3(1)

ICAI Study Mat.
Pg. 3.73

1) Accommodation provided by the Govt. to its EE's :-

TVOP = Licensing fees of such Accommodⁿ
(determined by the Govt. as per its own Rules) XX

Add: 10% p.a. of Act. Cost of Furniture }
OR AND }
Actual Hire Chgs. of Furniture } XX

less: Amt. Recovered from the EE' (XX)
XX

2.) Accommodation provided by Non-Govt. ER' to its EE's:-

(a) Accommodⁿ owned by the ER' in a city where the Population as per 2011 Census is :-

TVOP =

> 40 lakhs	> 15 lakhs but ≤ 40 lakhs	≤ 15 lakhs	⇒ XX
↓	↓	↓	
10% of Salary	7.5% of Salary	5% of Salary	

Add: 10% p.a. of Act. Cost of Furniture }
OR AND }
Actual Hire Chgs. of Furniture } XX

less: Amt. Recovered from the EE' (XX)
XX

(b) Accommodⁿ is taken on Rent by the ER' (Any City):

TVOP = 10% of Salary
OR
Actual Rent paid by ER' $\downarrow$ Lower = XX

Add: 10% p.a. of Act. Cost of Furniture $\rightarrow$ Owned
OR AND $\rightarrow$ Hired } XX
Actual Hire chgs. of Furniture

less: Amt. Recovered from the EE' (XX)
XX

Salary does not include :-

- | | |
|-------------------------------------|------------------------------|
| 1.) DA not in terms | 4.) Exempt portion of Allow. |
| 2.) ER's Contrib ⁿ to PF | 5.) Lumpsum Retirement or |
| 3.) Value of Other Perq. | Super Annuation Benefits |

In Other words, salary includes everything except the 5 things as above.

Also, the salary due for the period for which the accommodⁿ is occupied by the EE' is to be considered.

If same accommodⁿ is provided to the same EE' for more than one PY ; then TVOP as calculated in 2(a) & 2(b) above shall not be more than :-

{ TVOP of such Accommodⁿ calculated for the 1st PY in which it was provided to EE' $\times$ $\frac{\text{CII of the current PY}}{\text{CII of the 1st PY}}$ }

Example:-

If accommodⁿ was provided in PY 23-24 for the 1st time & TVOP was ₹1,50,000 in that PY.

Then, TVOP for such accommodⁿ during the PY 24-25 cannot be more than ₹1,56,466 ($₹1,50,000 \times \frac{363}{348}$).

5th Amendment - Taxability of Rent of House Prop.:-

Old Provision

↓
Rent from letting out
a HOUSE PROPERTY (CIR)

Normally
↓
Taxable w/h
'IFHP'

where letting is
the main business
of the Assessee

↓
Rental Income

↓
Taxable w/h
'PGBP'
[Chennai Prop. &
Inv. (SC)]

ICAI studymat.
Pg. 3.195

New Provision

↓
Rent from letting out
a House Property being

Commercial
HP

↓
Normally
Taxable w/h
IFHP

↓
where letting
is the main
business of
the Assessee
then Taxable
w/h PGBP

Residential
HP

↓
Normally
Taxable w/h
IFHP

↓
where letting
is the main
business of
the Assessee
then Taxable
w/h ~~PGBP~~

IFHP

↓
Expl. 3 to Sec. 28

6th Amendment - Deduction u/s 36(1)(iva) :-

Old Provision



Assessee's Contribution
as an ER' to the NPS A/c
of the EE'



Allowed as a Dedⁿ u/n
PGBP u/s 36(iva) to the
extent of Max. 10% of
EE's Salary
(Basic + DA in terms)

ICAI Study Mat
Pg. 3.254

New Provision



Assessee's Contribution
as an ER' to the NPS A/c
of the EE'



Allowed as a Dedⁿ u/n
PGBP u/s 36(iva) to the
extent of ~~Max. 10%~~ 14% of
EE's Salary
(Basic + DA in terms)

7th Amendment - Section 40(b) :-

Old Provision



* Interest on Capital / Loan
given by the P'ship Firm
to its Partner (if authorised
by the P'ship Deed)



Allowed as a Dedⁿ in the
hands of the P'ship Firm to
the extent of Max. 12% p.a.
rate of interest ✓

Any Excess Int. over & above
12% p.a. and Int. which is
not authorised by P'ship
Deed shall be Disallowed.

ICAI Study Mat.
Pg. 3.268

New Provision



* Interest on Capital / Loan
given by the P'ship Firm
to its Partner (if authorised
by the P'ship Deed)

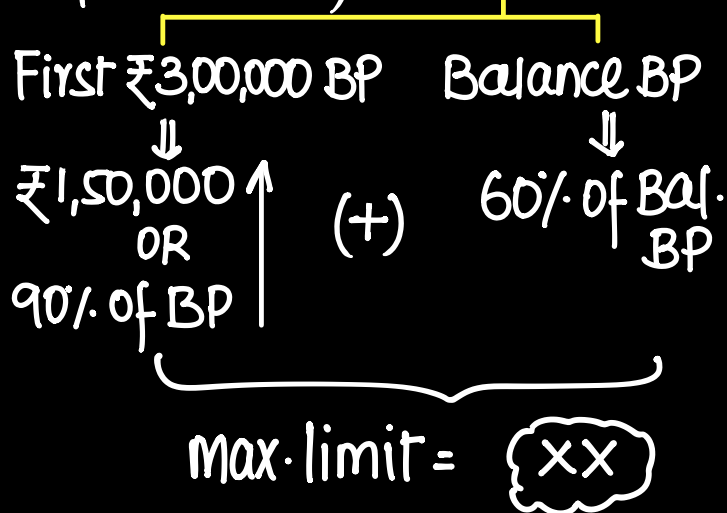


Allowed as a Dedⁿ in the
hands of the P'ship Firm to
the extent of Max. 12% p.a.
rate of interest ✓

Any Excess Int. over & above
12% p.a. and Int. which is
not authorised by P'ship
Deed shall be Disallowed.

* Salary, Bonus, Comm. etc.
(i.e. Remuneration) by a
P'ship firm to its working
Partners (if authorised by
the P'ship Deed)

↓
Allowed as a Dedⁿ in the
hands of the P'ship firm to
the extent of Limit Prescri.
uls 40(b) (to be computed
based on the Book Profits
of the firm)

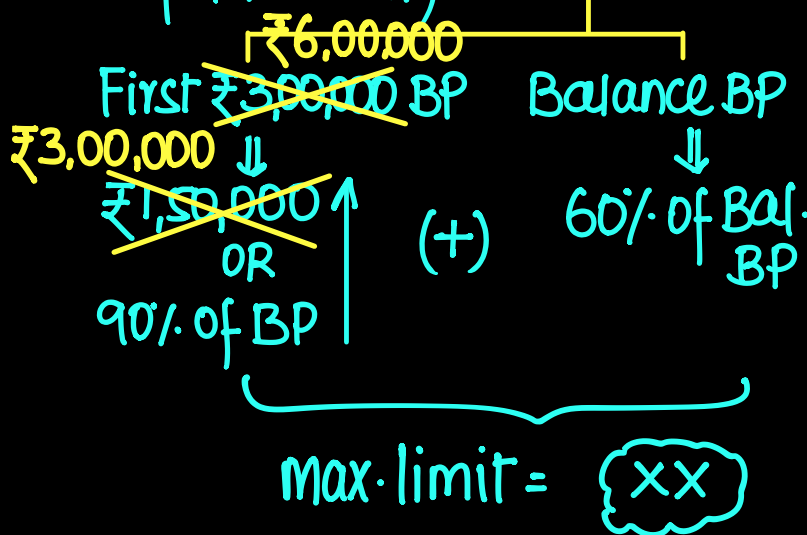


In the case of Book Loss
↳ Max. ₹1,50,000 is
Allowed as Dedⁿ

Book Profit means the
NP of the Firm after Depⁿ
uls 32 and Int. on Cap. | Loan
to Partners (allowable ulh
PGBP) but before allowing
Remunerⁿ to Partners

* Salary, Bonus, Comm. etc.
(i.e. Remuneration) by a
P'ship firm to its working
Partners (if authorised by
the P'ship Deed)

↓
Allowed as a Dedⁿ in the
hands of the P'ship firm to
the extent of Limit Prescri.
uls 40(b) (to be computed
based on the Book Profits
of the firm)



In the case of Book Loss
↳ Max. ~~₹1,50,000~~ ^{₹3,00,000} is
Allowed as Dedⁿ

Book Profit means the
NP of the Firm after Depⁿ
uls 32 and Int. on Cap. | Loan
to Partners (allowable ulh
PGBP) but before allowing
Remunerⁿ to Partners

Any Excess Remunerⁿ to the working partners and Any Amt. of Remunerⁿ to Non-working Partners and Any Amt. of Remunerⁿ (to working as well as non-working partners) not authorised by the P'ship Deed shall be Disallowed.

In the hands of Partner -

Interest & Remuneration from the P'ship Firm shall be Taxable as income u/h PGBP to the extent allowed in the hands of the Firm.

Any Interest & Remuneration not allowed in the hands of the firm shall not be Taxable as income in the hands of Partner.

Further, the share of Profit from P'ship Firm shall be Fully Exempt u/s 10(2A).

Any Excess Remunerⁿ to the working partners and Any Amt. of Remunerⁿ to Non-working Partners and Any Amt. of Remunerⁿ (to working as well as non-working partners) not authorised by the P'ship Deed shall be Disallowed.

In the hands of Partner -

Interest & Remuneration from the P'ship Firm shall be Taxable as income u/h PGBP to the extent allowed in the hands of the Firm.

Any Interest & Remuneration not allowed in the hands of the firm shall not be Taxable as income in the hands of Partner.

Further, the share of Profit from P'ship Firm shall be Fully Exempt u/s 10(2A).

8th Amendment - Period of Holding of Capital Assets

Old Provision :-

(listed on RSE in India)

ICAI Study Mat
Pg. 3.369

- 1.) Listed Securities
- 2.) Units of UTI
- 3.) Units of Eq. Ori. MF
- 4.) Zero Coupon Bonds

⇒ if their POH $\begin{cases} \leq 12m = STCA \\ > 12m = LTCA \end{cases}$

- 5.) Unlisted Shares
- 6.) Immovable Properties

⇒ if their POH $\begin{cases} \leq 24m = STCA \\ > 24m = LTCA \end{cases}$

Any Capital Asset
(Other than above 6)

⇒ if their POH $\begin{cases} \leq 36m = STCA \\ > 36m = LTCA \end{cases}$

(If the above CAs were trfd. prior to 23/7/2024)

New Provision :-

PRO Tip :- POH u/s SDB is still 36m

- 1.) Listed Securities
- 2.) Units of UTI
- 3.) Units of Eq. Ori. MF
- 4.) Zero Coupon Bonds

(listed on RSE in India)

⇒ if their POH $\begin{cases} \leq 12m = STCA \\ > 12m = LTCA \end{cases}$

- 4.) Unlisted Shares
- 5.) Immovable Properties

⇒ if their POH $\begin{cases} \leq 24m = STCA \\ > 24m = LTCA \end{cases}$

Any Capital Asset
(Other than above 6)

⇒ if their POH $\begin{cases} \leq \cancel{36m}^{24m} = STCA \\ > \cancel{36m}^{24m} = LTCA \end{cases}$

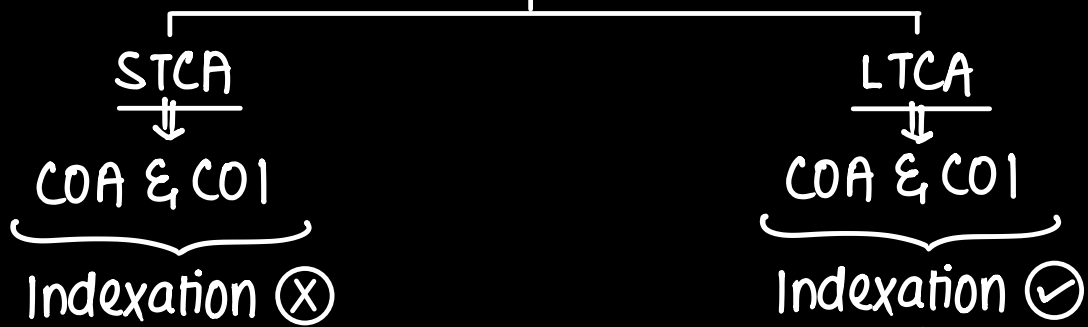
(If the above CAs were trfd. on or after 23/7/2024)

9th Amendment - Indexation Benefit in case of LTCA:-

Old Provision :-

ICAI Study Mat. Pg 3.392

If based on the period of holding, the Cap. Asset is :-



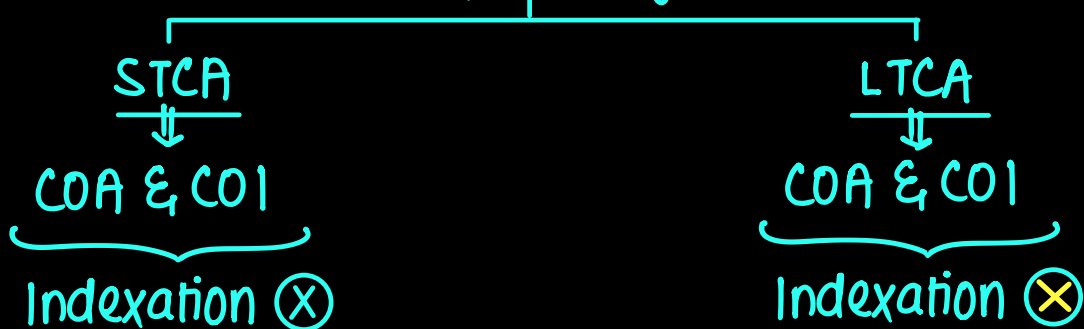
$$\# \text{ICOA} = \text{COA} \times \frac{\text{CII of Yr. of Trf.}}{\text{CII of Yr. of Acq}^n}$$

$$\# \text{ICOI} = \text{COI} \times \frac{\text{CII of Yr. of Trf.}}{\text{CII of Yr. of Impr.}}$$

(If the CA was trfd. prior to 23/7/2024)

New Provision :-

If based on the period of holding, the Cap. Asset is :-



COA ~~$\# \text{ICOA} = \text{COA} \times \frac{\text{CII of Yr. of Trf.}}{\text{CII of Yr. of Acq}^n}$~~

COI ~~$\# \text{ICOI} = \text{COI} \times \frac{\text{CII of Yr. of Trf.}}{\text{CII of Yr. of Impr.}}$~~

(If the CA was trfd. on or after 23/7/2024)

Imp. Note :- Assessee = Resident Individual / HUF

ICAI Study Mat.
Pg 3.393

Cap. Asset = LTCA being an Immovable Prop.
which was acquired prior to
23/7/2024

Transferred = On or after 23/7/2024

Benefit of Indexation in COA & COI shall
not be available while computing the
Amt. of LTCG.

↓
However, relaxation is given while computing
the tax liability on such LTCG u/s 112.

The tax on such LTCG u/s 112 shall be :-

(Lower)

(a) 12.5% (without Indexⁿ Benefit)
OR

(b) 20% (with Indexⁿ Benefit)

whichever is more beneficial
to the Assessee

Compute LTCG without Indexⁿ & Include in computⁿ
of Total Income

Compute Tax on LTCG u/s 112

w/o Index ⁿ - Tax @ 12.5%	↓
with Index ⁿ - Tax @ 20%	

Example :-

Mr. Subbu has acquired a building on 21/2/96 for ₹4,00,000. Stamp Duty, Registration & brokerage expenses incurred at the time of acquisition were ₹50,000. He incurred cost of improvement on such building on 15/12/2000 amounting to ₹1,00,000 ₹2,50,000 on 25/8/2012.

FMV of the building as on 01/04/2001 was ₹18,00,000.

However, the SDV of such building as on 01/04/2001 was ₹16,00,000

Mr. Subbu has sold the said building on 22/07/2024 for ₹1,00,00,000 and paid brokerage @ 2% on sale consideration. The SDV of the said property was ₹1,25,00,000 as on the date of transfer.

Mr. Subbu has Other incomes during the PY 24-25 amounting to ₹12,00,000.

Compute the amount of taxable Capital Gains, Total Income & Tax Liability of Mr. Subbu.

(Assume that Mr. Subbu has opted out of Default Tax Regime u/s 115BAC and he is ROR whose Age during the PY 24-25 is 63 years)

Solution:-

Mr. Subbu Individual - ROR PAN : _____

PY : 2024-25 AY : 2025-26

Computation of Capital Gains & Total Income



<u>Particulars</u>	<u>(₹)</u>	<u>(₹)</u>
FVC (WN.2)	₹1,25,00,000	
<u>less: Transfer Expenses :-</u>		
Brokerage @ 2% on ₹1,00,00,000 (₹2,00,000)		
NC	₹1,23,00,000	
<u>less: ICOA (WN.3)</u>	(₹58,08,000)	
<u>less: ICOI (WN.4)</u>	(₹4,53,750)	
Taxable LTCG		₹60,38,750
<u>Add: Other Incomes (Given)</u>		₹12,00,000
Gross Total Income		₹72,38,250
<u>less: Deductions u/c VI - A</u>		(Nil)
Total Income		₹72,38,250

Computation of Tax Liability :-

⇒ Tax on LTCG u/s 112 :-

 on ₹60,38,250 @ 20% = ₹12,07,650

⇒ Tax on Balance Total Income

 on ₹12,00,000 @ Normal Rates
 (Nil + ₹10,000 + ₹1,00,000 + ₹60,000) = ₹1,70,000

Tax on Total Income = ₹13,77,650

Add: Surcharge @ 10% on ₹13,77,650 = ₹1,37,765

Tax on Total Income incl. Surchg. = ₹15,15,415

Add: HEC @ 4% on ₹15,15,415 = ₹60,617

∴ Final Tax Liab. (Round-off u/s 288B) = ₹15,76,030

WN.1:- Type of CA, Period of Holding & Nature of CG

CA = Building (Imm. Prop.)



DDA: 21/02/96
(P495-96)

DOT: 22/07/24
(P424-25)



POH > 24m ∴ CA is LTCA

&

LTCG to be computed

WN.2:- FVC

Sale Considerⁿ
₹1,00,00,000

< Stamp Duty Value (SDV)
₹1,25,00,000



Difference = ₹25,00,000 > 10% of ₹1,00,00,000
(i.e. Sale Consi.)
= ₹10,00,000



∴ Section 50C (✓)



∴ FVC = SDV = ₹1,25,00,000

WN.3:- COA & ICOA

(a) Actual Cost = ₹4,00,000 + ₹50,000 = ₹4,50,000 ↑

OR

(b) FMV as on 01/04/2001 = ₹18,00,000

OR

SDV as on 01/04/2001 = ₹16,00,000 ↓

= { ₹16,00,000 }



∴ COA = ₹16,00,000

∴ The CA is trfd. prior to 23/07/2024

∴ COA is to be Indexed.

$$\therefore \text{ICOA} = ₹16,00,000 \times \frac{363}{100} = \boxed{₹58,08,000}$$

WN.4:- COI & ICOI

COI incurred:-

→ in FY 2000-01 = ₹1,00,000 (to be ignored)
(i.e. prior to 01/04/2001)

→ in FY 2012-13 = ₹2,50,000 (to be considered)

∴ The CA is trfd. prior to 23/07/2024

∴ COI is to be Indexed.

$$\therefore \text{ICOI} = ₹2,50,000 \times \frac{363}{200} = \boxed{₹4,53,750}$$

Would your answer to the above question change if the building was transferred on or after 23/07/2024?

Solution:-

Computation of Capital Gains & Total Income

<u>Particulars</u>	<u>(₹)</u>	<u>(₹)</u>
FVC (WN.2 as above)	₹1,25,00,000	
<u>less: Transfer Expenses :-</u>		
Brokerage @ 2% on ₹1,00,00,000 (₹2,00,000)		
NC	₹1,23,00,000	
<u>less: COA (WN.3 as above)</u>	(₹16,00,000)	
<u>less: COI (WN.4 as above)</u>	(₹2,50,000)	
<u>Taxable LTCG</u>		₹1,04,50,000

<u>Add: Other Incomes (Given)</u>	<u>₹12,00,000</u>
Gross Total Income	₹1,16,50,000
<u>less: Deductions u/c VI - A</u>	<u>(Nil)</u>
Total Income	<u>₹1,16,50,000</u>

Computation of Tax Liability :-

⇒ Tax on LTCG u/s 112 :-

(a) on ₹1,04,50,000 (w/o Indexⁿ)
 Tax @ 12.5% = ₹13,06,250

OR

(b) on ₹60,38,250 (with Indexⁿ)
 Tax @ 20% = ₹12,07,650

Whichever is more beneficial
 to the Assessee i.e. Lower of (a) & (b) = ₹12,07,650

⇒ Tax on Balance Total Income

on ₹12,00,000 @ Normal Rates
 (Nil + ₹10,000 + ₹1,00,000 + ₹60,000) = ₹1,70,000

Tax on Total Income = ₹13,77,650

Add: Surcharge @ 15% on ₹13,77,650 = ₹2,06,648

Tax on Total Income incl. Surchg. = ₹15,84,298

Add: HEC @ 4% on ₹15,84,298 = ₹63,372

∴ Final Tax Liab. (Round-off u/s 288B) = ₹16,47,670

10th Amendment - Exempt Trf. u/s 47(iii) :-

Old Provision

Transfer of any Cap. Asset
by way of Gift, will, Inherit.
or Irrevocable Trust



Exempt Trf. u/s 47 ✓

∴ Cap. Gain ✗

Cap. Asset trfd. by way of
any of the above modes
by ANY PERSON is treated
as Exempt Trf. u/s 47

Proviso to Sec. 47(iii) :-

Any shares or securities
received by the Assessee
from his ER' under the
ESOP or as Sweat Eq. Sh.
for which Perquisite is
computed & taxed u/n
'salaries' u/s 17(2)(vi)
in the hands of the
Assessee



later on Trfd. by the
Assessee by way of



New Provision



Transfer of any Cap. Asset
by an **Individual/HUF** by
way of Gift, will or Irrevoc.
Trust



Exempt Trf. u/s 47 ✓

∴ Cap. Gain ✗

Cap. Asset trfd. by way of
any of the above modes
by ~~ANY PERSON~~

↳ **Individual/HUF
only**



shall now be treated as
Exempt Trf. u/s 47

Proviso to Sec. 47(iii) :-

~~Any shares or securities
received by the Assessee
from his ER' under the
ESOP or as Sweat Eq. Sh.
for which Perquisite is
computed & taxed u/n
'salaries' u/s 17(2)(vi)
in the hands of the
Assessee~~

Gift or irr. Trust	Will or Inherit.
↓	↓
Ex. Trf. u/s 47 (X)	Ex. Trf. u/s 47 (✓)
∴ CG (✓)	∴ CG (X)

ICAI Study Mat.
Pg. 3.382

↓
later on Trfd. by the
Assessee by way of

Gift or irr. Trust	Will or Inherit.
↓	↓
Ex. Trf. u/s 47 (X)	Ex. Trf. u/s 47 (✓)
∴ CG (✓)	∴ CG (X)

The above proviso is no more in existence w.e.f. PY24-25 & onwards. Accordingly, if such shares or securities are later on trfd. by the assessee by way of :-

Gift, Will, Irrevoc. Trust
↓
Trf. would now be treated
as Exempt Trf. u/s 47 (✓)
∴ Cap. Gains (X)

Any Other mode like Sale
etc.
↓
Such Trf. is treated as
Taxable Trf.
∴ Cap. Gains (✓)

COA = 49(2AA) = FMV of
such Sh/sec. as on the
Dt. of Ex. of Optⁿ which
was considered for
Perq. Valⁿ u/s 17(2)(vi)
w/h 'Salaries'.

Example :-

Mr. Uday gets shares from his ER' XYZ Ltd. under ESOP (FMV at the time of Acqⁿ on 04/05/24 was ₹5,00,000) for ₹1,00,000.

Mr. Uday sells the above shares on 15/07/24 for ₹9,00,000 when its FMV was ₹12,00,000.

Compute the effects.

Solution :-

Mr. Uday Individual - ROR PAN: _____

PY: 2024-25 AY: 2025-26

Computation of Taxable Value of Perq. u/n 'Salaries'

FMV as on the Dt. of Ex. of Option (Acqⁿ) = ₹5,00,000

less :- Amt. Recovered from EE' (i.e. Ex. Price) = (₹1,00,000)

Taxable Value of Perq. u/s 17(2)(vi) = ₹4,00,000



∴ Above shares are sold by Mr. Uday on 15/07/24
Capital Gains would be computed & charged
to tax in the following manner :-

FVC (FMV on the Dt. of Trf. > SP) = ₹12,00,000

∴ u/s SOCA FMV is FVC)

less: Transfer Expenses = (Nil)

NC = ₹12,00,000

less: COA [FMV consi. u/s 17(2)(vi) for = (₹5,00,000)

Perq. valⁿ as per sec. 49(2AA)]

STCG

= ₹7,00,000

↓

(POH: 04/05/24 to 14/07/24) < 24 mths
∴ Shares are STCA.

Would your answer to the above question change if the said shares were trfd. on 15/07/24 by way of Gift, Will, Irrevocable Trust?

↓

As per the amendment by Fin. Act (No. 2), 2024, Trf. of Shares or Securities recd. under ESOP by way of Gift, Will, Irrevocable Trust is also treated as Exempt Trf. u/s 47.

Accordingly, No capital Gain would arise in the hands of the Assessee (Mr. Uday) on such Trf.

11th Amendment - Sec. 50AA :-

In the case of :-

- 1.) Market Linked Deb. (MLD)
- 2.) Units of Spec. MF acq. on or after 01/04/2023

FA' 24
Amdmt.

- 3.) Unlisted Bonds / Debentures trfd. on or after 23/7/2024

ICAI Study Mat.
Pg. 3.415

→ Period of Holding shall be ignored because such cap. assets shall be treated as STCA only irrespective of their period of holding

Sec. 50AA overrides the prov. i.r.d. POH

↓

Hence, any gain resulting on their transfer shall be treated as STCG only & taxable @ Normal Rates

No dedⁿ i.r.o.
STT while
computing
CG u/s SDAA

↓

Computation of STCG u/s SDAA:-

FVC (Amt. Recd. Recd. on Trf. Redem ⁿ Maturity)	XX
(-) Trf. Exps.	(XX)
NC	XX
(-) CDA	(XX)
STCG	XX

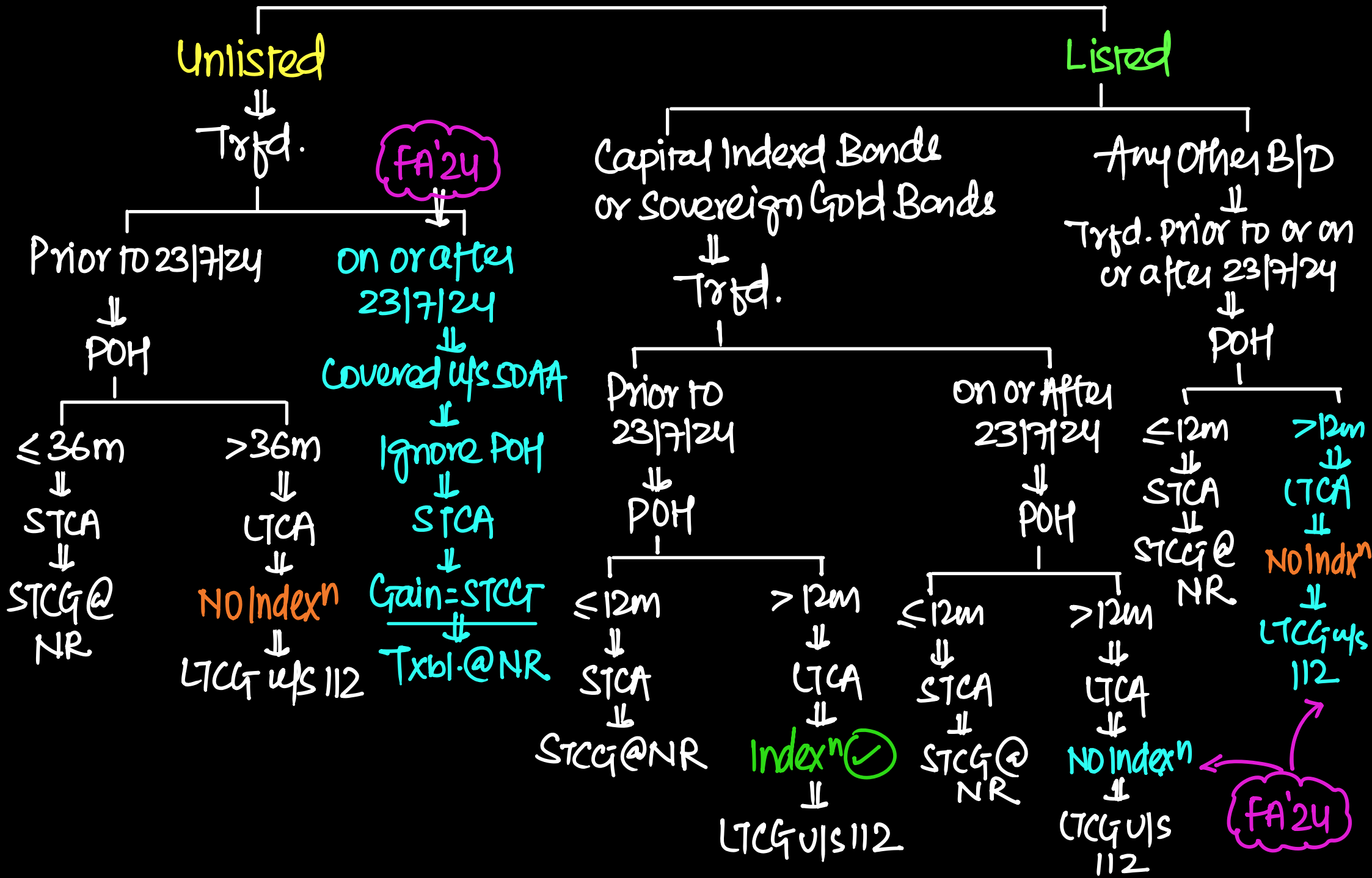
Market Linked Debentures :-

underlying principal component in the form of debt security and returns are linked to market returns on other underlying securities or indices

Units of Specified MF :-

MF where $\leq 35\%$ of total proceeds invested in Equity shares of Domestic Companies.

Bonds/Debt Securities



12th Amendment - Sec. 46A, 10(34A) & 2(22)(f): -

Domestic Co. $\leftarrow$ $\frac{\text{Buyback of SHARES}}{(\text{Eq. | Pref. or listed | Unlist.})}$ $\uparrow$ Shareholder

$\Downarrow$

= Extinguishment of Right
= Trf. u/s 2(47) ✓

Buyback Price = ~~FVC for Trf. of sh. & CG~~

Domestic Co. is liable to pay Tax u/s 115QA @ 20% plus SC-12% plus HEC-4% i.e. effective tax rate 23.296%

Fully Ex. u/s 10(34A) in the hands of the Shareholder

~~to be computed & taxed u/s 46A~~

$\Downarrow$
Sec. 46A-N.A.

$\Downarrow$
Hence, 46A CG NOT computed & taxed in the hands of The Shareholder

upto 30/09/24

$\Downarrow$

FA'24 Amendment

$\Downarrow$

ICAI Study Mat.
Pg. 3.381

W.e.f. 01/10/24 & onwards

Sec. 115QA has
been withdrawn



Domestic Co. is no
more liable to pay
tax on such BB Price

Accordingly, the
exemption available
to the SH u/s 10(34A)
shall no more be
available



Such BB Price shall
now be taxed u/h
IFOS as Deemed Divide.
u/s 2(22)(f) without
allowing any Dedⁿ
therefrom u/h 'IFOS'.



Further CGT u/s 46A shall
also be computed &
FVC shall be taken as
Nil and Dedⁿ for COA
of shares bought back
shall be allowed which
would now result into

Capital loss

STCL

LTCL

↓
To be set off against
STCL as well as
LTCL

↓
To be set off only
against LTCL

Domestic
company

← Securities (except shares) → security holder
Buy Back
= Exting. of Right = Trf. of 2(47) ↻

Buy Back Price

Domestic Co. is not
liable to pay tax
u/s 115QA

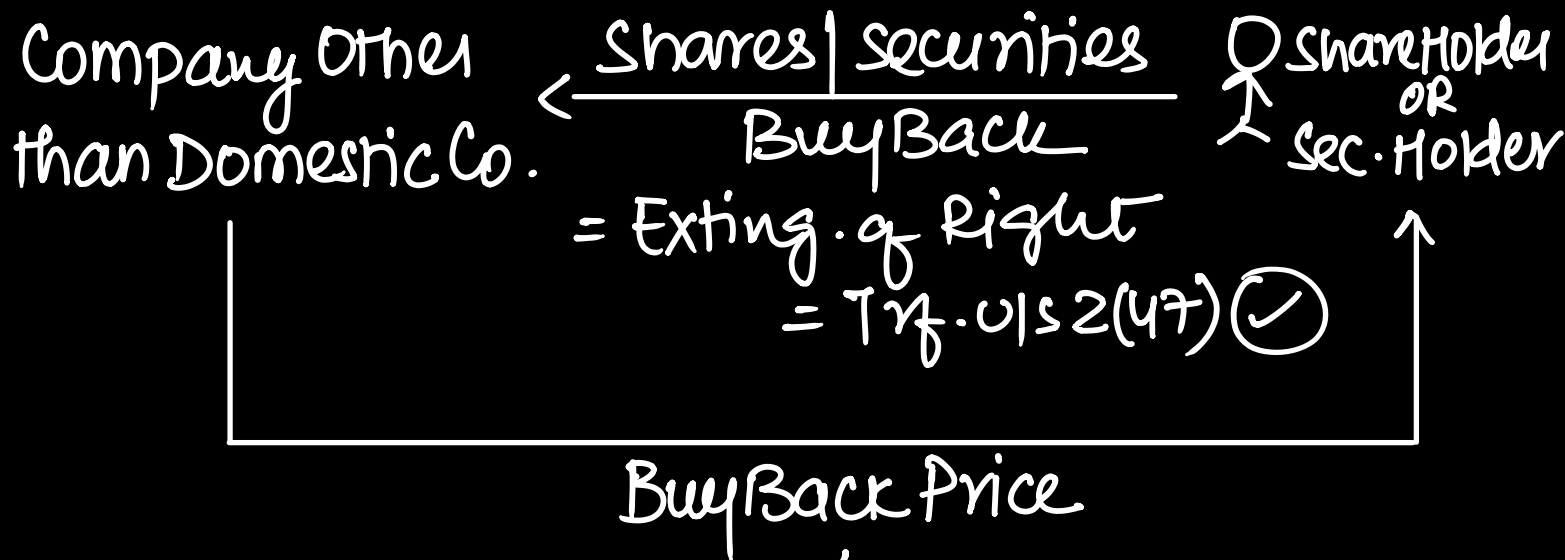
(∵ 115QA is not applicable)

No Exemption u/s 10(34A)
shall be available in
the hands of sec. holder

↓
CG u/s 46A to be
computed for trf. of
securities under buy
back ↓

BB Price to be treated
as FVC to compute
CG u/s 46A.

same
No change



Company is not liable to pay tax u/s 115QA ($\because$ 115QA is not applicable)

No Exemption u/s 10(34A) shall be available in the hands of Shareholder or Security Holder

CG u/s 46A to be computed for trf. of shares | securities under Buy Back

BB Price to be treated as FVC to compute CG u/s 46A.

Same
No change

Example :-

Mr. Raman acquired the Shares of X Ltd. on 15/12/22 for ₹ 1,25,000. On 15/11/24 X Ltd. bought back the said Shares from Mr. Raman for a consideration of ₹ 3,10,000.

LTCG u/s 112 on trf. of Other CA (Taxable @ 12.5%) for

The PY 24-25 is ₹ 2,00,000 and Salary (Computed) is ₹ 1,65,000. Compute the Total Income & Tax liability for Mr. Raman (Assuming that he has opted for the default tax regime of Sec. 115BAC).

Solution:-

Mr. Raman

Individual-ROR

DAN: _____

Py: 24-25

A4: 25-26

Computation of Total Income

<u>Particulars</u>	<u>(₹)</u>	<u>(₹)</u>
--------------------	------------	------------

Income u/n 'salaries' (Given) - ₹1,65,000

Income upn 'Capital Gains':-

→ STCL on Bu back of shares of x Ltd:-

FVC

Nil

(-) Trf. Exp

(NiI)

NC

Nil

(-) W.A

(1,25,000)

STCL (: P0H=151122 to 151124) (1,25,000)

↳ < 24 mths.

→ LTCG on Trf. of Other CA (Given) 2,00,000 ₹ 75,000

Income w/h 'Other sources' :-

Deemed Dividend up 2(22)(f)

(Buyback Price of Shares of X Ltd.

without allowing any deduction
up 57)

₹3,10,000

Gross Total Income

₹5,50,000

less: Deductions v/c $\underline{VI}$ -A

(Nii)

Total Income

₹5,50,000

Computation of Tax Liability

Tax on:

LTCG u/s 112 - ₹75,000 @ 12.5% ₹9,375

Balance Inc - ₹4,75,000 @ 115BAC Rates:

upto ₹3,00,000

Nil

₹3,00,001 to ₹4,75,000

₹1,75,000 @ 5%

₹8,750

₹8,750

₹18,125

less: Rebate u/s 87A:

(₹18,125 OR ₹25,000) ↓

(₹18,125)

Tax on Total Income after Rebate u/s 87A

Nil

Add: HEC @ 4%

Nil

∴ Final Tax Liability

Nil

13th Amendment - Tax Rates on Cap. Gains :-

STCG on Trf. of STCA being :-

- * Listed Eq. Shares
- * Units of FOMF
- * Units of Busi. Trust



Trfd. on or after 1/10/04
through a Recog. Stock Exch.
on which STT is paid (on Trf.)



(Also known as STT paid STCG)



Taxable u/s 111A



@ 15%.



if trf. took place
prior to 23/7/24

FA'24 Amendment.

@ 20%.



if trf. took place
on or after 23/7/24

Any Other Cap. Asset
↓
Taxable @ Normal Rates

ICAI Study Mat.
Pg. 3.439

Note :- If the trf. of any of the above 3 STCAs took place on a RSE in IFSC where the transactions take place in foreign currency & STT is not charged still the STCG shall be covered u/s 111A.

LTCG arising on Trf. of LTCA being :-

* Listed Eq. Shares (STT Paid on Acqⁿ)

* Units of EOMF

* Units of Busi. Trust



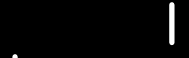
Trfd. on or after 1/04/2018
through a Recog. Stock Exch.
on which STT is paid (on Trf.)



(Also known as STT paid LTCG)



Taxable u/s 112A



If Trf. took place
upto 23/7/24



upto 1,00,000 - Nil Tax

If Trf. Took Place
on or after 23/7/24



upto 1,25,000 - Nil Tax

ICAI Study Mat.
Pg. 3.443

FA'24

Any Other Cap. Asset



Taxable u/s 112



*

Example 1:-

LTCG (Trf. prior to 23/7/24) = 2,00,000
(1,25,000)
75,000
@ 10%
7,500

LTCG in Excess
of 1,00,000 @ 10%

LTCG in Excess
of 1,25,000 @ 12.5%

Note:- Total Exemption of such LTCG during the PY 24-25 shall not be more than 1,25,000.

Note:- LTCG u/s 112A shall be computed without giving any benefit of Indexⁿ (whether trf. took place prior to or on or after 23/7/24)

Note:- COA of the CA shall be determined as per sec. 55(2)(ac)

Note:- If the trf. of any of the above 3 LTCAs took place on a RSE in IFSC where the transactions take place in foreign currency & STT is not charged still the LTCG shall be covered u/s 112A.

Example 2:-

$$\begin{array}{r} \text{LTCG (Trf. on or after 23/7/24)} = 3,00,000 \\ \underline{(1,25,000)} \\ 1,75,000 \\ \text{@ 12.5\%} \\ \hline 21,875 \end{array}$$

Example 3:-

LTCG - Trf:-

prior to 23/7/24 = 2,00,000

on or after 23/7/24 = 3,00,000

$$\begin{array}{r} 5,00,000 \\ \underline{(1,25,000)} \\ 3,75,000 \end{array}$$

$$\begin{array}{r} 2,00,000 \\ \text{@ 10\%} \\ \hline 20,000 \end{array} \quad + \quad \begin{array}{r} 1,75,000 \\ \text{@ 12.5\%} \\ \hline 21,875 \end{array}$$

41,875

*** LTCG on Trf. of Any Other CA**
(covered up to 112)

ICAI Study Mat.
Pg 3.441

FA 24

If trfd. prior to 23/7/24

Unlisted
Shares
OR
Shares of
a closely
Held Co.

↓
Taxable @:
10%. (w/o the
benefit of Indexⁿ
& currency
fluctuations)

Listed Securit.
(Other than Units)
OR
Zero Coupon Bonds

↓
Taxable @:
10% (w/o Indexⁿ)
OR
20% (with Indexⁿ)
whichever is more
beneficial

Any Other
CA
↓
Taxable @
20%
(with Indexⁿ)

↓
For All
Assessee

If Trfd. on or after 23/7/24

Land/Bldg./Both
(Imm. Prop.) acq.
prior to 23/7/24
but Trfd. on or after
23/7/24

↓
Resident
Ind. / HUF
↓
Taxable @:-
12.5% (w/o Indexⁿ)
OR
20% (with Indexⁿ)

Any Other CA
↓
Taxable @ 12.5%
w/o Indexⁿ)
↓
For All Assessee

↓
Any Other
Assessee
↓
Taxable @ 12.5%
w/o Indexⁿ)

For Non-Corp.
NR & Foreign
Companies

OR
20% (with
Indexⁿ)
For All Other
Assessee

↓
For All Types of
Assessee

whichever is more
beneficial

* Imp. Notes (Appli. for STCG u/s 111A and LTCG u/s 112 & 112A) :-

- ① Deductions u/c VI-A not available from STCG u/s 111A & LTCG u/s 112 or 112A.
- ② Adjustment of unexhausted Basic Exemption Limit is available to Resi. Ind/HUF from STCG u/s 111A & LTCG u/s 112 or 112A
- ③ Higher Rate of surcharge @ 25% & 37% not applicable in case of STCG u/s 111A & LTCG u/s 112 or 112A
- ④ Rebate u/s 87A shall not be available for Tax on LTCG u/s 112A.

14th Amendment - Deemed Dividend u/s 2(22):-

Old Provision



Deemed Div. u/s 2(22)(a)
to
2(22)(e)

ICAI Study Mat.
3.493

New Provision



Deemed Div. u/s 2(22)(a)
to
2(22)(f)

Newly inserted clause (f)
w.e.f. 01/10/2024



Domestic Company $\xleftarrow{\text{Buyback of shares}}$ SH

BB Price



Taxable u/s 'FOS' as Deemed Dividend u/s 2(22)(f) without allowing any dedⁿ u/s 57.

@ Normal Rates

(+) (Pg. 3.532)

Consequently, Sec. 46A u/s 'Cap. Gains' also amended CG to be computed by taking FVC = Nil & COA of shares bought back would be reduced resulting into a Capital loss (LTCL or STCL).

Till 30/09/2024
Co. was Fully Exempt
liable to pay tax
u/s 115QA
@ 23.296%
for SH

Example :-

100 shares of PP Ltd. bought in PY 2020-21
for ₹40/share

60 shares Bought-back
by PP Ltd. on 11/11/2024 for
₹60/share

40 shares sold on
19/12/2024 for ₹70/share



Computation of Cap. Gains:-

FVC (SP)	= ₹2,800
(₹70 × 40 shares)	
(-) Trf. Exp.	= (Nil)
NC	= ₹2,800
(-) COA	= (₹1,600)
(₹40 × 40 shares)	
LTCL	= ₹1,200

↓
₹60 × 60 shares
= ₹3,600

Deemed Div. u/s 2(22)(f)
Taxable u/h 'IFOS'
w/o any deduction
& Taxable @ Normal
Rates

(+)

Cap. Gains u/s 46A :-

FVC	= Nil
(-) Trf. Exp.	= (Nil)
NC	= Nil
(-) COA	= (₹2,400)
(₹40 × 60 shares)	
LTCL	(₹2,400)
(∵ POH > 24m)	

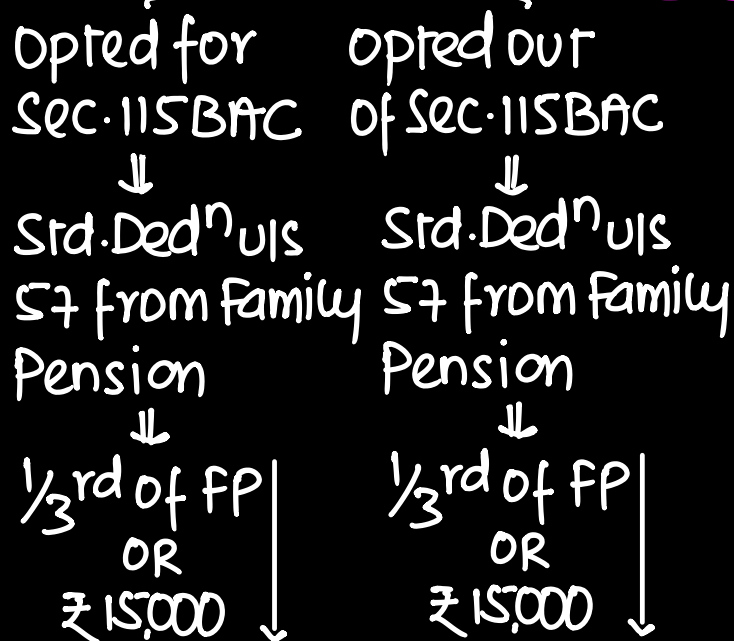
Set-off

∴ Balance LTCL :-
↓
(₹1,200)
↓
CIF

15th Amendment - Standard Dedⁿ u/s 57 from Family Pension:

Old Provision

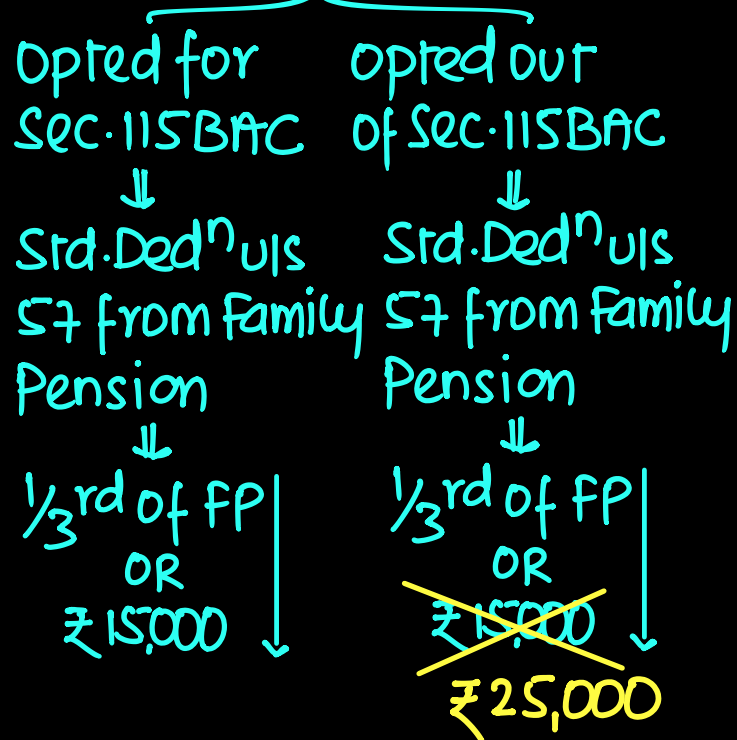
Assessee



ICAI Study Mat.
Pg. 3.533

New Provision

Assessee

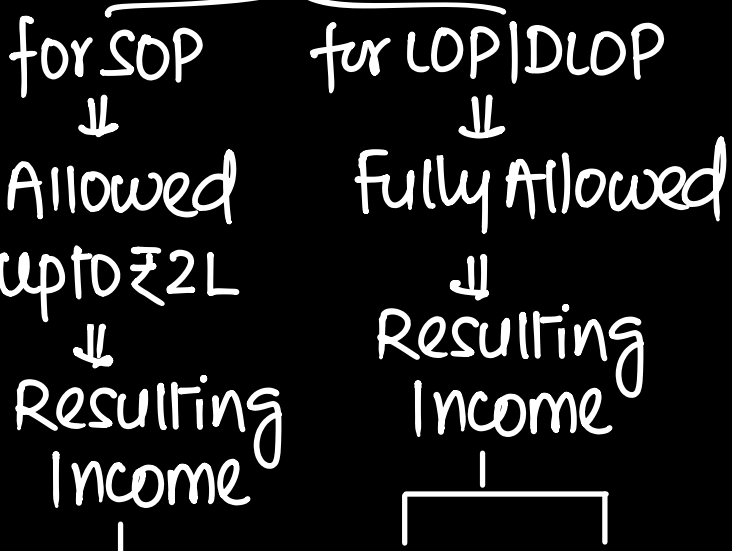


Clarification regarding set-off HP Loss :-

Assessee

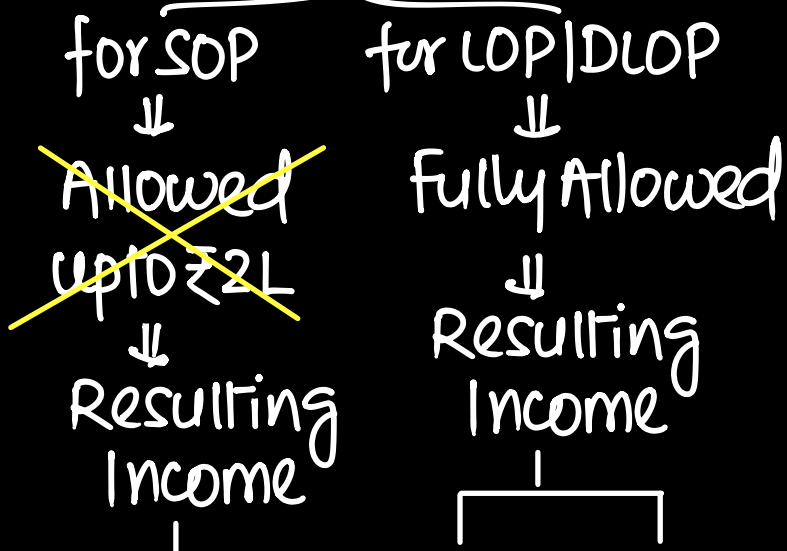
Opted Out of Sec. 115BAC

↓
Dedⁿ for Int. on Hsg. Loan



Opted for Sec. 115BAC

↓
Dedⁿ for Int. on Hsg. Loan



- Nil Nil +ve
- LOSS LOSS
- ↓ ↓
- * Intra-Head s/o (within HP Head) ✓
 - * Inter-Head s/o (Any-Head upto Max. 2L) ✓
 - * Carry-Forward ✓

ICAI Study mat.
Pg. 5.6 & 5.7

- Nil Nil +ve
- LOSS
- ↓
- * Intra-Head s/o (within HP Head) ✓
 - * Inter-Head s/o (Any-Head upto Max. 2L) ✗
 - * Carry-Forward ✗

∴ If loss from a HP could not be set-off within the IFHP head then the same would lapse.

16th Amendment - Sec. 80CCD(2) :-

ICAI Study mat.
Pg. 6.26

Old Provision

ER's Contribution to NPS A/c of the Assessee (EE')

= Salary u/s 17(1) & Dedⁿ u/s 80CCD(2) ✓

↓

Deemed to be Recd. u/s 7

↓

∴ Taxable u/h 'Salaries' in the hands of EE'

↓

to the extent of Max. 10% of EE's Salary (Basic + DA in terms)

New Provision

ER's Contribution to NPS A/c of the Assessee (EE')

= Salary u/s 17(1) & Dedⁿ u/s 80CCD(2) ✓

↓

Deemed to be Recd. u/s 7

↓

∴ Taxable u/h 'Salaries' in the hands of EE'

↓

to the extent of Max. 10% of EE's Salary (Basic + DA in terms)

14% of salary
(if the EE has
opted for Sec.
115BAC)

17th Amendment - TDS u/s 192 :-

ICAI Study Mat.
Pg. 7.8

Old Provision



While computing the TDS to be deducted u/s 192 from EE's salary, the ER is required to consider the details of :-

- * Other Incomes
- * TDS deducted on Other Incomes
- * Loss u/h HP (if EE intends to opt out of Sec. 115BAC)

based on the declaration filed by the EE to the ER

New Provision



While computing the TDS to be deducted u/s 192 from EE's salary, the ER is required to consider the details of :-

- * Other Incomes
- * TDS deducted on Other Incomes and any TCS collected from him (w.e.f. 01/10/2024)
- * Loss u/h HP (if EE intends to opt out of Sec. 115BAC)

based on the declaration filed by the EE to the ER

18th Amendment - TDS u/s 193 :-

ICAI Study Mat.
Pg. 7.11

Old Provision



Interest on :-

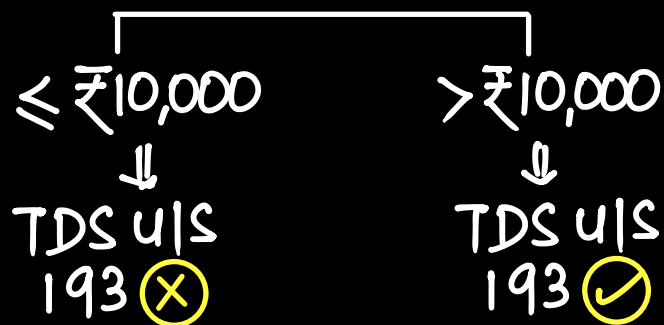
- (a) 8% Savings (Taxable) Bonds, 2003 or
- (b) 7.75% Savings (Taxable) Bonds, 2018

New Provision

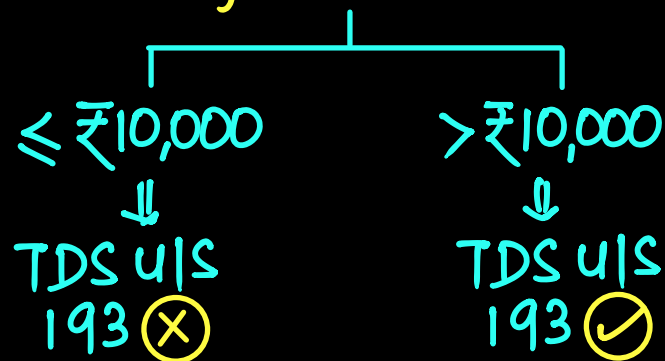


Interest on :-

- (a) 8% Savings (Taxable) Bonds, 2003 or
- (b) 7.75% Savings (Taxable) Bonds, 2018
- (c) w.e.f. 01/10/2024

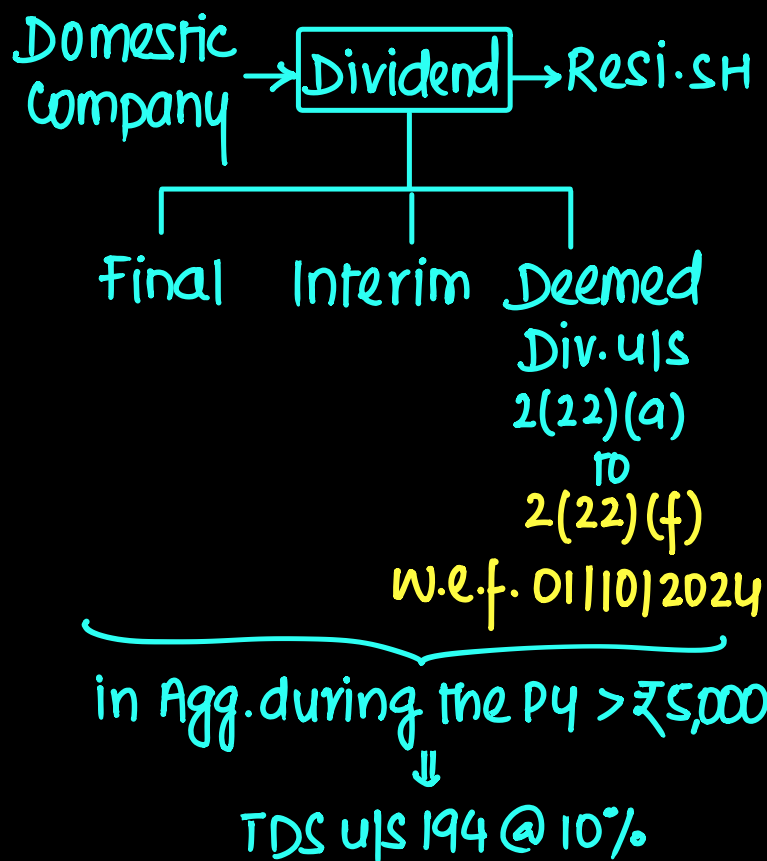
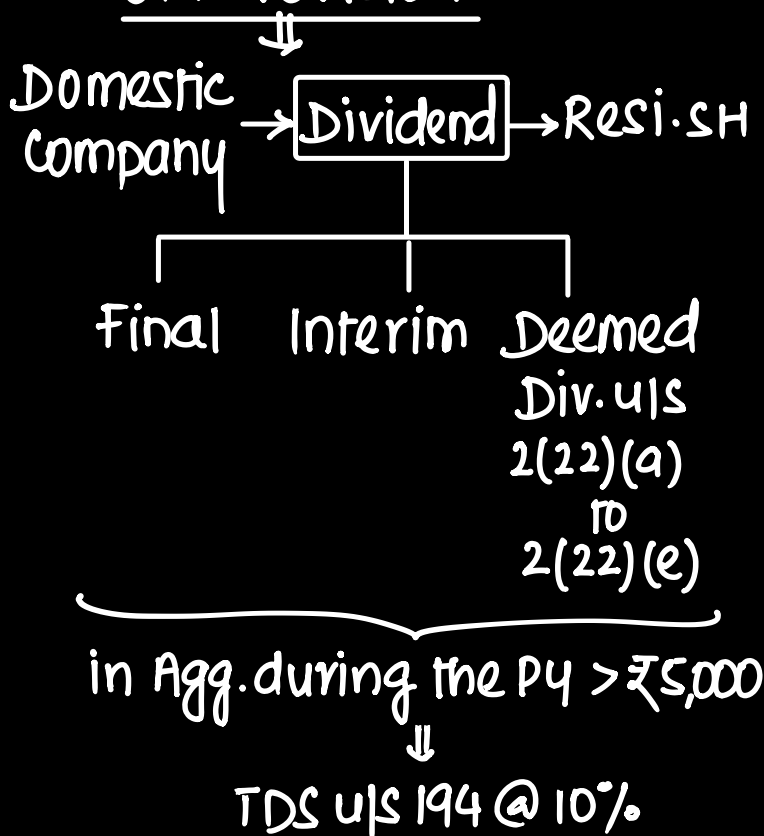


Floating Rate Savings
(Taxable) Bonds, 2020
or any other notified
security of the CG or SG



19th Amendment - TDS u/s 194 :-

Old Provision



ICAI Study Mat.
Pg. 7.49 & 7.50

w.e.f. 01/10/2024

20th Amendment - Change in TDS Rates

Section	TDS Rate upto 30/09/24	TDS Rate w.e.f. 01/10/24
194DA	5%	(Pg. 7.52) 2%
194G	5%	(Pg. 7.53) 2%
194H	5%	(Pg. 7.26) 2%
194IB	5%	(Pg. 7.33) 2%
194M	5%	(Pg. 7.41) 2%

21st Amendment - Section 56(2)(viib)

Old Provision

Closely Held
Company

Shares
Issued → Any
Person

① Premium
(IP > FV)

(IP - FMV)

Difference

Taxable as income
u/h 'IFOS' u/s 56(2)(viib)
in the hands of the
company

Omitted
∴ No more
Applicable
w.e.f. PY 24-25

22nd Amendment - Sec. 139AA

Old Provision

Every Person who is eligible to obtain Aadhar No. shall
on or after 01/10/2017, quote Aadhar No. in the :-

(a) Application for Allotment of PAN

(b) Return of Income

If Aadhar No. not available then Aadhar Enrolmt.
ID shall be mentioned.

↳ w.e.f. 01/10/2024 - Enrolment ID Option is not
available.