

CA | CMA INTERMEDIATE  
**COMPACT**

MAY | JUNE & NOV | DEC 2024 EXAMS



**DI ₹ ECT**  
**T / TAX**

BY CA BHANWAR BORANA

# INTERMEDIATE COMPACT

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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** give 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's provide determination of Total Income, Tax Liability & Procedure of assessment etc. It applicable to **whole of India w.e.f. 1<sup>st</sup> 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 **1<sup>st</sup> February, 2023**.  
As soon as the Bill passed by both the houses of the parliament and thereafter receives the assent of President, in becomes the Finance Act. Finance Bill, 2023 became **Finance Act, 2023 on 31<sup>st</sup> March, 2023** after receive 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 are 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 have jurisdiction.

#### Sec. 4: Charging Section of Income Tax

Income Tax is charged for **every Assessment Year**. It is charge **on every person** as define 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 1<sup>st</sup> 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 1<sup>st</sup> April 24 till 31<sup>st</sup> 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 1<sup>st</sup> April 23 to 31<sup>st</sup> 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 31<sup>st</sup> 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																								
➤	<b>For Individual, HUF, AOP, BOI, AJP (Resident or Non-resident)</b>																									
	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%																								
➤	<b>For Senior Citizen (Resident Individual age 60 years or more in PY but less than 80 years)</b>																									
	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%																								
➤	<b>For Super Senior Citizen (Resident Individual age 80 years or more in PY)</b>																									
	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 60 <sup>th</sup> /80 <sup>th</sup> birthday falls on 1 <sup>st</sup> April, 2024 shall be treated as having completed the age of 60/80 years on 31 <sup>st</sup> March, 2024 i.e. PY 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:																									
	<table border="1"> <thead> <tr> <th>S.No.</th> <th>Conditions</th> <th>Surcharge %</th> </tr> </thead> <tbody> <tr> <td>1.</td> <td>Total Income upto ₹ 50 lakhs</td> <td>No Surcharge</td> </tr> <tr> <td>2.</td> <td>Total Income more than ₹ 50 lakhs upto ₹ 1 crore</td> <td>10% on tax</td> </tr> <tr> <td>3.</td> <td>Total Income more than ₹ 1 crore upto ₹ 2 crores</td> <td>15% on tax</td> </tr> <tr> <td>4.</td> <td>Total Income more than 2 crores and it includes Dividend, Capital gain u/s 111A, 112A &amp; 112 (Special income)</td> <td>15% on tax on special income</td> </tr> <tr> <td>➤</td> <td>Remaining Total Income (Total Income excluding Special Income) is upto ₹ 2 crores</td> <td>15% on tax on remaining income</td> </tr> <tr> <td>➤</td> <td>Remaining Total Income (Total Income excluding Special Income) more than ₹ 2 crores upto ₹ 5 crores</td> <td>25% on tax on remaining income</td> </tr> <tr> <td>➤</td> <td>Remaining Total Income (Total Income excluding Special Income) more than ₹ 5 crores.</td> <td>37% on tax on remaining income</td> </tr> </tbody> </table>	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	
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"₹ in Lakhs"

Sr. No.	Total Income excluding special Income	Special Income (CG & 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 115BAC.

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 115BAC.

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
	1,28,26,077
Add: Health & Edu. Cess @4%	5,13,043
Net Tax Payable	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
<b>Final Answer</b>	<b>33,72,720</b>	<b>1,90,31,350</b>	<b>3,92,84,050</b>





◆ **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	Marginal Relief
Above amount is <b>restricted</b> to Tax on 1 crore + (NTI - 1 crore)		₹ 1,42,100
(30,00,000 + 1,00,000)	<u>31,00,000</u>	↓
	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	Marginal Relief
Above amount is <b>restricted</b> to Tax on 10 crore + (NTI - 10 crore)		₹ 10,84,400
(2,67,50,000 + 2,30,000)	<u>2,69,80,000</u>	↓
	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 <b>restricted</b> 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
<b>Final Answer</b>	<b>2,00,05,050</b>	<b>74,09,350</b>