Topic 1 : Basics and Tax Rates.

To run and develop any country, government needs power and money.
Government gets money from businesses, taxes and loans.

Power - Entry No. 82 of Union List in VIIth Schedule of Article 246 of Constitution of India has given power to Central Government to make laws on taxes on income other than agricultural income.

- Entry No. 46 of State List in VIIth Schedule of Article 246 of Constitution of India has given power to State Government to make laws on taxes on agricultural income

In this subject, we have to calculate total income and tax liability of person.

Statement of Income   PY 25-26   AY 26-27

Name of Assessee ....

Computation of Total Income / Net Taxable Income

Particulars	₹
Income from Salary	xx
Income from House Property	xx
Income from Business & Profession	xx
Income from Capital Gains	xx
Income from Other Sources	xx
Gross Total Income (GTI)	xx
less : Deduction u/c VI - A	(xx)
Total Income / Net Taxable Income	xx

For computation of Total Income and Tax Liability, we should have knowledge of Income Tax Law.

- Income Tax Act, 1961 → It is the main source of Tax Law. It provides determination of total income and tax liability, etc. It is applicable to whole India from 01.04.1962.

- Proviso – It means exception or condition of section.

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

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

- Finance Act, 2025 – Every year Finance Minister present Finance Bill in Parliament which contains various amendments to be made in direct and indirect taxes.

Finance Bill, 2025 was presented by Nirmala Sitaraman on 1st February, 2025. As soon as bill was passed by Parliament and receiving approval from President, it becomes Finance Act.
Finance Bill, 2025 became Finance Act, 2025 on 29th March, 2025.

- Notifications - It is issued by Central Govt./ CBDT to give effect of amendments or to give effect of provision of the Act. It is binding to assessee as well as department.

- Circulars - They are issued by CBDT to clarify the meaning of certain provisions. It is binding to Income Tax Department but not binding to Assessee.

* Section 4 : Charging section of Income Tax.

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

Year
- Calender Year → 1^{st} Jan to 31^{st} Dec
- Financial Year → 1^{st} Apr to 31^{st} Mar
  - Year of Income → Previous Year (PY)
    PY 2025-26
    (1.04.25 to 31.3.26)
  - Year of Tax → Assessment Year
    AY 2026-27
    (1.04.26 to 31.03.27)

* Section 2(9) : Assessment Year.

It means a period of 12 months commencing every year on 1st April and ends on 31st March. Income earned in previous year is taxed in Assessment Year (AY). It means assessee pays tax and files his return in Assessment Year. Income earned in PY 2025-26 will be taxed in AY 2026-27.

* Section 3 : Previous Year.

It means the year in which assessee earned the income. Previous Year starts from 1st April of every year and ends on 31st March normally. But in case of the new business or profession (new source of income) previous year starts from the date on which new business or profession was set up or new source of income arised till 31st March of that Financial Year.

Example : Mr. Lakshay started a business on 10 Dec 2025. In this case, PY 2025-26 will commence from 10 Dec 2025 and end on 31st march 2026.

* Section 2(31) : Person.

1. Individual : It means natural person i.e. human being. It includes male, female, minor, third gender, unsound mind.
Example : Mr. Jeet, Hindu Undivided Family (HUF)

2. Schools of Hindu Law

Dayabaga school	Mitakshara school
↓	↓
West Bengal & Assam	Rest of India except West Bengal & Assam
↓	↓
Child cannot acquire right in property till the time head of the family is alive.	Child acquires right in property by birth.

NOTE : Jain Undivided families and Sikh undivided families would also be assessed as a HUF.

3. Company :
- Indian company : Any body corporate incorporated in India (under Companies Act, 2013 or any other State law).
- Foreign company : Any body corporate incorporated outside India.
- Domestic company : All Indian companies are domestic company. Foreign company can also be treated as domestic company if they made prescribed arrangement in India.

4. Firm : It means firm defined u/s 4 of the Indian Partnership Act, 1932, or Limited Liability Partnership Act, 2008.
Example : A and B Firm.

5. Association of Persons (AOP)/ Body of Individual (BOI) : Under AOP, any person can become member but under BOI, only individual can become member.
Example : AK Joint Venture

6. Local authority :
Example : Gram Panchayat, Municipality, District Board, etc.

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

* Section 2(7) : Assessee.

It means person required to pay tax or any other sum under Income Tax Law.
All assessees are person but all persons are not assessee.

Example :

(i)	Reliance Industries Ltd.	- Company
(ii)	Gupme foods LLP	- Firm
(iii)	Pune Municipal corporation	- Local authority
(iv)	Raj & HUF	- HUF
(v)	Mr. Deepak Kalal	- Individual
(vi)	Mumbai Bar council	- AJP
(vii)	Hari & Co. Firm	- Firm
(viii)	Mumbai university	- AJP
(ix)	Raj & Jay Joint Ventures	- AOP / BOI

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

General Tax Rates ↓ Finance Act, 2025

Special Tax Rates ↓ Income Tax Act, 1961

General Tax Rates

A. In case of Individual / HUF / AOP / BOI / AJP

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

Total Income upto 2,50,000	-
> 2,50,000 upto 5,00,000	5%
> 5,00,000 upto 10,00,000	20%
> 10,00,000	30%

b. In case of senior citizen (Resident Individual Age 60 years or more in P.Y but less than 80 years)

Total Income upto 3,00,000	-
> 3,00,000 upto 5,00,000	5%
> 5,00,000 upto 10,00,000	20%
> 10,00,000	30%

c. In case of Super Senior citizen (Resident individual Age 80 years or more in PY)

Total Income upto 5,00,000	-
>5,00,000 upto 10,00,000	20%
>10,00,000	30%

Date of Birth	Basic exemption for PY 2025-26 (AY 2026-27)
01.04.1966	3,00,000 (completed age of 60 years on 31.03.2026)
01.04.1946	5,00,000 (completed age of 80 years on 31.03.2026)

- Surcharge.

Total Income upto 50,00,000	Nil
TI > 50,00,000 upto 1 cr.	10% of Tax
TI > 1 crore upto 2 crores	15% of Tax
TI > 2 crore upto 5 crores	25% of Tax
TI > 5 crores	37% of Tax

- Health & Education cess.

4% on the tax always (+) surcharge (if any).

NOTE : Total income and net tax liability is always rounded off in the nearest ₹ of 10.

E.g. ₹25,902 → ₹25,900
₹25,905 → ₹25,910
₹25,908 → ₹25,910

Q.1) Pg 1

a. Age 45 years

Upto ₹2,50,000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 1200000	30%	60,000
		1,72,500
(+) Surcharge		-
		1,72,500
(+) 4% H&EC		6,900
Net Tax Liability		1,79,400

b. Age 63 years

Upto ₹3,00,000	-	-
> 300000 upto 500000	5%	10000
> 500000 upto 1000000	20%	1,00000
> 1000000 upto 1200000	30%	60000
		1,70,000
(+) 4% H&EC		6,800
Net Tax Liability		1,76,800

c. Age 82 years

Upto ₹ 5,00,000	-	-
> 5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 12,00,000	30%	60000
		1,60,000
(+) 4% H&EC		6,400
Net Tax Liability		1,66,400

Example 1 :
Total Income of Mr. Nano (age 62 years) is ₹64,00,000. He is resident of India. Calculate tax liability for AY 26-27. Assume he opted out of Section 115BAC.

→ Calculation of Tax Liability

Upto ₹3,00,000	-	-
₹3,00,000 upto 5,00,000	5%	10,000
₹5,00,000 upto 10,00,000	20%	1,00,000
₹10,00,000 upto 64,00,000	30%	1620000
		17,30,000
(+) Surcharge @10%		1,73,000
		19,03,000
(+) 4% H&EC		76,120
Net Tax Liability		19,79,120

Example 2 :

Mr. Lobo (age 82 years) is a non-resident, having total income of ₹1,20,30,000. Calculate tax liability for AY 26-27. Assume he opted out from section 115BAC.

→ Computation of Tax Liability

Upto ₹2,50,000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 10,00,000	20%	1,00,000
> 1000000 upto 12030000	30%	33,09,000
		34,21,500
(+) Surcharge @ 15%		5,13,225
		39,34,725
(+) 4% H&EC		1,57,389
		40,92,114
Net tax liability after rounding off		4092110.

Example 3 :
Total Income of Mr. Ganesh is ₹2,32,50,000 for AY 26-27. Calculate tax liability. Assume he opted out from Section 115BAC.

→ Computation of Tax Liability

Upto ₹2,50,000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 23250000	30%	66,75,000
		67,87,500
(+) Surcharge @ 25%		16,96,875
		84,84,375
(+) 4% H&EC		3,39,375
Net Tax Liability		88,23,750

- Marginal Relief.

Example : Total income of Mr. BB is ₹50,20,000. Compute his tax liability. Assume he opted out from section 115BAC.

→ Computation of Tax Liability

Upto ₹250000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 5020000	30%	12,06,000
		13,18,500
(+) Surcharge @ 10%		1,31,850
		14,50,350
Restricted to		M.R. 117,850
Tax on 50,00,000 + (NTI - 50 Lakh)		
13,12,500 + 20,000		13,32,500
↳ Note 1.		13,32,500
(+) 4% H&EC		53300
Net Tax Liability		13,85,800

* Note 1 : Tax upto ₹50,00,000.

Upto ₹250000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 5000000	30%	12,00,000
		13,12,500

Q.2) Pg 1

Computation of Tax Liability

Upto ₹ 250000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 5100000	30%	12,30,000
		13,42,500
(+) Surcharge @ 10%		1,34,250
		14,76,750
Restricted to		MR 64,250
Tax on 50,00,000 + (NTI - 50 lakh)		
13,12,500 + 1,00,000		14,12,500
(Note 1)		14,12,500
(+) H&EC @ 4%		56,500
Net Tax Liability		14,69,000

* Note 1 : Tax upto ₹ 50 lakh

Upto 250000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 5000000	30%	12,00,000
		13,12,500

Example :
Total Income of Mr. Hari (Resident Individual Age 42 years) is ₹ 1,02,40,000. Compute tax liability and marginal relief (if any). Assume he opted out of Section 115BAC.

→ Computation of Tax Liability (Incorrect)

Upto ₹250000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 10240000	30%	27,72,000
		28,84,500
(+) surcharge @ 15%		4,32,675
		33,17,175
Restricted to		
Tax on 1,00,00,000 + (NTI - 1 cr)		MR
2812500 + 240000		2,64,675
(Note 1)		30,52,500
(+) 4% H&EC		1,22,100
Net Tax Liability		31,74,600

* Note 1 : Tax upto ₹ 1 crore

Upto ₹250000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 10000000	30%	27,00,000
		2812500

Computation of Tax Liability (Correct)

upto ₹250000	–	–
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 10240000	30%	27,72,000
		28,84,500
(+) Surcharge @ 15%		432675
		3317,175

Restricted to
Tax on 1,0000,000 + (NTI − 1 cr)
30,93,750 + 2,40,000
(Note 1)

No MR

	33,33,750
	3317,175
(+) 4% H&EC	132687
	3449,862
after round off	34,49,860

* Note 1 : Tax upto ₹1 crore

Upto 250000	–	–
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 10000000	30%	2700,000
		2812,500
(+) 10% surcharge		2,81,250
		3093,750

Example :

Total Income of Mr. Raja (Age 63 years Resident Individual) is ₹ 1,01,30,000 . compute tax liability. Assume he opted out from sec. 115BAC.

→ Computation of Tax Liability

Upto ₹300000	-	-
> 300000 upto 500000	5%	10,000
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 10130000	30%	27,39,000
		28,49,000
(+) surcharge @ 15%		4,27,350
		32,76,350
Restricted to		MR 55,350
Tax on 1,00,00,000 + (NTI - 1 cr) 30,91,000 + 1,30,000 (Note 1)		32,21,000
		32,21,000
(+) H&EC @ 4%		128840
Net Tax Liability		33,49,840

* Note 1 : Tax upto ₹1 crore.

Upto ₹300000	-	-
> 300000 upto 500000	5%	10,000
> 500000 upto 1000000	20%	1,00,000
> 1000000 upto 10000000	30%	27,00,000
		28,10,000
(+) surcharge @ 10%		2,81,000
		30,91,000.

Example :

Total Income of Ms. Manju is ₹ 2,03,20,000 (Age 29 years Resident Individual). calculate tax liability. Assume she opted out from Sec. 115BAC.

→ Computation of Tax Liability

Upto ₹250000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 20320000	30%	57,96,000
		5908500
(+) Surcharge @ 25%		1477125
		73,85,625
Restricted to		
Tax on 2,00,00,000 + (NTI - 2 cr)		
6684375 + 3,20,000		70,04,375
(Note 1)		
		70,04,375
(+) 4% cess		280175
Net Tax Liability		7284550

* Note 1 : Tax upto ₹ 2 crore

Upto ₹250000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 20000000	30%	57,00,000
		58,12,500
(+) surcharge @ 15%		8,71,875
		66,84,375

Example :
Total Income of Mr. AK (Age 30 years) is ₹5,07,30,000. compute tax liability. Assume he opted out from section 115BAC.

→ Computation of Tax Liability

Upto 250000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 50730000	30%	1,49,19,000
		1,50,31,500
(+) 37% of surcharge on Tax		5561655
		20593155
Restricted to		MR
Tax on 5,00,00,000 + (NTI - 5 cr)		13,47,530
1,85,15,625 + 730000 (Note 1)		19245625
		19245625
(+) 4% H&EC		769825
Net Tax Liability		20015450

* Note 1 : Tax upto 5 crore

Upto 250000	-	-
>250000 upto 500000	5%	12,500
>500000 upto 1000000	20%	1,00,000
>1000000 upto 50000000	30%	1,47,00000
		14812500
(+) Surcharge @25%		3703125
		18515625

* Section 87A : Rebate for Resident Individual.

For Resident Individual having total income upto ₹5,00,000 eligible for rebate from tax.

(i) Tax amount ↓ whichever
(ii) ₹12,500 ↓ is Lower.

NOTE 1 : Rebate is available before health and education cess.

NOTE 2 : Rebate is available against tax of any type of income other than LTCG u/s 112A

· Example :

Mr. Arnav (Resident individual) having total income of ₹4,30,000 . Calculate tax.

→ Upto ₹250000	-	-
>250000 upto 430000	5%	9,000
		9,000
(-) Rebate u/s 87A		
(i) Tax amount 9,000		
(ii) ₹12,500 12,500		
lower		(9,000)
Net Tax Liability		Nil

Example :
Total income of Mr. Aman, a resident individual, is ₹5,02,000. Calculate Tax Liability.

→	Upto 250000	-	-
	>250000 upto 500000	5%	12,500
	>500000 upto 502000	20%	400
			12,900
	(+) H&EC @ 4%		516
			13,416
	Net Tax Liability after rounding off		13,420

* In this case, Rebate u/s 87A not available because total income > 5,00,000.

* Section 115BAC : Default Tax Regime for Individual / HUF / AOP / BOI / AJP.

Under this section, tax rate shall be-

Total Income upto 4,00,000 (Basic exemption)	-
> 4,00,000 upto 8,00,000	5%
> 8,00,000 upto 12,00,000	10%
> 12,00,000 upto 16,00,000	15%
> 16,00,000 upto 20,00,000	20%
> 20,00,000 upto 24,00,000	25%
> 24,00,000	30%

- Surcharge : Total Income upto ₹50,00,000 -

Total Income upto 50,00,000	-
> 5,000,000 upto 1,00,00,000	10%
> 1,00,00,000 upto 2,00,00,000	15%
> 2,00,00,000	25%

NOTE : Surcharge @37% not applicable.

- Health & Education cess :

Applicable @ 4% on tax (+ surcharge if any)

NOTE 1 : Above tax rates are applicable in case of resident as well as non-resident.

NOTE 2 : In case of senior citizen or super senior citizen also, the above tax rates are applicable.

* If assessee opted Default Taxation Regime (new taxation regime) u/s 115BAC then following exemptions / deductions are not available :

1) Income from salary :

a. HRA Exemption u/s 10 (13 A)
b. LTC Exemption u/s 10 (5)
c. Allowances exemption u/s 10 (14)
[Except DTDC]
D : communication allowance exemption for Divyang Employee
T : Travelling on Tour Allowance
D : Daily Allowance
C : conveyance Allowance
d. Deduction u/s 16 (ii) and 16 (iii) for Entertainment Allowance and Professional Tax.
e. Free meal exemption upto ₹50 per meal.

2) Income from Other sources :

a. Allowances exemption for MP / MLA / MLC u/s 10 (17)
b. Exemption for minor's income u/s 10 (32)

3) Income from House Property :

a. Interest u/s 24(b) in case of SOP (maximum 30,000 / 2,00,000) not allowed.

b. Loss from LOP and DLOP not allowed to set off against any other head of income and losses cannot be carry forward.

4) Profit & Gain from Business and Profession :

a. Additional Depreciation u/s 32(1)(iia)

b. Deduction u/s 35(1)(ii), (iia), (iii), 35(2AA) [Donations]

c. Deduction u/s 35AD (Specified Business).

5. Deduction u/c VI-A :

a. Deduction u/s 10AA (SEZ)

b. Any deduction u/c VI-A [80C to 80U]
Except -
80CCD (2), 80CCH(2), 80JJAA.

NOTES :

1. Assessee cannot set off and carry forward any brought forward losses or unabsorbed depreciation, attributable to deduction referred above.

2. If assessee pay tax as per section 115BAC then Alternate Minimum Tax (AMT) not apply.

3. Section 115BAC is a Default Tax Regime. However, assessee can take benefit of normal (regular/old) tax regime by opt out from sec. 115BAC.

a. <u>Assessee does not have PGBP :</u>
Option of normal / old tax regime must be exercised upto due date u/s 139(1) for every P.Y.

b. <u>Assessee having PGBP :</u>
Option of normal / old tax regime must be exercised upto due date u/s 139(1) and this option shall be applied for subsequent years also. However, if assessee withdraw from normal / old tax regime in any PY then he shall never be eligible for normal / old tax regime till the time he is having business income.

4. If assessee pays tax as per section 115BAC then maximum depreciation rate is 40%.

* <u>Rebate u/s 87A if assessee pays tax as per section 115BAC.</u>

For Resident Individual having Total Income upto ₹12 lakh.

Rebate Amount :
(i) Tax Amount
(ii) ₹60,000
(whichever is lower)

NOTES :

1. If Total Income is more than ₹12 lakhs but does not exceeds ₹1270585, tax on such income cannot exceed the amount by which the Total Income exceed ₹12 lakhs. However, marginal relief not available in case of old / regular tax regime.
2. Rebate u/s 87A available only against tax calculated as per section 115BAC. This rebate not available against tax calculated as per special rate.

Example :
Total income of Mr. Jaanu is ₹ 101,25000 .
Calculate tax liability as per default tax regime u/s 115BAC.

→ Computation of Tax Liability

Upto ₹4,00,000	-	-
> 4,00,000 upto 8,00,000	5%	20,000
> 8,00,000 upto 12,00,000	10%	40,000
> 12,00,000 upto 16,00,000	15%	60,000
> 16,00,000 upto 20,00,000	20%	80,000
> 20,00,000 upto 24,00,000	25%	1,00,000
> 24,00,000 upto 101,25000	30%	2317500
		2617500
(+) surcharge @ 15%		3,92,625
		3010125

Restricted to
Tax on 1 cr + (NTI - 1 cr)
(Note 1)
28,38,000 + 125000 — 2963000

MR 47,125

	29,63,000
(+) H&EC @ 4%	118520
Net Tax Liability	3081520

Note 1 : Tax on income upto 1 crore

upto 4,00,000	-	-
> 400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 10000000	30%	2280000
		25,80,000
(+) Surcharge @10%		2,58,000
		28,38,000

Tax Rates for company.

A. Domestic Company

(i) Total Turnover / Gross Receipts of PY 23-24 is upto ₹400 crores — 25%
(ii) Otherwise — 30%

Surcharge :

Total Income > 1 cr. upto 10 cr.	7%
Total Income > 10 cr.	12%

B. Foreign company — 35%

Surcharge :

Total Income > 1 cr. upto 10 cr.	2%
Total Income > 10 cr.	5%

NOTE : Health & Education cess @ 4% on tax always (+ surcharge if any)

Example :
Compute Tax Liability of BBVPL, a domestic company for AY 26-27 (T.O of PY 23-24 was 70 crores)

Total income : A. 70,00,000
B. ~~1,01,00,000~~ 101,00,000
C. 10,02,80,000

A. Calculation of Tax Liability
Tax on Total Income (70,00,000 x 25%.) 17,50,000
(+) Surcharge Nil
17,50,000
(+) Health & education cess @ 4%. 70,000
18,20,000

B. Calculation of Tax Liability
Tax on Total Income (10100000 x 25%.) 25,25,000
(+) Surcharge @ 7%. 1,76,750
27,01,750
~~(+) H&EC @ 4%.~~
MR
101750
Restricted to
Tax on 1,00,00,000 + Tax on (NTI - 1cr)
25,00,000 + 1,00,000 26,00,000
26,00,000
(+) H&EC @ 4%. 1,04,000
27,04,000

C· Calculation of Tax Liability

Tax on Total Income	
(10,02,80,000 x 25%)	25070000
(+) surcharge @ 12%	3008400
	28078400
~~Restricted to~~	
~~Tax on 10 cr + (NTI - 10 cr)~~	
~~2,50,00,000 + 2,80,000~~	= ~~25280000~~
~~(+) 7% surcharge~~	1769
	MR 1048400
Restricted to	
Tax on 10 crore + (NTI - 10 cr)	
2,67,50,000 + 2,80,000	2,70,30,000
	2,70,30,000
(+) Health & edu. cess @4%	1081200
	2,81,11,200

- Tax Rate for Partnership Firm / LLP / Local authority.

Tax Rate → 30%.

- Surcharge applicable @12% of Total Income if TI > 1 crore.
- Health & Education cess @4% always on taxes + Surcharge (if any)

- Tax Rate for co-operative society

Total Income upto 10,000	10%
>10,000 upto 20,000	20%
>20,000	30%

- Surcharge applicable @7% if Total Income > 1 crore upto 10 crores, @12% if Total Income > 10 crores
- Health & Education cess @4% (always) on taxes + surcharge (if any)

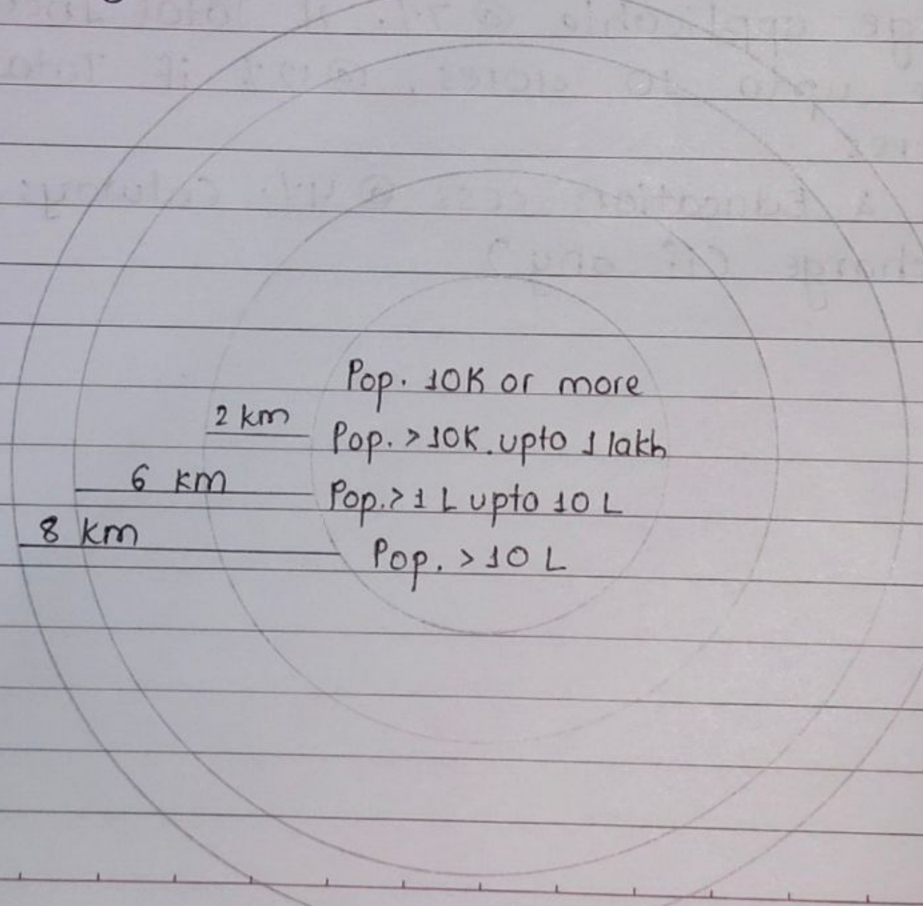
Agriculture Income.

Agriculture Income from agricultural land in India shall be exempt (not taxable) u/s 10(1).

Meaning of Agriculture Income:

1. Income from sale of agriculture produce (grown & sole)
2. Rent of agriculture land which is used by tenant for agriculture purpose.
3. Rent of farm house located in rural area (used as store house or dwelling unit)
4. Income from nursery.

Meaning of Urban Area:



Example : Mr. Saiyam produced 1,000 tons of potatoes (cost 70,000)

↓

200 tons potato sold in raw form
↓
SP = 1,30,000

800 tons potato further process
↓
Process cost = 3,00,000
↓
Chips sale = 15,00,000

(i) calculate net agriculture income
(ii) calculate net business income.

→ Note 1 : Rule No. 7 - Sale of Agriculture produce

↓

Sale in Raw form
↓
Total Agriculture Income
↓
(SP - cost)
(1,30,000 - 14,000)
= 1,16,000

Sale after further process
↓

If process is compulsory for sale
↓
Total Agriculture Income

Process optional
↓
Agri. Income
Busi. Income

(contd.)

Agriculture Income ↓

FMV of Agriculture produce further process
= 520,000
$\left(\frac{130000}{200} \times 800\right)$

(–) Cost of agriculture produce
(56,000)

464,000
Agriculture Income

Business Income ↓

Sale of chips : 1500,000
(–) Process cost : (3,00,000)
(–) FMV of agriculture produced further : (5,20,000)

680,000
PGBP

Total Agriculture Income = 1,16,000 + 4,64,000
= 5,80,000

PGBP = 6,80,000

Q.14) Pg 5 Mr. B PY 25-26 AY 26-27

Part A : computation of Agriculture Income

(i) Sale of Sugarcane in Raw Form (30%)

Sale Price	10,00,000
(-) cost of cultivation	(5,00,000)
	5,00,000

(ii) Sugarcane Further processed (70%)

FMV of Sugarcane	22,00,000
(-) cost of cultivation	(14,00,000)
	8,00,000

Total Agriculture Income (5,00,000 + 8,00,000) is ₹13,00,000.

Part B : computation of business income (sale of sugar)

Sale of sugar	25,00,000
(-) Further process cost	(1,50,000)
(-) FMV of sugarcane used	(22,00,000)
PGBP	1,50,000

• Special Rules for Bifurcation of Income between business and agriculture in case of growing and manufacturing of tea, coffee and rubber.

Rule No. 8 : Income from growing and manufacturing of Tea

40% Business Income | 60% Agriculture Income

Rule NO. 7B : Income from growing and manufacturing of coffee

(i) Grown and cured

25% Business Income | 75% Agriculture Income

(ii) Grown, cured, roasted and grounded

40% Business Income | 60% Agriculture Income

Rule No. 7A : Growing and manufacturing of Rubber

35%	65%
Business Income	Agriculture Income

17) Pg 6 Ms. Vivitha PY 25-26 AY 26-27

Computation of Agriculture & Business Income

	Particulars	Business %	Business ₹	Agriculture %	Agriculture ₹
(i)	Income from sale of Rubber	35	105,000	65	195,000
(ii)	Income from sale of coffee grown & cured	25	25,000	75	75,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded		2,50,000		-
(iv)	Income from sale of tea	40	160,000	60	2,40,000
(v)	Income from sapling & seedling grown in a nursery		-		80,000
			5,40,000		590,000

Q.16) Pg 6

Business Income of Mr. Raja = 25% of 10 lakhs
= 2,50,000

Business Income of Mr. Shyam = 40% of 20 lakhs
= 8,00,000

- Partial Integration in case of Agriculture Income.

Agriculture Income is exempt in tax, but for computation of tax liability, it shall be considered if following conditions are satisfied:

1. Assessee should be Individual / HUF / AOP / BOI / AJP.
2. Net Agriculture Income is more than ₹5000.
3. Non-agriculture (other income) is more than basic exemption.

Computation of Tax Liability

Tax on (Total Income + Net Agriculture Income)	XXXX
(-) Tax on (Basic exemption + Net Agriculture Income)	(XXX)
Net Tax Liability	XXXX

Q.18) Pg 7 Mr. X PY 25-26 AY 26-27

Computation of Total Income

Particulars	Amount	Amount
Income from Salary		10,80,000
Income from House Property		2,50,000
Income from other sources :		
Net Agriculture Income	310,000	
(-) Exempt u/s 10(1)	(3,10,000)	-
Gross Total Income (GTI)		13,30,000
(-) Deduction u/c VI-A		-
Total Income / Net taxable Income		13,30,000

Part A : Tax Liability as per Default Tax Regime u/s 115BAC.

Computation of Tax Liability

	Tax on (Total Income + Net Agr. Inc.) (1330000 + 310000) 1640000 → (Note 1)	1,28,000
(-)	Tax on (Basic exemption + Net Agr. Inc.) (400000 + 3,10,000) 7,10,000 → (Note 2)	(15500)
		1,12,500
	(+) H&EC @4%	4,500
	Net Tax Liability	1,17,000

Note 1 : Tax on 16,40,000

Upto 4,00,000	-	-
> 4,00,000 upto 8,00,000	5%	20,000
> 8,00,000 upto 12,00,000	10%	40000
> 12,00,000 upto 16,00,000	15%	60,000
> 16,00,000 upto 16,40,000	20%	8,000
		1,28,000

Note 2 : Tax on 7,10,000

Upto 4,00,000	-	-
> 400000 upto 7,10,000	5%	15500
		15,500

Part B : Computation of Tax Liability as per normal provision of Income Tax (old tax regime)

(a) Age 45 years

	Tax on (Total Income + Net Agriculture Income) (13,30,000 + 3,10,000) 16,40,000 → (Note 3)	304500
(-)	Tax on (Basic exemption + Net Agriculture Income) (250000 + 3,10000) 560000 → (Note 4)	(24,500)
		2,80,000
	(-) H&EC @4%	11,200
	Net Tax Liability	2,91,200

Note 3 : Tax on 1640000

upto 250000	-	-
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 1640000	30%	192000
		304500

Note 4 : Tax on 560000

> 250000 upto	-	-
> 250000 upto 500000	5%	12500
> 500000 upto 560000	20%	12000
		24500

(b) Age 70 years

Tax on (Total Income + Net Agriculture Income) (1330000 + 310000) 1640000 → (Note 5)	302000
(-) Tax on (Basic exemption + Net Agriculture Income) (300000 + 310000) 610000 → (Note 6)	(32000)
	270000
(+) H & EC @4%	10800
	280800

Note 5 : Tax on 16,40,000

Upto ₹ 3,00,000	-	-
> 3,00,000 upto 5,00,000	5%	10,000
> 5,00,000 upto 10,00,000	20%	1,00,000
> 10,00,000 upto 16,40,000	30%	1,92,000
		3,02,000

Note 6 : Tax on 6,10,000

Upto ₹ 3,00,000	-	-
> 3,00,000 upto 5,00,000	5%	10,000
> 5,00,000 upto 6,10,000	20%	22,000
		32,000

- Revenue Receipt : It is always treated as income and taxable under Income Tax Law.

- Capital Receipt : Normally, capital receipt are not treated as income and it is not taxable.
  Example : Loan taken, shares issued by company, etc.

Capital receipt are treated as income if it is specifically provided in law. Under the head capital gain, profit from transfer of capital asset is treated as income and it is taxable.

NOTE 1 : Income means net receipts (Gross receipts - total expenses) for earning such income.

NOTE 2 : Income includes casual income also i.e. winning from lottery, gambling, car games, horse races

NOTE 3 : In Income Tax, income is taxable whether it is legal income or illegal income.

- Deemed Income :
- Section 68 : cash credit.

Where any amount is credited in the books of accounts of assessee and assessee is not able to explain source and nature of such amount or explanation is not satisfactory in the opinion of assessing officer, then it will be treated as deemed income of assessee.

If assessee has taken any loan or borrowing from any person and explanation about source and nature is not satisfactory of that person (loan giver) then such loan is treated as deemed income of assessee.

Example :

Mr. BB took a loan of ₹10,00,000 from Mr. A and Mr. C. If A and C could not explain souce and nature of such amount then this amount is treated as deemed income of Mr. BB.

→ If any closely held company (unlisted co.) received any amount towards share application, share capital, share premium, from any resident shareholder and if such shareholder explanation is not satisfactory about source and nature, then it is assumed that company's explanation is not satisfactory and it is treated as deemed income of company.

Example :
BBVPL issued shares to mr. Roshan for ₹2 crores. In this case, if mr. Roshan's explanation is not satisfactory about source and nature of ₹2 crores, then it is treated as deemed income of BBVPL

- Section 69 : Unexplained Investment

In any previous year, if assessee made an investment which is not recorded in books of accounts and asseesee's explaination is not satisfactory about source & nature of investment, then value of inv is treated as deemed income of assessee

- Section 69A : Unexplained money

In any PY, the assessee found to be owner of any money, bullion, jewellery and same is not recorded in books of accounts & assessee's explanation about source & nature of such investment, then value of such asset is treated as deemed income.

- Section 69B : Amount of Investment / Assets not fully recorded in Books of Accounts.

If in any PY, assessee make investment or found to be owner of any asset and if such investment or asset is not fully recorded in books of accounts and assessee's explanation is not satisfactory and difference between value of investment / asset in amount recorded in books of accounts is treated as deemed income of assessee.

Example : Investor BB found to be owner of 1 kg Gold (MV : 1 cr) but he has recorded only 40 L in books of accounts for acquiring 1 kg gold. In this case, AO may treat 60 L as deemed income of Mr. BB if BB's explanation is not satisfactory.

- Section 69 C : Unexplained Expenditure.

If in any PY, assessee incur any expenditure and assessee's explanation is not satisfactory about source of such expenses then such expenditure shall be treated as deemed income of assessee.

Example : Investor Prajapati incurred ₹3.9 crores expenditure on marriage of his daughter Payal. If his explanation is not satisfactory of source and nature of such expenses then such expenditure then it shall be treated as deemed income of Mr. Prajapati.

- Section 69 D : Amount borrowed / repaid on Hundi.

If any amount is borrowed or repaid on hundi in cash then such amount shall be treated as deemed income of assessee.
If any amount borrowed on hundi is already treated as income then at the time of repayment it will not be treated as income.

- Section 115BBE : Above income (sec. 68, 69, 69A, 69B, 69C, 69D) shall be taxed @ 60% + 25% surcharge always + 4% H&EC always.
Eff. Tax Rate - 78%.

Special Tax Rates : (Income Tax Act, 1961)

Section	Particulars	Tax Rate
112	Long Term capital Gain (LTCG) → Asset transfer before 23.07.24 → Asset transfer on or after 23.7.24	 20% 12.5%
112A	Long Term capital Gain on sale of Shares / Mutual Funds → Asset transfer before 23.07.24 → Asset transfer on or after 23.07.24	 10% 12.5% In excess of ₹125000
111A	Short Term capital Gain on sale of Shares / MF → Asset transfer before 23.07.24 → Asset transfer on or after 23.07.24	 15% 20%
115BB	Winnings from lottery, game show, card games, etc.	30%
115BBJ	Winnings from online games (Dream11, zupee)	30%

Example 1 : From the following information, Compute tax liability of Ms. Anushree as per Default tax regime u/s 115BAC for AY 26-27.

Income from House Property (comp.)	15,00,000
Income from Business	7,00,000
Income from capital Gain	
→ LTCG on trf. of land u/s 112	10,00,000
→ STCG on trf. of shares u/s 111 A	15,00,000
Income from Other sources	
→ Interest Income	7,00,000
→ Dividend Income	5,00,000
→ Winning from online games	9,00,000
GTI / NTI	68,00,000

→ Computation of Tax Liability

Sr.No.	Income	Tax Rate	Tax Income	Tax
1.	LTCG u/s 112.	12.5%	10,00,000	125000
2.	STCG u/s 111 A	20%	1500000	300000
3.	Winnings	30%	900000	270000
4.	Balance NTI	Slab	3400000 (Note 1)	600000
			68,00,000	1295000
			Add : Surcharge @ 10%.	129500
				1424500
			Add : 4% H&EC	56980
			Net Tax Liability	1481480

Note 1 : Tax on ₹3400000

Upto 400000	-	-
> 400000 upto 800000	5%	20000
> 800000 upto 1200000	10%	40000
> 1200000 upto 1600000	15%	60000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100000
> 2400000 upto 3400000	30%	300000
		600000

• Example 2 : Compute Tax Liability of Mr. Dhairya (Age 32 years) for AY 26-27. Assume assessee opted out from section 115BAC.

Income from Salary (computed)	40,00,000
Income from House Property	10,00,000
Income from capital Gain	
→ LTCG u/s 112	2500000
→ LTCG u/s 112A	1500000
→ STCG u/s 111A	700,000
Income from other Sources	
Bank Interest	10,00,000
Income from card games	1200000
GTI / NTI	1,19,00,000

S.No.	Income	Tax Rate	Income	Tax
1.	LTCG u/s 112	12.5%	2500000	312500
2.	LTCG u/s 112A	12.5% (exc. 125000)	1500000	171875
3.	STCG u/s 111A	20%	700000	140000
4.	Balance NTI card games	30%	1200000	360000
5.	Balance NTI	Slab (Note 1)	6000000	1612500
				2596875
	Add: Surcharge @ 15%			389531
				2986406
	Add: H&EC @4%			119456
				3105862
			i.e.	3105860

Note 1 : Tax on 60,00,000

Upto 250000	–	–
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 6000000	30%	1500000
		1612500

SI : Special Income
OI : Other Income

NOTE : In case of LTCG 112, LTCG 112A, STCG 111A and Dividend Income, maximum surcharge rate applicable is 15% on taxes.

- Total Income (SI + OI) → Upto ₹50 lakhs → No charge
- Total Income (SI + OI) → >50 lakhs upto 1 crore → Surcharge @10% on Taxes
- Total Income (SI + OI) → > 1 crore upto 2 crore → Surcharge @ 15% on Taxes

Total Income (SI + OI) > 2 crores

- Tax on SI → Maximum Surcharge @15%
- Tax on OI
  - Upto 2 crores → Surcharge @ 15% on Taxes
  - > 2 crores upto 5 crores → Surcharge @ 25% on Taxes
  - > 5 crores → Surcharge @ 37% on Taxes → @ 25% in case of 115BAC

Example : From following information, compute Tax Liability of Ms. Diksha for AY 26-27.

Income from Salary (computed)	60,00,000
Income from House Property	20,00,000
Income from Business	1,50,00,000
Income from Capital Gain	
→ LTCG u/s 112	25,00,000
→ LTCG u/s 112A	10,00,000
→ STCG u/s 111 A	15,00,000
	2,80,00,000

Assume assessee pays tax as per section 115BAC.

→ Computation of Tax Liability

1.	LTCG u/s 112	12.5%	2500000	312500
2.	LTCG u/s 112 A	12.5% (exc.)	10,00,000	109375
3.	STCG u/s 111A	20%	15,00,000	300000
4.	Balance NTI	Slab	23000000	6480000
		(Note 1)	2,80,00,000	7201875
	Add: Surcharge @ 15% on capital gain (721875 × 15%)			108281
	Add: surcharge @ 25% on balance tax (6480000 × 25%)			1620000
				8930156
	Add: H&EC @ 4%			357206
				9287362
	Net Tax Liability after rounding off			9287360

Note 1: Tax on 2,30,00,000

Upto	400000		-	-
>400000	upto	800000	5%	20,000
>800000	upto	1200000	10%	40,000
>1200000	upto	1600000	15%	60,000
>1600000	upto	2000000	20%	80,000
>2000000	upto	2400000	25%	1,00,000
>2400000	upto	23000000	30%	618000
				648000

Example: Mr. Jay is a resident, aged 32 year
His income details for PY 2025-26 are follows

(i)	LTCG u/s 112 A	1,00,00,000
(ii)	LTCG u/s 112	60,00,000
(iii)	STCG u/s 111 A	2,00,00,000
(iv)	Other income	1,00,00,000

Calculate his tax liability for AY 2026-27. He shifted out of default tax regime u/s 115BAC (1A

Computation of Tax Liability

	Particulars	Rate	Income	Tax
1.	LTCG u/s 112	12.5%	6000000	750,000
2.	LTCG u/s 112 A (in excess of ₹125000)	12.5%	1,00,00,000	1234375
3.	STCG u/s 111 A	20%	2,00,00,000	40,00,000
4.	Balance NTI	Slab	1,00,00,000	28,12,500 (Note 1)
			46000000	8796875
(+)	Surcharge on capital Gains @ 15%. (59,84,375 × 15%)			897656
(+)	Surcharge on balance tax @ 15%. (2812,500 × 15%)			421875
				1,01,16,406
(+)	H&EC @ 4%.			404656
	Net Tax Liability			1,05,21,062

- Note 1 : Tax on ₹1,00,00,000

upto 2,50,000	–	–
>2,50,000 upto 5,00,000	5%	12,500
>5,00,000 upto 1000000	20%	1,00,000
>10,00,000 upto 1,00,00,000	30%	2700000
		28,12,500

Example : Mr. Ritesh, a resident individual, Age 35 years. His income is as follows : calculate tax liability for AY 26-27, as per section 115BAC.

(i)	LTCG u/s 112A	2,00,000
(ii)	LTCG u/s 112	1,00,000
(iii)	STCG u/s 111A	3,00,000
(iv)	Dividend income	13,00,000
(v)	other income	3,34,00,000
	GTI / NTI	3,53,00,000

→ calculation of Tax Liability

Sr. No.	Income	Tax Rate	Income	Tax
(i)	LTCG u/s 112A	12.5% in excess	200000	9375
(ii)	LTCG u/s 112	12.5%	100000	12500
(iii)	STCG u/s 111A	20%	300000	60000
(iv)	Balance NTI (Note 1)	Slab rate	34700000	9990000
			35300000	10071875
(+)	Surcharge on capital gain (81875 × 15%)			12281
(+)	Surcharge on tax on dividend (374265 × 15%)			56140
(+)	Surcharge on balance tax (9990000 − 374265 × 25%)			2403933
				12544230
(+)	H&EC @ 4%			501770
	Net Tax Liability			13046000

Note 1 : Tax on 34700000

upto 400000	-	-
> 400000 upto 800000	5%	20,000
> 800000 upto 1200000	10%	40,000
> 1200000 upto 1600000	15%	60,000
> 1600000 upto 2000000	20%	80000
> 2000000 upto 2400000	25%	100,000
> 2400000 upto 34,700,000	30%	9690000
		9990000

Tax on Dividend :

$$\frac{9990,000}{34,700,000} \times 1300,000 = 374265$$

$\times$ 15%

= 56,140

Normally, income earned in P.Y is taxed in A.Y. It means, assessee pays tax and files his ITR in A.Y. But in the following cases, income earned in PY and assessee pay taxes and files ITR in PY itself.

- **Section 172: Shipping Business of Non Resident.**
  In case of NR engaged in shipping business, assessee is required to pay tax & file his ITR in PY itself before leaving India Port

- **Section 174: Person leaving India.**
  If it appears to AO that any person is leaving India for permanent settlement. AO may ask assessee to pay tax and file his ITR in PY itself on the income earned in PY itself.

- **Section 174A: AOP / BOI / AJP formed for a particular event or purpose**
  If AOP / BOI / AJP is formed for particular event & dissolve in PY itself, AO may ask assessee to pay tax and file his ITR in PY itself on the income earned in PY.
  Example: BOI created for the purpose of Navratri festival and it is dissolved after the festival. In this case, AO may ask BOI to pay tax & file ITR in PY itself.

- Section 175 : Person likely to transfer property to avoid tax.

If it appears to AO that any person is likely to transfer / sale / gift / donate any of his asset to avoid payment of liability in income tax, then AO may ask ---.

- Section 176 : Discontinued Business.

If any business or profession is discontinued in PY, AO may ask assessee to pay tax and file ITR in PY itself.

NOTE : Section 172 (Shipping business of NR) is a mandatory section but other sections are only optional if it is appears to AO.

Q.3. Pg 1

A. Computation of Tax Liability as per Default Tax Regime u/s 115BAC.

Upto 400000		-	-
>400000 upto	800000	5%	20000
>800000 upto	1200000	10%	40000
>1200000 upto	1600000	15%	60000
>1600000 upto	2000000	20%	80000
>2000000 upto	2400000	25%	100000
>2400000 upto	10100000	30%	2310000
			2610000
(+) Surcharge @ 15%			391500
			3001500

Restricted to

Tax on 1 crore + Tax on (NTI - 1cr)

Upto 400000		-	-
>400000 upto 800000		5%	20000
>800000 upto 1200000		10%	40000
>1200000 upto 1600000		15%	60000
>1600000 upto 2000000		20%	80000
>2000000 upto 2400000		25%	100000
>2400000 upto	10000000	30%	2280000
			2580000
(+) Surcharge @ 10%			258000
			2838000

2838000 + 100000	2938000
(Marginal Relief = 63500)	2938000
(+) H&EC @ 4%	117520
Net Tax Liability	3055250

B. Computation of Tax Liability as per Old Tax Regime

Upto 250000	-	-
> 250000 upto 500000	5%	12,500
> 500000 upto 1000000	20%	100,000
> 1000000 upto 1,10,00,000	30%	3000000
		3112500
(+) Surcharge @15%		466875
		3579375

Restricted to
Tax on 1 crore + (NTI - 1 cr)
3093750 + 100000

Upto 250000	-	-
> 250000 upto 500000	5%	12500
> 500000 upto 1000000	20%	100000
> 1000000 upto 10000000	30%	2700000
		2812500
(+) Surcharge @10%		281250
		3093750
3093750 + 100000		3193750
(Marginal Relief = 385625)		3193750
(+) H&EC @4%		127750
Net Tax Liability		3321500

Q.12. Pg 5

A. Computation of Tax Liability as per Default Tax Regime u/s 115BAC.

Income	Tax Rate	Income	Tax
LTCG u/s 112	12.5%	5500000	687500
STCG u/s 111A	20%	6500000	1300000
Other Income	Slab	53000000	15480000
			17467500
(+) Surcharge on capital Gain (1987500 x 15%)			298125
(+) surcharge on Balance tax (15480000 x 25%)			3870000
			21635625
(+) H&EC @4%			865425
* Net Tax Liability			22501050

Upto 400000		—	—
>400000 upto	800000	5%	20000
>800000 upto	1200000	10%	40000
>1200000 upto	1600000	15%	60000
>1600000 upto	2000000	20%	80000
>2000000 upto	2400000	25%	100000
>2400000 upto	53000000	30%	15180000
			15480000

B. Computation of Tax Liability as per Normal Tax Regime.

Income	Tax Rate	Income	Tax
LTCG u/s 112	12.5%	5500000	687500
STCG u/s 111A	20%	6500000	1300000
Other Income	Slab rate	53000000	15712500
		650,00,000	17,70,000
(+) Surcharge on capital Gain (1987500 x 15%)			298125
(+) Surcharge on Balance Tax (15712500 x 37%)			5813625
			23,81,750
(+) H&EC @ 4%			952470
Net Tax Liability			24,764,220

Tax on Other Income:

Upto 250000	–	–
>250000 upto 500000	5%	12500
>500000 upto 1000000	20%	100000
>1000000 upto 53000000	30%	15600000
		15712500