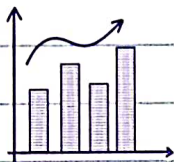


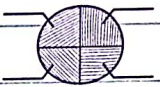
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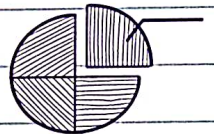
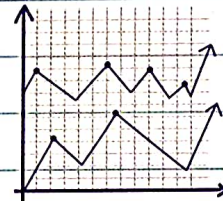
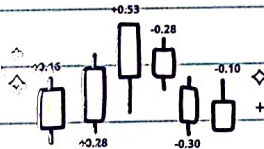
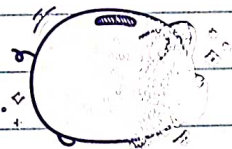


COMPACT



for MAY / JUNE 2023 EXAMS

Amended By Finance Act, 2022 For A.Y. 23-24



Hand Written Notes

By CA BHANWAR BORANA

Volume-1



Make My Delivery

Handwritten Notes

Direct Tax & International Taxation

COMPACT

Volume - 1

For CA/ CMA Final

May / June 2023

All New Revised Edition A.Y. 2023-24

BY CA BHANWAR BORANA

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Thanks to makemydelivery.com for publishing this book. I would also like to thank **Aadil Sayyed** for his valuable contribution.

Wishing you all the best for your career.

Happy reading.

Regards,

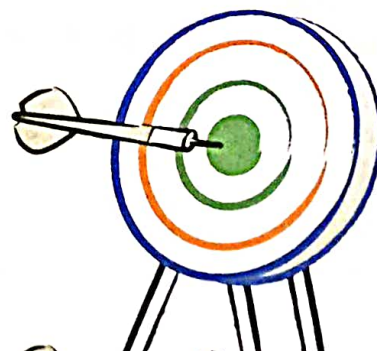
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CA Final Course Paper 7

Part I Direct Tax (70 Marks)

Sections	Weightage	Content Area
1.	35% - 45%	1. Basis of charge, residential status, income which do not form part of total income, heads of income, income of other persons included in assessee's total income, aggregation of income, set-off and carry forward of losses, deductions from gross total income, rebates and reliefs 2. Special provisions relating to companies and certain persons other than a company*
2.	5% - 10%	3. Provisions relating to charitable and religious trust and institutions, political parties and electoral trusts
3.	5% - 10%	4. Tax Planning, Tax Avoidance & Tax Evasion
4.	15% - 20%	5. Collection & Recovery of Tax, Refunds
5.	15% - 25%	6. Income-tax Authorities, Procedure for assessment, Appeals and Revision 7. Penalties, Offences & Prosecution
6.	15% - 20%	8. Liability in Special Cases 9. Miscellaneous Provisions and Other Provisions

*Including Firms, LLPs, Trusts, AOPs, BOIs, Securitisation Trusts, Business Trusts, Investment Fund etc.



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TAX RATES FOR A.Y. 2023-24

Topic - 01

TAX RATES FOR A.Y. 2023 - 24

*“The first step towards getting somewhere is to
decide you’re not going to stay where you are.”*

J. P. Morgan

#	Individual, HUF, AOP, BOI, Artificial Juridical Person	Tax Rate
A.	For Individual, HUF, AOP, BOI, AJP (Resident or Non-resident)	
	Total income upto ₹2,50,000 (Basic Exemption Limit)	Nil
	> ₹2,50,000 upto ₹5,00,000	5%
	> ₹5,00,000 upto ₹10,00,000	20%
	> ₹10,00,000	30%
B.	For Senior Citizen (Resident Individual age 60 years or more in P.Y.)	
	Total income upto ₹3,00,000 (Basic Exemption Limit)	Nil
	> ₹3,00,000 upto ₹5,00,000	5%
	> ₹5,00,000 upto ₹10,00,000	20%
	> ₹10,00,000	30%
C.	For Super Senior Citizen (Resident Individual age 80 years or more in P.Y.)	
	Total income upto ₹5,00,000 (Basic Exemption Limit)	Nil
	> ₹5,00,000 upto ₹10,00,000	20%
	> ₹10,00,000	30%
#	Circular No 28/2016 dt 27.07.2016	
	Any Resident Individual whose 60th/80th birthday falls on 1st April 2023 shall be treated as having completed the age of 60/80 years on 31st March 2023 i.e. PY 2022-23 (AY 2023-24) and hence would be eligible for the higher basic exemption limit of ₹3,00,000 & ₹5,00,000.	
#	Surcharge for Assessee being Individual, HUF, AOP, BOI and AJP:	
	Condition	Surcharge - % of tax on
(i)	Total Income upto ₹50 Lakhs	Total Income Nil
(ii)	Total Income >₹50 Lakhs but upto ₹1Cr.	Total Income 10%
(iii)	Total Income > ₹1Cr. but upto ₹2Cr.	Total Income 15%
(iv)	Dividend, Capital gain u/s 111A, 112A & 112 > ₹2Cr.	Dividend, Capital gain u/s 111A, 112A & 112 15%
(v)	Remaining Total Income (Total Income excluding Dividend, Capital gain u/s 111A, 112A & 112) > ₹2Cr. but upto ₹5Cr.	Dividend, Capital gain u/s 111A, 112A & 112 15%

(vi)	Remaining Total Income (Total Income excluding Dividend, Capital gain u/s 111A, 112A & 112)	> ₹5 Cr.	Dividend, Capital gain u/s 111A, 112A & 112	15 %
			Remaining Total Income	37%

In other words:

- In any case, surcharge on Dividend and Capital gain u/s 111A, 112A & 112 shall not exceed 15%.
- Assessee will never be hit with surcharge of 25% merely because such dividend & capital gains push his total income into "exceeding ₹2 Crores but upto ₹5 Crores" brackets but the remaining total income is less than ₹2 Crores.
Assessee will be hit with surcharge of 25% on his remaining total income only if the remaining total income exceeds ₹2 Crores.
- Likewise, Assessee will never be hit with surcharge of 37% merely because such dividend & capital gains push his total income into "exceeding ₹5 Crores" brackets but the remaining total income is less than ₹5 Crores.
- Assessee will be hit with surcharge of 37% on his remaining total income only if the remaining total income exceeds ₹5 Crores.

→ Examples

* ₹ in Lakhs"

	Total Income excluding Specified Income	Specified Income (CG u/s 111A/112A /112 & Dividend)	Total Income	Surcharge applicable on Tax Calculated on	
				Specified Income	Other Income
1	20	25	45	NIL	NIL
2	45	50	95	10%	10%
3	45	70	115	15%	15%
4	45	300	345	15%	15%
5	45	600	645	15%	15%
6	60	30	90	10%	10%
7	60	70	130	15%	15%
8	60	300	360	15%	15%
9	60	700	760	15%	15%

10	150	45	195	15%	15%
11	150	250	400	15%	15%
12	150	500	650	15%	15%
13	300	100	400	15%	25%
14	300	250	550	15%	25%
15	600	100	700	15%	37%

For Company

A. Domestic Company

(1) Total Turnover or Gross Receipt of P.Y. 2020-21 Tax Rates

upto ₹ 400 Crore 25%

(ii) Otherwise 30%

B. Foreign Company 40%

Surcharge: Domestic Co. Foreign Co.

Total Income (NTI)

> ₹ 1 Crore but upto ₹ 10 Crore 7% 2%

> ₹ 10 Crore 12% 5%

For Partnership Firm / LLP / Local Authority

Tax Rate : 30%

Surcharge: @ 12% of Tax if NTI > ₹ 1 Crore

Note : In all the above cases, Health & Education Cess is applicable @ 4% of Tax (includes surcharge)

For Co-operative societies Tax rate

Total Income upto ₹10,000 10%

Total Income > ₹10,000 but upto ₹20,000 20%

Total Income > ₹20,000 30%

Surcharge : @ 12% of tax if Total Income > ₹ 1 Crore

→ Example: 1

Mr. Hari is a resident, aged 42 years. His income details for PY 2022-23 are as follows:

(i) Capital gains u/s 112A - ₹ 25,00,000

(ii) Capital gains u/s 111A - ₹ 20,00,000

(iii) Other income - ₹ 70,00,000

Calculate his tax liability for AY 2023-24

Solution :

Particular	Tax Rate	Income	Tax
LTCG 112A (in excess of 1,00,000)	10%	25,00,000	2,40,000
STCG 111A	15%	20,00,000	3,00,000
Balance NTI	Normal Tax Rate	70,00,000	19,12,500
	Total	1,15,00,000	24,52,500
Add: Surcharge on LTCG 112A & STCG 111A @15%			81,000
Add: Surcharge on Balance Tax @15%			2,86,875
			28,20,375
Add: Health & Education Cess @ 4%			1,12,815
Net Tax Payable			29,33,190

→ Example: 2

Mr. Jay is a resident, aged 32 years. His income details for PY 2022-23 are as follows:

- (i) Capital gains u/s 112A - ₹ 1,00,00,000
- (ii) Capital gains u/s 111A - ₹ 2,00,00,000
- (iii) Other income - ₹ 1,00,00,000

Calculate his tax liability for AY 2023-24

Solution :

Particular	Tax Rate	Income	Tax
LTCG 112A (in excess of 1,00,000)	10%	1,00,00,000	9,90,000
STCG 111A	15%	2,00,00,000	30,00,000
Balance NTI	Normal Tax Rate	1,00,00,000	28,12,500
	Total	4,00,00,000	68,02,500
Add: Surcharge on LTCG 112A & STCG 111A @15%			5,98,500
Add: Surcharge on Balance Tax @15%			4,21,875
			78,22,875
Add: Health & Education Cess @ 4%			3,12,915
Net Tax Payable			81,35,790

→ Example: 3

Mr. BB is a resident, aged 31 years. His income details for PY 2022-23 are as follows:

- (i) Capital gains u/s 112A - ₹ 2,00,000
- (ii) Capital gains u/s 111A - ₹ 4,00,000
- (iii) Dividend ₹13,00,000
- (iv) Other income - ₹ 3,34,00,000

Calculate his tax liability for AY 2023-24

Solution:

Particular	Tax Rate	Income	Tax
LTCG 112A (in excess of 1,00,000)	10%	2,00,000	10,000
STCG 111A	15%	4,00,000	60,000
Balance NTI	Normal Tax Rate	3,47,00,000	1,02,22,500
	Total	3,53,00,000	1,02,92,500
Add: Surcharge on LTCG 112A & STCG 111A @15%			10,500
Add: Surcharge on tax on dividend income @15%			57,446
(Note=1 Tax on Dividend)			
Add: Surcharge on Balance Tax @25% (9839524 × 25%)			24,59,881
			1,28,20,327
Add: Health & Education Cess @ 4%			5,12,813
Net Tax Payable			1,33,33,140

Note: Tax on dividend = $1,02,22,500 / 3,47,00,000 \times 13,00,000 = 3,82,976$

→ Example:4

Mr. Aadil is a resident, aged 26 years. His income details for PY 2022-23 are as follows:

- (i) Capital gains u/s 112A - ₹ 2,90,000
- (ii) Capital Gain u/s 112 - ₹ 30,00,000
- (iii) Other income - ₹ 2,50,00,000

Calculate his tax liability for AY 2023-24.

Particular	Tax Rate	Income	Tax
LTCG 112A (in excess of 1,00,000)	10%	2,90,000	19,000
LTCG 112	20%	30,00,000	6,00,000
Balance NTI	Normal Tax Rate	2,50,00,000	73,12,500
	Total	2,82,90,000	79,31,500
Add: Surcharge on LTCG 112A & LTCG 112 @ 15%			92,850
Add: Surcharge on Balance Tax @ 25%			18,28,125
			98,52,475
Add: Health & Education Cess @ 4%			3,94,099
			1,02,46,574
Net Tax Payable			i.e. 1,02,46,570

Marginal Relief.

It is applicable in case of **All Assessee** where surcharge is applicable. You have to check marginal relief concept when the total income is little bit more than ₹50 Lakhs/ 1 Crore / 2 Crore/ 5 Crore (in case of Ind/HUF/AOP/BOI/AJP) or ₹1Crore (in case of Company /Firm/local Authority/ Co. op. society) or ₹10 Crore (in case of Company).

Example 1 : Total income of Shree Ltd. =	₹	1,01,00,000
(Indian Co.)		
Tax on Total income **		30,30,000
(+) surcharge @ 7%		2,12,100
Restricted to		32,42,100
Tax on ₹ 1 cr + (NTI -1 cr)		31,00,000
(₹ 30,00,000 + ₹ 1,00,000)		
		31,00,000
(+) Health & Education cess @ 4%		1,24,000
Tax Payable		32,24,000
In above Example:	Income over ₹ 1 cr	= ₹ 1,00,000
	Tax	= ₹ 2,42,100

If extra tax is more than extra income then differer

** Assume Tax rates of 25% NOT Applicable.

	₹	
→ Example - 2 :		
Total income of Tree Ltd (Indian Co.)	10,02,30,000	
.. Tax on Total income**	3,00,69,000	
(+) surcharge @ 12%	36,08,280	
Restricted to	3,36,77,280	← Marginal relief
Tax on ₹ 10 crore + (NTI - 10 Crore)	3,23,30,000	← of ₹ 13,47,280
(3,21,00,000 + 2,30,000)	₹3,23,30,000	
(+) Health & Education cess @ 4%	₹ 12,93,200	
Tax Payable	₹3,36,23,200	

** Assuming 25% rate is not applicable

	₹	₹
→ Example: 3		
Total Income of Mr. Sam, a Non-resident (age 62 years) is ₹ 1,01,00,000		
Tax on Total Income	₹	₹
Upto 2,50,000	Nil	
>2,50,000 upto 5,00,000	12,500	
>5,00,000 upto 10,00,000	1,00,000	
>10,00,000 upto 1,01,00,000	27,30,000	28,42,500
Add: Surcharge @ 15%		4,26,375
Restricted to		32,68,875
Tax on 1 Crore + (NTI - 1 crore)		31,93,750
30,93,750 + 1,00,000		31,93,750
(28,12,500+10%)		
Add: Health and Education Cess@4%		1,27,750
Tax Payable		33,21,500

→	Example: 4		
	Total Income of Mr.Devam a resident individual (Age 49 years) is ₹5,07,20,000		
	Tax on Total income	₹	₹
	upto ₹2,50,000	Nil	
	> 2,50,000 upto 5,00,000	12,500	
	> 5,00,000 upto 10,00,000	1,00,000	
	>10,00,000 upto 5,07,20,000	1,49,16,000	1,50,28,500
	Add: Surcharge @ 37%		55,60,545
			2,05,89,045
	Restricted to		
	Tax on 5 Crore + (NTI - 5 Crore)		
	1,85,15,625 + 7,20,000		1,92,35,625
			1,92,35,625
	Add: Health & Education Cess @4%		7,69,425
	Tax Payable		2,00,05,050

Marginal Relief
₹13,53,420

Rebate u/s 87A - For Resident individuals having NTI upto ₹ 5,00,000.

- ↓ a.) 100% of tax payable, or
- ↓ b.) ₹ 12,500

Whichever is Lower

This rebate shall be reduced before adding education cess.

→	Example: 1		₹
	Total income (NTI) of Mr. BB, aged 28 Years	4,40,000	
	Tax on ₹4,40,000	9,500	
	Less: Relief U/s 87A		
	(i) Tax Amount		
	OR		
	(ii) ₹12,500	9,500	
		Nil	
	Add: Health & Education Cess @ 4%	Nil	
	Net Tax Payable	Nil	

→ Example: 2 Total income of Mr Ravi, aged 35 years is ₹5,07,000

Tax on 5,07,000	13,900
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Add: Health & Education Cess	556
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Net tax Payable	<u>14,456</u>
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Note : In above example rebate is not available since Total income is more than ₹5,00,000.

Important Note : Rebate u/s 87A available against all types of Income except LTCG u/s 112A.

Note : Net Taxable income (NTI) and Tax Amount should be Rounded Off to the nearest ₹ of 10.

Special Rates of Tax (Chapter XII)

Sec. 115BA: 25% Tax in case of certain Domestic Manufacturing Companies

Assessee	Domestic Manufacturing Company - Setup & Registered on or after 1 st March, 2016
Tax rate	<ul style="list-style-type: none"> Income u/s 115BA shall be taxable @ 25% Income cover under chapter XII other than sec 115BAA & 115BAB (i.e., special income u/s 111A, 112, 112A etc.) shall be taxable @ Special rates only.
Surcharge & cess	<ul style="list-style-type: none"> Surcharge shall be @ 7%/12% depending on Total Income of Company. Health & Education cess (HEC) will be @ 4% always.
MAT	<ul style="list-style-type: none"> Company is required to pay MAT. Company can carry forward and utilize MAT credit as per sec 115JAA.
Conditions	<ol style="list-style-type: none"> Company has been setup & registered on or after 01-03-16. Company is engaged in the business of manufacture or production of any article or things. Company should not claim benefit of : <ul style="list-style-type: none"> Sec. 10AA Sec. 32(1)(iia), 32AD Sec. 33AB, 33ABA Sec. 35(1)(ii), (iia), (iii), 35(2AA), 35(2AB) Sec. 35AD, 35CCC, 35CCD Any Deduction in respect of Certain Income u/c VI-A (except: sec 80JJAA)
Option	<ul style="list-style-type: none"> Option has to be exercised upto due date of ROI u/s 139(1). Once the option is exercised it can't be withdrawn for the same or any other PY. <p>However, Company which has opted for sec. 115BAA, in that case option under this sec. may be withdrawn.</p>

#	Sec. 115BAA: Tax on Income of certain Domestic Companies (Added by The Taxation Law Amendment Act, 2019 w.e.f. AY 20-21)
Assessee	Domestic Company
Tax rate	Income u/s 115BAA shall be taxable @ 22%
Surcharge & cess	<ul style="list-style-type: none"> » Surcharge will be @ 10% irrespective of total income. » Health & Education cess (HEC) will be @ 4% always.
Effective tax rate	<ul style="list-style-type: none"> • Income u/s 115BAA : 22% + 10% + 4% = 25.168% • Other income (like IFHP, IFOS etc) : 22% + 10% + 4% = 25.168% • Income cover u/c XII other than sec 115BA & 115BAB : Special rate + 10% + 4% (i.e. special income u/s 111A, 112, 112A etc)
MAT	<ul style="list-style-type: none"> » Company opting for sec. 115BAA is not required to pay MAT. » B/F MAT credit cannot be set off against income u/s 115BAA. <p>Therefore, if assessee has b/f MAT credit, it should first exhaust the MAT credit and thereafter opt for sec 115BAA in subsequent PY.</p>
Conditions	<ol style="list-style-type: none"> 1. Company should not claim following deductions: <ul style="list-style-type: none"> - Sec. 10AA, Sec. 32(1)(iia), 32AD - Sec. 33AB, 33ABA - Sec. 35(1)(ii), (iia), (iii), 35(2AA), 35(2AB) - Sec. 35AD, 35CCC, 35CCD - Any deduction under Chapter VI-A (except: sec. 80JJAA, 80LA, 80M) 2. Company cannot set-off any B/F loss or unabsorbed depreciation which is attributable to deduction referred above. Such loss or unabsorbed depreciation shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year. <ul style="list-style-type: none"> » If the above conditions are not satisfied in any PY - the option will be invalid for that PY and subsequent PY's and normal provisions of the Act shall apply.
Option	<ul style="list-style-type: none"> » The beneficial provisions of this section apply only if the option is exercised in the FORM 10-IC upto due date of ROI u/s 139(1) for AY 20-21 or subsequent AY.

- » Once the option is exercised it would apply to subsequent AY's.
- » Further, Once the option is exercised for any PY it can't be withdrawn for the same or any other PY

Sec. 115BAB: Tax on Income of certain New Domestic Manufacturing Companies
(Added by The Taxation Law Amendment Act, 2019 w.e.f. AY 20-21)

Assessee	Domestic Manufacturing Company setup & registered on or after 1st October, 2019 and commences manufacturing business on or before 31st March, 2024
Tax rate	Income u/s 115BAB shall be taxable @ 15%.
Surcharge & cess	<ul style="list-style-type: none"> » Surcharge will be @ 10% irrespective of total income. » Health & Education cess (HEC) will be @ 4% always.
Effective tax rate	<ul style="list-style-type: none"> • Manufacturing Income u/s 115BAB : 15% + 10% + 4% = 17.16% • STCG on T/F of depreciable asset : 15% + 10% + 4% = 17.16% • STCG on T/F of Non-depreciable asset : 22% + 10% + 4% = 25.168% • Other Income (like IFHP, IFOS etc) : 22% + 10% + 4% = 25.168% <p>(However, no deduction or allowance in respect of any expenditure or allowance shall be allowed e.g. sec. 24, 57)</p> <ul style="list-style-type: none"> • Excess profit as computed by AO u/s 115BAB(6) : 30% + 10% + 4% = 34.32% • Income cover u/c XII other than sec 115BA & 115BAA : Special rate + 10% + 4% (i.e. special income u/s 111A, 112, 112A etc)
MAT	<ul style="list-style-type: none"> » Company opting for sec 115BAB is not required to pay MAT. » Since this sec applies to Newly setup Companies, there is no question of brought forward MAT credit.
Conditions	<ol style="list-style-type: none"> 1. Company has been setup & registered on or after 1st October, 2019 and commence manufacturing business on or before 31st March, 2023. 2. It should not be formed by splitting up or reconstruction of a business already in existence. 3. P&M should be New.

Exception:

a) 20% of total P&M can be **second hand**.

b) **Imported P&M** shall be treated as **new only for this sec.**

4. Company **does not** use any **building** previously used as a **Hotel or a convention centre**.

5. Company is **not engaged in any business** other than **manufacturing** or production of any article or thing and **research** relating to, or **distribution** of such article or thing manufactured or produced by it.

Business of Manufacture or production of any article or things does not

Include business of:

» Development of Computer software

» Mining

» Conversion of marble block or similar items into slabs

» Bottling of gas into cylinder

» Printing books or production of cinematograph film

» Any other notified business

Note : Business of **power generation or distribution shall be treated as manufacturing business**.

6. Company **should not claim** following deductions/ exemptions:

- Sec. 10AA

- Sec. 32(1)(iia), 32AD

- Sec. 33AB, 33ABA

- Sec. 35(1)(ii), (iia), (iii), 35(2AA), 35(2AB)

- Sec. 35AD, 35CCC, 35CCD

- Chapter VI-A (except: sec. 80JJAA, 80M)

7. Company **cannot not setoff** any **loss or unabsorbed dep** attributable to deduction referred above. Such loss or unabsorbed depreciation shall be deemed to have been already given full effect to and no further deduction for such loss shall be allowed for any subsequent year.

» If above conditions not satisfied in any PY- the option will be invalid for that PY and subsequent PY's and normal provisions of the Act shall apply.

However, if the option rendered invalid

	stipulated in point no. (3) & (5) , company may exercise option u/s 115BAA.
Exercising the Option	<ul style="list-style-type: none"> • The beneficial provisions of this section apply only if the option is exercised in FORM 10-ID on or before due date of furnishing first ROI u/s 139(1). • Once the option is exercised it would apply to subsequent AYs. • Further, Once the option is exercised for any PY it can't be withdrawn for the same or any other PY
Other Point	<ul style="list-style-type: none"> » If it appears to AO that, owing to the close connection between the company and any other person or for any other reason, the course of business is so arranged that the business transacted between them produces more profit than ordinarily expected to the Company, Excess profit computed by AO to treated as income to the Co. and taxable @ 30%+10%+4%. » If transaction is > ₹20 cr. It will be covered in specified domestic transaction and transfer pricing shall apply.

Comparison of sections 115BAA and 115BAB

Sr. No.	Points of comparison	New Section 115BAA	New Section 115BAB
1.	Deals with	Tax on income of certain domestic companies	Tax on income of certain new domestic manufacturing companies
2.	When company must be set up and registered to qualify for availing benefit under the section?	Benefit under the section is available irrespective of date on which company was set up and registered	On or after 01-10-2019
3.	Tax Rate	22%	15%
4.	Rate of surcharge applicable	10%	10%
5.	Effective tax rate including surcharge and Health and Education Cess	25.168%	17.16%

		No	Yes
6.	Whether conditions regarding new undertaking not formed by splitting up existing business applicable under the section ?		
7.	Whether stipulations regarding non-use of second hand plant and machinery is applicable under the section ?	No	Yes
8.	Whether stipulations regarding non-use of building earlier used as hotel or convention centre is applicable ?	No	Yes
9.	Exemption from MAT u/s 115JB	Yes	Yes
10.	When option for benefits under section should be exercised ?	On or before the due date specified under section 139(1) for furnishing the return of income for any previous year relevant to the assessment year commencing on or after 01-04-2020.	On or before the due date specified under section 139(1) for furnishing the first of the return of income which the assessee is required to furnish under the provisions of the Act
11.	What happens to existing unutilised MAT credit?	Unutilised MAT credit lapses if company opts for sec. 115BAA [as clarified by CBDT's Circular No. 29/2019 dated 02.10.2019]	No question of unutilised MAT credit as section applies to new companies.
12.	Tax rate for other special rates of Incomes (112A, 112, 111A etc.)	Special rate + 10% surcharge + 4% HEC	Special rate + 10% surcharge + 4% HEC

13	Tax on other income (HP/IFOS)	22% + 10% surcharge + 4% HEC i.e. 25.168%.	22% + 10% surcharge + 4% HEC i.e. 25.168%.
14	Benefits not available	<ul style="list-style-type: none"> • 10AA • 32(1)(iia), 32AD • 33AB, 33ABA • 35(1)(ii),(iia),(iii),35(2AA), 35(2AB) • 35AD, 35CCC, 35CCD • Chapter VI-A • Except: 80JJAA, 80LA, 80M No Setoff of Any B/F loss or unabsorbed dep attributable to such deduction	<ul style="list-style-type: none"> • 10AA • 32(1)(iia), 32AD • 33AB, 33ABA • 35(1)(ii),(iia),(iii),35(2AA), 35(2AB) • 35AD, 35CCC,35CCD • Chapter VI-A • Except: 80JJAA, 80M No Setoff of Any B/F loss or unabsorbed dep attributable to such deduction
15	Max dep	Max dep 40%	Max dep 40%

Section- 115 BAC: Tax on Income of Individual & HUF

(Added by FA-20 w.e.f. AY 21-22)

Assessee	Individual & HUF	
Tax rate	Total income	Tax rate
	Upto ₹ 2,50,000	Nil
	₹2,50,001 to ₹5,00,000	5%
	₹5,00,001 to ₹7,50,000	10%
	₹7,50,001 to ₹10,00,000	15%
	₹10,00,001 to ₹12,50,000	20%
	₹12,50,001 to ₹15,00,000	25%
	> ₹150000	30%
→	Special Income (u/s 111A, 112, 112A etc.) shall be taxable @ Special rates.	
Surcharge & cess	» Surcharge will be @ 10%/15%/25%/37% depending on Total Income of assessee.	
	» Health & Education cess (HEC) shall be @ 4% always.	
AMT	» Assessee opting for sec. 115BAC is not i	

» B/F AMT credit cannot be set off against income u/s 115BAC. Therefore, if assessee has b/f AMT credit, it should first exhaust the AMT credit and thereafter opt for sec 115BAC.

Conditions

1. Assessee does not claim following deductions/ exemptions :

HP

- » Interest u/s 24(b) for Self-occupied property.
- » Set-off of HP loss (Let out /Deemed to be let-out property) against other head (HP loss shall be allowed to be carried forward as per law).

Salary

- » Standard deduction of 50,000, Entertainment allowance and Professional tax u/s 16.
- » Leave travel concession u/s 10(5).
- » HRA u/s 10(13A).
- » Allowance u/s 10(14) (except: DTDC)
- D. Travel allowance to a Divyang employee for commuting between the place of residence and place of duty.
- T. Travelling or tour allowance - to meet the cost of travel on tour or on transfer.
- D. Daily allowance: to meet the ordinary daily charges incurred by an employee due to absence from his normal place of duty.
- C. Conveyance allowance: to meet the expenditure on conveyance in performance of duties of an office.

PGBP

Sec. 10AA
 Sec. 32(1)(iia), 32AD
 Sec. 33AB, 33ABA
 Sec. 35(1)(ii),(iia),(iii), 35(2AA)
 Sec. 35AD, 35CCC

IFOS

- » Allowance for income of minor u/s 10(32).
- » Allowance to Mps / MLAs u/s 10(17).
- » Deduction form Family pension u/s 57.

Deduction

Deduction under Chapter VI-A
 Except : deduction u/s 80J

	<p>2. Assessee cannot set-off any b/f loss or unabsorbed depreciation attributable to deduction referred above.</p> <p>3. HP loss cannot be set off against other head.</p> <p>4. No deduction or exemption for allowance or perquisite provided under any other law for the time being in force.</p> <p>» On failure to satisfy any of the forgoing conditions- option of concessional rate will be invalid and normal provisions of the Act shall apply-</p> <ul style="list-style-type: none"> - In respect of relevant AY - in case of Individual/HUF not having business income. - In respect of relevant AY and subsequent AY - in case of Individual/HUF having business income.
Exercising the Option	<p>The option has to be exercised in FORM 10-IE along with ROI to be furnished u/s 139(1)</p> <p>» In case of Individual/HUF not having business income: assessee may choose whether or not to exercise the option in each PY. Therefore assessee can choose any of the two-tax regime every year depending on their tax liability. In this case FORM- 10-IE not required.</p> <p>» In case of Individual/HUF having Business income: Once the option is exercised it can't be withdrawn except assessee ceases to have PGBP.</p>
Other points	<p>» Rebate u/s 87A is available even if assessee opt for sec. 115BAC.</p> <p>» Clarification For the purpose of TDS, the CBDT has clarified that an employee not having income u/h PGBP and intending to opt for the concessional rate u/s 115BAC, is required to intimate to the employer of such intention for each PY and upon such intimation, the employer shall deduct TDS as per section 115BAC. If such intimation is not made by the employee, the employer shall make TDS without considering the provisions of section 115BAC.</p> <p>It is also clarified that the intimation so made to the employer shall be only for the purposes of TDS during the PY and cannot be modified during that year. However, at the time of filing of return, employee may take different option.</p>

#	Sec. 115 BAD: Tax on Income of certain Resident Co-operative societies (Added by FA-20, w.e.f. AY 21-22)
Assessee	Resident Co-operative Society
Tax rate	Income u/s 115BAD shall be taxable @ 22%
Surcharge & cess	<ul style="list-style-type: none"> » Surcharge will be @ 10% irrespective of total income. » Health & Education cess (HEC) will be @ 4% always
Effective tax rate	<ul style="list-style-type: none"> • Income u/s 115BAD : 22% + 10% + 4% = 25.168% • Income cover u/c XII : Special rate + 10% + 4% (i.e. special income u/s 111A, 112, 112A etc)
AMT	<ul style="list-style-type: none"> » Assessee opting for sec. 115BAD is not required to pay AMT. » B/F AMT credit cannot be set off against income u/s 115BAD. Therefore, if assessee has b/f AMT credit, it should first exhaust the AMT credit and thereafter opt for sec 115BAD in a subsequent PY.
Conditions	<p>a) Assessee should not claim following deductions:</p> <p>Sec. 10AA</p> <p>Sec. 32(1)(iia), 32AD</p> <p>Sec. 33AB, 33ABA</p> <p>Sec. 35(1)(ii), (iia), (iii), 35(2AA)</p> <p>Sec. 35AD, 35CCC</p> <p>Any deduction under Chapter VI-A (except: sec. 80JJAA, 80LA)</p> <p>b) It cannot setoff any B/F loss or unabsorbed depreciation which is attributable to deduction referred above.</p> <ul style="list-style-type: none"> » If the above conditions are not satisfied in any PY - the option will be invalid for that PY and subsequent PY's and normal provisions of the Act shall apply.
Option	<ul style="list-style-type: none"> » The beneficial provisions of this section apply only if the option is exercised in FORM 10-IF on or before due date of ROI u/s 139(1) for AY 2021-22 or any subsequent AY. » Once the option is exercised it would apply to subsequent Ays. » Further, Once the option is exercised for any PY it can't be withdrawn for the same or any other PY

Note : If assessee opted section 115BA, 115BAA, 115BAB, 115BAC, 115BAD then maximum depreciation allowed @ 40%.

→ Example :

Mr Devam (32 years) is a salaried employee, employed by BB Pvt Ltd. as tax advisor. His income and tax incentives for the previous year 2022-23 are as follows -

Particulars	₹
Basic Salary	40,00,000
House rent allowance [₹ 60,000 is exempted u/s 10(13A)]	90,000
Leave travel concession (LTC) [₹ 1,80,000 is exempt u/s 10(5)]	1,95,000
New Pension Scheme contribution(NPS) by BB Pvt. Ltd. (12% of basic salary)	4,80,000
Payment of professional tax by Devam	2,000
Income from Property A (self-occupied)	(-) 1,05,000
Income from Property B (let out)	60,000
Income from Property C (let out)	(-) 80,000
Savings bank A/c interest received by minor son of Devam	800
Savings bank A/c interest received by minor daughter of Devam	2,000
Interest on saving bank account of Devam	28,000
Interest on public provident fund credited on March 31, 2023	55,000
Deduction under section 80D, 80E, 80EEA and 80EEB and 80G	2,81,000
NPS contribution by Devam	4,00,000
PPF contribution by Devam	20,000

Devam wants to know whether he should opt for alternative tax regime from the AY 2023-24.

→

Solution :

Mr. Devam

PY 22-23 AY 23-24

Computation of Total Income & Tax Liability

Particular	Normal Provisions		Section 115BAC	
	₹	₹	₹	₹
Basic Salary		40,00,000		40,00,000
HRA	90,000		90,000	
Less: Exempt u/s 10(13A)	60,000	30,000	N/A	90,000
LTC	1,95,000		1,95,000	
Less: Exempt u/s 10(5)	1,80,000	15,000	N/A	1,95,000
NPS contribution by BB Ltd.		4,80,000		4,80,000
Gross Salary		45,25,000		47,65,000
Deduction u/s 16				
(i) Professional Tax		(2,000)		N/A
(ii) Standard Deduction		(50,000)		N/A
Net Salary		44,73,000		47,65,000
Income from House Property				
Self-Occupied Property - A		(1,05,000)		
Let-out Property- B	60,000			
Let-out Property- C	(80,000)	(20,000)	(20,000)	N/A
				Set-off not allowed so carry / forward
		43,48,000		47,65,000
Income from other sources				
SB Interest of Minor Son	800		800	
Less: Exempt u/s 10(32)	800	-	N/A	800
SB Interest of Minor Daughter	2000		2,000	
Less: Exempt u/s 10(32)	1500	500	N/A	2,000
SB Interest of Devam		28,000		28,000
Interest on PPF	55,000		55,000	
Less: Exempt u/s 10(11)	55,000		55,000	-

Gross Total Income		43,76,500		47,95,800
Less: Deductions u/c VI-A				
Sec. 80C : PPF	20,000		N/A	
Sec. 80CCD(1) EE cont. to NPS	3,50,000		N/A	
	3,70,000			
Sec. 80CCE Max. deduction u/s	1,50,000	1,50,000		
80C+80CCC+80CCD(1) is 1,50,000		50,000		
Sec. 80CCD(1B) EE cont. to NPS			N/A	
Sec. 80CCD(2) ER cont. to NPS				
(i) ER Cont. 4,80,000				
(ii) 10% of Salary 4,00,000		4,00,000		4,00,000
Lower of above				
Sec. 80D, 80E, 80EEA, 80EEB, 80G		2,81,000		N/A
Sec. 80TTA Interest on SB A/c		10,000		N/A
Total Income/ Net Taxable Income		34,85,500		43,95,800

Computation of Tax Liability

Tax as per Normal Provisions			Tax as per Sec 115BAC		
Particular	Rate	Tax Amount	Particular	Rate	Tax Amount
Upto 2,50,000	Nil	-	Upto 2,50,000	Nil	-
>2,50,000 upto 5,00,000	5%	12,500	> 2,50,000 upto 5,00,000	5%	12,500
>5,00,000 upto 10,00,000	20%	1,00,000	> 5,00,000 upto 7,50,000	10%	25,000
>10,00,000 upto 34,85,500	30%	7,45,650	> 7,50,000 upto 10,00,000	15%	37,500
	-	8,58,150	> 10,00,000 upto 12,50,000	20%	50,000
Add: HEC @4%		34,326	> 12,50,000 upto 15,00,000	25%	62,500
Net Tax Payable		8,92,476	> 15,00,000 upto 43,95,800	30%	8,68,740
					10,56,240
			Add: HEC @ 4%		42,250
			Net Tax Payable		10,98,490

Conclusion : Since in the present question tax as per
Mr. Devam should not opt 115BAC provision

→ Example : BB Ltd is incorporated on October 20, 2021 to commence manufacture of Bikes in Rajasthan. Manufacturing activity is started on December 10, 2021. For the year ending March 31, 2023, income of BB Ltd. is as follows -

Particulars	₹
Income from manufacturing of Bikes (computed as per provisions of section 115BAB)	60,45,000
Bank FD interest	3,00,000
Short-term capital gain on transfer of land (Computed)	18,00,000
Short-term capital gain on transfer of a Depreciable Assets (Computed)	2,00,000
Rental Income from Commercial Property	7,00,000

BB Ltd has donated ₹ 50,000 to a political party. BB Ltd. has opted for lower tax regime of section 115BAB. Necessary option was uploaded at the time of submission of first income-tax return of the assessment year 2022-23. Find out the tax liability of BB Ltd.

Solution :

Computation of Total Income	PY 22-23	AY 23-24
Particulars	₹	₹
Income from House Property		
Rental Income from Commercial Property	7,00,000	
Deduction u/s 24	N/A	7,00,000
Profit & Gain from Business or Profession		
Income from Manufacturing Activities		60,45,000
Capital Gain		
STCG on Land		18,00,000
STCG on Depreciable Assets		2,00,000
Income from other sources		
Interest on Bank FD		3,00,000
Gross Total Income		90,45,000
Deduction u/s 80GGB: Donation to Political Party		N/A
Total Income(NTI)		90,45,000

Computation of Tax Liability

Particulars	Income	Tax Rate	₹
(i) Tax on House Property Income	7,00,000	22%	1,54,000
(ii) Tax on Interest on FD	3,00,000	22%	66,000
(iii) STCG on Land	18,00,000	22%	3,96,000
(iv) Tax on Balance Income	62,45,000	15%	9,36,750
Total	90,45,000		15,52,750
Add: Surcharge @ 10%			1,55,275
			17,08,025
Add: HEC @ 4%			68,321
Net Taxable Payable			17,76,346

Sec 115BB: Tax on winnings from lotteries, card game, horse race etc. (Refer sec 194B/BB)

- Tax Rate @ 30%

Sec 115BBE: Deemed Income u/s 68 to 69D

- Tax Rate @ 60% (surcharge 25% and HEC @ 4%) effective rate 78 %

Notes:

1. No basic exemption or allowance or expenditure shall be allowed to the assessee under any provision of the Income-tax Act 1961 in computing such deemed income.
2. Further, no set off of any loss shall be allowable against income brought to tax u/s 68 or 69 or 69A or 69B or 69C or 69D.

Sec 115BBF: Royalty income from Patent

Royalty income in respect of patent developed & registered in India shall be taxable @ 10%.

Notes:

1. Developed means 75% of expenditure should be incurred in India.
2. No deduction for any expenditure / Allowance in respect of royalty income shall be allowed under Act.

