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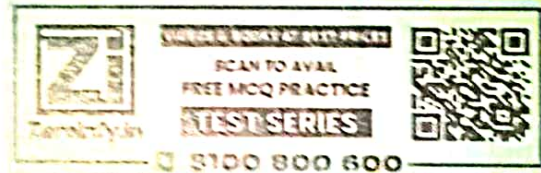
Comprehensive Guide to

Taxation

Part - I INCOME TAX

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- Amendments made by Finance Act, 2023 applicable for A.Y. 2024-25
- Latest Circulars and Notifications upto 31st October, 2023
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Comprehensive Guide to

TAXATION

PART - I

INCOME TAX

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PREFACE TO THE TWENTY-THIRD EDITION

It is with great pride and pleasure that we bring to you Revised Edition of our book "Comprehensive Guide to Taxation" PART - I: "Income Tax". Our association with the students has helped us to bring this book in its present form - simplified, comprehensive, easy to understand and student friendly. This book covers the syllabus prescribed for CA Intermediate applicable from May 2024 onwards.

The book incorporates the following :

- ⇒ Amendments made by Finance Act, 2023 applicable for Assessment Year 2024-25.
- ⇒ All the latest developments in Income Tax Law including Circulars and Notifications and Judicial Pronouncement upto October 31st, 2023.
- ⇒ New and Unique 430 illustrations arranged topic-wise/section-wise appended with head notes for easy understanding.
- ⇒ Coverage of Past CA/CS Examination Questions (upto May 2023 Exams).

While this book covers the syllabus of PART - I of Paper Taxation, a separate book for PART - II covering "Goods and Services Tax" is also authored by us. The students must study portion of GST from the said book titled "Comprehensive Guide to Taxation" PART - II: "Goods and Services Tax".

For additional practice, 1,840 MCQs are provided in our Mobile App :- Bangarsedu.com which is freely downloadable from Google Play Store/iOS App Store.

The e-Book version TAXATION is also available which can be purchased from Our Mobile App.

While this book covers the law along with unique illustrations and past examination questions, a e-Book titled "TAXATION (INCOME TAX & GST) - A Quick Referencer cum COMPILER" with summarized points for revision have been separately compiled, as applicable for the Assessment Year 2024-25. The same can be purchased from our Mobile App :- Bangarsedu.com

Endeavour has been made to make this book error-free, yet mistakes might have crept in for which we are apologetic. We look forward to the readers for suggestions, criticism and feedback to improve the contents of the book. The readers may post their suggestions, grievances, criticism and feedback at <http://bangarsedu.com> or by E-mail to Bangarsedu@gmail.com.

ACKNOWLEDGEMENT

"Comprehensive Guide to TAXATION" PART - I "Income Tax" is a result of sincere efforts, persistence and perseverance of our family members, associates and students. Though words cannot express our heartfelt gratitude to them, we take this opportunity to acknowledge their co-operation.

Our children Peeyush and Monisha deserve special mention for the time (on which they had the first right) they allowed us for this book, without which it would not have been possible for us to complete it.

Apart from them, we place on record our sincere thanks to the following -

- (1) Mrs. Mani Kela and other members of Kela Family : For their intense efforts in printing and publication of the book. It is due to their selfless efforts that we have been able to present this book before the readers.
- (2) Mr. Gordhan Jat : Our associate whose dedication has given shape to this book. Apart from assisting in composing of the book, he has been a strong pillar of support to us motivating us from time to time.

We dedicate this book to our beloved Mother (late) Smt. Sarla Bangar and Father (late) Shri N.M. Bangar who would have been very happy to see this book.

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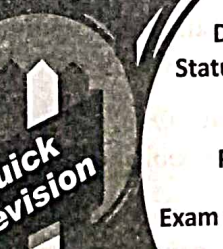
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BASIC CONCEPTS

Topic Referencer

- Components of Income Tax Law
- Concept of Charge of Income Tax, Person, Assessee and Exceptions to Previous Year Rule
- Concepts of Income, Method of Accounting
- Mode of Computation of Income and Tax Rates for Assessment Year 2024-25

COMPONENTS OF INCOME TAX LAW

1. What do you understand by Body of Income Tax Law?

Ans: The Central Government has got the power through Entry 82 of the Union List of Schedule VII of the Constitution of India to impose tax on all incomes, except the agricultural income. Entry 46 of the State List of said Schedule VII gives power to the State Government to impose tax on agricultural income.

The various components of Income-tax Law, as framed by the Central Government, are –

(1) The Income Tax Act, 1961 :

- (a) Charge of income-tax is governed by the Income-tax Act, 1961 which came into force w.e.f. 1st April 1962.
- (b) It extends to whole of India including Jammu & Kashmir.
- (c) It contains the various provisions for determining taxable income, tax liability, procedure for assessment, appeals, penalties and prosecutions.
- (d) It contains 298 Sections and XIV Schedules.

(2) The Income Tax Rules, 1962 :

- (a) Section 295 of the Act empowers the Central Board of Direct Taxes (CBDT) to make Rules.
- (b) These Rules are notified by Notification in the Official Gazette.
- (c) **Prescribed :** Wherever in the Act the phrase 'as prescribed' appears, it means that Rules have been framed in this respect.

(3) Circulars & Notifications :

- (a) Section 119 of the Act empowers the CBDT to issue orders, instructions and directions for the proper administration of the Act.
- (b) The Income Tax Authorities are bound by these circulars.
- (c) They are not binding on assessee, Income Tax Appellate Tribunal (ITAT) or the Courts. However, the assessee can claim benefit under such circulars.

(4) Judicial Decisions :

- (a) **Supreme Court's** precedent is binding on all the Courts, Appellate Tribunals, Income tax authorities, and on all assessees. Where any two judgments of Supreme Court are contradictory then the decision of the larger bench whether earlier or later in time shall prevail. However, where benches having equal number of judges give contradictory decisions, then, the later decision shall prevail.
- (b) **High Court's** precedents are binding on the Tribunal, Income tax authorities and on assessees falling under its jurisdiction.

(5) Annual Finance Act :

- (a) **Presenting the Finance Bill :** Every year, the Finance Minister of India presents a Finance Bill in the Parliament, which contains various amendments proposed to be made in the direct and indirect taxes levied by the Central Government.
- (b) **Approval and assent of Bill :** As soon as the Bill is passed by both the houses of the Parliament and thereafter receives the assent of the President of India, it becomes the **Finance Act**.
- (c) **Incorporation of Amendments :** The amendments proposed therein are then incorporated in the Income Tax Act which are applicable from the very first day of the next financial year.

Example : Generally, amendments by Finance Act, 2023 are effective from 1-4-2024.

- (d) First schedule to Annual Finance Act : It contains four parts, which, as applicable for the Finance Act, 2022, are as follows -

Part I	It specifies the rates at which income tax is to be levied on income chargeable to tax for the assessment year 2023-24.
Part II	It lays down the rate at which tax is to be deducted at source during the financial year 2023-24 i.e. assessment year 2024-25.
Part III	It lays down the rates for charging income-tax in certain cases, rates for deducting income-tax from income chargeable under the head 'Salaries' and the rates for computing advance-tax for the financial year 2023-24 i.e. assessment year 2024-25.
Part IV	It lays down the rules for computation of net agricultural income.

**CONCEPT OF CHARGE OF INCOME TAX, PERSON,
ASSESSEE AND EXCEPTIONS TO PREVIOUS YEAR RULE**

2. Write short note on 'Basis of Charge'. OR

Explain the concept of Charge of Income Tax as given under section 4 of the Act?

Ans: Charge of Income-tax [Section 4] :

- (i) Income tax is charged for every assessment year.
- (ii) It is charged on every person as specified under section 2(31) of the Act.
- (iii) It is charged on the total income earned by the person during the previous year.
- (iv) Total income is computed in accordance with the provisions of the Act.
- (v) The tax is levied at the rates prescribed by the Finance Act.
- (vi) Income-tax shall be deducted at source or paid in advance, where it is so deductible or payable under any provision of the Act.
- (vii) Income Tax Act, as amended on 1st April of any financial year shall apply for assessment of that year.

Example : The law amended on 1-4-2024 shall be applicable for assessment year 2024-25.

3. Explain the scope of "Person" in accordance with the Act.

Ans: The scope of person is explained as under -

- (1) **Person [Section 2(31)] :** "Person" includes,-
 - (a) Individual (natural persons, minors and persons of unsound mind).
 - (b) Hindu Undivided Family (HUF).
 - (c) Partnership firm (including a "Limited Liability Partnership" firm).
 - (d) Company.
 - (e) Association of persons (AOP) or Body of Individuals (BOI), whether incorporated or not.
 - (f) Local authority.
 - (g) Every artificial juridical person not falling in any of the above categories.

Example: Deities, Idols, Corporation, Bar council, Guru Granth Sahib, Universities etc.

- (2) **Profit motive not essential to constitute person [Explanation] :** An association of persons or a body of individuals or a local authority or an artificial judicial person shall be deemed to be a person, whether or not such person or body or authority or judicial person was formed or established or incorporated with the object of deriving income, profits or gains.

4. Define the term 'Local Authority'.

Ans: Local authority [Explanation to Section 10(20)] : "Local Authority" means,-

- (i) Panchayat ;
- (ii) Municipality ;
- (iii) Municipal Committee and District Board ;
- (iv) Cantonment Board ; or
- (v) Any other authority legally entitled to or entrusted by the Government with the control or management of a municipal or local fund.

5. Define Assessee. (2 Marks, May 2016)

Ans: Assessee [Section 2(7)] : "Assessee" means any person by whom any tax or any other sum of money is payable under this Act and includes –

- (1) Every person in respect of whom any proceedings under this Act has been taken –
 - (a) for the assessment of his income or of the income of any other person in respect of which he is assessable; or
 - (b) to determine the loss sustained by him or by such other person; or
 - (c) the amount of refund due to him or to such other person;
- (2) Every person who is deemed to be an assessee under any provision of this Act.
Example : A trustee of a trust is a representative assessee and is deemed to be an assessee.
- (3) **Assessee in Default :** Every person who is deemed to be an assessee in default under any provision of this Act i.e. an assessee who has failed to comply with any of the duties imposed upon him by the Income-tax Act.
Example : As per Section 140A(3), if an assessee fails to pay the self-assessment tax in accordance with Section 140(1), then he shall be considered as 'assessee in default'.

Illustration 1 – Person when regarded as an 'Assessee' : A single letter of enquiry was issued by the income tax department to Mr. Shoumik of Pune. In this letter there was no specific mention of any provision of the Income-tax Act, 1961. Can Mr. Shoumik be treated as 'assessee' under the Income Tax Act, 1961?

Solution : A person is treated as an 'assessee' only when any proceeding is initiated in his respect under the Income Tax Act, 1961. In the given case, the letter was issued to Mr. Shoumik only for an enquiry and not for any assessment. Further, such an issuance of letter cannot be regarded as proceeding without any specific reference to the provisions of the Act.

Therefore, Mr. Shoumik is not an 'assessee' under the Act.

6. What do you mean by the term "Assessment Year"?

Ans: Assessment Year [Section 2(9)] : "Assessment year" means the period of 12 months beginning with the 1st day of April and ending on 31st March of the next year. Income earned in previous year is taxed in the assessment year.

Example : The assessment year 2024-25 is a period of 12 months starting from the 1st April 2024 and ending on the 31st March 2025.

7. Define the term "Previous Year".

Ans: Previous Year [Section 3] : As per Section 2(34) read with Section 3 of the Act, the term "Previous year" means the financial year immediately preceding the assessment year.

Example : For the assessment year 2024-25, the previous year shall be the period from 1st April, 2023 to 31st March, 2024 and the total income of an assessee earned in the previous year 2023-24 is assessed in the assessment year 2024-25.

8. What will be the previous year in case of newly set-up business or profession?

Ans: In case, a business or profession is newly set-up, the previous year shall commence from the date of setting up of the business or profession and end with the said financial year.

9. What will be the previous year in case where a new source of income comes into existence?

Ans: In case, where a new source of income comes into existence, the previous year shall commence from the date on which the said source comes into existence and end with the said financial year.

Illustration 2 – Ascertainment of previous year : Ascertain the previous year in the following situations –

- (a) Mr. X set up his new business on 27-08-2023.
- (b) Mr. Y's new source of income came into existence on 25-02-2024.

Solution: (a) The previous year for Mr. X shall be 27-08-2023 to 31-03-2024.

(b) The previous year for Mr. Y shall be 25-02-2024 to 31-03-2024.

10. What will be the previous year in case of undisclosed sources of income?

Ans: The following undisclosed incomes shall be deemed to be the income of the F.Y. in which they are found–

- (1) **Unexplained Cash Credits [Section 68] :** Where the assessee offers no explanation to the Assessing Officer for any sum credited in the books of accounts or the explanation so offered is not satisfactory, then the sum shall be charged as income in the previous year in which it is credited in the books of accounts.

- (2) **Unexplained investments [Section 69]** : Where the assessee fails to record the investments made by him and thereafter offers no explanation or the explanation so offered is not satisfactory, then the value of such investments are taxed as income in the financial year in which such investment is made.
- (3) **Unexplained Money [Section 69A]** : Where the assessee owns any money, bullion, jewellery, etc. and does not record the same in his books of accounts, then the same shall be regarded as his income of the financial year in which it is found, if the assessee fails to offer any explanation regarding such money or the explanation offered by him seems to be unsatisfactory to the Assessing Officer.
- (4) **Investment not fully disclosed [Section 69B]** : In case, it is found that the real value of any investments, money, bullion, etc. is more than the amount recorded in the books and no explanation is offered by the assessee or the explanation so offered is not satisfactory, then such excess amount shall be treated as his income in the financial year in which such investment, etc. is made.
- (5) **Unexplained Expenditure [Section 69C]** : When the assessee incurs any expenditure for which he offers no explanation about its source or offers an explanation which is not satisfactory, then the same shall be considered as his income in the financial year in which such expenditure is incurred.
- (6) **Amount borrowed or repaid on hundi [Section 69D]** : If any amount is borrowed or repaid on hundi through any mode other than the account-payee cheque, then the same shall be regarded as the income in the financial year in which such amount is so borrowed or repaid.

Thus, the taxability of such undisclosed income shall be –

Section	Title	Year of taxability
68	Unexplained Cash Credit	Previous year in which credited in the books of account.
69	Unexplained investment	Financial year in which investment is made.
69A	Unexplained Money	Financial year in which found.
69B	Investment partly disclosed	Financial year in which investment is made.
69C	Unexplained Expenditure	Financial year in which such expenditure is incurred.
69D	Amount borrowed or repaid on hundi	Financial year of borrowing or repayment.

11. Explain briefly the "Previous year Rule" and discuss its exceptions.

Ans: As per Section 4 of the Income-tax Act, the income earned in a year is taxable in the next year. This is known as Previous Year Rule. However, there are certain exceptions in which income earned in a year is taxable in the same year.

The exceptions to the above rule are as follows –

- (1) **Shipping business by Non-residents [Section 172]** :
- This section applies to a non-resident engaged in shipping business and deriving income therefrom by carrying passengers, livestock, mail or goods from a port in India.
 - 7.5% of the freight paid or payable to the owner or charterer or any person on his behalf, whether in or outside India, shall be deemed to be his total income and shall be taxed at the rate applicable for foreign company i.e. @ 40% (plus surcharge and Health and Education cess). Such tax shall be paid before the departure of the vessel. Thus, income is taxable in the same year in which carriage is collected and not in the immediately following assessment year.
- (2) **Persons leaving India [Section 174]** :
- This section applies when it appears to Assessing Officer that an individual may leave India during the current assessment year or shortly after its expiry and he has no intention of returning back to India.
 - In case of such person, the total income from 1st April of that assessment year up to the probable date of his departure from India shall be taxable in that year itself at the rates applicable to that assessment year.
- (3) **Association of persons/ Body of Individuals or artificial juridical person formed for a particular event or purpose [Section 174A]** :
- This section applies where the Assessing Officer is of the opinion that any association of persons or body of individuals or an artificial juridical person, formed for a particular event or purpose, may be dissolved in the assessment year in which it is formed or shortly thereafter.
 - The total income from 1st April of that assessment year up to the date of its dissolution shall be chargeable to tax in that assessment year itself at the rates applicable to that assessment year.
- (4) **Persons likely to transfer property to avoid tax [Section 175]** :
- It applies when it appears to the Assessing Officer that a person is likely to charge, sell, transfer, dispose of or otherwise part with any of his assets so as to avoid his tax liability.

- (b) The total income from 1st April of that assessment year to the date when the Assessing Officer commences proceedings under this section shall be chargeable to tax in that assessment year itself at the rates applicable to that assessment year.
- (5) **Discontinued business [Section 176] :**
- (a) This section applies where any business or profession is discontinued in any assessment year.
- (b) The total income from 1st April of that assessment year upto the date of discontinuance shall be taxable in the year of discontinuance at the discretion of Assessing Officer.

Note : In above 4 cases it is mandatory for the Assessing Officer to assess the income in the year in which it is earned. However, in 5th case it is at discretion of the Assessing Officer to assess the income in the year in which it is earned or in the next year.

Illustration 3 – Exceptions to Charging Section: Mr. X a resident, aged 56 years, till recently was a successful businessman filing his return of incomes regularly and promptly ever since he obtained PAN card. During the COVID Pandemic period his business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1st January, 2024 he decided to wind-up his business which he also promptly intimated to the jurisdictional Assessing Officer about the closure of his business.

The Assessing Officer sent him a notice to tax income of A.Y. 2024-25 during the A.Y. 2024-25 itself. Does the Assessing Officer have the power to do so? Are there any exceptions to the general rule “Income of the previous year is assessed in the assessment year following the previous year”? (4 Marks, Nov. 2022)

Solution: Yes, he has the power to do so. Since the business of Mr. X is discontinued on 1st January, 2024, the income of the period from 1-4-2023 to 1-1-2024 may, at the discretion of the Assessing Officer, be charged to tax in A.Y. 2024-25 itself.

Following are the other exceptions to the general rule “Income of the previous year is assessed in the assessment year following the previous year” i.e., the income of the previous year is assessed in the previous year itself.

- (i) Shipping business of non-resident
- (ii) Persons leaving India with no present intention of returning
- (iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose and likely to be dissolved
- (iv) Persons likely to transfer property to avoid tax.

CONCEPTS OF INCOME, METHOD OF ACCOUNTING

12. Define “Income”.

Ans: Income [Section 2(24)] : According to Section 2(24), “Income” includes,—

- (1) Profits and gains.
- (2) Dividend.
- (3) Voluntary contributions received by a trust created wholly or partly for charitable or religious purposes or by an institution established wholly or partly for such purposes or by a scientific research association or games association referred under section 10(21) or by any other notified fund or institution established for charitable or religious purposes referred under section 10(23), or, by any university or other educational institution or hospital or other medical institution referred under section 10(23C), other than those wholly or substantially financed by the Government, or, by an electoral trust approved by the Board in this behalf.
- (4) The value of any perquisite or profit in lieu of salary taxable under section 17.
- (5) Any special allowance or benefit, other than the perquisite included under above clause, specifically granted to the assessee to meet expenses wholly, necessarily and exclusively for the performance of duties of an office or employment of profit.
- (6) Any allowance granted to the assessee either to meet his personal expenses at the place where the duties of his office or employment of profit are ordinarily performed by him or at a place where he ordinarily resides or to compensate him for the increased cost of living.
- (7) The value of any benefit or perquisite, whether convertible into money or not, obtained from a company either by a director or by a person who has a substantial interest in the company, or by a relative of the director or such person, and any sum paid by any such company in respect of any obligation which, but for such payment, would have been payable by the director or other person aforesaid.

- (8) The value of any benefit or perquisite, whether convertible into money or not, obtained by any representative assessee or by any person on whose behalf or for whose benefit any income is receivable by the representative assessee (referred as 'beneficiary') and any sum paid by the representative assessee in respect of any obligation which, but for such payment, would have been payable by the beneficiary.
- (9) Compensation for termination or modification of terms or conditions of agency or management.
- (10) Income of trade, professional or similar association from specific services to its members.
- (11) Deemed profits under Section 41 or under Section 59.
- (12) Profits on sale of an import licence as referred under section 28(iia).
- (13) Cash assistance received or receivable by any person against exports under any scheme of the Government of India, as referred under section 28(iib).
- (14) Any duty of customs or excise repaid or repayable as drawback, as referred under section 28(iic).
- (15) Value of any benefit or perquisite, whether convertible into money or not, arising from business or exercise of profession, as referred under section 28(iv).
- (16) Any interest, salary, bonus, commission or remuneration, by whatever name called, due to, or received by, a partner of a firm from such firm.
- (17) Any capital gains chargeable under section 45.
- (18) Profits and gains of any business of insurance carried on by a mutual insurance company or by a co-operative society, computed in accordance with Section 44 or any surplus taken to be such profits and gains by virtue of provisions contained in the First Schedule.
- (19) The profits and gains of any business of banking (including providing credit facilities) carried on by a co-operative society with its members.
- (20) Any winnings from lotteries, crossword puzzles, races including horse races, card games and other games of any sort or from gambling or betting of any form or nature whatsoever.

Explanation : (i) "Lottery " includes winnings from prizes awarded to any person by draw of lots or by chance or in any other manner whatsoever, under any scheme or arrangement by whatever name called.

(ii) "Card game and other game of any sort" includes any game show, an entertainment programme on television or electronic mode, in which people compete to win prizes or any other similar game.

- (21) Any sum received by the assessee from his employees as contributions to any provident fund or super-annuation fund or any fund set up under the Employees' State Insurance Act, 1948 or any other fund for the welfare of such employees.
- (22) Any sum received under a Keyman insurance policy including the sum allocated by way of bonus on such policy.
- (23) Any sum received on account of non-competing fees and exclusivity rights as covered under section 28(va).
- (24) The fair market value of inventory referred to in Section 28(via) [i.e. Fair market value of inventory which is converted into, or treated as a capital asset.]
- (25) Any sum of money/immovable property/any property other than immovable property received by an individual/ HUF, the value of which exceeds fifty thousand rupees as referred under section 56(2)(vii).
- (26) Shares of a company (not being a company in which the public is substantially interested) received by a private company or a firm either without or at less consideration, as referred under section 56(2)(viiia).
- (27) Any consideration for issue of shares as exceeds the fair market value of the shares received by a company (not being a company in which the public is substantially interested) as referred to in Section 56(2)(viiib).
- (28) Any sum of money received as advance, if such sum is forfeited consequent to failure of negotiation for transfer of a capital asset [Section 56(2)(ix)].
- (29) Any sum of money or value of property received without consideration or for inadequate consideration by any person [Section 56(2)(x)].
- (30) Any compensation or other payment referred to in Section 56(2)(xi) [i.e. Any compensation or other payment, due to or received by any person, in connection with termination of his employment or the modification of the term and conditions relating thereto.]
- (31) **Sum received, including the amount allocated by way of bonus, under a LIP other than under a ULIP and keyman insurance policy, which is not exempt u/s 10(10D), to the extent the same exceeds the aggregate of the premium paid during the term of the policy, and not claimed as deduction under any other provision of the Act. [Section 56(2)(xiii)] [Amended by Finance Act, 2023 w.e.f. 01-04-2024 i.e. AY 2024-25]**

- (32) Assistance in the form of a subsidy or grant or cash incentive or duty drawback or waiver or concession or reimbursement (by whatever name called) by the Central Government or a State Government or any authority or body or agency in cash or kind to the assessee other than,—
- the subsidy or grant or reimbursement which is taken into account for determination of the actual cost of the asset in accordance with the provisions of Explanation 10 to Section 43(1); or
 - the subsidy or grant by the Central Government for the purpose of the corpus of a trust or institution established by the Central Government or a State Government, as the case may be.

13. Discuss the concept of "Income".

Ans: The concept of 'income' is as follows –

- Income means a periodic monetary return which accrues or is expected to accrue regularly from definite and identifiable sources.
- Income normally refers to revenue receipts and it means net receipts, not gross receipts.
- It is taxable either on receipt or due basis.
- Income may be received in cash or in kind. In case, it is received in kind, the valuation shall be as per the prescribed rules or fair market value.
- Illegal incomes are taxable in the same manner as legal income.
- Income must be real and not fictitious.
- It must arise from outside sources.
- The same income cannot be taxed twice unless otherwise provided in law.
- Disputed title to income will not withhold its taxability, it will be taxable in the hands of recipient of income.

14. What are the various heads of income? Are they mutually exclusive?

Ans: The relevant provisions are discussed as under –

- Heads of Income [Section 14] :** According to Section 14 of the Act, all the incomes are categorised in the following five heads –
 - Salaries [Section 15-17];
 - Income from House Property [Section 22-27];
 - Profits and Gains of Business or Profession [Section 28-44DB];
 - Capital Gains [Section 45-55A]; and
 - Income from Other Sources [Section 56-59].
- Nature of heads of income :** The heads of income are mutually exclusive *i.e.* an income, which falls under one head cannot be brought to tax under any other head of income. The Income-tax Act contains provisions describing the incomes to be included in each of the heads of income listed above.
Correct classification of income under the proper head is mandatory. Incorrect classification to obtain undue incentives in the law may lead to penalties and prosecution.

15. Briefly discuss about the provisions relating to deductibility of expenditure incurred in relation to income not includible in assessee's total income.

Ans: Expenditure incurred in relation to income not includible in total income [Section 14A]: Notwithstanding anything to the contrary contained in this Act, for the purposes of computing the total income of an assessee –

- No deduction shall be allowed to the assessee in respect of expenditure incurred in relation to income which does not form the part of the total income under the Act.
- The Assessing Officer shall determine the amount of expenditure incurred in relation to such income, if having regard to the accounts of the assessee, he is not satisfied with the correctness of the claim of the assessee in respect of such expenditure made by the assessee.
- The Assessing Officer has the power to determine the amount of such expenditure even if where an assessee claims that no expenditure has been incurred by him in relation to income which does not form part of the total income under this Act.

The provisions of this section shall apply in a case where the income, not forming part of the total income under this Act, has not accrued or arisen or has not been received during the previous year relevant to an assessment year and the expenditure has been incurred during the said previous year in relation to such income not forming part of the total income.

16. List the differences between Capital Receipts and Revenue Receipts.

Ans: The differences between Capital Receipts and Revenue Receipts are as follows -

	Capital Receipts	Revenue Receipts
(1)	Receipts relating to fixed capital are capital receipts. E.g.: Receipt on sale of asset is a capital receipt.	Receipts relating to circulating capital are revenue receipts. E.g.: Receipt on sale of stock-in-trade is a revenue receipt.
(2)	Compensation received for extinction of a profit earning source (<i>in whole or in part</i>) is a capital receipt.	Compensation received for loss of profits or earnings is a revenue receipt.
(3)	Receipt in substitution of source of income is a capital receipt. E.g.: Compensation for loss of employment is a capital receipt.	A receipt in substitution of income is revenue receipt.
(4)	Capital receipts are exempt from tax unless expressly taxable. E.g.: Capital gains.	Revenue receipts are taxable unless expressly exempt from tax. E.g.: Income exempt under section 10 to 13A.
(5)	Compensation received for relinquishing interest (<i>in whole or in part</i>) in a capital asset is a capital receipt.	Compensation received for relinquishing interest in stock-in-trade of the business is a revenue receipt.
(6)	Profits from transactions outside the purview of regular trading activities of the assessee are capital receipts.	Profits from transactions entered into the course of business regularly carried on by the assessee or are incidental to or are associated with business, are revenue receipts.
(7)	Subsidy is treated as capital receipt if it is given to set-up a new business or to complete a project or to acquire an asset.	Subsidy is treated as revenue receipt if it is given for an existing business or to meet any specific revenue expenditure or by way of reimbursement of such expenditure.
(8)	Profits from sale of shares or securities, which were purchased as an investor, are capital receipts.	Profits from sale of shares, which were acquired in the ordinary course of business as a dealer in shares, are revenue receipts.

17. Describe the "Keyman Insurance Policy" and its taxability.

Ans: The tax treatment of Keyman Insurance Policy is as under -

- (1) **Keyman Insurance Policy :** As per Explanation to Section 10(10D), "Keyman insurance policy" means a life insurance policy taken by a person on the life of another person who is or was the employee of the first mentioned person or is or was connected in any manner whatsoever with the business of the first mentioned person and includes such policy which has been assigned to a person, at any time during the term of the policy, with or without any consideration.
- (2) **Sum received including bonus - is income :** According to Section 2(24) of the Act - Sum received under Keyman insurance policy including the sum allocated by way of bonus on such policy, is considered as an income.
- (3) **Taxability of sums received :**
 - (a) If it is taken in name of an employee, then the sum received on its maturity (including the bonus on such policy) is taxable as "profits in lieu of salary" under Section 17(3).
 - (b) In case the policy matures in the hands of the person carrying on business or profession, then the sum received (including bonus) shall be treated as "Profits and Gains of Business or Profession".
 - (c) In case the policy is taken in name of any other person (other than employer or employee), then the sum received on its maturity by such person is chargeable to tax as "Income from other sources".
 - (d) In case the policy is assigned to any other person before its maturity, the sum received from such policy shall not be exempt from tax.

18. Discuss average rate of tax and maximum marginal rate under section 2(10) and 2(29C) of the Income-Tax Act, 1961.

Ans: The relevant concepts are discussed as under -

(1) Average Rate of Tax [Section 2(10)] :

$$\text{Average Rate of tax} = \frac{\text{Amount of income tax calculated on the total income} \times 100}{\text{Total Income}}$$

Wherein -

- (a) Total income = Income as defined by Section 2(45), hence also including the income on which special rates of income tax are applicable. E.g.: Long-term capital gains.
 - (b) Amount of Income Tax = Amount of tax computed on such total income considering various rebates and reliefs available under the provisions of the Act.
 - (c) Significance : Average Rate of Tax is significant in relation to rebate under section 110 in the assessment of members of an AOP.
- (2) Maximum Marginal Rate (MMR) [Section 2(29C) : MMR is the rate of income-tax (including surcharge, if any) applicable in relation to the highest slab of income, specified in the Finance Act for the relevant year, in the case of the following persons,-
- (a) an individual; or
 - (b) an AOP or Body of Individuals.
- MMR for A.Y. 2024-25 is 42.744% (being tax @ 30% + 37% surcharge + 4% Health and Education Cess (HEC) on Income-tax).

19. Briefly explain the purpose for which the words "PROVISO" and "EXPLANATION" are incorporated under various sections of the Income-tax Act, 1961. (2 × 2 = 4 Marks, May 2018-NS)

Ans: The purpose for which the words "PROVISO" and "EXPLANATION" are incorporated under various sections of the Income-tax Act, 1961 are as under :

- (i) The Proviso(s) to a section/sub-section/clause spells out the exception(s) to the provision contained in the respective section/subsection/clause.
- (ii) The Explanation to a section/sub-section/clause gives a clarification relating to the provision contained in the respective section/subsection/clause.

20. In computing income under certain heads of income, method of accounting is irrelevant while in some it is relevant. Comment.

Ans: Method of Accounting [Section 145] : As per Section 145 -

- (1) Cash / Mercantile system : Income chargeable under the head "Profits and Gains of Business and Profession" or "Income from other sources" is to be computed in accordance with either cash or mercantile system of accounting regularly employed by the assessee.
- (2) Income computation and disclosure standards : The Central Government may, from time to time, notify in the Official Gazette the income computation and disclosure standards to be followed by the assessee adopting mercantile system of accounting. Accordingly, the Central Government has, in exercise of the powers conferred under section 145(2), notified 10 income computation and disclosure standards (ICDSs) to be followed by all assessee, following the mercantile system of accounting, for the purposes of computation of income chargeable to income-tax under the head "Profit and gains of business or profession" or "Income from other sources". The following standards have been notified :
 - ICDS I : Accounting Policies
 - ICDS II : Valuation of Inventories
 - ICDS III : Construction Contracts
 - ICDS IV : Revenue Recognition
 - ICDS V : Tangible Fixed Assets
 - ICDS VI : The Effects of changes in foreign exchange rates
 - ICDS VII : Government Grants
 - ICDS VIII : Securities
 - ICDS IX : Borrowing Costs
 - ICDS X : Provisions, Contingent Liabilities and Contingent Assets
- (3) Best Judgment Assessment : The Assessing Officer can reject the books of accounts maintained by the assessee and make an assessment in the manner provided in Section 144, if,-
 - (i) he is not satisfied about the correctness or completeness of the accounts; or
 - (ii) the assessee has not regularly followed the proper method of accounting; or
 - (iii) the assessee has not regularly followed the notified income computation and disclosure standards.

1.10

- (4) **Effect of method of accounting adopted :** The method of accounting adopted determines the amount of income chargeable to tax. If cash basis of accounting is adopted, then, all incomes not received in cash will not be chargeable to tax and all unpaid expenses will not be allowed as deduction. However, if accrual basis of accounting is adopted, then, the outstanding incomes and expenses will be taken into account while determining the amount of income chargeable to tax.
- (5) **Taxability of incomes under other heads :** The method of accounting is not relevant for incomes chargeable under other heads of income, as the Act provides for specific mode of their chargeability. The incomes under other heads are chargeable to tax as follows –

Head of income	Mode of chargeability
➤ Salaries	➤ Chargeable on due or receipt basis, whichever is earlier
➤ Income from House Property	➤ Chargeable on accrual basis
➤ Capital Gains	➤ Chargeable in the year in which the capital asset is transferred

21. When is an individual said to have a substantial interest in a concern?

Ans: Person who has a substantial interest in the company [Section 2(32)] : According to the said section an individual is said to have substantial interest in a concern if he or she, along with his or her relatives, is, at any time during the previous year, –

- (a) beneficial owner of equity shares carrying 20% or more of the voting power in a company; or
- (b) entitled to 20% or more of the profits of such concern.

22. Define – (i) Chief Commissioner (ii) Commissioner (iii) Director General or Director.

Ans: The relevant definitions are as under –

- (i) **“Chief Commissioner”** means a person appointed to be a Chief Commissioner of Income-tax or a Principal Chief Commissioner of Income-tax under section 117(1). [Section 2(15A)]
- (ii) **“Commissioner”** means a person appointed to be a Commissioner of Income-tax or a Director of Income-tax or a Principal Commissioner of Income-tax or a Principal Director of Income-tax under section 117(1). [Section 2(16)]
- (iii) **“Director General or Director”** means a person appointed to be a Director General of Income-tax or a Principal Director General of Income-tax or, as the case may be, a Director of Income-tax or a Principal Director of Income-tax, u/s 117(1), and includes a person appointed under that section to be an Additional Director of Income-tax or a Joint Director of Income-tax or an Assistant Director or Deputy Director of Income-tax. [Section 2(21)]

MODE OF COMPUTATION OF INCOME AND TAX RATES FOR ASSESSMENT YEAR 2024-25

23. What are the steps for computation of total income.

Ans: Income-tax is levied on an assessee's total income. Such total income has to be computed as per the provisions contained in the Income-tax Act, 1961.

- (1) Determine Residential Status of the individual assessee as per section 6 and determine scope of his total income as per section 5.
- (2) Compute Income under each head as per sections 15 to 59. [Incomes exempt under section 10 do not form part of total income.]
- (3) Clubbing provisions u/s 60 to 65 and undisclosed incomes u/s 68 to 69D are to be taken into account.
- (4) Allow set off and carry forward of losses as given under sections 70 to 80 and the resultant income shall be the Gross Total Income.
- (5) From Gross Total Income computed in Step 4 above, allow the deductions under Chapter VI-A.
- (6) After allowing the deductions in Step 5 above, the resultant figure shall be Total Income. Compute income tax on such total income. There are specific rates of tax in case of long-term capital gains u/s 112 and Section 112A, short-term capital gains in case of securities u/s 111A, winnings from lottery etc. u/s 115BB etc.
- (7) Allow rebate under section 87A from the amount of income tax calculated in step 6 above at the rate of 100% of such income tax subject to maximum of ₹ 12,500 if total income does not exceed ₹ 5,00,000.
- (8) Add Surcharge at applicable rates if total income exceeds ₹ 50 lakhs. Provide marginal relief if the same is available. Tax plus surcharge is to be increased by Health and Education cess @ 4%.

- (9) Allow rebate under section 86 read with section 110 in case such individual is a member of an Association of Persons, if applicable, and also allow relief under section 89. The balance shall be the tax liability of such individual for that assessment year.
- (10) From such tax liability deduct TDS, TCS, advance tax and self-assessment tax paid by him. The balance shall be the tax payable by such individual.

24. Discuss the mode of computation of total income of an individual and tax liability thereon.

Ans: The mode of computation of total income of an individual and tax liability thereon is as under –

Name of assessee:	Assessment Year:	Previous Year:
1. Income from Salaries [Section 15 - 17]		xxxx
2. Incomes from House Property [Section 22 - 27]		xxxx
3. Profits and gains of business or Profession [Section 28 - 44DB]		xxxx
4. Capital Gains [Section 45 - 55A]		xxxx
5. Income from Other Sources [Section 56 - 59]		xxxx
Total [(1) + (2) + (3) + (4) + (5)]		xxxx
<i>Add:</i> Income of other persons included in assessee's total income (i.e. Deemed incomes to be aggregated with appropriate heads of income) [Section 60- 69D]		xxxx
<i>Less:</i> Adjustment on account of set off or carry forward of losses [Section 70 - 80]		xxxx
Gross Total Income		xxxx
<i>Less:</i> Deductions under Sections 80C to 80U		xxxx
Total Income [rounded off to ₹10]		xxxx
Computation of tax liability :		
Tax on total income		xxxx
<i>Less:</i> Tax rebate u/s 87A		xxxx
Balance tax after rebate		xxxx
<i>Add:</i> Surcharge		xxxx
Tax including Surcharge		xxxx
<i>Add:</i> Health and Education Cess @ 4%		xxxx
Tax including HEC		xxxx
<i>Less:</i> Relief under sections 86, 89, 90, 90A and 91		xxxx
Tax		xxxx
<i>Less:</i> Pre-paid Taxes		xxxx
Tax paid on self assessment		xxxx
Tax deducted or collected at source		xxxx
Tax paid in advance		xxxx
Tax payable/Tax Refundable		xxxx
<i>Add:</i> Interests under sections 234A, 234B and 234C, if any		xxxx
Total amount payable (rounded off to nearest ₹10)		xxxx

25. List the general rates of income-tax for Assessment Year 2024-25.

Ans: The relevant rates are discussed as under –

- (1) Individual/ Hindu Undivided Family (HUF)/ Association of Persons (AOP)/ Body of Individuals (BOI)/ Artificial Juridical Person

Default tax regime under section 115BAC of the Income-tax Act, 1961 :

I. Concessional tax rates :

Individuals/ HUF/ AoPs/ BoIs or artificial judicial persons, other than those who exercise the option to opt out this regime under section 115BAC(6), have to pay tax in respect of their total income (other than income chargeable to tax at special rates under Chapter XII such as section 111A, 112, 112A, 115BB, 115BBJ etc.) at the following concessional rates, subject to certain conditions specified under section 115BAC(2) –

	Total Income	Rate
(i)	Upto ₹ 3,00,000	Nil
(ii)	From ₹ 3,00,001 to ₹ 6,00,000	5%
(iii)	From ₹ 6,00,001 to ₹ 9,00,000	10%
(iv)	From ₹ 9,00,001 to ₹ 12,00,000	15%
(v)	From ₹ 12,00,001 to ₹ 15,00,000	20%
(vi)	Above ₹ 15,00,000	30%

II. Conditions to be satisfied

The following are the conditions to be satisfied :

(i)	<i>Certain deductions/exemptions not allowable:</i> Section 115BAC(2) provides that while computing total income, the following deductions/exemptions would not be allowed:	
	Section	Provision
	10(5)	Leave travel concession
	10(13A)	House rent allowance
	10(14)	Exemption in respect of special allowances or benefit to meet expenses relating to duties or personal expenses (<i>other than those as may be prescribed for this purpose</i>)
	10(17)	Daily allowance or constituency allowance of MPs and MLAs
	10(32)	Exemption in respect of income of minor child included in the income of parent
	10AA	Tax holiday for units established in SEZ
	16	(i) Entertainment allowance (ii) Professional tax
	24(b)	Interest on loan in respect of self-occupied property
	32(1)(ia)	Additional depreciation
	35(1)(ii), (ia), (iii)/35(2AA)	Deduction in respect of contribution to – <ul style="list-style-type: none"> ➤ notified approved research association/ university/ college/ other institutions for scientific research [Section 35(1)(ii)] ➤ approved Indian company for scientific research [Section 35(1)(ia)] ➤ notified approved research association/ university/ college/ other institutions for research in social science or statistical research [Section 35(1)(iii)] ➤ An approved National laboratory/University/IIT/Specified person for scientific research undertaken under an approved programme [Section 35(2AA)]
	35AD	Investment linked tax incentives for specified businesses
	80C to 80U	Deductions under Chapter VI-A (other than employers contribution towards NPS u/s 80CCD(2), Central Government contribution towards Agnipath Scheme under section 80CCH(2) and deduction in respect of employment of new employees under section 80JJAA).
(ii)	<i>Certain losses not allowed to be set-off:</i> While computing total income, set-off of any loss – (a) carried forward or depreciation from any earlier assessment year, if such loss or depreciation is attributable to any of the deductions referred to in (i) above; or (b) under the head house property with any other head of income; would not be allowed.	
(iii)	<i>Depreciation or additional depreciation:</i> Depreciation u/s 32 is to be determined in the prescribed manner. Depreciation in respect of any block of assets entitled to more than 40%, would be restricted to 40% on the written down value of such block of assets. Additional depreciation u/s 32(1)(ia), however, cannot be claimed.	

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| (iv) | Exemption or deduction for allowances or perquisite : While computing total income, any exemption or deduction for allowances or perquisite, by whatever name called, provided under any other law for the time being force in India would not be allowed. |
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Additional points :

Total income under default tax regime should be computed without set-off of any loss brought forward or depreciation from any earlier assessment year, where such loss or depreciation is attributable to any of the deductions listed in (1) above. Such loss and depreciation would be deemed to have been already given effect to and no further deduction for such loss or depreciation shall be allowed for any subsequent year. Where income-tax on total income of the assessee is computed under this section and there is a depreciation allowance in respect of a block of asset from an earlier assessment year attributable to additional depreciation under section 32(1)(iia), which has not been given full effect to prior to A.Y. 2024-25 and which is not allowed to be set-off in the A.Y.2024-25 due to section 115BAC, corresponding adjustment shall be made to the WDV of such block of assets as on 1.4.2023 in the prescribed manner i.e., the WDV as on 1.4.2023 will be increased by the unabsorbed additional depreciation not allowed to be set-off.

Example: Let us consider the case of Mr. X, who carries on business of manufacturing of steel. He has unabsorbed depreciation as on 1.4.2023, which includes amount attributable to additional depreciation u/s 32(1)(iia) of P.Y. 2022-23 or any earlier previous year in respect of block of plant and machinery. If he pays tax under default tax regime under section 115BAC for P.Y. 2023-24 relevant to A.Y. 2024-25, the amount so attributable to additional depreciation of earlier year remaining unabsorbed as on 1.4.2023 would not be eligible for set-off against current year income and no further deduction for such loss or depreciation shall be allowed for any subsequent year. Accordingly, the WDV of the block as on 1.4.2023 has to be increased by the said amount not allowed to be set-off.

III. Time limit for exercising the option to shift out of the default tax regime

- (i) **In case of an assessee having no income from business or profession :** Where such individual/HUF/AoP/BoI or Artificial Juridical person is not having income from business or profession, he/it can exercise an option to shift out/opt out of the default tax regime under this section and such option has to be exercised along with the return of income to be furnished under section 139(1) for a previous year relevant to the assessment year. In effect, such individual/HUF/AoP/BoI or Artificial Juridical person can choose whether or not to exercise the option of shifting out of the default tax regime in each previous year. He may choose to pay tax under default tax regime under section 115BAC in one year and exercise the option to shift out of default tax regime in another year.
- (ii) **In case of an assessee having income from business or profession :** Such individual/ HUF/ AoP/BoI or Artificial Juridical person having income from business or profession has an option to shift out/ opt out of the default tax regime under this section and the option has to be exercised on or before the due date specified under section 139(1) for furnishing the return of income for such previous year and once such option is exercised, it would apply to subsequent assessment years.

Such person who has exercised the above option of shifting out of the default tax regime for any previous year shall be able to withdraw such option only once and pay tax under the default tax regime under section 115BAC for a previous year other than the year in which it was exercised.

Thereafter, such person shall never be eligible to exercise option under this section, except where such person ceases to have any business income in which case, option under (i) above would be available.

AMT liability not attracted : Individual/HUF/AoP/BoI or Artificial Juridical person paying tax under default tax regime under section 115BAC is not liable to alternate minimum tax under section 115JC. Such person would not be eligible to claim AMT credit also.

Note: It may be noted that in case of Individual/HUF/AoP/BoI or Artificial Juridical person not having income from business or profession, the total income and tax liability (including provisions relating to AMT, if applicable under normal provisions) may be computed every year both in accordance with the regular provisions of the Income-tax Act, 1961 and in accordance with the provisions of section 115BAC, in order to determine which is more beneficial and accordingly such person may decide whether to pay tax under default tax regime under section 115BAC or exercise the option to shift out and pay tax under normal provisions of the Act for that year.

Surcharge :

In case the Individual/HUF/AoP/BoI and Artificial Juridical Person pays tax under default tax regime under section 115BAC :

Income-tax computed in accordance with the provisions of section 115BAC and/ or section 111A or section 112 or section 112A or 115BBE or section 115BBJ would be increased by surcharge given under the following table:

	Particulars	Rate of surcharge on income-tax	Example	
			Components of total income	Applicable rate of surcharge
(i)	Where the total income (including dividend income and income u/s 111A and 112A) exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	10%	<input type="checkbox"/> Dividend income ₹ 5 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 30 lakhs; <input type="checkbox"/> LTCG u/s 112A ₹ 25 lakhs; and <input type="checkbox"/> Other income ₹ 35 lakhs	Surcharge would be levied @ 10% on income-tax computed on total income of ₹ 95 lakhs.
(ii)	Where total income (including dividend income and income u/s 111A and 112A) exceeds ₹ 1 crore but does not exceed ₹ 2 crore	15%	<input type="checkbox"/> Dividend Income ₹ 5 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 60 lakhs; <input type="checkbox"/> LTCG u/s 112A ₹ 65 lakhs; and <input type="checkbox"/> Other income ₹ 45 lakhs	Surcharge would be levied @ 15% on income-tax computed on total income of ₹ 1.75 crores.
(iii)	Where total income (excluding dividend income and income u/s 111A and 112A) exceeds ₹ 2 crore	25%	<input type="checkbox"/> Dividend Income ₹ 5 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 54 lakh; <input type="checkbox"/> LTCG u/s 112A ₹ 55 lakh; and <input type="checkbox"/> Other income ₹ 6 crores	Surcharge would be levied @ 15% on income-tax on: <input type="checkbox"/> Dividend Income of ₹ 5 lakhs <input type="checkbox"/> STCG of ₹ 54 lakhs chargeable to tax u/s 111A; and <input type="checkbox"/> LTCG of ₹ 55 lakhs chargeable to tax u/s 112A. Surcharge @ 25% would be leviable on income-tax computed on other income of ₹ 6 crores included in total income.
	The rate of surcharge on the income-tax payable on the portion of dividend income and capital gains chargeable to tax u/s 111A and 112A	Not exceeding 15%		
(iv)	Where total income (including dividend income and income u/s 111A and 112A) exceeds ₹ 2 crore in cases not covered under (iii) above	15%	<input type="checkbox"/> Dividend Income ₹ 50 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 60 lakhs; <input type="checkbox"/> LTCG u/s 112A ₹ 55 lakhs; and <input type="checkbox"/> Other income ₹ 1.20 crore	Surcharge would be levied @ 15% on income tax computed on total income of ₹ 2.85 crore.

Marginal relief :

- (i) Marginal relief is available in case total income exceeds ₹ 50 lakhs. The additional amount of income-tax payable (together with surcharge) on the excess of income over ₹ 50 lakhs should not be more than the amount of income exceeding ₹ 50 lakhs.
- (ii) Where total income exceeds ₹ 1 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on a total income of ₹ 1 crores by more than the amount of income that exceeds ₹ 1 crores.
- (iii) Where total income exceeds ₹ 2 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on a total income of ₹ 2 crores by more than the amount of income that exceeds ₹ 2 crores.

Rebate to resident individual paying tax under default tax regime under section 115BAC [Section 87A]:

In order to provide tax relief to the individual tax payers, section 87A provides a rebate from the tax payable by an assessee, being an individual resident in India. The rebate shall be provided as under -

- (a) If total income of such individual does not exceed ₹ 7,00,000, the rebate shall be equal to the amount of income-tax payable on his total income for any assessment year or an amount of ₹ 25,000, whichever is less.
- (b) If total income of such individual exceeds ₹ 7,00,000 and income-tax payable on such total income exceeds the amount by which the total income is in excess of ₹ 7,00,000, the rebate would be as follows :
- Step 1 - Total income (-) ₹ 7 lakhs (A)
- Step 2 - Compute income-tax liability on total income (B)
- Step 3 - If B > A, rebate under section 87A would be a B - A.

The amount of rebate under section 87A shall not exceed the amount of income-tax (as computed before allowing such rebate) on the total income of the assessee.

- (2) Rates prescribed by the Annual Finance Act under the optional tax regime :

Individual/HUF/AOP/BOI/Artificial Juridical Person, which has exercised the option of shifting out of the default tax regime, are as follows :

(I) In case of every individual [other than those covered by (II) to (III)], HUF, AOP, BOI, and every artificial juridical person		(II) In case of resident individual of age 60 years or more but less than 80 years at any time during the previous year		(III) In case of resident individual of age 80 years or more at any time during the previous year	
Income	Rate	Income	Rate	Income	Rate
Upto ₹ 2,50,000*	Nil	Upto ₹ 3,00,000*	Nil	Upto ₹ 5,00,000*	Nil
Next ₹ 2,50,000	5%	Next ₹ 2,00,000	5%	-	-
Next ₹ 5,00,000	20%	Next ₹ 5,00,000	20%	Next ₹ 5,00,000	20%
Balance	30%	Balance	30%	Balance	30%

Surcharge:

Income-tax computed would be increased by surcharge given under the following table -

	Particulars	Rate of surcharge on income-tax	Example	
			Components of total income	Applicable rate of surcharge
(i)	Where the total income (including dividend income and income u/s 111A and 112A) exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	10%	<input type="checkbox"/> Dividend income ₹ 5 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 30 lakhs; <input type="checkbox"/> LTCG u/s 112A ₹ 25 lakhs; and <input type="checkbox"/> Other income ₹ 35 lakhs	Surcharge would be levied @ 10% on income-tax computed on total income of ₹ 95 lakhs.
(ii)	Where total income (including dividend income and income u/s 111A and 112A) exceeds ₹ 1 crore but does not exceed ₹ 2 crore	15%	<input type="checkbox"/> Dividend Income ₹ 5 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 60 lakhs; <input type="checkbox"/> LTCG u/s 112A ₹ 65 lakhs; and <input type="checkbox"/> Other income ₹ 45 lakhs	Surcharge would be levied @ 15% on income-tax computed on total income of ₹ 1.75 crores.
(iii)	Where total income (excluding dividend income and income u/s 111A and 112A) exceeds ₹ 2 crore but does not exceed ₹ 5 crore	25%	<input type="checkbox"/> Dividend Income ₹ 5 lakhs; <input type="checkbox"/> STCG u/s 111A ₹ 54 lakh; <input type="checkbox"/> LTCG u/s 112A ₹ 55 lakh; and <input type="checkbox"/> Other income ₹ 3 crores	Surcharge would be levied @ 15% on income-tax on: <input type="checkbox"/> Dividend Income of ₹ 5 lakhs <input type="checkbox"/> STCG of ₹ 54 lakhs chargeable to tax u/s 111A; and