

CA | CMA FINAL

DIRECT TAX

& INTERNATIONAL TAXATION

[COMPACT]

2.0

MAY / JUNE &
NOV / DEC 2024

(Amended by FA 2023)



CA BHANWAR
BORANA

Handwritten Notes

Direct Tax &
International Taxation

[**COMPACT**] **2.0**]

FOR CA / CMA Final
May / June & November / December, 2024
(Amended by FA 2023)

BY CA BHANWAR BORANA

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Preface

for 17th Edition

"What we learn with pleasure we never forget" - Alfred Mercier

Direct Tax is the one of the most extensive subject in terms of volume and sometimes it may seems to be intimidating as well. Through this book, we have tried to eradicate that fear. Our purpose is to efficiently succinct all important concepts without becoming overwhelmed with voluminous textbooks.

The book is user-friendly and will work as a one stop solution for your CA/CMA Final DT paper. During my exam time, I have struggled alot because of using multiple books and notes. Due to mad rush in exams, I often used to get confused with what to refer and how to remember. Since that period, I have tried and I'm still trying to make learning simpler and easier for anyone to understand and apply.

I'm highly delighted to introduce a handwritten font book called 'Compact 2.0' which will act a complete guide for a CA final student. From exam preparation to last minute revision, this book can be your great companion in celebrating your success with you. "Compact 2.0" is amended and updated as per New Syllabus of ICAI.

It took me 45 days to make this edition possible. I would like to express my gratitude to everyone who helped me in bringing this idea alive.

I dedicate this book to each student who is aspiring to become a Chartered Accountant / CA and contribute in the growth of our country.

Compact is color coded book for easy understanding

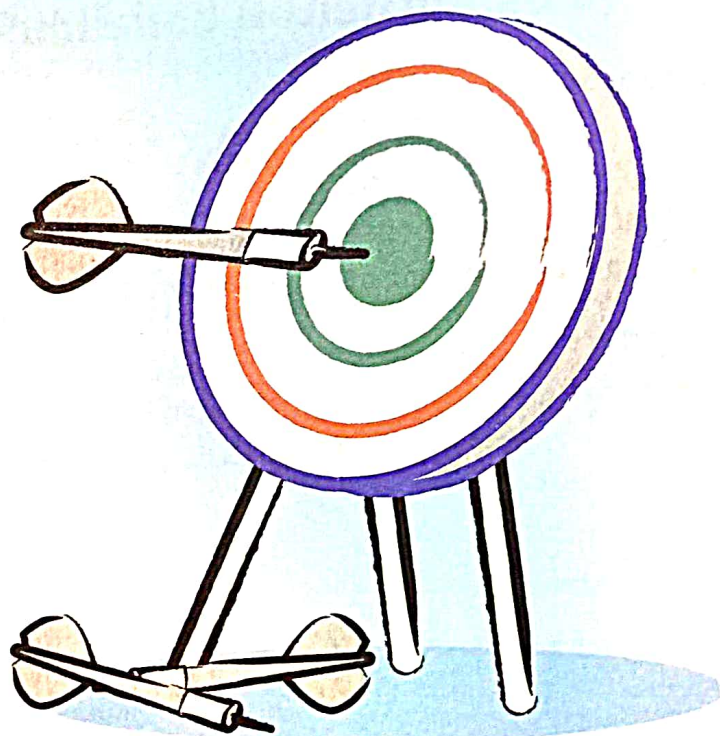
- Black : Headings
- Blue : Main Content
- Red : Important Point & Words
- Green : Amendments

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Topic wise Weightage

Sections	Weightage	Content Area
1.	20% - 23%	PGBP, Capital Gain, IFOS, Clubbing, Setoff & C/F, Deduction u/c VI-A, Alternative Tax Regime u/s 115BAA, 115BAB, 115BAC, 115BAD, 115BAE, MAT, AMT & SEZ
2.	20% - 22%	Taxation of charitable and religious trust and institutions, political parties and electoral trusts, business trusts, securitisation trusts, investment funds, GAAR, VDA, Equalisation Levy
3.	20% - 30%	TDS & TCS, Assessment Procedures, Appeals and Revision, Dispute Resolution, Miscellaneous Provisions, Black Money Act, 2015, Penalties & Tax Audit
4.	30% - 35%	International Taxation Transfer Pricing, NR Taxation, Double Taxation Relief, Advance Ruling, MTC, BEPS, Application and Interpretation of Tax Treaties



COMPACT 2.0

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Entry 82 of the Union List (i.e., List I in the Seventh Schedule to Article 246 of the Constitution of India) has given the power to the CG to make laws on Income tax other than agricultural income. Entry 46 of state list gives power to State Govt. to make law on tax on agriculture income.

Sources of Income Tax Law

- Income Tax Act, 1961: It is the main source of Income tax law. It provides determination of Total Income, Tax Liability & Procedure of assessment etc. It is applicable to whole of India w.e.f. 1st April, 1962.
- Income Tax Rules, 1962: IT Act empowered Central Board of Direct Tax (CBDT) to make rules. All Forms, procedure, depreciation rates, principles of Valuation of perquisites are provided in the Rules.
- Annual Finance Act: Every year, the FM presents a Finance Bill in the parliament, which contains various amendments proposed to be made in the DT & IDT. Finance Bill, 2023 presented by Nirmala Sitharaman on 1st February, 2023.
As soon as the Bill is passed by both the houses of the parliament and thereafter receives the assent of President, it becomes the Finance Act. Finance Bill, 2023 became Finance Act, 2023 on 31st March, 2023 after receiving assent of President.
- Circulars/Notifications from CBDT: Circulars are issued by the CBDT to clarify the meaning & scope of certain provisions contained in the Act. Notifications are issued by Central Govt./CBDT to give effect to the provision of The Act.
Circulars are binding to Assessing officer but not on Assessee and Courts. However Assessee can take advantage of Circulars which are beneficial to them.
- Supreme Court & High Court Decisions: Various issues which arise out of the provisions are decided by HC/SC. The SC is the Apex Court and the law laid down by the SC is the law of the land. The decision of HC will apply in the respective state in which such HC has jurisdiction.

Sec. 4: Charging Section of Income Tax

Income Tax is charged for every Assessment Year. It is charge on every person as defined u/s 2(31). It is charge on the total income earned by the person during Previous Year. The tax is levied at the rates prescribed by Finance Act.

Sec. 2(9): Assessment Year

A.Y. means the period of 12 months starting from 1st April every year. Income earned in Previous year (PY) is taxed in AY. The A.Y. 24-25 is a period of 12 months from the 1st April 24 till 31st March 25.

Sec. 3: Previous Year

P.Y. means the financial year immediately preceding the AY. For A.Y. 24-25, the PY shall be period from 1st April 23 to 31st March 24 & the Income earned in PY 23-24 is assessed in the AY 24-25.



Provided that, in the case of a business or profession newly set up, or a source of income newly coming into existence, in the FY, the PY shall be the period starting from the date of setting up of the business or profession or, the date on which the source of income newly comes into existence and ending with 31st March of FY.

Sec. 2(31): Person

Person includes—

- ✓ Individual: **Natural Person like Man, Woman, Minor, person of Unsound mind.** E.g., Mr. BB
- ✓ Hindu Undivided Family (HUF): **Consists of all males lineally descended from a common ancestor and includes their wives and daughters.** E.g., Ram's HUF
- ✓ Company: **Any body corporate incorporated in India or outside India.** E.g., BB Virtuals Pvt. Ltd.
- ✓ Firm (Includes LLP): E.g., Gupme Foods LLP
- ✓ Association of Person or Body of Individual (AOP/BOI): E.g., Joint Ventures, Unregistered Trust
- ✓ Local Authority: E.g., Municipality, Gram Panchayat
- ✓ Artificial juridical person: E.g., Deities, Bar Council, Universities

Sec. 2(7): Assessee

It means any **person who is liable to pay any tax or any other sum** under IT Act, 1961. It includes person in respect of which any proceeding initiated, deemed assessee or assessee in default.

Certain cases where Income assessed to Tax in Previous Year itself

- Sec 172 - Shipping Business of NR: Where a ship of NR, carries passengers, livestock, mail or goods shipped at a port in India, the ship is allowed to leave the port only when the tax has been paid.
- Sec 174 - Person leaving India: Where it appears to the AO that any individual may leave India and he has no intention of returning, the income of such individual for the period upto the probable date of his departure from India is chargeable to tax in current year only.
- Sec 174A - AOP/ BOI/ AJP formed for a particular event or purpose: AO apprehends that the AOP/ BOI is likely to be dissolved in the same year, he can make assessment of the income up to the date of dissolution as income of the current year.
- Sec 175 - Persons likely to transfer property to avoid tax: If it appears to the AO that a person is likely to charge, sell, transfer, dispose of his assets to avoid payment of any liability, the total income of such person charge to tax in current year itself.
- Sec 176 - Discontinued business: Where any business or profession is discontinued, the income of the period upto the date of such discontinuance may, at the discretion of the AO, be charged to tax in current year.



Tax Rates for Assessment Year 2024-25 (General Tax Rates as per FA-23)

- ◆ In case of Individual, HUF, AOP, BOI, Artificial Juridical Person

	Rates
➤ For Individual, HUF, AOP, BOI, AJP (Resident or Non-resident)	
Total Income (NTI) upto ₹ 2,50,000 (Basic Exemption limit)	Nil
above ₹ 2,50,000 upto ₹ 5,00,000	5%
above ₹ 5,00,000 upto ₹ 10,00,000	20%
above ₹ 10,00,000	30%
- For Senior Citizen (Resident Individual age 60 years or more in PY but less than 80 years)

	Rates
Total Income (NTI) upto ₹ 3,00,000 (Basic Exemption limit)	Nil
above ₹ 3,00,000 upto ₹ 5,00,000	5%
above ₹ 5,00,000 upto ₹ 10,00,000	20%
above ₹ 10,00,000	30%
- For Super Senior Citizen (Resident Individual age 80 years or more in PY)

	Rates
Total Income (NTI) upto ₹ 5,00,000 (Basic Exemption limit)	Nil
above ₹ 5,00,000 upto ₹ 10,00,000	20%
above ₹ 10,00,000	30%
- ◆ Circular No 28/2016 dt 27.07.2016: Any Resident Individual whose 60th/80th birthday falls on April, 2024 shall be treated as having completed the age of 60/80 years on 31st March, 2024 i.e. 2023-24 (AY 24-25) 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:

S.No.	Conditions	Surcharge %
1.	Total Income upto ₹ 50 lakhs	No Surcharge
2.	Total Income more than ₹ 50 lakhs upto ₹ 1 crore	10% on tax
3.	Total Income more than ₹ 1 crore upto ₹ 2 crores	15% on tax
4.	Total Income more than 2 crores and it includes Dividend, Capital gain u/s 111A, 112A & 112 (Special income)	15% on tax on special income
➤	Remaining Total Income (Total Income excluding Special Income) is upto ₹ 2 crores	15% on tax on remaining income
➤	Remaining Total Income (Total Income excluding Special Income) more than ₹ 2 crores upto ₹ 5 crores	25% on tax on remaining income
➤	Remaining Total Income (Total Income excluding Special Income) more than ₹ 5 crores.	37% on tax on remaining income



"₹ in Lakhs"

Examples

S.No.	Total Income excluding special Income	Special Income (CB & Dividend)	Total Income	Surcharge applicable on Tax Calculated on	
				Special Income	Other Income
(i)	20	25	45	NIL	NIL
(ii)	45	50	95	10%	10%
(iii)	45	70	115	15%	15%
(iv)	45	300	345	15%	15%
(v)	60	700	760	15%	15%
(vi)	150	250	400	15%	15%
(vii)	150	500	650	15%	15%
(viii)	300	100	400	15%	25%
(ix)	300	250	550	15%	25%
(x)	600	100	700	15%	37%

◆ In case of Company

A. Domestic Company

Tax Rate

➤ Total Turnover or Gross Receipt of P.Y. 2021-22 upto ₹ 400 Crore

25%

➤ Otherwise

30%

B. Foreign Company

40%

Surcharge:

Domestic Company

Foreign Company

Total Income > ₹ 1 crore but upto ₹ 10 crores

7%

2%

Total Income > ₹ 10 crores

12%

5%

◆ In case of Firm, LLP, Local Authority

Tax Rate: 30%

Surcharge @ 12% if Total Income more than ₹ 1 crore.

◆ In case of Co. operative society

Tax Rate

Total Income upto ₹ 10,000

10%

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

20%

Total Income > ₹ 20,000

30%

Surcharge: Same as domestic company (7% & 12%)

◆ In all the above cases Health & Education cess applicable @4% on tax (including SC if any).



Sec 288A/288B: Amount of Total Income and Tax rounded off to the nearest ₹ 10.

Example: 1

Mr. Jay is a resident, aged 32 years. His income details for PY 2023-24 are as follows:

- (i) Capital gains u/s 112A ₹ 1,00,00,000
- (ii) Capital gains u/s 112 ₹ 60,00,000
- (ii) Capital gains u/s 111A ₹ 2,00,00,000
- (iii) Other income ₹ 1,00,00,000

Calculate his tax liability for AY 2024-25. Assessee not opted IITBAC.

Solution:

Particular	Tax Rate	Income	Tax
LTCG 112A (in excess of ₹ 1,00,000)	10%	1,00,00,000	9,90,000
LTCG 112	20%	60,00,000	12,00,000
STCG 111A	15%	2,00,00,000	30,00,000
Balance NTI	Slab Rate	1,00,00,000	28,12,500
	Total	4,60,00,000	80,02,500
Add: Surcharge on LTCG & STCG 111A @15%			7,78,500
Add: Surcharge on Balance Tax @15%			4,21,875
			92,02,875
Add: Health & Edu. Cess @4%			3,68,115
Net Tax Payable			95,70,990

Example: 2

Mr. BB is a resident, aged 34 years. His income details for PY 2023-24 are as follows:

- (i) Capital gains u/s 112A ₹ 2,00,000
- (ii) Capital gains u/s 112 ₹ 1,00,000
- (iii) Capital gains u/s 111A ₹ 3,00,000
- (iii) Dividend ₹ 13,00,000
- (iv) Other income - ₹ 3,34,00,000

Calculate his tax liability for AY 2024-25. Assessee not opted IITBAC.

Solution:

Particular	Tax Rate	Income	Tax
LTCG 112A (in excess of ₹ 1,00,000)	10%	2,00,000	10,000
LTCG 112	20%	1,00,000	20,000
STCG 111A	15%	3,00,000	45,000
Balance NTI	Slab Rate	3,47,00,000	1,02,22,500
		3,53,00,000	1,02,97,500



Add: Surcharge on LTCG & STCG 111A @15%		11,250
Add: Surcharge on Tax on Dividend @15% #		57,446
Add: Surcharge on Balance Tax@25% (9839524 x 25%)		24,59,881
Add: Health & Edu. Cess @4%		1,28,26,077
Net Tax Payable		5,13,043
		1,33,39,120

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

Test Yourself

From following information calculate net tax liability & assume assessee not opted 115BAC.

Nature of Income	Mr. SK (64 years NR)	Mr. Dev (28 years)	Mr. AK (52 years)
Capital gains u/s 112A	1,20,000	-	8,00,00,000
Capital gains u/s 112	1,70,000	1,90,00,000	2,00,000
Capital gains u/s 111A	4,10,000	7,00,00,000	1,00,000
Dividend	-	-	49,00,000
Other Income	97,00,000	60,00,000	6,59,00,000
Total Income	1,04,00,000	9,50,00,000	15,11,00,000
Final Answer	33,72,720	1,90,31,350	3,92,84,050



- ◆ **Marginal Relief in Surcharge:** If there is little bit increase in income over 50 Lakhs/1 Crore/2 Crore/5 Crore (in case of Ind/HUF/AOP/ BOI/AJP) or 1 Crore (in case of Company/Firm/local Authority/Co. op. society) or 10 Crore (in case of Company/ Co. op Society), surcharge is applicable on entire amount of tax and as a result increase in tax is more than the increase in income. In order to remove this defect, assessee shall be allowed relief to the extent increase in tax is more than the increase in income.

Example-1 Total income of Shree Ltd. (Indian Company) ₹ 1,01,00,000. T/o of PY 21-22 is ₹ 450 crores. Assessee not opted sec. 115BAA. Calculate tax liability.

Solution	₹	
Tax on Total Income (1,01,00,000 × 30%)	30,30,000	
Add: Surcharge @7%	<u>2,12,100</u>	
	32,42,100	
Above amount is restricted to Tax on 1 crore + (NTI - 1 crore)		Marginal Relief
(30,00,000 + 1,00,000)	<u>31,00,000</u>	₹ 1,42,100
	31,00,000	
Add: HEC @ 4%	<u>1,24,000</u>	
Net Tax Liability	<u>32,24,000</u>	

Example-2 Total income of Tree Ltd. (Indian Company) ₹ 10,02,30,000. T/o of PY 21-22 is ₹ 350 crores. Assessee not opted sec. 115BAA. Calculate tax liability.

Solution	₹	
Tax on Total Income (10,02,30,000 × 25%)	2,50,57,500	
Add: Surcharge @12%	<u>30,06,900</u>	
	2,80,64,400	
Above amount is restricted to Tax on 10 crore + (NTI - 10 crore)		Marginal Relief
(2,67,50,000 + 2,30,000)	<u>2,69,80,000</u>	₹ 10,84,400
	2,69,80,000	
Add: HEC @ 4%	<u>10,79,200</u>	
Net Tax Liability	<u>2,80,59,200</u>	

Example-3 Total income of Mr. Sam (62 years) NR is ₹ 1,01,00,000. Assessee not opted sec. 115BAC. Calculate tax liability.

Solution	₹
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	<u>27,30,000</u>



	28,42,500	
Add: Surcharge @ 15%	<u>4,26,375</u>	
	32,68,875	Relief
Above amount is restricted to Tax on 1 crore + (NTI - 1 crore)		₹ 75,125
(30,93,750 + 1,00,000)	<u>31,93,750</u>	↓
	31,93,750	
Add: HEC @ 4%	<u>1,27,750</u>	
Net Tax Payable	<u>33,21,500</u>	

Test Yourself

From following information calculate net tax liability & assume assessee not opted 115BAC.

	Mr. Devam (49 years)	Mr. Krishiv (28 years)
Total Income	5,07,20,000	2,04,40,000
Final Answer	2,00,05,050	74,09,350

Sec. 87A: Rebate from Tax to Certain IndividualsFor **Resident Individual** having Total Income upto ₹ 5,00,000.

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

Whichever is **Lower**

Notes:

1. This rebate shall be reduced before adding health & education cess.
 2. Rebate u/s 87A available against all types of Income **except LTCG u/s 112A**.
 3. Marginal relief concept not applicable on rebate **except when assessee opted 115BAC**.
 4. Rebate in case of 115BAC discussed with concept of 115BAC in later part of this topic.
- Example: Calculate tax liability of Ms. Sneha resident Individual (Age 24 years).

	Case - 1	Case - 2
Total Income	4,40,000	5,07,000
Tax Liability	9,500	13,900
Less: Rebate 87A		
a) Tax	9,500	Not Available
b) 12,500	<u>12,500</u>	
Whichever is lower		
	Nil	13,900
Add: HEC @ 4%	Nil	556
Net Tax Liability	Nil	14,456

Special Tax Rates (As per Chapter XII of Act)**Alternate Taxation Regime****Sec. 115BAA: Tax on Income of certain Domestic Companies [W.e.f. AY 20-21]**

Assessee	Domestic Company
Tax rate	Income u/s 115BAA shall be taxable @22%
Surcharge & cess	➤ Surcharge will be @10% irrespective of total income. ➤ Health & Education cess will be @ 4% always.
Effective tax rate	➤ 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 (i.e. special income u/s 111A, 112, 112A etc): Special rate +10% +4%



MAT	➤ Company opting for 115BAA is not required to pay MAT. ➤ B/F MAT credit cannot be set off against income u/s 115BAA. Therefore, if assessee has b/f MAT credit, it should first exhaust the MAT credit and thereafter opt for 115BAA in subsequent PY.
Conditions	1. Company should not claim following deductions: - Sec. 10AA - Sec. Additional depreciation u/s 32(1)(iia) - Sec. 33AB, 33ABA - Sec. 35(1)(ii),(iia),(iii), 35(2AA),35(2AB) - Sec. 35AD, 35CCC, 35CCD - Any deduction under Chapter VI-A (except: 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. ➤ 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	➤ 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 Co. [W.e.f. AY 20-21]

Assessee	Domestic Manufacturing Company setup & registered on or after 1st Oct., 2019 and commences manufacturing business on or before 31st March, 2024 .		
Tax rate	Income u/s 115BAB shall be taxable @ 15%		
Surcharge & cess	➤ Surcharge will be @ 10% irrespective of total income. ➤ Health & Education cess will be @ 4% always.		
Effective tax rate	➤ 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%
	➤ Income cover u/c XII (i.e. special income u/s 111A, 112, 112A etc)	:	Special rate+10%+4%
	➤ Excess profit computed by AO u/s 115BAB(6)	:	30%+10%+4% = 34.32%



	➤ Other Income (like IFHP, IFOS etc) (However, no deduction or allowance in respect of any expenditure or allowance shall be allowed e.g. sec. 24, 57)	:	22%+10%+4% = 25.168%
MAT	➤ Company opting for 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	- Setup & reg. on or after 1/10/19 and commence business on or before 31/3/24. - Should not be formed by splitting up or reconstruction of an existing business. - P&M should be New. Exception: 20% of total P&M can be second hand. - Imported P&M shall be treated as new only for this sec. - Does not use any building previously used as a Hotel or a convention centre. - Not engaged in any business other than manufacturing and research relating to, or distribution of such article manufactured by it. <u>Business of Manufacture does not include business of:</u> ✗ 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 shall be treated as manufacturing business. - Company should not claim following deductions/ exemptions: - Sec. 10AA, 32(1)(iia), 33AB, 33ABA - Sec. 35(1)(ii), (iia), (iii), 35(2AA), 35(2AB) - Sec. 35AD, 35CCC, 35CCD - Chapter VI-A (except: 80JJAA, 80M) - 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 due to violation of condition stipulated in point no. (3) to (5), company may exercise option u/s 115BAA.		



Option	> 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 FY it can't be withdrawn for the same or any other FY.
Other points	> Sec 115BAC(6): 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 produced 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.

Sec. 115BAC: Tax on Income of Ind, HUF, AOP, BOI, AJP [Amended w.e.f. AY 24-25]

Assessee	Individual, HUF, AOP/BOI (other than Co.op. society), AJP	
Tax rate	Total income	Tax rate
	Upto ₹ 3,00,000	Nil
	₹ 3,00,001 to ₹ 6,00,000	5%
	₹ 6,00,001 to ₹ 9,00,000	10%
	₹ 9,00,001 to ₹ 12,00,000	15%
	₹ 12,00,001 to ₹ 15,00,000	20%
	Above ₹ 15,00,000	30%

Special Income (u/s 111A, 112, 112A etc.) shall be taxable @ Special rates.

Surcharge & cess	> Surcharge will be @ 10%/15%/25% depending on Total Income of assessee. In this case 37% surcharge not applicable even Total Income > ₹ 5 crores. > Health & Education cess shall be @ 4% always.
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AMT	> Assessee paid tax as per sec. 115BAC is not required to pay AMT. > 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.
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Conditions	1. Assessee does not claim following deductions/exemptions: <table border="1"> <tr> <td>HP</td><td> > 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) </td></tr> <tr> <td>Salary</td><td> > Entertainment allowance and Professional tax u/s 16(ii)& (iii) > Leave travel concession u/s 10(5) </td></tr> </table>	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	> Entertainment allowance and Professional tax u/s 16(ii)& (iii) > Leave travel concession u/s 10(5)
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Salary	> Entertainment allowance and Professional tax u/s 16(ii)& (iii) > 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, 32(1)(iia), 33AB, 33ABA, 35(1)(ii),(iia),(iii), 35(2AA), 35AD, 35CCC.
IFOS	Allowance for income of minor u/s 10(32) Allowance to MP/MLA u/s 10(17)
Deduction	Deduction under Chapter VI-A Except: deduction u/s 80JJAA, 80CCD(2), 80CCH(2), SOLA.
	2. Assessee cannot set-off any b/f loss or unabsorbed depreciation attributable to deduction referred above. 3. HP loss cannot be set off against other head. 4. No deduction or exemption for allowance or perquisite provided under any other law for the time being in force.
Option not to opt 115BAC [115BAC(6)]	Section 115BAC is default tax regime. However assessee can avail the benefit of regular tax regime by exercising the option. > Assessee does not have PGBP: Option of regular tax regime must be exercise alongwith the return u/s 139(1) for every PY. > Assessee having PGBP: Option of regular tax regime must be exercise alongwith the return u/s 139(1). Such option once exercised shall apply for subsequent AY also. However the option once exercise for regular tax regime can be withdraw only once for PY & there after the person shall never be eligible for the benefit of regular tax regime till the time having any income under PGBP.
Rebate u/s 87A If assessee opting 115BAC	For Resident Individual having Total Income upto ₹ 7,00,000. - a.) 100% of tax payable, or - b.) ₹ 25,000 Whichever is Lower Marginal Relief: If Total Income more than ₹ 7,00,000 but does not exceed ₹ 7,27,770, tax on such income cannot exceed the amount by which the Total Income exceeds ₹ 7,00,000. However marginal Relief not available in case of regular tax regime.



Notes

If assessee having PGBP & opting 115BAC for first time in AY 24-25 and if any additional depreciation is included in B/F unabsorbed depreciation then such additional depreciation not allowed to be set-off but it will be added to opening WDV of block as on 01/04/2023.

Example: Mr. BB (age 34 years) is a Resident Individual. His total income for AY 24-25 is ₹ 7,00,000 or ₹ 7,27,000 or ₹ 7,30,000 or ₹ 7,50,000. Assessee not opted regular tax regime. Calculate tax liability.

	7,00,000	7,27,000	7,30,000	7,50,000
Total Income	7,00,000	7,27,000	7,30,000	7,50,000
Tax as per 115BAC	25,000	27,700	28,000	30,000
Less: Rebate u/s 87A				
a.) 100% of tax payable, or				
b.) ₹ 25,000	25,000	Nil	Nil	Nil
	Nil	27,700	28,000	30,000
<u>Restricted to</u>				
Tax on 7 lakhs + (NTI - 7 lakhs)	Nil	27,000	30,000	50,000
	Nil	27,000	28,000	30,000
Add: Health & Edu. Cess @ 4%	Nil	1,080	1,120	1,200
Net Tax Liability	Nil	28,080	29,120	31,200
<u>Marginal Relief</u>	-	7,00	-	-

Sec. 115BAD: Tax on Income of certain Resident Co-operative societies [W.e.f. AY 21-22]

Assessee	Resident Co-operative Society
Tax rate	Income u/s 115BAD shall be taxable @22%
Surcharge & cess	➤ Surcharge will be @10% irrespective of total income.. ➤ Health & Education cess will be @ 4% always.
Effective tax rate	➤ Income u/s 115BAD: 22%+10%+4% = 25.168% ➤ Income cover u/c XII (i.e. special income u/s 111A,112,112A etc): Special rate +10% +4%
AMT	➤ Assessee opting for 115BAD is not required to pay AMT. ➤ B/F AMT credit cannot be set off against income u/s 115BAD. Therefore, assessee has b/f AMT credit, it should first exhaust the AMT credit and thereafter opt for sec 115BAD in a subsequent PY.
Conditions	1. Assessee should not claim following deductions: - Sec. 10AA, 32(1)(iia), 33AB, 33ABA, 35(1)(ii),(iia),(iii), 35(2AA), 35CCC, Any deduction u/c VI-A (except: 80JJAA, 80LA)



	2. It cannot setoff any B/F loss or unabsorbed depreciation which is attributable to deduction referred above. 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	➤ This section apply only if the option is exercised in the FORM 10-IF upto due date of ROI u/s 139(1) for AY 21-22 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. 115BAE: Tax on Income of certain New Manufacturing Co. Op. Society [W.e.f. AY 24-25]

Assessee	Manufacturing Resident co. op. society setup & registered on or after 1 st April, 2023 and commences manufacturing business on or before 31 st March, 2024.
Tax rate	Income u/s 115BAE shall be taxable @ 15%
Surcharge & cess	Same as sec. 115BAB
Effective tax rate	Same as sec. 115BAB
AMT	➤ Not required to pay AMT. ➤ Since this sec applies to Newly setup Co. op. society, there is no question of brought forward AMT credit.
Conditions	1. Setup & reg. on or after 1/4/23 and commence business on or before 31/3/24. 2. Same as condn. 2 of sec 115BAB 3. Same as condn. 3 of sec 115BAB 4. Same as condn. 5 of sec 115BAB 5. Assessee should not claim following deductions/ exemptions: - Sec. 10AA, 32(1)(iia), 33AB, 33ABA, 35(1)(ii), (iia), (iii), 35(2AA), - Sec. 35AD, 35CCC, Chapter VI-A (except: 80JJAA) 6. Same as condn. 7 of sec 115BAB ➤ 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.
Option	➤ This section apply only if the option is exercised in prescribed Form 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 points	Same as sec. 115BAB
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Common notes for 115BAA, 115BAB, 115BAC, 115BAD, 115BAE

1. Maximum Depreciation rate is 40%.
2. MAT/AMT not applicable

Some other Special Tax Rates (As per Chapter XII of Act)

Sec. 115BB: Tax on winnings from lotteries, crossword puzzles, races, card games etc
Tax Rate: 30%

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

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

Note: No set off of any loss shall be allowable against deemed income.

Sec. 115BBF: Royalty 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. Assessee: Person resident in India who is true & first inventor of the invention & whose name is registered as patentee under patent Act, 1970.
3. Assessee has to exercise the option for taxation of royalty in accordance with provisions of Sec 115BBF upto due date of return filing u/s 139(1).
4. Where assessee opts for sec 115BBF for any P.Y. & the assessee is not offered income as per sec 115BBF in any of the next 5 years then Assessee shall not be eligible to claim benefit of Sec 115BBF for 5 A.Y. subsequent to the A.Y. relevant to the P.Y. in which income has not been offered as per sec 115BBF.

Sec. 115BBG: Income from transfer of Carbon Credit

Tax Rate: 10%

Sec. 115BBJ: Income from Online Games (Added by FA 23 w.e.f. AY 24-25)

Tax Rate: 30% on winning from online games computed as manner may be prescribed.

"Online Game" means a game that is offered on the internet and is accessible by a user through a computer resource including any telecommunication device.



Notes for all above sections:

- Deduction u/s 28 to 44C or sec 57 not allowed against above income, means gross income taxable.
- Deduction u/c VI-A not available.
- Basic Exemption Benefit NOT Available against above income (Except 112 (LTCG), 112A & 111A in case of resident Individual & HUF)

Diversion of Income by overriding title v/s Application of Income

Diversion: If any income is diverted from the source to any other person due to obligation created by any agreement or as per Law then such income not taxable in hand of assessee but its taxable in hand of such other person.

Example: ABC firm in which Mr. A and his two sons, Mr. B & Mr. C are partners. The deed provides that after the death of Mr. A, Mr. B & Mr. C shall continue the business of the firm subject to a condition that 20% of profit of the firm shall be given to Mrs. D (wife of Mr. A).

In this case after death of Mr. A, 20% of Profit taxable in hands of Mrs. D and 80% taxable in hands of Firm.

Application: If any income is transfer to any person without any obligation at source is treated as application.

Example: Mr. A is liable to pay ₹ 10,000 per month to Ms. B (his ex-wife) as alimony. Mr. A, being an employee of ABC Pvt. Ltd., instructs the HR department to pay ₹ 10,000 per month out of his salary to Ms. B directly and remit the remaining salary in his account.

In this case, the amount of ₹ 10,000 per month is an obligation of Mr. A to pay to Ms. B out of his income and not an income in which Ms. B had overriding entitlement.

In other words, this is the income of Mr. A, which is applied by him to fulfill an obligation and hence, includible in his total income and a mere arrangement to pay a sum directly to Ms. B would not make it a case of diversion of income.



Sec. 45(1): Charging Section

Any profit and gain arising from **Transfer** of a **Capital Asset** shall be chargeable under the head capital gain in the **P.Y. in which transfer took place.**

Sec. 2(14): Capital Asset

Capital Asset means-

- A) Property of any kind held by assessee, whether or not connected with business or profession.
- B) Any Securities held by a Foreign Institutional Investor (FII).

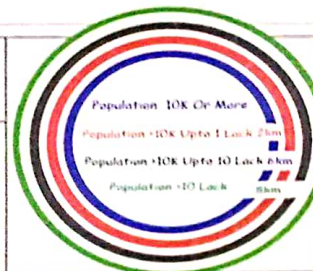
But Capital Asset **does not include (excludes)**

- (i) **Stock** in trade (RM/WIP /FG).
- (ii) Movable **personal** asset (used by assessee or dependent family member for personal purpose).
But **Excludes**: Jewellery, Drawings, Paintings, Sculpture, Archaeological Collection, or Any other work of Art.
- (iii) **Rural Agricultural** Land in India.
- (iv) Gold Deposit Bonds, 1999 or Deposit Certificates issued under the Gold Monetisation Scheme, 2015. Interest on Instrument also exempt u/s 10(15)
- C) ULIP to which exemption u/s 10(10D) does not apply due to fourth and fifth proviso thereof.

Notes:

1. Assets used for personal purpose of assessee :-
 ⇒ T.V., Car, Mobile etc - **Not a Capital Asset** - CG not Applicable
 ⇒ Jewellery, Drawings, Paintings - **Capital Asset** - CG Applicable
2. Gold Utensils, Silver Bars, Silver Coins were held not to be Consider as Personal Effect - **Capital Gain Applicable** (Maharaja Rana Hemanth Singh)
3. Silver Utensils held to be Personal Effect - **No Capital Gain** (Benarshilal Kataruka)
4. Car used in the **business** treated as **capital asset**.
5. Jewellery means:
 a.) Ornaments made of gold, silver, platinum or other precious metal or alloy containing such metals.
 b.) Precious stones whether or not set in any furniture, utensil or other article.
6. Definition of **Urban Area**
 a) Any area (municipality, cantonment board etc) which has a population of 10000 or more.
 b) In the following area within the distance, measured aially

Shortest distance from area referred in point (a)	Population according to last census
upto 2kms	>10,000 upto 1,00,000
upto 6kms	>1,00,000 upto 10,00,000
upto 8kms	>10,00,000



Rural Area Means Area Which is Not a Urban Area



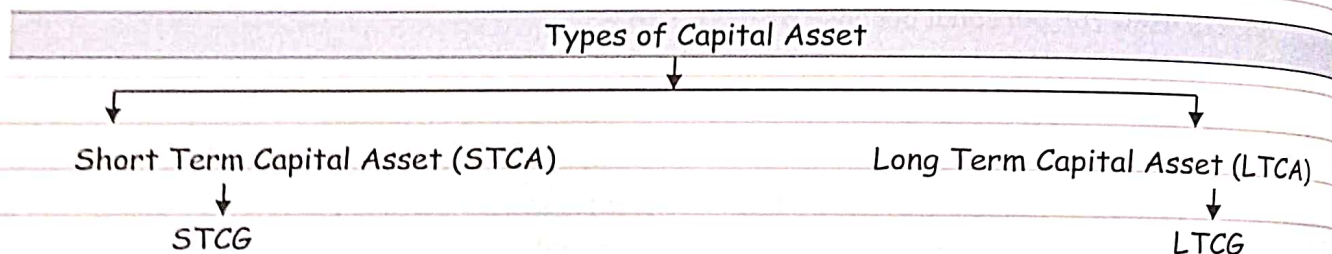
7. "Property" also includes any rights in relation to an Indian Company including right of management or control or any other right whatsoever.

Sec. 2(47): Transfer

'Transfer' includes

- (i) The sale, exchange or relinquishment of the asset, or
- (ii) The extinguishment of any right there in, or
- (iii) Compulsory acquisition there of under any law, or
- (iv) Conversion of capital asset into stock in trade, or
- (v) Allowing the possession of any immovable property to be taken or retained in part performance of a contract.
- (vi) Any transaction (like becoming a member of, or acquiring shares in a Co. operative society) which has the effect of transferring or enabling the enjoyment of immovable property.
- (vii) The redemption of Zero-Coupon Bonds (ZCB)

Note: "Transfer" also includes disposing of or parting with an asset or interest therein or creating any interest in any asset in any manner whatsoever either directly or indirectly, absolutely or conditionally voluntarily or involuntarily by way of an agreement or otherwise.



Capital Asset		Period of Holding	
		LTCA	STCA
Part: A	➤ Security (other than Unit) listed in recognised stock exchange of India ➤ Unit of UTI ➤ Unit of Equity oriented Mutual Fund ➤ ZCB	Held for more than 1 Year	Upto 1 Year
Part: B	➤ Unlisted shares (Shares not covered in Part-A) ➤ Immovable Property	Held for more than 2 Year	Upto 2 Year
Part: C	➤ Any other Asset	Held for more than 3 Year	Upto 3 Year