

TAXMANN®

STUDENTS' GUIDE TO INCOME TAX INCLUDING GST

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Assessment Year
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For solutions to Unsolved Exercises refer
Students' Guide To
Income Tax including GST - Problems & Solutions

Basic concepts that one must know

Before one can embark on a study of the law of income-tax, it is absolutely vital to understand some of the expressions found under the Income-tax Act, 1961. The purpose of this Chapter is to enable the students to comprehend the basic expressions. Therefore, all such basic terms are explained and suitable illustrations are provided to define their meaning and scope.

■ ■ WHAT IS AN ASSESSMENT YEAR [SEC. 2(9)]

1. "Assessment year" means the period starting from April 1 and ending on March 31 of the next year. Thus, the assessment year 2024-25 commences on April 1, 2024 and ends on March 31, 2025.

Income of previous year of an assessee is taxed during the next following assessment year at the rates prescribed by the relevant Finance Act [for tax rates, see Appendix 1].

■ ■ WHAT IS A PREVIOUS YEAR [SEC. 3]

2. Income earned in a year is taxable in the next year. The year in which income is earned is known as previous year and the next year in which income is taxable is known as assessment year.

Provisions illustrated

Income earned by an individual during the previous year 2023-24 is taxable in the immediately following assessment year 2024-25 at the rates applicable for the assessment year 2024-25. Similarly, income earned during the previous year 2024-25 by a company will be taxable in the assessment year 2025-26 at the rates applicable for the assessment year 2025-26. This rule is applicable in all cases [see, however, para 2.4 for exception to this rule].

2.1 Uniform previous year - All assesseees are required to follow financial year (*i.e.*, April 1 to March 31) as previous year. This uniform previous year has to be followed for all sources of income. However, it is not necessary that one should maintain books of account on the basis of financial year.

Provisions illustrated

For the assessment year 2024-25, income earned by X Ltd. during the previous year 2023-24 (*i.e.*, April 1, 2023 to March 31, 2024) is chargeable to tax. It is, however, not necessary that X Ltd. should maintain books of account on the basis of financial year (*i.e.*, April 1 to March 31). X Ltd. may maintain books of account on the basis of any other year but for the purpose of income-tax, income of the previous year 2023-24 (*i.e.*, April 1, 2023 to March 31, 2024) is taxable for the assessment year 2024-25. If X Ltd. maintains books of account on the calendar year basis, taxable income shall be determined as follows—

Accounting year	Income as per books of account Rs.	Quarter-wise break up of income	
		January-March (Rs.)	April-December (Rs.)
2022	60,000	18,000	42,000
2023	70,000	26,000	44,000
2024	90,000	21,000	69,000

Taxable income :

Assessment year	Previous year	Income (Rs.)
2023-24	2022-23	68,000 (42,000 + 26,000)
2024-25	2023-24	65,000 (44,000 + 21,000)

2.2 Previous year in the case of newly set-up business/profession - In the case of a newly set-up business/profession or in the case of a new source of income, the previous year is determined as follows –

- ▶ **First previous year** - The first previous year commences on the date of setting up of the business/profession (or, as the case may be, the date on which the source of income newly comes into existence) and ends on the immediately following March 31. Thus, in the case of a newly set-up business/profession or new source of income, the first previous year is a period of 12 months or less than 12 months. It can never exceed 12 months.
- ▶ **Second and subsequent previous year** - The second and subsequent previous years are always financial years. The second and subsequent previous years are always of 12 months each (i.e., April to March).

Problems

2.2-P1 X sets up a new business on March 3, 2024. What is the previous year for the assessment year 2024-25 ?

Solution : Previous year for the assessment year 2024-25 is the period commencing on March 3, 2024 and ending on March 31, 2024.

2.2-E1 X sets up a new business on April 10, 2023. What is the previous year for the assessment year 2024-25 ?

2.2-P2 X joins an Indian company on January 23, 2024. Prior to January 23, 2024, he is not in employment. He has no other source of income. What are the previous years for the assessment years 2024-25 and 2025-26 ?

Solution : Previous years for the assessment years 2024-25 and 2025-26 will be as under :

Assessment year	Previous year
2024-25	January 23, 2024 to March 31, 2024
2025-26	April 1, 2024 to March 31, 2025

2.2-E2 X joins an Indian company on April 16, 2025. Prior to April 16, 2025, he does not have any source of income. What are the previous years for the assessment years 2024-25 to 2026-27 ?

2.2-P3 The income of X comprises of only property income up till March 10, 2023. On March 10, 2023, he starts a new business of computer hardware. From the data given below, find out the taxable income of X for the assessment years 2022-23 to 2024-25 :

Property income : Rs. 42,000 every year.

Business income : Rs. 69,000 from March 10, 2023 to March 31, 2024 (out of which Rs. 10,000 is for the period ending March 31, 2023).

Solution :

Assessment year	Property income		Business income		Total Rs.
	Previous year	Income Rs.	Previous year	Income Rs.	
2022-23	2021-22	42,000	—	—	42,000
2023-24	2022-23	42,000	March 10, 2023 to March 31, 2023	10,000	52,000
2024-25	2023-24	42,000	2023-24	59,000	1,01,000

Note - For the assessment year 2023-24, the assessee has income from house property which can be said to be his existing source of income during the previous year. His new source of income comes into existence in the form of business income from March 10, 2023. Therefore, the assessee has two previous years for assessment year 2023-24. For the property income which is his existing source, the previous year is 2022-23. For the business income, which is his new source of income, the previous year is the period commencing from March 10, 2023 to March 31, 2023.

For computing taxable income for the assessment year 2023-24 (and subsequent years), the income from both the sources will be aggregated.

2.2-E3 X Ltd., an Indian company, is engaged in the business of trading goods since 1960 [income of trading business for previous years 2022-23 and 2023-24 is Rs. 1,39,000 and Rs. 7,86,000, respectively]. On April 6, 2024, it starts a processing unit at Pune [income of the period ending on March 31, 2025 : Rs. 14,600]. Compute the income of X Ltd, chargeable to tax for the assessment years 2023-24 and 2024-25.

2.3 Previous year as defined in section 3- Except in the case mentioned in para 2.2, previous year is the financial year immediately preceding the assessment year. For instance, for the assessment year 2024-25, the immediately preceding financial year (i.e., 2023-24) is the previous year.

2.4 When income of previous year is not taxable in the immediately following assessment year - The rule that the income of the previous year is assessable as the income of the immediately following assessment year has certain exceptions. These are :

- a. income of non-resident from shipping ;
- b. income of persons leaving India either permanently or for a long period of time;
- c. income of bodies formed for short duration;
- d. income of a person trying to alienate his assets with a view to avoiding payment of tax ; and
- e. income of a discontinued business.

In these cases, income of a previous year may be taxed as the income of the assessment year immediately preceding the normal assessment year.

These exceptions have been incorporated in order to ensure smooth collection of income-tax from the aforesaid taxpayers who may not be traceable if tax assessment procedure is postponed till the commencement of the normal assessment.

► For detailed discussion, see problem 14-P1.

2.5 A financial year has a double role to play - It is a previous year as well as an assessment year - On the basis of the aforesaid discussion, it can be said that a financial year plays a double role—it is a previous year as well as an assessment year.

Examine the cases given in the table below—

Financial year	Previous year	Assessment year
2023-24	2023-24 is previous year for the income received or accrued during April 1, 2023 to March 31, 2024	2023-24 is the assessment year for the income received or accrued in the immediately preceding previous year (i.e., April 1, 2022 to March 31, 2023)
2024-25	2024-25 is previous year for the income received or accrued during April 1, 2024 to March 31, 2025	2024-25 is the assessment year for the income received or accrued in the immediately preceding previous year (i.e., April 1, 2023 to March 31, 2024)

■ WHO ARE INCLUDED IN "PERSON" [SEC. 2(31)]

3. The term "person" includes :

- a. an individual;
- b. a Hindu undivided family;
- c. a company;
- d. a firm;
- e. an association of persons or a body of individuals, whether incorporated or not;
- f. a local authority; and
- g. every artificial juridical person not falling within any of the preceding categories.

These are seven categories of persons chargeable to tax under the Act. The aforesaid definition is inclusive and not exhaustive. Therefore, any person, not falling in the above-mentioned seven categories, may still fall in the four corners of the term "person" and accordingly may be liable to tax under section 4.

► For detailed discussion, see problem 14-P2.

Problems

3-P1 Determine the status of the following :

1. Delhi University.
2. DCM Ltd.
3. Delhi Municipal Corporation.
4. Taxmann Publications (P.) Ltd.
5. Laxmi Commercial Bank Ltd.
6. ABC Group Housing Co-operative Society.
7. XY & Co., firm of X and Y
8. A joint family of X, Mrs. X and their sons A and B.
9. X and Y who are legal heirs of Z (Z died in 1996 and X and Y carry on his business without entering into partnership).

Solution: (1) artificial juridical person; (2) a company; (3) a local authority; (4) a company; (5) a company; (6) an association of persons; (7) a firm; (8) a Hindu undivided family; (9) an association of persons.

3-EI Determine legal status of the following :

(a) X, a lecturer in the Delhi University; (b) X, a sole proprietor of a business; (c) X, a director in the ABC (P.) Ltd.; (d) Calcutta Municipal Corporation; and (e) the Life Insurance Corporation of India.

WHO IS REGARDED AS ASSESSEE [SEC. 2(7)]

4. "Assessee" means a person by whom income-tax or any other sum of money is payable under the Act. It includes—

► **First category** - A person (i.e., an individual; a Hindu undivided family; a company; a firm; an association of persons or body of individuals, whether incorporated or not; a local authority; and every artificial juridical person) by whom any tax or any other sum of money (including interest and penalty) is payable under the Act (irrespective of the fact whether any proceeding under the Act has been taken against him or not).

► **Second category** - A person in respect of whom any proceeding under the Act has been taken (whether or not he is liable for any tax, interest or penalty). Proceeding may be taken—

- either for the assessment of the amount of his income or of the loss sustained by him; or
- of the income (or loss) of any other person in respect of whom he is assessable; or
- of the amount of refund due to him or to such other person.

► **Third category** - Every person who is deemed to be an assessee. For instance, a representative assessee is deemed to be an assessee by virtue of section 160(2).

► **Fourth category** - Every person who is deemed to be an assessee in default under any provision of the Act. For instance, under section 201(1), any person who does not deduct tax at source, or after deducting fails to pay such tax, is deemed to be an assessee in default. Likewise, under section 218, if a person does not pay advance tax, then he shall be deemed to be an assessee in default.

Provisions illustrated

The following examples are given to clarify the above points—

- Income of X (age : 35 years) is Rs. 2,50,000 for the assessment year 2024-25. He does not file his return of income because his income is not more than the amount of exempted slab. Income-tax Department does not take any action against him. He is not an "assessee" because no tax or any other sum is due from him.
- Income of Y (age : 38 years) is Rs. 2,55,000 for the assessment year 2024-25. He does not file his return of income. Since he is supposed to file his return of income (income being more than exempted slab of Rs. 2,50,000), he is an "assessee".
- Income of Z (age : 51 years) is Rs. 75,000 for the assessment year 2024-25. He files his return of income (even if his taxable income is less than Rs. 2,50,000). Assessment order is passed by the Assessing Officer without any adjustment. Z is an "assessee".
- Income of A for the assessment year 2024-25 is (-) Rs. 60,000. He files his return of income. He is an "assessee".
- Income of B (age : 28 years) is less than Rs. 2,50,000 for the assessment year 2024-25. He files his return of income to claim refund of tax deducted by X Ltd. on interest paid to him. B is an "assessee".
- Income of C (age : 30 years) is less than Rs. 2,50,000 for the assessment year 2024-25. He does not file his return of income. During 2023-24, he has paid salary of Rs. 8,90,000 to an employee. Though he is supposed to deduct tax at source, yet due to ignorance of law, no tax is deducted by him. In this case, C is an "assessee" as he has failed to deduct tax at source. This rule is applicable even if his own taxable income is below Rs. 2,50,000.

HOW TO CHARGE TAX ON INCOME

5. To know the procedure for charging tax on income, one should be familiar with the following :

5.1 Annual tax - Income-tax is an annual tax on income.

5.2 Tax rate of assessment year - Income of previous year is chargeable to tax in the next following assessment year at the tax rates applicable for the assessment year. This rule is, however, subject to some exceptions [see para 2.4 or problem 14-P1].

5.3 Rates fixed by Finance Act - Tax rates are fixed by the annual Finance Act and not by the Income-tax Act. For instance, tax rates for the assessment year 2024-25 are fixed by the Finance Act, 2024. If, however, on the first day of April of the assessment year, the new Finance Bill has not been placed on the statute book, the provisions in force in the preceding assessment year or the provisions proposed in the Finance Bill before Parliament, whichever is more beneficial to the assessee, will apply until the new provisions become effective.

► For further discussion, see problem 14-P4.

5.4 Tax on person - Tax is charged on every person [see para 3].

5.5 Tax on total income - Tax is levied on the "total income" [see para 8] of every assessee computed in accordance with the provisions of the Act.

5.6 Provisions as on April 1 of the assessment year applicable for computing income for the assessment year - Total income is calculated in accordance with the provisions of the Income-tax Act, as they stand on the first day of April of the assessment year. For calculating taxable income for the assessment year 2024-25, the provisions of the Income-tax Act as on April 1, 2024 are applicable. If an amendment is made with effect from April 2, 2024 (or any date after April 2, 2024), it is irrelevant for calculating income for the assessment year 2024-25. Likewise, the law existing during the previous year 2023-24 has no relevance for determining the total income for the assessment year 2024-25.

► The above rule is applicable only for the purpose of computing taxable income and tax liability. If, however, an amendment is made in procedural law (not in substantive law), then it is applicable from the date of amendment.

Provisions illustrated

Consider the cases given below. *Example 1* is on amendment in substantive law, *Example 2*, however, covers an amendment in procedural law. Rates, dates and form numbers are imaginary (only for illustration purposes).

1. Suppose depreciation rate is reduced from 22 per cent to 18 per cent with effect from April 10, 2024. For calculating income and income-tax liability for the assessment year 2024-25, the provisions of income-tax law on April 1, 2024 is applicable. On April 1, 2024, depreciation rate is 22 per cent. Consequently, income for the assessment year 2024-25 shall be calculated by taking into consideration depreciation at the rate of 22 per cent.

2. A new Form U1 is introduced with effect from July 7, 2024 (in place of old Form T3) for making application to the Assessing Officer for waiver of income-tax penalty. This is an amendment in procedural law. It is applicable from the date of amendment. If an application for waiver is filed on or after July 7, 2024, it should be submitted in the new Form U1 regardless of the assessment year for which waiver is to be obtained.

■ ■ WHAT IS REGARDED AS "INCOME" UNDER THE INCOME-TAX ACT

6. The definition of the term "income" in section 2(24) is inclusive and not exhaustive. Therefore, the term "income" not only includes those things which are included in section 2(24) but also includes such things which the term signifies, according to its general and natural meaning. Before discussing the definition of income given in section 2(24), it is imperative to know meaning of "income" as generally understood.

Meaning of "income" as generally understand	See para 6.1
Extended meaning of "income" under section 2(24)	See para 6.2

6.1 Meaning of income as generally understood - Income is a periodical monetary return with some sort of regularity. It may be recurring in nature. It may be broadly defined as the true increase in the amount of wealth which comes to a person during a fixed period of time.

6.1-1 BROAD PRINCIPLES WHICH CLARIFY THE CONCEPT OF INCOME - A study of the following broad principles will be helpful for understanding the concept of income :

► **Regular and definite source** - The term "income" connotes a periodical monetary return coming in with some sort of regularity or expected regularity from definite sources.

► **Different forms of income** - Income may be received in cash or in kind. When income is received in kind, its valuation is to be made according to the rules prescribed in the Income-tax Rules. If, however, there is no prescribed rule, valuation thereof is made on the basis of market value.

► **Receipt vs. Accrual** - Income arises either on receipt basis or on accrual basis. Income may accrue to a taxpayer without its actual receipt. Moreover, in some cases, income is deemed to accrue or arise to a person without its actual accrual or receipt [see, for instance, para 27].

► **Illegal income** - The income-tax law does not make any distinction between income accrued or arisen from a legal source and income tainted with illegality.

► **Disputed title** - Income-tax assessment cannot be held up or postponed merely because of existence of a dispute regarding the title of income.

► **Relief or reimbursement of expenses not treated as income** - Mere relief or reimbursement of expenses is not treated as income. For instance, reimbursement of actual travelling expenses to an employee is not an income.

► *Diversion of income by overriding title vs. Application of income* - Any expenditure/investment, after income is received, is application of income. "Income" under the Income-tax Act, which is chargeable to tax, is income before application of income. Any expenditure/investment out of such income is deductible only if it is permitted by a provision under the Income-tax Act or Income-tax Rules.

"Diversion of income" is where by an obligation, income is diverted to some other person. When an assessee on behalf of some other person receives income and later on it is diverted to such person, it is known as diversion of income and, consequently, it is not chargeable to tax.

Provisions illustrated

X and Y prepare an article for publication in Taxman, a tax and corporate law weekly magazine, on the understanding that remuneration will be shared equally. The article is published in August 5, 2023 issue of Taxman. On September 2, 2023, X receives the entire remuneration of Rs. 9,000 (as per practice of the magazine, the remuneration is paid to the first author), a half of which is later on paid by X to Y. The payment of Rs. 4,500 (being 50 per cent of Rs. 9,000) by X to Y is diversion of income by overriding title. The taxable income of X will be Rs. 4,500 (payment of Rs. 4,500 to Y will not be treated as income of X as it is diverted by an overriding title).

Any expenditure or investment by X out of his income of Rs. 4,500 will be an "application of income".

► *Surplus from mutual activity* - A person cannot make taxable profit out of a transaction with himself. Income must, therefore, come from outside. A surplus arising to a mutual concern cannot be regarded as income chargeable to tax. A body of individuals, raising contribution to a common fund for the mutual benefit of members, cannot be said to have earned an income when it finds that it has overcharged members and some portion of contribution raised may safely be refunded.

Provisions illustrated

X Ltd. has 50 employees. Employees have formed a tea club in the office. Each one of them contributes Rs. 80 per month to the club. Club provides tea in tea breaks. During the financial year 2023-24, the excess of receipt over expenditure of the club is Rs. 470. It cannot be taken as taxable income of the club as it is surplus arising to a mutual activity for the mutual benefit of the members.

► *Temporary and permanent income* - For the purpose of income-tax, there is no distinction between temporary and permanent income. Even temporary income is taxable.

► *Lump sum receipt* - Income, whether received in lump sum or in instalments, is liable to tax. For instance, arrears of bonus, received in lump sum, is income and is taxable as salary.

► *Tax-free income* - If a person receives tax-free income on which tax is paid by the person making payment on behalf of the recipient, it has to be grossed up for inclusion in his total income.

For instance, X pays Rs. 25,000 per month to Y as tax-free salary (tax of Rs. 3,000 per month is borne by X and directly paid to the Government). In this case, the amount taxable in the hands of Y is Rs. 28,000 per month.

► *Receipt on account of dharmada, etc.* - Receipt on account of *dharmada*, *gaushala* and *pathshala* is not income and, therefore, not liable to tax.

► *Devaluation of currency* - If any assessee receives extra money on account of devaluation of currency, it is taxable.

► *Income includes loss* - Income includes loss. While income, profits and gains represent "plus income", losses represent "minus income".

► *Appropriation of payment between capital and interest* - Where interest is due on a capital sum and the creditor gets an open payment from the debtor, the creditor is at liberty to appropriate the payment towards principal. If, however, neither the debtor nor the creditor makes any appropriation of payment as between capital and interest, the Income-tax Department is entitled to treat the payment as applicable to the outstanding interest and assess it as income.

► *Same income cannot be taxed twice* - It is a fundamental rule of the law of taxation that, unless otherwise expressly provided, the same income cannot be taxed twice.

► *Income should be real and not fictional* - Income means real income and not fictional income. A person cannot make a profit by trading with himself or out of transfer of funds/assets from one pocket to another pocket. Similarly, income does not arise in a transaction between head office and branch office even if goods are invoiced at a price higher than the cost price. Likewise, income does not accrue or arise at the time of revaluation of assets.

► *Source of income need not exist in the assessment year* - It is not necessary that a source of income should exist in the assessment year.

- ▶ **Pin money** - Pin money received by wife for her dress/personal expenses and small savings made by a woman out of money received from her husband for meeting household expenses is not treated as her income.
- ▶ **Award received by a sportsman** - In the case of a sportsman, who is a professional, the award received by him is in the nature of a benefit in exercise of his profession and, therefore, it is chargeable to tax.
- ▶ **Revenue receipt vs. Capital receipt** - A revenue receipt is taxable as income unless it is expressly exempt under the Act. On the other hand, a capital receipt is generally exempt from tax unless it is expressly taxable [for detailed discussion, see para 11].
- ▶ **Voluntary payment** - In some cases, a sum of money received without consideration is chargeable to tax [see para 114].
- ▶ **Prize on winning a motor rally** - The prize on winning a motor rally is income.
- ▶ **Burden of proof** - In all cases in which a receipt is sought to be taxed as income, the burden lies upon the Department to prove that it is within the taxing provision. Where, however, a receipt is in the nature of income, the burden of proving that it is not taxable, because it falls within an exemption provided by the Act, lies upon the assessee.

6.2 Extended meaning of "income" under section 2(24) - Under section 2(24), the term "income" specifically includes the following :

6.2-1 PROFITS AND GAINS - Income includes profits and gains. For instance, profit generated by a businessman is taxable as "income".

6.2-2 DIVIDEND - Income includes "dividend". For taxability of dividend, see para 109.

6.2-3 VOLUNTARY CONTRIBUTIONS RECEIVED BY A TRUST - In the hands of a trust, income includes voluntary contributions received by it.

Provisions illustrated

XY Trust is created for public charitable purposes. On June 10, 2023, it receives a sum of Rs.1 lakh as voluntary contribution (not being with any specific direction) from a business house. Rs. 1 lakh would be included in the income of the trust.

6.2-4 PERQUISITES IN THE HANDS OF EMPLOYEE - Any perquisite or profits in lieu of salary is treated as "income" in the hands of an employee [for detailed discussion see paras 41.6 and 43.1].

Provisions illustrated

X is employed by A Ltd. Apart from salary, he has been provided a rent-free house by the employer. The value of perquisite in respect of rent-free house is taxable as "income" in the hands of X.

6.2-5 ANY SPECIAL ALLOWANCE OR BENEFIT - Any special allowance or benefit specifically granted to the assessee to meet expenses wholly, necessarily and exclusively for the performance of the duties of an office or employment is treated as "income".

Provisions illustrated

X is employed by A Ltd. He gets Rs. 3,000 per month as conveyance allowance apart from salary. Rs. 3,000 per month is treated as "income" [any amount which is spent for official purposes out of conveyance allowance is exempt under section 10(14)].

6.2-6 CITY COMPENSATORY ALLOWANCE/DEARNESS ALLOWANCE - City compensatory allowance or dearness allowance is treated as "income".

6.2-7 ANY BENEFIT OR PERQUISITE TO A DIRECTOR - A non-monetary benefit or perquisite is treated as "income" in the hands of the following:

- a. if it is given by a company to a director¹ (whole time or part time) or a relative of a director; or
- b. if it is given by a company to a person who has a substantial interest in the company or a relative of such person. Relative, for this purpose, means the husband, wife, brother or sister or any lineal ascendant or descendant of that individual. If a person is beneficial owner of 20 per cent (or more) of equity share capital in a company, then such person is known as a person who has substantial interest in the company.

The aforesaid rule is also applicable if any sum is paid by a company in respect of any obligation which, but for such payment, would have been payable by the director or any other aforesaid person.

1. Director need not be a person having substantial interest.

Provisions illustrated

The following illustrations are given to have better understanding:

1. X is a director in a company. The company provides a domestic servant for private purposes. The perquisite value of domestic servant is treated as "income" of X.
2. X holds 20 per cent equity share capital in A Ltd. A Ltd. repays a loan of Rs. 15,000 on behalf of X. Rs. 15,000 is treated as "income" of X.
3. B is a director in C Ltd. C Ltd. pays a sum of Rs. 47,000 to ITC Hotels on behalf of Mrs. B (the payment is made only because B is director in C Ltd.). Rs. 47,000 is treated as "income" of B.

6.2-8 ANY BENEFIT OR PERQUISITE TO A REPRESENTATIVE ASSESSEE - Any non-monetary benefit or perquisite to a representative assessee (like a trustee appointed under a trust) is treated as "income".

Provisions illustrated

X is one of trustees of a charitable trust. The trust provides him a residential accommodation. The perquisite value of the accommodation is treated as "income" of X.

6.2-9 ANY SUM CHARGEABLE UNDER SECTIONS 28, 41 AND 59 - Any sum chargeable under sections 28, 41 and 59, is taxable as income. Some of such cases are given below -

1. X is an agent of A Ltd. He gets a compensation of Rs. 2,00,000 at the time of termination of his agency from A Ltd. Rs. 2,00,000 is treated as "income" of X.
2. A profit of Rs. 2,50,000 is generated by A Ltd. on sale of licence granted under the Imports (Control) Order, 1955. Rs. 2,50,000 is treated as "income" of A Ltd.
3. A car owned by a partnership firm is used by one of the partners for private purposes. The perquisite value of the car is "income" in the hands of the partner.
4. X Ltd. gets a sum of Rs. 5,00,000 from A Ltd. for not carrying out the activity of selling goods in Agra for a period of two years from June 1, 2023. Rs. 5,00,000 is treated as "income" of X Ltd.

6.2-10 CAPITAL GAINS - Any capital gain under section 45 is treated as "income".

6.2-11 INSURANCE PROFIT - Any insurance profit computed under section 44 is treated as "income".

6.2-12 BANKING INCOME OF A CO-OPERATIVE SOCIETY - Profit from banking (including providing credit facilities) carried on by a co-operative society with its members is taken as income.

6.2-13 WINNINGS FROM LOTTERY - Winnings from lottery, crossword puzzles, races (including horse races), card games, other games (including entertainment programme on television), gambling, betting, etc., are chargeable to tax.

6.2-14 EMPLOYEES' CONTRIBUTION TOWARDS PROVIDENT FUND - Any sum received by an employer from his employees as employees' contribution to any provident fund, superannuation fund or staff welfare fund, is taxable as income of the employer. Employer can claim deduction under section 36(1)(va), if such sum is credited by the employer to the employees' account in the relevant fund before the due date (under provident fund regulations).

Provisions illustrated

Net profit of X Ltd. for the previous year 2023-24 is Rs. 7,86,000. It is calculated after debiting salary to employees: Rs. 5 lakh. Out of Rs. 5 lakh, Rs. 50,000 is employees' contribution towards provident fund. Rs. 50,000 is transferred by X Ltd. to the provident fund account of the employees as follows - Rs. 30,000 before the due date (under provident fund regulations) of making such payment and Rs. 20,000 after the due date of such payment. Income of X Ltd. shall be calculated as under:

	Rs.
Net profit as per profit and loss account	7,86,000
Add: Employees' contribution towards provident fund which is treated as "income" of X Ltd.	50,000
Total	8,36,000
Less: Amount paid by X Ltd. on or before the due date of making provident fund payment [see para 81.27]	30,000
Taxable income of X Ltd.	8,06,000

6.2-15 AMOUNT RECEIVED UNDER KEYMAN INSURANCE POLICY - Any sum received under a Keyman insurance policy (including bonus) is treated as "income" in the hands of the recipient.

6.2-16 FAIR MARKET VALUE OF INVENTORY - Fair market value for inventory (which is converted into stock-in-trade) is treated as income of the year in which conversion takes place.

6.2-17 AMOUNT EXCEEDING RS. 50,000 BY WAY OF GIFT - Gift exceeding Rs. 50,000 received without consideration is taxable as income in a few cases. See para 114.

6.2-18 CONSIDERATION FOR ISSUE OF SHARES - Consideration received for issue of shares [as exceeds fair market value of shares referred to in section 56(2)(viib)] is taxable as income [see para 115].

6.2-19 ADVANCE MONEY- Any sum of money received as advance money and referred to in section 56(2)(ix) is taxable as income [see para 116].

6.2-20 COMPENSATION ON TERMINATION OF EMPLOYMENT OR MODIFICATION OF TERMS OF EMPLOYMENT- Any compensation or other payment referred to in section 56(2)(xi) [i.e., compensation on termination of employment or modification of terms of employment] is treated as income.

6.2-21 SUM RECEIVED BY A UNITHOLDER FROM A BUSINESS TRUST- Any sum received by a unitholder from a business trust [referred to in section 56(2)(xii)] shall be included in the definition of income [see para 116A].

6.2-22 SUM RECEIVED UNDER A LIFE INSURANCE POLICY- Income shall include any sum received under a life insurance policy referred to in section 56(2)(xiii) [see para 116B].

6.2-23 ASSISTANCE IN THE FORM OF A SUBSIDY/GRANT- Subsidy/grant is taxable as income if the following conditions are satisfied –

1. Assistance is in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called).
2. It is received from the Central Government or State Government or any authority or body or agency.
3. It may be in cash or kind.
4. It is not a subsidy or grant or reimbursement which is taken into consideration for determination of "actual cost" within the parameters of *Explanation 10* to section 43(1).
5. It is not a subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or State Government.

If the above conditions are satisfied, subsidy, grant, etc., shall be considered as "income".

Provisions illustrated

1. X Ltd. gets a subsidy on December 1, 2023 from the Orissa Government to set up a chemical fertilizer plant in a backward area in Orissa. Subsidy is not given for assisting it in carrying out the business operations but the object of subsidy is to encourage setting up of industries in backward area in Orissa. This subsidy is a capital receipt. However, under the aforesaid provision it is chargeable to tax under section 2(24)(xviii).

2. Subsidy received by Y Ltd., a manufacturing company, from the Central Government to acquire plant and machinery is not covered by the above provision [as the amount of subsidy is deducted from the "actual cost" for the purpose of claiming depreciation by virtue of the *Explanation 10* to section 43(1)].

3. Z Ltd. takes a loan of Rs. 100 crore from the Andhra Pradesh Development Authority to develop infrastructure to set up an industrial corridor in Andhra Pradesh. In the previous year 2023-24, X Ltd. gets a waiver of Rs. 40 crore (out of total loan of Rs. 100 crore) from the Andhra Pradesh Development Authority. Waiver obtained by Z Ltd. is taxable under the aforesaid provisions of section 2(24)(xviii).

4. A Ltd. takes a loan of Rs. 5 crore from Punjab National Bank (PNB). The loan is taken to purchase land to set up an industrial undertaking in West Bengal. In the previous year 2023-24, X Ltd. gets a waiver of Rs. 1 crore from PNB as the project becomes financially non-viable. The waiver of Rs. 1 crore is not taxable under section 2(24)(xviii) as it is not given by Central Government/State Government/authority/body/agency.

5. LPG subsidy received by consumers of LPG (directly in their bank account on the basis of Aadhaar Card) or any other welfare subsidy received by individuals are not covered by the aforesaid amendment – Press Release, Government of India, dated May 5, 2015. Consequently, scholarship or reimbursement received by a student from a university or from a charitable organization, is not covered by the aforesaid amendment.

■ ■ WHAT IS GROSS TOTAL INCOME

7. As per section 14, income of a person is computed under the following five heads :

1. Salaries.
2. Income from house property.
3. Profits and gains of business or profession.
4. Capital gains.
5. Income from other sources.

The aggregate income under these heads is termed as "gross total income". In other words, gross total income means total income [see para 8] computed in accordance with the provisions of the Act before making any deduction under sections 80C to 80U [see paras 138 to 167].

7.1 Expenditure in respect of income not chargeable to tax- Section 14A provides that no deduction shall be made in respect of expenditure incurred by an assessee in relation to income which does not form part of the total income under the Act. In other words, if income is not chargeable to tax, any expenditure for earning such income is not deductible. The following points may be noted –

► **When no exempt income is generated but expenditure is incurred** - Expenses (for earning exempt income) are not deductible. If during the relevant previous year, the assessee has not received (or generated) any exempt income but he has incurred expenditure during the year in relation to such income, such expenses are not deductible. Section 14A has been amended by the Finance Act, 2023 (with effect from April 1, 2023) to clarify the same proposition.

► **Mode of disallowance as per rule 8D** - The Assessing Officer is required to determine expenditure pertaining to exempt income, in accordance with the method prescribed under rule 8D. However, the prescribed mode given by rule 8D is applicable only if the Assessing Officer is not satisfied with the correctness of the claim of expenditure (pertaining to exempt income) made by the assessee.

7.2 Rate of exchange for conversion of foreign income - The rate of exchange for the calculation of the value in rupees of any income arising in foreign currency, shall be the telegraphic transfer buying rate of such currency adopted by SBI on the dates given below –

Different cases	The telegraphic transfer buying rate adopted by SBI on the dates given below for the purpose of conversion of foreign income into Indian currency
Case 1 - If tax is deducted at source by payer under the provisions of sections 192 to 196D	On the date on which tax is required to be deducted
Case 2 - If tax is not deducted at source – Case 2.1 - Salary income	The last day of the month immediately preceding the month in which salary is due (or is paid in advance/arrears)
Case 2.2 - Interest on securities	The last day of the month immediately preceding the month in which the income is due
Case 2.3 - Income from house property, business/professional income and income from other sources (where foreign income is brought into India before the end of the previous year)	The amount actually credited by the bank in Indian currency is taken as income (the telegraphic transfer buying rate of SBI is irrelevant in this case) ²
Case 2.4 - Income from house property, business/professional income and income from other sources (where foreign income is not brought into India before the end of the previous year)	On the last date of the previous year
Case 2.5 - Income of non-resident engaged in the business of operation of ships	The last day of the month immediately preceding the month in which such income is deemed to accrue or arise in India
Case 2.6 - Dividend from companies	The last day of the month immediately preceding the month in which such dividend is declared, distributed or paid
Case 2.7 - Capital gains	The last day of the month immediately preceding the month in which the capital asset is transferred.

■ ■ **WHAT IS TOTAL INCOME AND HOW IS IT COMPUTED**

8. Total income of an assessee is gross total income as reduced by the amount permissible as deduction under sections 80C to 80U [see paras 138 to 167]. The scheme of computation of total income and tax liability thereon can be easily understood with the help of the following chart :

COMPUTATION OF INCOME FOR AN ASSESSMENT YEAR

1. Income from salaries		
Income from salary [see para 41]		Rs.
Income by way of allowances [see para 42]		Rs.
Taxable value of perquisites [see para 44]	
Gross salary	
Less : Deduction under section 16	
Standard deduction [see para 45.1]	
Entertainment allowance [see para 42.3]	
Professional tax [see para 45.3]	
Income from salaries	

2. One may refer to Income Computation and Disclosure Standard VI relating to effects of changes in foreign exchange rates.

	Rs.	Rs.
2. <i>Income from house property</i>		
Adjusted net annual value [see paras 69 and 70]	
Less : Deduction under section 24 [see para 71]	
Income from house property	
3. <i>Profits and gains of business or profession</i>		
Net profit as per profit and loss account	
Add : Amounts which are debited to P & L a/c but are not allowable as deduction under the Act [see para 82]	
	
Less : Expenditure which are not debited to P & L a/c but are allowable as deduction under the Act [see para 81]	
	
Less : Income which are credited to P & L a/c but are exempt under section 10 [see para 32] or are taxable under other heads of income	
Add : Those income which are not credited to P & L a/c but are taxable under the head "Profits and gains of business or profession"	
Profits and gains of business or profession	
4. <i>Capital gains</i>		
Amount of capital gains [see para 95]	
Less : Amount exempt under sections 54, 54B, 54D, 54EC, 54F, 54G, 54GA, 54GB, and 54H [see para 103]	
Income from capital gains	
5. <i>Income from other sources</i>		
Gross income [see paras 107 to 114]	
Less : Deductions under section 57 [see para 117]	
Income from other sources	
Total [i.e., (1) + (2) + (3) + (4) + (5)]	
Less : Adjustment on account of set-off and carry forward of losses [see paras 132 to 136]	
Gross total income	
Less : Deductions under sections 80C to 80U [see paras 138 to 167]	
Total income or net income ³ [rounded off - see para 8.1]	
COMPUTATION OF TAX LIABILITY		
Tax on net income [see Appendix 1, para 8.2 and problem 14-P5]	
Less: Rebate under section 87A [see para 169]	
Income-tax after rebate under section 87A	
Add : Surcharge	
Tax and surcharge	
Add: Health and education cess [4 per cent of tax and surcharge]	
Less : Rebate under sections 86, 89, 90, 90A and 91	
Tax ⁴	
Less : Pre-paid taxes	
▷ Tax-paid on self-assessment [see para 251]	
▷ Tax deducted or collected at source [see paras 270 to 290]	
▷ Tax paid in advance	
Tax liability [rounded off - see para 8.3]	

8.1 Rounding off of income [Sec. 288A]- The taxable income shall be rounded off to the nearest multiple of ten rupees and for this purpose any part of a rupee consisting of *paise* shall be ignored and thereafter, if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the

3. This income is chargeable to tax. In the Income-tax Act it is termed as "total income". In this book, however, "net income" is used for this purpose.

4. In the case of a company, tax liability cannot be less than minimum alternate tax. In the case of a non-corporate assessee, tax liability cannot be less than alternate minimum tax [see para 194.2].

next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten.

Provisions illustrated

The above provisions may be illustrated as follows –

Income before rounding off Rs.	Income after rounding off Rs.
7,80,514.99	7,80,510
7,80,515.00	7,80,520
7,80,515.99	7,80,520
7,80,519.99	7,80,520
7,80,524.99	7,80,520

8.2 Computation of tax for the assessment year 2024-25 (under regular tax regime) - Tax rates applicable for the assessment year 2024-25 (under regular tax regime) are given in Appendix 1. Some of the important rates for the assessment year 2024-25 are given below -

8.2-1 INCOME-TAX- Income-tax rates (under regular tax regime) are as follows -

8.2-1a INDIVIDUAL, HUF, AOP, BOI - The tax rates applicable to an individual, HUF, AOP, BOI, etc., for the assessment year 2024-25 under regular tax regime are given below -

Total income or net income	Rate of tax
Up to Rs. 2,50,000	Nil
Next Rs. 2,50,000	5 per cent
Next Rs. 5,00,000	20 per cent
Above Rs. 10,00,000	30 per cent

► **Exemption limit** - Exemption limit is Rs. 2,50,000 (as given in table above). However, in the case of a senior citizen [i.e., a resident individual who is at least 60 years of age at any time during the previous year 2023-24 but less than 80 years on March 31, 2024 (or born during April 2, 1944 and April 1, 1964)], exemption limit Rs. 3,00,000. Moreover, in the case of a super senior citizen [i.e., a resident individual who is at least 80 years of age at any time during the previous year 2023-24 (or born before April 2, 1944)], exemption limit is Rs. 5,00,000.

The exemption limit of Rs. 2,50,000 (given in the table above) is applicable in the case of any other resident individual (born on or after April 2, 1964), any non-resident individual, any HUF/AOP/BOI.

► **Rebate under section 87A** - A resident individual (whose taxable income does not exceed Rs. 5 lakh) can claim a rebate under section 87A from income-tax. The amount of rebate is income-tax on total income or Rs. 12,500, whichever is less.

8.2-1b FIRM - A partnership firm (including a limited liability partnership firm) is taxable at the rate of 30 per cent (no exemption limit).

8.2-1c COMPANY - A domestic company is taxable at the rate of 30 per cent⁷ and a non-domestic company is taxable at the rate of 40 per cent.

8.2-2 SURCHARGE ON INCOME-TAX - Income-tax (as computed above) shall be increased by a surcharge as follows -

	Net income range	Surcharge (as % of income-tax)
Individuals/HUF/AOP/BOI/artificial juridical person	0 - Rs. 50 lakh	Nil
	Rs. 50 lakh - Rs. 1 crore	10%
	Rs. 1 crore - Rs. 2 crore	15%
	Rs. 2 crore - Rs. 5 crore	25% [see Note 1]
	Above Rs. 5 crore	37% [see Note 1]

5. In the case of a company, tax liability cannot be less than minimum alternate tax. In the case of a non-corporate assessee, tax liability cannot be less than alternate minimum tax [see para 194.2].

6. From the assessment year 2024-25, the alternative tax regime is the default tax regime for an individual/HUF/AOP/BOI/artificial juridical person. However, an assessee may opt for the regular tax regime by exercising the option under section 115BAC(6). For these provisions, refer to para 194.3.

7. If a few conditions are satisfied a domestic company has an option to pay tax at the rate of (a) 25 per cent under section 115BA, (b) 22 per cent under section 115BAA or (c) 15 per cent under section 115BAB. Besides, a domestic company (whose turnover/gross receipt during the previous year 2021-22 does not exceed Rs. 400 crore) is taxable at the rate of 25 per cent.

	Net income range	Surcharge (as % of income-tax)
Firm/co-operative society/local authority	0 - Rs. 1 crore Above Rs. 1 crore	Nil 12%
Domestic company	0 - Rs. 1 crore Rs. 1 crore - Rs. 10 crore Above Rs. 10 crore	Nil [see Note 2] 7% [see Note 2] 12% [see Note 2]
Foreign company	0 - Rs. 1 crore Rs. 1 crore - Rs. 10 crore Above Rs. 10 crore	Nil 2% 5%

Notes -

1. Surcharge is 15% of income-tax pertaining to dividend income and income which is chargeable under section 111A or 112 or 112A. Moreover, in the case of an AOP (consisting of only companies as its members), the rate of surcharge on the amount of income-tax shall not exceed 15%.

2. Surcharge is 10% if income is chargeable to tax under section 115BAA or 115BAB.

8.2-3 HEALTH AND EDUCATION CESS - Amount of income-tax and surcharge shall be increased by health and education cess which is 4 per cent of (income-tax + surcharge).

8.3 Computation of tax for the assessment year 2024-25 (under alternative tax regime) [Sec. 115BAC] - For an individual/HUF/AOP/BOI/artificial juridical person (for the assessment year 2024-25), the alternative tax regime is the default tax regime. One can exercise the option under section 115BAC(6) to avail the benefit of regular tax regime [these provisions are discussed in para 194.3].

8.3-1 BLOCKED INCENTIVES - The following exemptions/deductions/incentives are not available while calculating taxable income under the alternative tax regime -

- Leave travel concession [sec. 10(5)]	- Professional tax deduction [sec. 16(iii)]
- House rent allowance [sec. 10(13A)]	- Interest on housing loan in the case of one or two self-occupied properties [sec. 24(b)]
- Special allowance(s) [other than exemption pertaining to (a) travelling allowance, transfer allowance and conveyance allowance for official purposes, and (b) transport allowance of Rs. 3,200 per month to an employee who is blind or deaf and dumb or orthopaedically handicapped] [sec. 10(14)]	- Additional depreciation [sec. 32(1)(ia)]
	- Tea/coffee/rubber development account [sec. 33AB]
	- Site restoration fund [sec. 33ABA]
- Allowance to MPs/MLAs [sec. 10(17)]	- Deduction for scientific research [sec. 35(1)(ii)/(ia)/(iii), 35(2AA)]
- Exemption up to Rs. 1,500 available in the case of clubbed income of a minor child [sec. 10(32)]	- Capital expenditure pertaining to specified business [sec. 35AD]
- Special economic zone [sec. 10AA]	- Agriculture extension project [sec. 35CCC]
- Exemption of perquisite in respect of free food and non-alcoholic beverage (i.e., Rs. 50 per meal) provided through paid voucher [sec. 17(2) read with rule 3(7)(iii)]	- Deduction under sections 80C to 80U [except employer's contribution towards NPS under section 80CCD(2), Central Government's contribution under section 80CCH(2), deduction under section 80JAA and deduction under section 80LA(1A)].
- Entertainment allowance deduction [sec. 16(ii)]	

8.3-2 TAX RATES UNDER THE ALTERNATIVE TAX REGIME - Under the alternative tax regime, tax rates are lower than the regular rates given in para 8.2-1a. These rates are given below -

Total income (computed after ignoring blocked incentives)	Rate of tax
Up to Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 6,00,000	5 per cent
From Rs. 6,00,001 to Rs. 9,00,000	10 per cent
From Rs. 9,00,001 to Rs. 12,00,000	15 per cent
From Rs. 12,00,001 to Rs. 15,00,000	20 per cent
Above Rs. 15,00,000	30 per cent

► **Exemption limit** - Exemption limit is Rs. 3,00,000. It is applicable even in the case of senior citizen and super senior citizen.

► **Rebate under section 87A** - A resident individual (whose taxable income does not exceed Rs. 7 lakh) can claim a rebate under section 87A from income-tax. The amount of rebate is 100 per cent of income-tax or Rs. 25,000,

whichever is lower. However, a marginal relief is available if taxable income slightly exceeds Rs. 7 lakh. For detailed discussion, refer to para 169.

► **Surcharge and education cess** - Surcharge and education cess applicable under the regular tax regime, are also applicable in the case of alternative tax regime [see paras 8.2-2 and 8.2-3]. However, under the alternative tax regime, surcharge cannot exceed 25 per cent of income-tax.

8.3-3 HOW TO FIND OUT WHETHER (OR NOT) ALTERNATIVE TAX REGIME IS BENEFICIAL - One can find out net income and tax liability under the regular tax regime and the alternative tax regime. By comparing the tax liability under the regular and alternative tax regime, one can find out whether (or not) alternative tax regime is beneficial. For detailed discussion, please refer to para 194.3.

► **Broad conclusions** - If the quantum of blocked incentives is more than Rs. 3,75,000, tax liability will be lower under the regular tax regime (if net income exceeds Rs. 15 lakh but does not exceed Rs. 5 crore). In such a case, if the quantum of blocked incentive is less than Rs. 3,75,000, tax liability would be lower under the alternative tax regime. In other cases, one must separately calculate tax liability under the regular tax regime and the alternative tax regime, to find out which one is beneficial.

Provisions illustrated

Consider the following cases -

► **Case 1 - X (35 years)** is an individual. His net income (taxable income) under regular tax regime is Rs. 18,20,000. It is calculated after claiming a few deductions/incentives (i.e., deduction under section 80C : Rs. 1,50,000 and deduction under section 80G : Rs. 2,30,000).

The amount of blocked incentive is more than Rs. 3,75,000 (i.e., deduction under section 80C : Rs. 1,50,000 and deduction under section 80G : Rs. 2,30,000). Taxable income exceeds Rs. 15 lakh but does not exceed Rs. 5 crore. In such a case, tax liability will be lower under the regular tax regime (as is evident from the calculations given below) -

	Regular tax regime Rs.	Alternative tax regime Rs.
Net income under regular tax regime	18,20,000	18,20,000
Add: Blocked incentives (Rs. 1,50,000 + Rs. 2,30,000)	-	3,80,000
Net income under regular tax regime/alternative tax regime	18,20,000	22,00,000
Income-tax under the regular tax regime (first Rs. 2,50,000 : nil, next Rs. 2,50,000 : 5%, next Rs. 5,00,000 : 20%, income exceeding Rs. 10,00,000 : 30%)	3,58,500	-
Income-tax under alternative tax regime (first Rs. 3,00,000 : nil, next Rs. 3,00,000 : 5%, next Rs. 3,00,000 : 10%, next Rs. 3,00,000 : 15%, next Rs. 3,00,000 : 20%, balance of Rs. 7,00,000 : 30%)	-	3,60,000
Add: Health and education cess	14,340	14,400
Tax liability	3,72,840	3,74,400

Tax liability is lower under the regular tax regime. X should opt for the regular tax regime.

► **Case 2 - Y (23 years)** is an individual. His net income (taxable income) under regular tax regime is Rs. 22,50,000. It is calculated after claiming a few deductions/incentives (i.e., deduction under section 80C : Rs. 70,000 and deduction under section 80E : Rs. 1,85,000).

The amount of blocked incentive is less than Rs. 3,75,000 (i.e., deduction under section 80C : Rs. 70,000 and deduction under section 80E : Rs. 1,85,000). Taxable income exceeds Rs. 15 lakh but does not exceed Rs. 5 crore. In such a case, tax liability will be lower under the alternative tax regime (as is evident from the calculations given below) -

	Regular tax regime Rs.	Alternative tax regime Rs.
Net income under regular tax regime	22,50,000	22,50,000
Add: Blocked incentives (Rs. 70,000 + Rs. 1,85,000)	-	2,55,000
Net income under regular tax regime/alternative tax regime	22,50,000	25,05,000
Income-tax under the regular tax regime (first Rs. 2,50,000 : 5%, next Rs. 2,50,000 : 5%, next Rs. 5,00,000 : 20%, income exceeding Rs. 10,00,000 : 30%)	4,87,500	-
Income-tax under alternative tax regime (first Rs. 3,00,000 : nil, next Rs. 3,00,000 : 5%, next Rs. 3,00,000 : 10%, next Rs. 3,00,000 : 15%, next Rs. 3,00,000 : 20%, balance of Rs. 10,05,000 : 30%)	-	4,51,500
Add: Health and education cess	19,500	18,060
Tax liability	5,07,000	4,69,560

Tax liability is lower under the alternative tax regime. Y should not opt for the regular tax regime.