

e-Book PDF



# INCOME TAX MANAGEMENT TAX READY RECKONER

2025-26 & 2026-27

TAX PLANNING-TAX AVOIDANCE-TAX EVASION

By  
*Sanjay Satapathy*

Useful For ...

CA and Tax Professionals ✓

Business Owners and Entrepreneurs ✓

Individuals Filing Their Own Taxes ✓

Financial Planners and Wealth Managers ✓

Students and Academicians ✓



iM

[www.incometaxmanagement.in](http://www.incometaxmanagement.in)

Covering...  
28 Chapters with  
1280 Pages

₹ 650

# Introduction

Here is an introduction about the e-Book (PDF) authored by **Sanjay Satapathy**, published under SWAYAM EDUCATION and featured on the website [www.incometaxmanagement.in](http://www.incometaxmanagement.in), with the title **"Income Tax Management - Tax Ready Reckoner"** for the Assessment Years 2025-26 & 2026-27.

**"Income Tax Management - Tax Ready Reckoner" by Sanjay Satapathy** is a digital guide designed to simplify the complexities of Indian income tax laws and practices for the assessment years 2025-26 and 2026-27. Released under the academic and professional banner of SWAYAM EDUCATION, and curated for accessibility on [www.incometaxmanagement.in](http://www.incometaxmanagement.in), this e-Book (PDF format) serves as an essential reference for students, professionals, taxpayers, and educators alike.

## Key Highlights

**Comprehensive Coverage:** The book provides a detailed overview of the latest income tax provisions, rules, and amendments relevant for AY 2025-26 and 2026-27. It addresses both theoretical concepts and practical applications in tax planning and compliance.

**User-Friendly Format:** Presented in a ready reckoner style, it enables users to quickly access important sections such as tax rates, deductions, exemptions, and computation methods suitable for various categories of taxpayers.

**Target Audience:** Suitable for students preparing for competitive exams, tax practitioners, salaried individuals, businesspersons, and those interested in self-learning or updating their knowledge about India's income tax system.

**Practical Insights:** The e-Book emphasizes real-world scenarios, tax saving strategies, compliance requirements, and step-by-step instructions for filing income tax returns, making it highly useful for direct reference.

**Up-to-Date Information:** All content is updated as per the latest Finance Act, circulars, and notifications of the Government of India for the respective assessment years.

## Purpose

The e-Book aims to demystify tax management, making taxation concepts clear, practical, and implementable. It empowers readers not only to comply with tax laws efficiently but also to plan and manage taxes wisely, avoiding common pitfalls and seizing available benefits.

Whether you are a student, a professional, or a taxpayer in India, "Income Tax Management - Tax Ready Reckoner" by Sanjay Satapathy stands as a reliable companion for your tax-related needs in AY 2025-26 & 2026-27.

## Swayam Education

No parts of this e-Book (PDF) may be reproduced or utilized, in any form or by any means electronics or mechanical, including photographing, recording or by any means electronic or by any information storage or retrieval system, without the written permission of Swayam Education

## Disclaimer

All efforts are made to keep the content of this site correct and up-to-date. But, this site does not make any claim regarding the information provided on its pages as correct and up-to-date. The contents of this site cannot be treated or interpreted as a statement of law. In case, any loss or damage is caused to any person due to his/her treating or interpreting the contents of this site or any part thereof as correct, complete and up-to-date statement of law out of ignorance or otherwise, this site will not be liable in any manner whatsoever for such loss or damage.

The visitors may click [\[https://incometaxindia.gov.in/\]](https://incometaxindia.gov.in/) here to visit the web site of Income Tax Department for resolving their doubts or for clarifications

## Notices

Information in this book is subject to change without prior notice and does not represent a commitment on the part of Swayam Education.

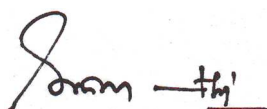
## Foreword

These books are self-supporting and are written in easy to follow language and have been blended with large number of examples. The material is provided in a pleasing-to-eye format so as to retain and enhance the interest of the learners. We are sure the learners would find these texts by useful.

Swayam Education believes in constant improvement of courseware and we welcome suggestions to our mail ID: [incometaxmanagement@gmail.com](mailto:incometaxmanagement@gmail.com).

For

Swayam Education



Sanjay Satapathy

(Author)

**Trademark :** All brand names and product in this book are trademarks, registered trademarks, or trade names of their respective holders. Swayam Education is not associated with any product or vendor mentioned in this book.

# Content



## [CHAPTER-1]

### Amendments brought in the Income-Tax Act by The Finance Bill, 2025

1.1. Amendments Related to Investment Funds and IFSCs .....	29
1.2. Presumptive Taxation for Non-Residents .....	30
New Section 44BBD: .....	30
1.3. Block Assessment and Undisclosed Income.....	30
1.4. Income Tax Slabs for FY 2025-26 (AY 2026-27) .....	31
1.5. Revised TDS threshold Limits effective from April 1, 2025 .....	33
Key TDS Threshold Changes (FY 2025-26) .....	33
1.6. Key changes to Tax Collected at Source (TCS) effective from April 1, 2025.....	35
TCS Changes from April 2025 .....	35
1.7. Extension of Time Limits for Filing Updated Tax Returns (ITR-U) .....	36
Updated Tax Return (ITR-U) Time Limits and Additional Tax Liability .....	36
Key Notes: .....	37
1.8. Tax Exemption for Start-ups.....	37
Key Features of the Exemption .....	37
Budget 2025 Update .....	37
Additional Relief – Angel Tax Exemption (Section 56) .....	38
1.9. Key Amendments related to Deduction on Remuneration paid to Partners.....	38
1.10. Treatment of ULIPs (Unit-Linked Insurance Plans) as Capital Gains .....	40
1.11. Relaxation of Deemed Let-Out Property Provision under the Finance Bill 2025. ....	41
1.12. Removal of Equalisation Levy under the Finance Bill 2025 .....	43

## [CHAPTER-2]

### Important Concepts of Taxation

2.1. Definition of "Person" under Section 2(31) .....	44
2.2. Assessment Year [Section 2(9)] .....	44
2.3. Previous Year [Section 3] .....	45
2.4. Assessee [Section 2(7)] .....	46
2.5. Charge of Income-Tax [Section 4] .....	48
2.6. "Total Income" under Income Tax Act, 1961. ....	49
2.7. Rounding off of Total Income [Section 288A] .....	51
2.8. How to Compute "Tax Liability on Total Income" under the Income Tax Act, 1961. ....	51
Example Calculation (AY 2025-26) .....	53

## **[CHAPTER-3]**

### **Residential Status**

#### **[Sections 5 to 9B]**

3.1. Scope of Total Income / Incidence of Tax [Section 5] under the Income Tax Act, 1961. ....	54
3.2. Determination of “Residential Status” under Income Tax Act, 1961 (Section 6) .....	56
3.3. Rules for Determining Residential Status of an Individual [Section 6(1) & 6(1A)] .....	58
3.4. Residential Status of Hindu Undivided Family (HUF) [Section 6(2)] .....	60
3.5. Residential Status of Hindu Undivided Family (HUF) [Section 6(2)] .....	62
3.6. Residential Status of Firm, Association of Persons (AOP), Body of Individuals (BOI) and of Other Persons (except Companies) [Section 6(2) and 6(4)].....	63
3.7. Residential Status of a Company [Section 6(3)] .....	65
3.8. Incomes Deemed to Be Received in India [Section 7].....	67
3.9. Section 9: Incomes which Accrue or Arise in India or are Deemed to Accrue or Arise in India.....	68

## **[CHAPTER-4]**

### **Exempted Incomes**

#### **[Sections 10]**

4.1. Section 10(1) - Agricultural Income.....	71
4.2. Section 10(2): Amounts Received by a Member from HUF Income.....	73
4.3. Section 10(2A)-Partner’s Share in the Total Income of a Partnership Firm .....	74
4.4. Section 10(4)-Income by way of Interest to Non-Resident. ....	76
4.5. Section 10(4B)-Income from Interest on Savings Certificates to Non-Resident.....	78
4.6. Section 10(4C)-Interest on Bonds to Non-Resident .....	80
4.7. Section 10(4D)-Income of a Fund on Transfer of Capital Asset .....	81
4.8. Section 10(4E)-Income of Non-Resident from Transfer of Non-Deliverable Forward Contracts.....	83
4.9. Section 10(4F)-Income of Non-Resident by way of Royalty or Interest, on account of Lease of An Aircraft. ....	85
4.10. Section 10(4G)-Income received by a Non-Resident from Portfolio of Securities or Financial Products or Funds. ....	87
4.11. Section 10(4H)-Income of a Non-Resident or a Unit of an International Financial Services Centre (IFSC). ....	89
4.12. Section 10(5)-Leave Travel Concession (LTC) .....	91
4.13. Section 10(6)- Remuneration for Officials of Foreign Embassies .....	93
4.14. Section 10(6A)- Exemption for Foreign Companies on Royalty & Technical Service Fees.....	94
4.15. Section 10(6B)- Exemption for Non-Residents & Foreign Companies on Income from Government .....	96
4.16. Section 10(6BB)- Exemption for Foreign Governments/Enterprises on Aircraft Leasing Income.....	98
4.17. Section 10(6C)- Exemption for Foreign Companies on Royalty/FTS Income.....	100
4.18. Section 10(6D)-Royalty or fees income to a non-resident.....	102
4.19. Section 10(7)- Tax Exemption for Allowances/Perquisites Paid Abroad by Government.....	103

<b>4.20. Section 10(8)- Exemption for Income under any Co-Operative Technical Assistance Programme and Projects.</b>	<b>105</b>
<b>4.21. Section 10(8A)- Exemption for Remuneration from International Organizations.....</b>	<b>106</b>
<b>4.22. Section 10(8B)- Exemption for Income in connection with any Technical Assistance Programme and Project</b>	<b>108</b>
<b>4.23. Section 10(10)- Exemption for Gratuity Income .....</b>	<b>109</b>
<b>4.24. Section 10(10A)- Exemption for Commuted Pension.....</b>	<b>111</b>
<b>4.25. Section 10(10AA)- Tax Exemption for Leave Encashment .....</b>	<b>112</b>
<b>4.26. Section 10(10B)- Tax Exemption for Retrenchment Compensation to a Workmen. ....</b>	<b>116</b>
<b>4.27. Section 10(10BC)- Tax Exemption for Disaster Compensation .....</b>	<b>118</b>
<b>4.28. Section 10(10C)- Tax Exemption on Voluntary Retirement Compensation .....</b>	<b>120</b>
<b>4.29. Section 10(10CC)- Tax Exemption on Perquisites Paid by Employer .....</b>	<b>122</b>
<b>4.30. Section 10(10D)- Tax Exemption on Life Insurance Policy Maturity/Death Benefits.....</b>	<b>124</b>
<b>4.31. Section 10(11)- Tax Exemption on Provident Fund Withdrawals.....</b>	<b>126</b>
<b>4.32. Section 10(11A)- Tax Exemption on Sukanya Samriddhi Account Withdrawals .....</b>	<b>128</b>
<b>4.33. Section 10(12)- Tax Exemption on Recognised Provident Fund (RPF) Withdrawals.....</b>	<b>130</b>
<b>4.34. Section 10(12A)- Tax Exemption on NPS (National Pension System) Withdrawals.....</b>	<b>132</b>
<b>4.35. Section 10(12B)- Tax Exemptions on Partial Withdrawals from the National Pension System (NPS) Trust for Employees. ....</b>	<b>134</b>
<b>4.36. Section 10(12C)- Tax Exemption on Payments from Agniveer Corpus Fund.....</b>	<b>136</b>
<b>4.37. Section 10(13)- Tax Exemptions on payments received from an Approved Superannuation Fund. ....</b>	<b>138</b>
<b>4.38. Section 10(13A)- Tax Exemptions on House Rent Allowance (HRA) received by an Employee to meet Rental Expenses .....</b>	<b>141</b>
<b>4.39. Section 10(14)-Tax Exemption for Special Allowance received by Employee to meet Expenses incurred in performance of Official Duties. ....</b>	<b>142</b>
<b>4.40. Section 10(15)- Tax Exemption on Interest Income .....</b>	<b>144</b>
<b>4.41. Section 10(15A)- Tax Exemption on Lease Payments for Aircraft .....</b>	<b>145</b>
<b>4.42. Section 10(15B)- Tax Exemption on Lease Rentals of Cruise Ships .....</b>	<b>146</b>
<b>4.43. Section 10(16)- Tax Exemption on Scholarships.....</b>	<b>147</b>
<b>4.44. Section 10(17)- Tax Exemption on Allowances of MPs/MLAs .....</b>	<b>148</b>
<b>4.45. Section 10(17A)- Tax Exemption on Awards &amp; Rewards.....</b>	<b>150</b>
<b>4.46. Section 10(18)- Tax Exemption on Pension for Gallantry Award Winners.....</b>	<b>151</b>
<b>4.47. Section 10(19)- Tax Exemption on Family Pension for Armed Forces' Dependents .....</b>	<b>152</b>
<b>4.48. Section 10(20)- Tax Exemption for Local Authorities.....</b>	<b>154</b>
<b>4.49. Section 10(21)- Tax Exemption for Research Associations .....</b>	<b>155</b>
<b>4.50. Section 10(22B)- Tax Exemption for News Agencies.....</b>	<b>157</b>
<b>4.51. Section 10(23A)- Tax Exemption for Professional Associations .....</b>	<b>158</b>
<b>4.52. Section 10(23AA)-Tax Exemption on Income Received by Any Person on Behalf of a Regimental Fund</b>	<b>159</b>
<b>4.53. Section 10(23AAA)-Tax Exemption on Income received by any Person on behalf of a Fund.....</b>	<b>160</b>



4.54. Section 10(23AAB)- Tax Exemption for Income of a Pension Fund .....	160
4.55. Section 10(23B)-Income of a Trust/Society for development of Khadi .....	161
4.56. Section 10(23BB)- Tax Exemption for the income of a Khadi and Village Industries Board .....	162
4.57. Section 10(23BBA)- Tax Exemption for the income of Anybody or Authority established for administration of Religious Place .....	162
4.58. Section 10(23BBB)- Tax Exemption for income earned by the European Economic Community (EEC) in India	163
4.59. Section 10(23BBC)- Tax Exemption for the Income of the SAARC Fund for Regional Projects .....	164
4.60. Section 10(23BBD)- Tax Exemption for the income of the ASOSAI-SECRETARIAT .....	164
4.61. Section 10(23BBE)- Tax Exemption for the income of the Insurance Regulatory and Development Authority (IRDA) .....	165
4.62. Section 10(23BBF)- Phased Tax Exemption for the North-Eastern Development Finance Corporation Ltd. (NEDFi)	165
4.63. Section 10(23BBG)- Full Tax Exemption for the income of the Central Electricity Regulatory Commission (CERC) .....	166
4.64. Section 10(23BBH)- Complete Tax Exemption for the income of Prasar Bharati (Broadcasting Corporation of India) .....	166
4.65. Section 10(23C)- Tax Exemption to certain Funds, Institutions, Universities, And Hospitals that are established for Charitable or Religious Purposes .....	167
4.66. Section 10(23D)- Tax Exemption for the income of Certain Mutual Fund .....	168
4.67. Section 10(23DA)- Tax Exemption for income earned by a Securitisation Trust from the Activity of Securitisation	169
4.68. Section 10(23EA)- Tax Exemption for income received by an Investor Protection Fund (IPF) .....	169
4.69. Section 10(23EC)- Tax Exemption for income received by an Investor Protection Fund (IPF) .....	170
4.70. Section 10(23ED)- Tax Exemption for income received by an Investor Protection Fund (IPF) .....	171
4.71. Section 10(23EE)- Tax Exemption for Specified Income of a Core Settlement Guarantee Fund (CSGF)	171
4.72. Section 10(23F)- Tax Exemption for Dividends and Long-Term Capital Gains earned by a Venture Capital Fund (VCF) or Venture Capital Company (VCC) .....	172
4.73. Section 10(23FB)- Tax Exemption for income earned by a Venture Capital Company (VCC) or Venture Capital Fund (VCF) .....	173
4.74. Section 10(23FBA)- Tax Exemption for Investment Funds .....	174
4.75. Section 10(23FBB)-Tax Exemption of Business Income earned by Unit Holders of an Investment Fund.	174
4.76. Section 10(23FBC)- Tax Exemption for income earned by a Unit Holder from a Specified Fund .....	175
4.77. Section 10(23FC)- Tax Exemption for Specific Types of income earned by a Business Trust .....	176
4.78. Section 10(23FCA)- Tax Exemption for Rental Income earned by a Real Estate Investment Trust (REIT)	177
4.79. Section 10(23FE)-Tax Exemption for Income of a Specified Person in the nature of Dividend, Interest or Long-Term Capital Gain .....	177
4.80. Section 10(23FF)-Capital Gain Exemption on Transfer of Share of a Company Resident in India by Non- Resident	178
4.81. Section 10(24)- Tax Exemption for certain types of income earned by Registered Trade Unions ...	179

<b>4.82. Section 10(25)- Tax Exemptions for income earned by various Retirement-Related Funds .....</b>	<b>180</b>
<b>4.83. Section 10(25A)- Tax Exemption for any income of the Employees' State Insurance Fund (ESI Fund) 181</b>	
<b>4.84. Section 10(26)- Tax Exemption for Members of Scheduled Tribes .....</b>	<b>181</b>
<b>4.85. Section 10(30)- Tax Exemption for Income from Subsidy to Members of Tea Board .....</b>	<b>182</b>
<b>4.86. Section 10(32)- Tax Exemption when a Minor Child's income is Clubbed with that of a Parent under Section 64(1A) 183</b>	
<b>4.87. Section 10(34A)- Tax Exemption for Shareholders on income received from a Buy-Back of Shares by a Domestic Company .....</b>	<b>183</b>
<b>4.88. Section 10(37)-Capital Gain Exemption on Transfer of Agricultural Land.....</b>	<b>184</b>

## [CHAPTER-5] Income under the Head "Salaries" [Sections 15 to 17]

<b>5.1. Computation of Income under the head Income from "Salaries" .....</b>	<b>185</b>
<b>5.2. Section 15: Incomes Chargeable to Income-Tax Under the Head "Salaries" .....</b>	<b>188</b>
<b>5.3. Arrear of Salary: Taxation and Relief Under Section 89(1) .....</b>	<b>189</b>
<b>5.4. Profits in lieu of Salary [Section 17(3)] .....</b>	<b>191</b>
<b>5.5. Allowances Under the Head "Salaries" .....</b>	<b>192</b>
5.5.1. House Rent Allowance (HRA) - Section 10(13A) & Rule 2A.....	194
5.5.2. Prescribed Allowances Exempt Under Section 10(14) .....	196
5.5.3. Entertainment Allowance: Tax Treatment & Example.....	198
5.5.4. Allowances Exempt for Certain Categories of Persons .....	199
5.5.5. Allowances which are Fully Taxable for Computation of Salary Income.....	201
<b>5.6. Perquisites [(Section 17(2))- Income under the head Salaries .....</b>	<b>202</b>
5.6.1. Perquisites which are Taxable in the hands of All Categories of Employees .....	204
5.6.2. Perquisites which are Taxable only in the case of Specified Employees.....	205
5.6.3. Tax-free Perquisites (for all employees).....	207
5.6.4. Perquisites- Taxability of Rent-Free or Concessional Accommodation Provided by Employer (Section 17(2)) .....	208
5.6.5. Perquisites- Taxability of Hotel Accommodation Provided by Employer (Section 17(2)) .....	210
5.6.6. Fringe Benefits & Amenities Taxable as Perquisites for All Employees .....	211
(A) Taxability of Interest-Free or Concessional Loans provided by Employer [Rule 3(7)(i)].....	213
(B) Taxability of Holiday Expenses Paid by Employer [Rule 3(7)(ii)] .....	214
(C) Taxability of Free Food & Non-Alcoholic Beverages provided by Employer [Rule 3(7)(iii)].....	215
(D) Taxability of Gifts, Vouchers & Tokens provided by Employer [Rule 3(7)(iv)].....	217
(E) Taxability of Gifts, Vouchers, or Tokens Under Rule 3(7)(iv) provided by an Employer .....	218
(F) Taxability of Credit Card Expenses Under Rule 3(7)(v) incurred by an Employer.....	219
(G) Taxability of Club Membership & Expenses [Rule 3(7)(vi)] provided by an Employer .....	219
(H) Benefit derived by an Employee from Using an Employer's Movable Assets [Rule 3(7)(vii)].....	220



(I) Taxability of Transfer of Movable Assets (e.g., Cars, Electronics, Furniture) Under Rule 3(7)(viii)	221
(J) Taxability of Other Benefits & Amenities Under Rule 3(7)(ix) provided by Employer.....	222
5.6.7. Valuation of Motor Car/Other Vehicles Perquisites Under Rule 3(2) .....	223
5.6.8. Valuation of Various Perquisites – for Calculating Salary Income.....	225
(A) Valuation of Perquisites: Sweeper, Gardener, Watchman, or Personal Attendant [Rule 3(3)]....	225
(B) Valuation of Perquisites: Supply of Gas, Electric Energy, or Water for Household Consumption [Rule 3(4)].....	226
(C) Valuation of Free/Concessional Educational Facilities [Rule 3(5)].....	227
(D) Valuation of Free/Concessional Journeys for Transport Employees [Rule 3(6)] .....	228
(E) Valuation of any Specified Security or Sweat Equity Shares.....	229
(F) Taxation of Employer Contributions to RPF, NPS & Superannuation Fund [Section 17(2)(vii)] ...	231
(G) Treatment of Medical Facilities [Proviso to Section 17(2)].....	233
(H) Treatment of Leave Travel Concession/Assistance (LTC/LTA) [Section 10(5)] .....	235
(I) Profit in Lieu of Salary [Section 17(3)] .....	237
<b>5.7. Valuation of Retirement Benefits – for Calculating Taxable Salary Income .....</b>	<b>237</b>
5.7.1. Taxability of Gratuity Received by an Employee.....	240
5.7.2. Tax Treatment of Pension [Section 17(1)(ii)].....	242
5.7.3. Tax Treatment of Leave Salary (Leave Encashment).....	244
5.7.4. Tax Treatment of “Retrenchment Compensation” [Section 10(10B)] .....	246
5.7.5. Tax Treatment of Compensation Received on Voluntary Retirement [Section 10(10C)] .....	248
5.7.6. Employer Contribution to Recognised Provident Fund (RPF) – Tax Rules & Limits .....	250
(A) Interest Is Credited to Employees’ Recognised Provident Fund (RPF) – Tax Rules & Limits .....	251
(B) Taxability of Transferred Balance from URPF to RPF.....	253
<b>5.8. Deductions from Salaries Under Section 16.....</b>	<b>253</b>
<b>5.9. Tax Treatment of Provident Fund (PF) Contributions, Interest, And Withdrawals for Calculating Taxable Salary Income.....</b>	<b>255</b>
<b>5.10. Tax Relief Under Section 89(1) Read with Rule 21A, for Salary Received in Arrears or In Advance .....</b>	<b>257</b>
(A) Tax Relief on Salary Received in Arrears or Advance (Section 89(1) with Rule 21A).....	259
(B) Tax Treatment of Non-Exempt Gratuity (Under Section 89(1) with Rule 21A (3)) .....	261
(C) Tax Relief on Taxable Termination Compensation [Rule 21A (4)] .....	262
(D) Tax Relief on Commuted Pension Under Rule 21A(5) .....	264
(E) Tax Relief Under Rule 21A (6) for Other Payments Not Covered Under Rule 21A (2)-(5) .....	266
<b>5.11. Tax Planning for Retirement of Employees .....</b>	<b>267</b>
1. Tax Treatment of Retirement Benefits.....	268
2. Tax-Saving Investment Options for Retirement .....	269
3. Tax Planning Strategies for Employees .....	269
4. Common Mistakes to Avoid .....	270

## **[CHAPTER-6]**

### **“Income from House Property”**

#### **[Sections 22 to 27]**

6.1. Chargeability & Basic of Charges of Income from House Property (Section 22) .....	273
6.2. Essential Conditions for Taxing Income Under "Income from House Property" .....	275
6.3. 'Annual Value' of House Property & It's Computation under Income Tax Act, 1961 .....	277
6.4. Treatment of Unrealised Rent from House Property [Explanation to Section 23(1)] .....	278
6.5. Computation of Income from a Self-Occupied Residential House Property [Section 23(2), (3), (4)] ..	280
6.6. Deductions from Income from House Property (Section 24) .....	282
6.7. Computation of Income from House Property (Partly Let Out & Partly Self-Occupied) .....	284
6.8. No Notional Income for House Property held as Stock-in-Trade [Section 23(5)] .....	286
6.9. Interest when not Deductible from "Income from House Property" [section 25] .....	287
6.10. Special Provisions for Arrears of Rent and Unrealised Rent (Section 25A) .....	288
6.11. Property Owned by Co-owners [Section 26] .....	289
6.12. Can Annual Value (Net Annual Value) of a House Property be Negative? .....	291
6.13. Can There Be a Loss Under the Head "Income from House Property"? .....	292

## **[CHAPTER-7]**

### **“PROFITS AND GAINS OF BUSINESS AND PROFESSION”**

#### **[Section 28 to 44D]**

7.1. Chargeability & Scope of Income Under "Profits and Gains of Business or Profession" (Section 28)	294
7.2. Table Showing How to Compute "Profits and Gains of Business and Profession" ((As per Sections 28 to 44D)	296
7.3. Definition of "Business" and "Profession" under the Income Tax Act, 1961 .....	298
7.4. Incomes Chargeable Under "Profits and Gains of Business or Profession" (PGBP) [Section 28] .....	299
7.5. Method of Accounting Under Section 145 & Income Computation and Disclosure Standards (ICDS)	301
7.6. Expenses Expressly Allowed as Deductions [Sections 30 to 37] – Complete Guide .....	303
7.6.1. Deductions for Rent, Repairs & Insurance of Business Premises [Section 30] .....	303
7.6.2. Deductions for Repairs & Insurance of Machinery, Plant and Furniture [Section 31] .....	304
7.6.3. Deduction of Depreciation Under Section 32 – Comprehensive Guide .....	305
(A) Special Provisions for Depreciation in Certain Cases .....	307
(B) Carry Forward and Set Off of Unabsorbed Depreciation [Section 32(2)] .....	309
7.6.4. Tea, Coffee, and Rubber Development Accounts [Section 33AB] .....	311
7.6.5. Site Restoration Fund [Section 33ABA] .....	313
7.6.6. Expenditure on Scientific Research (Section 35) .....	314
7.6.7. Expenditure for Obtaining License to Operate Telecommunication Services & Amortization of Spectrum Fees .....	316

7.6.8. Deduction for Expenditure on Specified Businesses [Section 35AD] .....	317
7.6.9. Deduction for Expenditure on Rural Development Programmes [Section 35CCA].....	319
7.6.10. Deduction for Agricultural Extension Projects [Section 35CCC] .....	321
7.6.11. Deduction for Expenditure on Skill Development Projects [Section 35CCD] .....	323
7.6.12. Amortization of Preliminary Expenses [Section 35D & Rule 6AB].....	325
7.6.13. Amortization of Amalgamation/Demerger Expenses [Section 35DD] .....	326
7.6.14. Amortization of Voluntary Retirement Scheme (VRS) Expenditure [Section 35DDA] .....	328
7.6.15. Deduction for Expenditure on Mineral Prospecting [Section 35E & Rule 6AB] .....	329
<b>7.7. Section 36: Other Deductions (Profits &amp; Gains of Business/Profession) .....</b>	<b>331</b>
7.7.1. Insurance Premium on Stocks [Section 36(1)(i)] .....	332
7.7.2. Insurance Premium for Cattle [Section 36(1)(ia)] .....	333
7.7.3. Insurance Premium for Employee Health [Section 36(1)(ib)] .....	334
7.7.4. Bonus or Commission to Employees [Section 36(1)(ii)] .....	335
7.7.5. Interest on Borrowed Capital [Section 36(1)(iii)] .....	336
7.7.6. Discount on Zero-Coupon Bonds (ZCBs) [Section 36(1)(iia)] .....	336
7.7.7. Employer's Contribution to Recognized Provident Fund (PF) or Approved Superannuation Fund [Section 36(1)(iv)] .....	337
7.7.8. Employer's Contribution to Pension Scheme [Section 36(1)(iva)] .....	338
7.7.9. Employer's Contribution to Approved Gratuity Fund [Section 36(1)(v)] .....	340
7.7.10. Employee Contributions to Welfare Funds [Section 36(1)(va)] .....	341
7.7.11. Deduction for Dead or Permanently Useless Animals [Section 36(1)(vi)].....	342
7.7.12. Bad Debts Deduction [Section 36(1)(vii)] .....	343
7.7.13. Provision for Bad and Doubtful Debts (Banks/Financial Institutions) [Section 36(1)(viiia)] .....	344
7.7.14. Special Reserve for Financial Institutions [Section 36(1)(viii)] .....	345
7.7.15. Deduction for Family Planning Expenditure [Section 36(1)(ix)] .....	346
7.7.16. Deduction for Securities Transaction Tax (STT) [Section 36(1)(xv)] .....	347
7.7.17. Deduction for Commodities Transaction Tax (CTT) [Section 36(1)(xvi)] .....	348
7.7.18. Marked-to-Market (MTM) Losses & Expected Losses [Section 36(1)(xviii)] .....	349
<b>7.8. General Deductions [Section 37(1)] .....</b>	<b>350</b>
<b>7.9. Advertisement to Political Parties [Section 37(2B)] – Applicability to "Profits and Gains of Business or Profession" 352</b>	
<b>7.10. Section 38: Disallowance for Assets Not Exclusively Used for Business.....</b>	<b>353</b>
<b>7.11. Amounts Not Deductible [Section 40] .....</b>	<b>354</b>
<b>7.12. Expenses or Payments Not Deductible Under Section 40A .....</b>	<b>357</b>
<b>7.13. Section 43B: Deductions Allowed Only on Actual Payment .....</b>	<b>360</b>
<b>7.14. Section 43CA: Special Provision for Full Value of Consideration in Transfer of Non-Capital Assets</b>	<b>362</b>
<b>7.15. Section 43CB: Computation of Income from Construction and Service Contracts .....</b>	<b>363</b>
<b>7.16. Deemed Profits Chargeable to Tax.....</b>	<b>364</b>
(A) Recovery of Allowances/Deductions Previously Claimed [Section 41(1)] .....	364

(B) Balancing Charge on Power Generation Assets [Section 41(2)] .....	365
(C) Tax Treatment of Sale of Capital Assets Used for Scientific Research [Section 41(3)] .....	366
(D) Section 41(4): Recovery of Bad Debts Previously Allowed as Deduction.....	367
(E) Section 41(4A): Taxation of Amounts Withdrawn from Special Reserve by Financial Institutions...	368
(F) Deemed Income in Case of Discontinued Business or Profession [Section 176(3A) & (4)] .....	369
<b>7.17. Maintenance of Accounts under Section 44AA &amp; Rule 6F.....</b>	<b>370</b>
(A) Persons Carrying on Specified Professions [Section 44AA (1)] .....	371
(B) Maintenance of Accounts for Non-Specified Professions & Businesses [Section 44AA(2)] .....	373
(C) When Maintenance of Books of Accounts is NOT Required.....	374
<b>7.18. Compulsory Tax Audit Under Section 44AB – Profits and Gains of Business and Profession.....</b>	<b>375</b>
(A) Section 44AB(a): Compulsory Tax Audit for Businesses Exceeding Turnover Threshold .....	377
(B) Section 44AB(b): Compulsory Tax Audit for Professionals Exceeding Receipts Threshold.....	378
(C) Section 44AB(c): Compulsory Tax Audit for Businesses Declaring Lower Income Than Presumptive Rate	379
(D) Section 44AB(d): Compulsory Tax Audit for Professionals Declaring Lower Income Than Presumptive Rate	381
(E) Section 44AB(e): Compulsory Tax Audit for Businesses Engaged in Specified Transactions .....	383
<b>7.19. Compulsory Tax Audit Under Section 44AB Even if Accounts Are Audited Under Other Laws .....</b>	<b>385</b>
<b>7.20. Rule 6G: Report of Audit of Accounts under Section 44AB .....</b>	<b>386</b>
<b>7.21. Section 44AD: Special Provisions for Computing Profits &amp; Gains of Eligible Businesses *(Excluding Businesses Covered Under Section 44AE - Transport Operators) * .....</b>	<b>387</b>
<b>7.22. Section 44ADA: Presumptive Taxation Scheme for Professionals .....</b>	<b>389</b>
<b>7.23. Section 44AE: Presumptive Taxation Scheme for Goods Carriage Businesses.....</b>	<b>391</b>
<b>7.24. Tax Implications of Specific Management Decisions in Business.....</b>	<b>394</b>

## [CHAPTER-8] Income Under the Head "Capital Gains" (Sections 45 to 55A)

<b>8.1. Section 45(1): Basis of Charge for Capital Gains.....</b>	<b>397</b>
<b>8.2. Capital Asset [Section 2(14)] – Definition &amp; Tax Implications for Capital Gains.....</b>	<b>400</b>
<b>8.3. Types of Capital Assets for Capital Gains Taxation.....</b>	<b>402</b>
<b>8.4. Transfer of Capital Asset for Calculation of Capital Gains .....</b>	<b>404</b>
<b>8.5. Transactions Not Treated as "Transfer" of Capital Assets [Sections 46 &amp; 47] .....</b>	<b>407</b>
<b>8.6. Computation of Capital Gains [Section 48] .....</b>	<b>408</b>
Computation of Short-term Capital Gains.....	408
Computation of Long-term Capital Gains.....	409
<b>8.7. Full Value of Consideration for Capital Asset Transfer .....</b>	<b>410</b>
<b>8.8. Expenses on Transfer of Capital Asset (Deductible from Capital Gains) .....</b>	<b>412</b>
<b>8.9. Section 49– Cost with Reference to Certain Modes of Acquisition.....</b>	<b>413</b>

<b>8.10. Section 55(2) - Cost of Acquisition of Capital Asset for Computing Capital Gain .....</b>	<b>415</b>
(A) Cost of Acquisition of Assets acquired before 1.4.2001 [Section 55(2)(b)] .....	416
(B) Cost of Acquisition for Goodwill, Trademarks, Business Rights, etc. [Section 55(2)(a)] .....	418
(C) Cost of Acquisition of Right Shares [Section 55(2)(aa)] .....	419
(D) Cost of Acquisition of Bonus Shares or Financial Assets Allotted Without Payment [Section 55(2)(ac)(iia)] .....	421
(E) Cost of Acquisition for Computing Long-Term Capital Gains (LTCG) under Section 112A [Section 55(2)(ac)]	423
(F) Cost of Acquisition for Depreciable Assets [Section 50] .....	425
<b>8.11. Cost of Improvement [Section 55(1)(b)] .....</b>	<b>427</b>
<b>8.12. Indexed Cost of Acquisition [Explanation (iii) to Section 48].....</b>	<b>429</b>
<b>8.13. Indexed Cost of Improvement [Explanation (iv) to Section 48] .....</b>	<b>430</b>
<b>8.14. Computation of Capital Gain in Certain Special Cases .....</b>	<b>432</b>
8.14.1. Taxation of Zero-Coupon Bonds as "Capital Gains" .....	432
8.14.2. Capital Gains on Insurance Compensation for Damaged/Destroyed Assets [Section 45(1A)]....	434
8.14.3. Capital Gains on High-Premium ULIP Maturity [Section 45(1B)].....	436
8.14.4. Capital Gains on Conversion of Capital Asset into Stock-in-Trade or vice versa [Section 45(2)]	437
8.14.5. Capital Gains on Transfer of Capital Asset by a Partner to a Firm/AOP/BOI [Section 45(3)] .....	439
8.14.6. Capital Gains on Dissolution/Reconstitution of Specified Entities [Sections 45(4) & 45(4A)] .....	441
8.14.7. Capital Gains on Compulsory Acquisition of Assets [Section 45(5)].....	442
8.14.8. Special Provision for Capital Gains in Joint Development Agreements (JDAs) [Section 45(5A)].	444
8.14.9. Capital Gains on Conversion of Debentures into Shares [Sections 47(x), 49(2A), and Rule 8AA]	445
8.14.10. Tax Treatment of Conversion of Preference Shares into Equity Shares [Sections 47(xb), 49(2AE), and Explanation 1 to Section 2(42A)] .....	446
8.14.11. Capital Gains on Distribution of Assets by Companies in Liquidation [Section 46].....	448
8.14.12. Capital Gains on Sale of Goodwill, Trademarks, Tenancy Rights & Business Rights .....	450
8.14.13. Capital Gains on Transfer of Depreciable Assets [Section 50] .....	451
8.14.14. Capital Gains on Depreciable Assets of Electricity Companies [Section 50A] .....	453
8.14.15. Special Provisions for Capital Gains in Slump Sale [Section 50B].....	454
8.14.16. Computation of Capital Gains in Real Estate Transactions [Section 50C] .....	456
8.14.17. Fair Market Value (FMV) as Full Consideration for Unquoted Shares [Section 50CA].....	457
8.14.18. Fair Market Value (FMV) as Full Consideration in Certain Cases [Section 50D].....	459
8.14.19. Capital Gains on Buyback of Shares [Section 46A] .....	460
8.14.20. Separate Computation of Capital Gains for Land vs. Self-Constructed Building .....	462
8.14.21. Capital Gains on Transfer of Mutual Fund Units in a Consolidation Scheme [Sections 47(xviii), 47(2AD), and Explanation 1 to Section 2(42A)] .....	464
8.14.22. Tax Treatment of Mutual Fund Plan Consolidation [Section 47(xix)] .....	465
<b>8.15. Capital Gains Tax for Non-Residents on Transfer of Shares/Debentures [Proviso to Section 48 + Rule 115A]</b>	<b>467</b>

8.15.1. Exemption of Long-Term Capital Gains for NRIs on Transfer of Foreign Exchange Assets [Section 115F]	468
8.15.2. Option to Opt Out of Section 115F Benefits [Section 115-I]	470
<b>8.16. Types of Capital Gains Exemptions Under the Income Tax Act, 1961</b>	<b>472</b>
<b>8.17. Capital Gains Exemption on Sale of Residential House Property [Section 54]</b>	<b>474</b>
<b>8.18. Exemption of Capital Gains on Transfer of Agricultural Land [Section 54B]</b>	<b>476</b>
<b>8.19. Exemption of Capital Gains on Compulsory Acquisition of Industrial Land/Building [Section 54D]</b>	<b>478</b>
<b>8.20. Exemption of Capital Gains on Investment in Specified Bonds [Section 54EC]</b>	<b>479</b>
<b>8.21. Exemption of Capital Gains on Sale of Any Asset (Except Residential House) [Section 54F]</b>	<b>481</b>
<b>8.22. Exemption of Capital Gains on Shifting Industrial Undertaking from Urban Area [Section 54G]</b>	<b>483</b>
<b>8.23. Exemption of Capital Gains on Shifting Industrial Undertaking to SEZ [Section 54GA]</b>	<b>485</b>
<b>8.24. Exemption of Long-Term Capital Gains on Investment in Manufacturing SME [Section 54GB]</b>	<b>486</b>
<b>8.25. Extension of Time for Reinvestment in Case of Compulsory Acquisition [Section 54H]</b>	<b>487</b>
<b>8.26. Short-Term Capital Gains Tax on Equity Shares and Equity-Oriented Funds (Section 111A)</b>	<b>489</b>
<b>8.27. Computation of Tax on Long-Term Capital Gains (Other Than Section 112A Assets) Under Section 112</b>	<b>491</b>
<b>8.28. Tax Rates on Long-Term Capital Gains (LTCG) For Assets Not Covered Under Section 112A (i.e., Non-Equity Assets Like Real Estate, Unlisted Shares, Debt Funds, Etc.)</b>	<b>494</b>
<b>8.29. Tax on Long-Term Capital Gains (LTCG) Under Section 112A</b>	<b>496</b>
<b>8.30. Section 115F: Exemption on Long-Term Capital Gains from Foreign Exchange Assets for NRIs</b>	<b>499</b>

## [CHAPTER-9]

### Income under the Head "Income from Other Sources"

#### [Section 56 to 59]

<b>9.1. Specific Incomes included under 'Income from Other Sources' [Section 56(2)]</b>	<b>501</b>
(A) Other Incomes Which Are Normally Included Under the Head 'Income from Other Sources'	503
<b>9.2. Key Provisions of Section 56(1): Chargeability of Income from Other Sources</b>	<b>504</b>
<b>9.3. Taxability of Dividends under Section 56(2)(i) as "Income from Other Sources"</b>	<b>505</b>
<b>9.4. Taxability of Winnings from Lotteries, Crossword Puzzles, Horse Races &amp; Card Games [Section 56(2)(ib)]</b>	<b>506</b>
<b>9.5. Taxability of Interest on Securities under Section 56(2) (id) as "Income from Other Sources"</b>	<b>507</b>
<b>9.6. Taxability of Income from Letting Out Machinery, Plant or Furniture [Section 56(2)(ii)]</b>	<b>509</b>
<b>9.7. Taxability of Gifts (Money &amp; Property) under Section 56(2)(x) as "Income from Other Sources"</b>	<b>510</b>
<b>9.8. Share Premium Received in Excess of The Fair Market Value (FMV) By Closely Held Company [section 56(2) (viib)]</b>	<b>512</b>
<b>9.9. Taxability of Interest on Compensation or Enhanced Compensation Under Section 56(2)(viii)</b>	<b>513</b>
<b>9.10. Taxability of Forfeited Advance Money for Transfer of Capital Assets Under Section 56(2)(ix)</b>	<b>514</b>
<b>9.11. Tax Treatment of Family Pension Payments Received by Legal Heirs of a Deceased Employee</b>	<b>516</b>
<b>9.12. Tax Treatment of Employee Welfare Fund Contributions under Section 56(2)(ic)</b>	<b>517</b>
<b>9.13. Deductions Allowed from "Income from Other Sources" [Section 57]</b>	<b>519</b>



<b>9.14. Section 58: Amounts Not Deductible from "Income from Other Sources" .....</b>	<b>520</b>
<b>9.15. Deemed Income Chargeable to Tax [Section 59] .....</b>	<b>521</b>

## **[CHAPTER-10]**

### **Clubbing of Income**

#### **[Sections 60 to 65]**

<b>10.1. Transfer of Income Without Transfer of Asset [Section 60] .....</b>	<b>525</b>
<b>10.2. Revocable Transfer of Assets [Section 61] .....</b>	<b>526</b>
<b>10.3. When a Transfer is Considered Revocable [Section 63] .....</b>	<b>528</b>
<b>10.4. Section 62: Irrevocable Transfers for a Specified Period.....</b>	<b>529</b>
<b>10.5. Clubbing of Income [Section 64] - Income of Spouse, Minor Child &amp; Others Included in Assessee's Total Income 531</b>	
10.5.1. Income of Spouse [Section 64(1)(ii)] .....	531
10.5.2. Income of Minor Child [Section 64(1A)] .....	532
10.5.3. Income from Assets Transferred to Son's Wife/Daughter-in-Law [Section 64(1)(vi)] .....	532
10.5.4. Income from Assets Transferred to a Person for the Benefit of Spouse [Section 64(1)(iv)] .....	532
10.5.5. Income from Assets Transferred for the Benefit of Spouse [Section 64(1)(vii)] .....	532
10.5.6. Income from Assets Transferred to any person for the Benefit of Son's wife [Section 64(1)(viii)]	533
10.5.7. Conversion of Self-Acquired Property into HUF Property [Section 64(2)] .....	534
<b>10.6. Clubbing of Minor Child's Income [Section 64(1A)] - Complete Guide .....</b>	<b>535</b>
<b>10.7. Clubbing of Income from Self-Acquired Property Converted to HUF Property [Section 64(2)] .....</b>	<b>537</b>
<b>10.8. Tax Treatment of Clubbed Income - Assessment Heads .....</b>	<b>539</b>
<b>10.9. Liability of Person in respect of Income Included in the Income of Another Person [Section 65] ...</b>	<b>540</b>
<b>10.10. Assessment of Clubbed Income under Income Tax Act.....</b>	<b>542</b>

## **[CHAPTER-11]**

### **Unexplained Cash Credits, Investments, Money, etc.**

#### **[Section 68 to 69D]**

<b>11.1. Unexplained Cash Credits Under Section 68 .....</b>	<b>547</b>
<b>11.2. Unexplained Investments Under Section 69 .....</b>	<b>548</b>
<b>11.3. Unexplained Money, Jewellery, or Other Assets Under Section 69A.....</b>	<b>549</b>
<b>11.4. Undisclosed Investments (Undervalued Assets) Under Section 69B.....</b>	<b>550</b>
<b>11.5. Unexplained Expenditure Under Section 69C .....</b>	<b>552</b>
<b>11.6. Section 69D: Amount Borrowed or Repaid on Hundi.....</b>	<b>553</b>
<b>11.7. Section 115BBE: Taxation of Unexplained Income in Business &amp; Profession.....</b>	<b>554</b>

## **[CHAPTER-12]**

### **Set Off or Carry Forward and Set Off of Losses**

#### **[Section 70 to 80]**

12.1. Set Off of Loss from One Source Against Income from Another Source Under the Same Head of Income [Section 70].....	560
12.2. Set Off of Loss from one Head against income from another Head (Inter-Head Adjustment) [Section 71] .....	562
12.3. Carry Forward and Set Off of Losses under Income Tax Act .....	565
(A) Compulsory Filing of Loss Returns [Section 80] .....	567
12.4. Carry Forward and Set Off of Loss from House Property [Section 71B].....	569
12.5. Carry Forward and Set Off of Business Losses [Section 72].....	571
12.6. Set Off and Carry Forward of Speculation Losses [Section 73] .....	574
12.7. Set Off and Carry Forward of Losses in Specified Businesses [Section 73A] .....	576
12.8. Carry Forward and Set-Off of Capital Losses [Section 74] .....	578
12.9. Set Off and Carry Forward of Losses from Owning/Maintaining Race Horses [Section 74A].....	581
12.10. Brought Forward Losses Must Be Set Off in the Immediately Succeeding Year/Years. ....	583
A. For Businesses .....	584
B. For Capital Gains .....	584
12.11. Special Provisions for Set-Off of Losses Under Section 115BAC (New Tax Regime) .....	585
12.12. Carry Forward and Set Off of The Accumulated Business Losses and Unabsorbed Depreciation Allowance in Amalgamation/Demerger [Section 72A] .....	587
12.13. Tax Treatment of Losses in Partnership Firms [Sections 75-77].....	589
12.14. Carry Forward and Set Off of Losses on Succession of Any Person [Section 78(2)] .....	591
12.15. Carry Forward and Set-Off of Losses in Certain Companies [Section 79].....	592

## **[CHAPTER-13]**

### **Deduction in Computing Total Income Under Chapter VI-A**

#### **(Sections 80A to 80U)**

13.1. Basic Rules of Deductions Under Chapter VI-A (Sections 80A, 80AB, 80AC).....	597
--	-----

### **DEDUCTION IN RESPECT OF CERTAIN PAYMENTS**

13.2. Section 80C: Deduction for Investments & Payments (Up to ₹1.5 Lakh) .....	599
13.3. Section 80CCC: Deduction for Contribution to Pension Funds .....	601
13.4. Section 80CCD: Deduction for Contributions to Pension Schemes (NPS & Atal Pension Yojana) ...	602
13.5. Section 80CCE: Combined Limit for Deductions under 80C, 80CCC & 80CCD .....	604
13.6. Section 80D: Deduction for Health Insurance Premium & Medical Expenses.....	606
13.7. Section 80DD: Deduction for Maintenance & Medical Treatment of Disabled Dependents .....	608
13.8. Section 80DDDB: Deduction for Medical Treatment of Specified Critical Illnesses .....	610
13.9. Section 80E: Deduction for Interest on Education Loan .....	611
13.10. Section 80EE: Deduction for Interest on Home Loan (First-Time Homebuyers) .....	613

13.11. Section 80EEA: Deduction for Interest on Affordable Housing Loan .....	615
13.12. Section 80EEB: Deduction for Interest on Electric Vehicle (EV) Loan .....	617
13.13. Section 80G: Deduction for Donations to Charitable Institutions .....	618
13.14. Section 80GG: Deduction for Rent Paid (When HRA is Not Received) .....	620
13.15. Section 80GGA: Deduction for Donations to Scientific Research & Rural Development .....	622
13.16. Section 80GGB: Deduction in Respect of Contributions Given by Companies to Political Parties .....	623
13.17. Section 80GGC: Deduction for Contributions to Political Parties .....	625

## DEDUCTION IN RESPECT OF CERTAIN INCOMES

13.18. Section 80-IA: Tax Deduction for Infrastructure & Industrial Projects .....	627
13.19. Section 80-IAC: Tax Deduction for Eligible Start-ups .....	629
13.20. Section 80-IB: Tax Deduction for Specific Industrial Undertakings .....	630
13.21. Section 80-IBA: Tax Deduction for Affordable Housing Projects .....	632
13.22. Section 80JJA: Deduction for Profits from Bio-Degradable Waste Business .....	634
13.23. Section 80JJAA: Deduction for Employment Generation .....	636
13.24. Section 80LA: Tax Deduction for Offshore Banking Units (OBUs) & IFSC Units .....	638
13.25. Section 80P: Tax Deduction for Cooperative Societies .....	640
13.26. Section 80PA: Deduction for Producer Companies .....	642
13.27. Section 80QQB: Deduction for Royalty Income of Authors .....	644
13.28. Section 80RRB: Deduction for Patent Royalty Income .....	646

## DEDUCTION IN RESPECT OF OTHER INCOMES

13.29. Section 80TTA: Deduction for Savings Account Interest .....	648
13.30. Section 80TTB: Deduction for Senior Citizens' Deposit Interest .....	650

## OTHER DEDUCTIONS

13.31. Section 80U: Deduction for Persons with Disabilities .....	652
---	-----

## [CHAPTER-14]

### Agricultural Income & its Tax Treatment [Sections 1(1A) and 10(1)]

## [CHAPTER-15]

### ‘Assessment’ of Various Categories of Persons

15.1. Assessment of an Individual. ....	659
15.1.1. Incomes Received from Firm/AOP/HUF which are Exempt in the hands of an Individual .....	661
15.1.2. [Section 115BAC]- New Tax Regime for Individuals .....	663
15.1.3. [Section 87A] - Tax Rebate for Resident Individuals .....	665
15.1.4. Alternate Minimum Tax (AMT) on Non-Corporate Taxpayers [Sections 115JC to 115JF] .....	667
15.1.5. Computation of Total Income and Tax Liability for an Individual (AY 2025-26) .....	669
15.2. Assessment of Hindu Undivided Family (HUF) under Income Tax Act, 1961 .....	673

15.2.1. Partition of Hindu Undivided Family (HUF) - Tax & Legal Implications .....	676
15.2.2. Assessment after Partition of HUF [Section 171] .....	678
<b>15.3. Assessment of Firms (Including LLPs) under Income Tax Act, 1961 .....</b>	<b>680</b>
15.3.1. Salient Features of Assessment of Firms (Including LLPs) under Income Tax Act.....	683
15.3.2. Set Off and Carry Forward of Losses for Firms .....	686
15.3.3. Tax Treatment of Partner's Income from Firm/LLP .....	688
15.3.4. Computation of Total Income of a Firm/LLP (AY 2025-26) .....	691
<b>15.4. Assessment of AOP/BOI under Income Tax Act, 1961 .....</b>	<b>694</b>
15.4.1. Assessment of AOP/BOI with Indeterminate Member Shares [Section 167B (1)] .....	696
15.4.2. Tax Treatment of Member's Share in AOP/BOI Income.....	697
15.4.3. Computation of Member's Share in AOP/BOI Income (Section 67A) - Determinate Shares .....	699
<b>15.5. Taxation and Assessment of Companies under the Income Tax Act, 1961 .....</b>	<b>701</b>
15.5.1. Types, Definitions, And Residential Status of Companies Under the Income Tax Act, 1961 .....	703
15.5.2. Special Provisions for Foreign Companies Deemed Resident in India (Section 115JH) .....	705
15.5.3. Special Provisions Applicable to Closely Held Companies (Public Not Substantially Interested) 707	
15.5.4. Tax on Dividends from Specified Foreign Companies [Section 115BBD] .....	708
15.5.5. Tax on Total Income of a Company under Income Tax Act, 1961 .....	710
15.5.6. Tax on Income of Certain Manufacturing Domestic Companies [Section 115BA] .....	712
15.5.7. Special Provisions for Tax on Income of Certain Domestic Companies under Section 115BAA . 714	
15.5.8. Special Provisions for New Manufacturing Domestic Companies under Section 115BAB.....	716
15.5.9. Provisions of MAT (Minimum Alternate Tax) Under Section 115JB.....	718
15.5.10. MAT Credit Mechanism Under Section 115JAA (Tax Credit for MAT Paid Against Future Tax Liability) .....	720
15.5.11. Preparation of Statement of Profit & Loss Under Section 115JB (2) for MAT Calculation.....	722
15.5.12. Computation of Book Profit Under Explanation 1 to Section 115JB (1) & (2).....	723
15.5.13. Deduction of Brought Forward Losses & Unabsorbed Depreciation from Book Profits (Section 115JB) 726	
15.5.14. Furnishing of Accountant's Report Under Section 115JB (4) & Rule 40B.....	727
15.5.15. Special Provisions for Tax on Buyback of Shares (Sections 115QA to 115QC) .....	728

## [CHAPTER-16]

### Assessment of Trusts

### [Section 11 to 13]

<b>16.1. Which Income will be Exempt under Section 11 .....</b>	<b>734</b>
<b>16.2. Conditions to be Satisfied for Claiming Exemption Under Section 11 .....</b>	<b>736</b>
<b>16.3. Steps for Formation of a Charitable / Religious Trust in India.....</b>	<b>738</b>
<b>16.4. Draft Trust Deed for A Charitable and Religious Trust .....</b>	<b>741</b>
<b>16.5. Registration Process for a Charitable &amp; Religious Trust .....</b>	<b>744</b>
<b>16.6. Cancellation of Registration for Charitable &amp; Religious Trusts .....</b>	<b>747</b>

<b>16.7. Belated Filing of Application for Registration of a Charitable &amp; Religious Trust .....</b>	<b>748</b>
<b>16.8. Accumulation of Income in Excess of 15% of the income earned [Section 11(2) and Rule 17] .....</b>	<b>749</b>
<b>16.9. Treatment of Business Income of a Charitable/Religious Trust.....</b>	<b>751</b>
<b>16.10. Conditions for Applicability of Sections 11 and 12.....</b>	<b>753</b>
<b>16.11. Commissioner's Power to Cancel Registration of Charitable &amp; Religious Trusts.....</b>	<b>755</b>
<b>16.12. Section 13: Cases Where Section 11 Exemption Does Not Apply.....</b>	<b>756</b>
<b>16.13. Tax Exemptions for Funds/Institutions of National Importance [Section 10(23C) &amp; Rules 2C/2CA] 757</b>	
<b>16.14. Taxability of Income of Charitable / Religious Trusts Under Section 164(2).....</b>	<b>759</b>
<b>16.15. Assessment of Charitable Organizations When Commercial Receipts Exceed 20% Threshold [Section 13(8)] 760</b>	
<b>16.16. Tax Implications When a Charitable Institution Ceases to Exist or Converts to Non-Charitable Status (Chapter XII-EB: Sections 115TB to 115TF0) .....</b>	<b>762</b>

## [CHAPTER-17]

### Return of Income and Procedure of Assessment

#### [Section 139 to 154]

<b>17.1. Submission of Return of Income [Section 139(1)] .....</b>	<b>765</b>
17.1.1. Compulsory Filing of Return for Assets Located Outside India [Fourth Proviso to Section 139(1)] 767	
17.1.2. Compulsory Filing of Return Under Sixth Proviso to Section 139(1).....	768
17.1.3. Mandatory ITR Filing Under Seventh Proviso to Section 139(1): High-Value Transactions .....	769
17.1.4. Due Dates for Furnishing the Return of Income Under Section 139(1) .....	770
17.1.5. Consequences of Not Filing Income Tax Return (ITR) on Time or Not Furnishing ITR at All .....	771
<b>17.2. Return of Income for Charitable Trusts &amp; Institutions [Section 139(4A)].....</b>	<b>773</b>
<b>17.3. Return of Income for Political Parties [Section 139(4B)] .....</b>	<b>774</b>
<b>17.4. Return of Income for Certain Associations &amp; Institutions [Section 139(4C)] .....</b>	<b>775</b>
<b>17.5. Mandatory Return Filing for Research Institutions [Section 139(4D)] .....</b>	<b>776</b>
<b>17.6. Form and Manner of Furnishing Return of Income [Rule 12 of Income Tax Rules, 1962] .....</b>	<b>777</b>
17.6.1. Preparation of Return by Authorised Representative [Rule 12A] .....	779
<b>17.7. Return of Loss [Section 139(3) read with Section 80] .....</b>	<b>780</b>
17.7.1. Power to Condon Delay in Filing a Return of Loss [Circular No. 9/2015, dated 9.6.2015].....	781
<b>17.8. Belated Return [Section 139(4)]: Key Rules, Penalties &amp; Filing Process .....</b>	<b>783</b>
<b>17.9. Revised Return [Section 139(5)]: A Complete Guide.....</b>	<b>784</b>
17.9.1. Can Returns Filed Under Special Provisions (Sections 139(3), 139(4A), 139(4B), 139(4C), or 139(4D) Be Revised?.....	786
17.9.2. Can a Belated Return Under Section 139(4) Be Revised? .....	788
17.9.3. Can a Return Filed Within the Extended Due Date (by CBDT) Be Revised? .....	789
17.9.4. Can a Revised Return Be Further Revised? .....	790
17.9.5. Revised Return Substitutes the Original Return: Key Implications .....	791

<b>17.10. Particulars to be Furnished with the Return of Income [Sections 139(6) &amp; 139(6A)]</b>	<b>792</b>
<b>17.11. When a Return of Income is Regarded as Defective [Explanation to Section 139]</b>	<b>793</b>
<b>17.12. Power of Board to Dispense with Furnishing Documents with Return [Section 139C]</b>	<b>795</b>
<b>17.13. Filing of Return in Electronic Form [Section 139D]</b>	<b>797</b>
<b>17.14. Submission of Returns through Tax Return Preparers (TRPs) [Section 139B]</b>	<b>798</b>
<b>17.15. Verification of Income Tax Returns [Section 140]</b>	<b>800</b>
<b>17.16. Self-Assessment Under Section 140A</b>	<b>801</b>
17.16.1. Consequences of Failure to Pay Self-Assessment Tax (Whole or Part)	803
<b>17.17. Inquiry Before Assessment [Section 142]</b>	<b>804</b>
<b>17.18. Estimates by Valuation Officer in Certain Cases [Section 142A]</b>	<b>806</b>
<b>17.19. Section 142B: Faceless Inquiry, Special Audit, and Valuation</b>	<b>808</b>
<b>17.20. Processing of Returns under Section 143(1) - Summary Assessment</b>	<b>809</b>
17.20.1. Centralized Processing Scheme for Income Tax Returns [Sections 143(1A) & 143(1B)]	811
17.20.2. Withholding of Refund in Certain Cases [Section 241A]	813
<b>17.21. Regular / Scrutiny Assessment [Section 143(3)]</b>	<b>814</b>
17.21.1. Compulsory Service of Notice [Section 143(2)]	815
17.21.2. Amendments to Section 282A: Authentication of Notices and Other Documents	816
17.21.3. Section 292BB: Notice Deemed Valid in Certain Circumstances	818_Toc207126889
17.21.4. Consequences of Failure to Comply with Notice Under Section 143(2)	819
<b>17.22. Assessment after Evidence [Section 143(3)]</b>	<b>820</b>
17.22.1. Deduction Not to Be Allowed If Claim Is Not Made in The Return of Income	821
17.22.2. Assessment of Certain Institutions Without Granting Section 10 Exemptions [First Proviso to Section 143(3)]	822
17.22.3. Assessment of Universities/Colleges After Withdrawal of Exemption Under Section 35(1)(ii)/(iii) [Second Proviso to Section 143(3)]	825
17.22.4. Impact of Commercial Receipts on Tax Exemptions for Charitable Organizations [Third Proviso to Section 143(3)]	826
17.22.5. New Scheme for Scrutiny Assessment [Sections 143(3A), 143(3B), and 143(3C)]	828
<b>17.23. Best Judgment Assessment [Section 144]</b>	<b>830</b>
17.23.1. Opportunity Must Be Given to The Assessee In Best Judgment Assessment [Section 144]	831
17.23.2. Assessment on Rejection of Accounts in Best Judgment Assessment [Section 144]	833
<b>17.24. Section 144A: Power of Joint Commissioner to Issue Directions in Certain Cases</b>	<b>834</b>
<b>17.25. Faceless Assessment [Section 144B] [Applicable w.e.f. 1.4.2021]</b>	<b>836</b>
<b>17.26. Income Escaping Assessment [Section 147]</b>	<b>838</b>
<b>17.27. Faceless Assessment of Income Escaping Assessment [Section 151A]</b>	<b>839</b>
<b>17.28. Time Limit for Completion of All Assessments and Reassessment [Section 153]</b>	<b>841</b>
17.28.1. Period of Limitation to Exclude Certain Periods [Explanation 1 to Section 153]	843
<b>17.29. Section 154: Rectification of Mistakes in Income Tax Orders</b>	<b>844</b>
<b>17.30. Section 156 of the Income Tax Act, 1961: Notice of Demand</b>	<b>845</b>



<b>17.31. Intimation of Loss [Section 157 of the Income Tax Act, 1961] .....</b>	<b>846</b>
<b>17.32. Faceless Rectification, Amendments and Issuance of Notice or Intimation (Section 157A).....</b>	<b>847</b>

## **[CHAPTER-18]**

### **Permanent Account Number and Aadhaar Number [Section 139A and 139AA]**

<b>18.1. Permanent Account Number [Section 139A And Rule 114] .....</b>	<b>850</b>
18.1.1. Power Delegated to The Central Government to Notify Class or Classes of Persons for Whom It Will Be Obligatory to Apply for Permanent Account Number (PAN) [Section 139A(1A)] .....	852
18.1.2. Aadhaar Number to Be Intimated [Rule 114(5)] .....	854
18.1.3. PAN to Be Quoted in Certain Cases [Section 139A (5)] .....	855
18.1.4. Quoting of PAN in Documents Pertaining to Such Transactions as May Be Prescribed by The Board [Section 139A(5)(C)] .....	856
18.1.5. Duty of The Person Receiving Any Document Relating to The Transactions Where Quoting of PAN Is Compulsory [Section 139A (6)] .....	857
18.1.6. Intimation of PAN in Certain Cases and Obligation of The Person to Whom the PAN is Intimated [Section 139A(5)] .....	858
18.1.7. Inter-Changeability of PAN & Aadhaar And the Mandatory Requirements [Section 139A(5E)].	859
18.1.8. Quoting and Authentication of PAN in The Documents Pertaining to Prescribed Transactions [Section 139A(6A)] .....	861
18.1.9. Section 139A(6B) - Obligation to Verify PAN / Aadhaar in Prescribed Transactions (Effective from September 1, 2019) .....	863
18.1.10. Consequences for Non-Compliance with Section 139A, As Penalized Under Section 272B (1)	864
18.1.11. Penalty for Quoting or Intimating False PAN [Section 272B (2)] .....	866
<b>18.2. Quoting and Linking of Aadhaar Numbers with PAN [Section 139AA] .....</b>	<b>867</b>

## **[CHAPTER-19]**

### **Search, Seizure & Survey and Special Procedure for Assessment of Search Cases [Sections 132, 132A, 132B, 133A, 153A to 153D]**

<b>19.1. Search and Seizure [Section 132] .....</b>	<b>872</b>
<b>19.2. Power to Requisition Books of Account, etc. [Section 132A] .....</b>	<b>874</b>
<b>19.3. Application of Seized or Requisitioned Assets [Section 132B] .....</b>	<b>876</b>
<b>19.4. Procedure for Assessment of Search Cases [Sections 153A, 153B, 153C &amp; 153D] .....</b>	<b>878</b>
19.4.1. Notice for Filing Return Under Section 153A(1)(a) .....	880
19.4.2. Assessment in Case of Search or Requisition [Section 153A(1)(b)] .....	882
19.4.3. Separate Assessment of 6 Years + Current Year Under First Proviso to Section 153A .....	886
19.4.4. Prior Approval for Search Assessments [Section 153D] .....	888
19.4.5. Third Proviso to Section 153A (1): Exception for Notified Cases .....	891
19.4.6. Time Limit for Completion of Assessment [Section 153B(1)(a)] .....	893

19.4.7. Assessment of Income of Any Other Person [Section 153C].....	895
<b>19.5. Section 133A: Income Tax Survey Powers - (Power to Conduct Surveys – A Preventive Enforcement Tool)</b>	<b>898</b>
19.5.1. Section 133A (1) to (4): Survey of Business & Charitable Premises.....	900
19.5.2. Section 133A (5): Survey in Connection with Public Events & Functions.....	902
19.5.3. Consequences for Non-Cooperation in Surveys [Section 133A (6)].....	904

## [CHAPTER-20]

### **Deduction and Collection of Tax at Source (TDS/TCS)** **[Sections 190 to 206CA i.e. Chapter XVIIA, XVIIB & XVIIBB]**

<b>20.1. Section 190: Deduction at Source and Advance Payment.....</b>	<b>907</b>
<b>20.2. Section 191: Direct Payment by the Assessee in Certain Cases .....</b>	<b>908</b>
<b>20.3. Deduction of Tax from Salary [Section 192].....</b>	<b>909</b>
20.3.1. Tax to be Deducted at Average Rate of Income-Tax [Section 192(1)] .....	911
20.3.2. Furnishing of Evidence of Claims by Employees for TDS Deduction Under Section 192 [Rule 26C]	913
20.3.3. When Does the Liability to Deduct Tax at Source (TDS) Arise?.....	914
20.3.4. Person Responsible for Deduction of Tax at Source [Section 204(i)].....	915
20.3.5. Tax on Non-Monetary Perquisites Paid by Employer [Section 192(1A) & (1B)].....	916
20.3.6. Salary from More Than One Employer [Section 192(2)] .....	918
20.3.7. Relief Under Section 89 for Arrears/Advance Salary [Section 192(2A) & Rule 21AA] .....	920
20.3.8. Details of Other Incomes [Section 192(2B) & Rule 26B] .....	921
20.3.9. Employer's Obligation to Furnish Statement to Employee [Section 192(2C) & Rule 26A (2)] ....	923
20.3.10. Employer's Duty to Obtain Evidence for Employee Claims for the Purpose of TDS [Section 192(2D)].....	925
20.3.11. Adjustment in the Amount of Tax to be Deducted [Section 192(3)].....	926
20.3.12. Deduction of Tax on Accumulated PF Balance [Section 192(4)] .....	927
20.3.13. Deduction of Tax on Approved Superannuation Fund Pay-outs [Section 192(5)] .....	929
20.3.14. CHDT Rules for Deduction of Tax at Source (TDS).....	930
20.3.15. TDS Not Deductible or Deductible at Lower Rate [Section 197 & Rules 28, 28AA] .....	931
<b>20.4. Deduction of Tax from Recognized Provident Fund Withdrawals [Section 192A].....</b>	<b>933</b>
<b>20.5. Deduction of Tax from Interest on Securities [Section 193] .....</b>	<b>934</b>
20.5.1. Lower/Nil TDS Deduction Under Section 197 & Rules 28, 28AA.....	936
<b>20.6. Deduction of Tax from Dividends [Section 194] .....</b>	<b>937</b>
<b>20.7. TDS on Interest (Other Than Securities) [Section 194A].....</b>	<b>938</b>
20.7.1. Adjustment in TDS Amount Under Section 194A (4).....	940
<b>20.8. TDS on Winnings from Lottery, Crossword Puzzles, Card Games, etc. [Section 194B] .....</b>	<b>941</b>
<b>20.9. TDS on Winnings from Horse Races [Section 194BB].....</b>	<b>943</b>
<b>20.10. TDS on Payments to Resident Contractors [Section 194C] .....</b>	<b>945</b>

20.11. TDS on Insurance Commission [Section 194D] .....	947
20.12. TDS on Life Insurance Policy Pay-outs [Section 194DA] .....	949
20.13. TDS on Payments to Non-Resident Sportsmen, Sports Associations, or Entertainers [Section 194E] 951	
20.14. TDS on Payments from National Savings Scheme (NSS) [Section 194EE] .....	953
20.15. TDS on Commission from Lottery Ticket Sales [Section 194G] .....	955
20.16. TDS on Commission and Brokerage [Section 194H] .....	956
20.17. TDS on Rent [Section 194-I] .....	958
20.18. TDS on Transfer of Immovable Property (Other Than Agricultural Land) [Section 194-IA] .....	960
20.19. TDS on Rent Payments by Individuals/HUFs [Section 194-IB] .....	962
20.20. TDS on Payments Under Joint Development Agreements (JDAs) referred to in Section 45(5A) [Section 194-IC] .....	965
20.21. TDS on Fees for Professional/Technical Services [Section 194J] .....	967
20.22. TDS on Income from Units (Mutual Funds, UTI, etc.) [Section 194K] .....	969
20.23. TDS on Compensation for Acquisition of Immovable Property [Section 194LA] .....	971
20.24. TDS on Interest from Infrastructure Debt Funds [Section 194LB] .....	972
20.25. TDS on Income from Units of a Business Trust [Section 194LBA] .....	974
20.26. TDS on Income from Investment Fund Units [Section 194LBB] .....	976
20.27. TDS on Income from Securitisation Trust Investments [Section 194LBC] .....	978
20.28. TDS on Interest from Indian Company/Business Trust to Non-Residents [Section 194LC] .....	980
20.29. TDS on Interest from Certain Bonds & Securities [Section 194LD] .....	982
20.30. TDS on Payments by Individuals/HUFs for Specified Expenses [Section 194M] .....	984
20.31. TDS on Cash Withdrawals [Section 194N] .....	985
20.32. TDS on Payments by E-Commerce Operators to Participants [Section 194-O] .....	987
20.33. TDS Relief for Specified Senior Citizens [Section 194P] .....	989
20.34. TDS on Purchase of Goods [Section 194Q] .....	990
20.35. TDS on Other Sums Paid to Non-Residents [Section 195] .....	992
20.36. TDS on Income Payable "Net of Tax" [Section 195A] .....	994
20.37. Section 196: No TDS on Payments to Government, RBI, or Certain Corporations .....	995
20.38. Section 196A: TDS on Income from Units of Non-Residents .....	996
20.39. Section 196B: TDS on Income from Units of Offshore Funds .....	997
20.40. Section 196C: TDS on Income from Foreign Currency Bonds or GDRs of Indian Companies .....	999
20.41. Section 196D: TDS on Income of Foreign Institutional Investors (FIIs) from Securities .....	1000
20.42. Section 197: General Provisions for Lower or Nil TDS Deduction .....	1002
20.43. Section 197A: No TDS Deduction in Certain Cases .....	1004
20.44. Section 198: Tax Deducted is Income Received .....	1006
20.45. Section 199 with Rule 37BA: Credit for Tax Deducted at Source (TDS) .....	1008
20.46. Section 200: Duty of Person Deducting Tax (TDS Compliance Obligations) .....	1010
20.47. Section 200(3): Requirement to File TDS Statements .....	1013

20.48. Section 200A: Processing of TDS Statements .....	1015
20.49. Section 201: Consequences of Failure to Deduct or Pay TDS.....	1017
20.50. Certificate for Tax Deducted at Source (TDS) – Section 203 & Rule 31.....	1019
20.51. Tax Deduction and Collection Account Number (TAN) – Section 203A & Rule 114A.....	1021
20.52. Section 204: Definition of "Person Responsible for Paying" (TDS Obligations).....	1022
20.53. Section 205: Bar Against Direct Demand on Assessee When TDS is Deducted .....	1024
20.54. Section 206A with Rules 31AC & 31ACA: Reporting Non-TDS Payments to Residents .....	1026
20.55. Section 206AA: Mandatory PAN Requirement for TDS/TCS (Even If Otherwise Exempt).....	1028
20.56. Section 206AB: Special Provision for Higher TDS on Non-Filers of ITR .....	1030
20.57. Situations Where No Tax is to be Deducted at Source (TDS Exemptions) .....	1032

## [CHAPTER-21]

### Tax Collection at Source (TCS)

21.1. Section 206C: Tax Collected at Source (TCS) on Sale of Specified Goods like Alcoholic Liquor, Forest Produce, Scrap, Minerals, And Motor Vehicles. ....	1034
21.2. Definition of "Seller" and "Buyer" under Section 206C (1) & (1F).....	1036
21.3. Section 206C(1B) & Rule 37C (3): Compliance for TCS Exemption Declarations.....	1038
21.4. Section 206C(1C): TCS on Parking Lots, Toll Plazas, Mining & Quarrying.....	1040
21.5. Section 206C(1G): TCS on Foreign Remittances (LRS) & Overseas Tour Packages.....	1042
21.6. Section 206C(1H): TCS on Sale of Goods (Effective from 1st October 2020).....	1044
21.7. Section 206CC: Higher TCS Rate for Non-Furnishing of PAN.....	1046
21.8. Section 206CCA: Higher TCS for Non-Filers of Income Tax Returns.....	1048
21.9. Section 206C (3) & Rule 37CA: Time and Mode of TCS Payment to Government .....	1050
21.10. Statement of Tax Collected and Deposited [Proviso to Section 206C (3) & Rule 31AA (1)].....	1052
21.11. Section 206C(3B): Correction Statement for TCS Rectification .....	1054
21.12. Section 206C (4): Credit for Tax Collected at Source (TCS).....	1055
21.13. Section 206C (5) & Rule 37D: Issue of TCS Certificate (Form 27D).....	1057
21.14. Section 206C(6): Consequences of Failure to Collect TCS .....	1059
21.15. Penalty Under Section 221 for TCS Defaults [Section 206C(6A)].....	1061
21.16. Section 206C (7): Interest for Late Payment of TCS.....	1062
21.17. Penal Provisions Related to Tax Collected at Source (TCS).....	1063
21.18. Tax Collection at Source (TCS) - Lower Rate Provisions [Section 206C (9), (10), (11) and Rules 37G and 37H] .....	1064
21.19. Processing of Statements of Tax Collected at Source (TCS) [Section 206CB] .....	1065

## [CHAPTER-22]

### Advance Payment of Tax [Section 207-211, 217 & 219]

22.1. Liability for Payment of Advance Tax [Section 207].....	1069
22.2. Exemption for Senior Citizens from Advance Tax [Section 207(2)] .....	1070

22.3. Conditions for Liability to Pay Advance Tax [Section 208] .....	1071
22.4. Computation & Payment of Advance Tax (Self-Assessment) [Section 209(1)(a) & (d)] .....	1073
22.5. Payment of Advance Tax by the Assessee on Their Own Accord [Section 210(1)] .....	1075
22.6. Payment of Advance Tax Pursuant to Assessing Officer's Order [Section 210(3) & 210(4)].....	1076
22.7. Instalments of Advance Tax & Due Dates [Section 211] .....	1078
22.8. Payment of Advance Tax on Capital Gains & Casual Income [Proviso to Section 234C] .....	1079
22.9. Assessee Deemed to be in Default [Section 218] .....	1081
22.10. Credit for Advance Tax [Section 219].....	1083

## [CHAPTER-23]

### Interest and Fee Payable by/to Assessee

#### [Section 201(1A), 220(2), 234A, 234B, 234C, 234D, 234E, 234F, 234G, 234H & 244A]

23.1. Interest for Default in Furnishing Return of Income [Section 234A (1)] .....	1086
23.2. Interest for Default in Furnishing Return of Income Under Section 148 [Section 234A (3)].....	1087
23.3. Increase/Decrease in Interest on Certain Orders [Section 234A (4)].....	1089
23.4. Interest for Default in Payment of Advance Tax [Section 234B (1)] .....	1090
23.5. Interest Payable for Defaults in Payment of Advance Tax [Section 234B (3)] .....	1092
23.6. Increase/Decrease in Interest on Certain Orders [Section 234B (4)].....	1093
23.7. Interest for Deferment of Advance Tax [Section 234C].....	1094
23.8. Interest on Excess Refund Granted at the Time of Summary Assessment [Section 234D] .....	1096
23.9. Fee for Delay in Furnishing TDS/TCS Statements [Section 234E] .....	1098
23.10. Fee for Default in Furnishing Return of Income [Section 234F] .....	1099
23.11. Fee for Default in Furnishing Statement / Certificate [Section 234G] .....	1101
23.12. Fee for Default in Intimation of Aadhaar Number [Section 234H].....	1102
23.13. Interest for Late Payment of Demand of Tax, Interest, Penalty, Etc. [Section 220(2)] .....	1103
23.13.1. Adjustment of Interest Under Section 220(2) – First Proviso Explained.....	1105
23.13.2. Reduction or Waiver of Interest Under Section 220(2) [Section 220(2A)].....	1106
23.13.3. Exclusion of Interest Under Section 220(2) When Charged Under Section 201(1A) [Section 220(2B)] .....	1107
23.14. Interest for Failure to Deduct or Pay Tax at Source [Section 201(1A)] .....	1108
23.15. Interest Payable to Assessee on Tax Refunds [Section 244A].....	1109
23.16. Waiver of Interest Under Income Tax Act: Key Provisions & Conditions.....	1111

## [CHAPTER-24]

### Refunds

#### [Sections 237 to 241 & 245]

24.1. Who Should Claim Refund? .....	1114
24.2. Who Is Entitled to Refund? [Section 237] .....	1116

<b>24.3. Can A Person Other Than the Assessee Claim Refund? [Section 238]</b> .....	<b>1117</b>
<b>24.4. Form for Claim for Refund and Period Within Which Claim for Refund Should be Made [Section 239 And Rule 41]</b>	<b>1118</b>
<b>24.5. Refund on Appeal, etc. [Section 240]</b> .....	<b>1120</b>
<b>24.6. Withholding of Refund in Certain Cases [Section 241A]</b> .....	<b>1121</b>
<b>24.7. Correctness of Assessment Not to Be Questioned [Section 242]</b> .....	<b>1123</b>
<b>24.8. Interest Payable to Assessee [Section 244A]</b> .....	<b>1124</b>
<b>24.9. Set-Off of Refund Against Outstanding Tax Demand [Section 245]</b> .....	<b>1126</b>
<b>24.10. Procedure for Filing a Delayed Income Tax Refund Claim</b> .....	<b>1128</b>

## **[CHAPTER-25]**

### **Penalties and Prosecutions**

<b>25.1. Penalty Where Search Has Been Initiated [Section 271AAB(1A)]</b> .....	<b>1132</b>
<b>25.2. Penalty in Respect of Certain Income [Section 271AAC]</b> .....	<b>1133</b>
<b>25.3. Penalty for False Entry, etc. in Books of Account [Section 271AAD]</b> .....	<b>1134</b>
<b>25.4. Penalty for Failure to Furnish Statements, etc. [Section 271H]</b> .....	<b>1136</b>
<b>25.5. Penalty for Failure to Comply with Provisions of Section 269ST [Section 271DA]</b> .....	<b>1137</b>
<b>25.6. Mandating Acceptance of Payments Through Prescribed Electronic Modes [Section 269SU, 271DB]</b> 1139	
<b>25.7. Penalty for Furnishing Incorrect Information in Reports or Certificates [Section 271J]</b> .....	<b>1140</b>
<b>25.8. Penalty for Failure to Furnish Statements, etc. [Section 271K]</b> .....	<b>1141</b>
<b>25.9. Penalty for Under-Reporting and Misreporting of Income [Section 270A]</b> .....	<b>1143</b>
25.9.1. Penalty for Under-Reported Income [Section 270A (1)] .....	1144
25.9.2. Cases of Misreporting of Income [Section 270A (9)] .....	1146
25.9.3. Penalty for Under-Reported Income in Absence of Prior Penalty [Section 270A (4)] .....	1147
25.9.4. Determination & Computation of Under-Reported Income [Section 270A(2) & (3)] .....	1148
25.9.5. Tax Payable on Under-Reported Income [Section 270A(10)] .....	1149
25.9.6. Order of Penalty to Be in Writing [Section 270A (12)] .....	1151
<b>25.10. Immunity from Imposition of Penalty and Initiation of Proceedings [Section 270AA]</b> .....	<b>1153</b>
<b>25.11. Power to Reduce or Waive Penalty, Etc., In Certain Cases [Section 273A]</b> .....	<b>1154</b>
<b>25.12. Power of Principal Commissioner/Commissioner to Grant Immunity from Penalty [Section 273AA]</b> 1155	
<b>25.13. Penalty not to be imposed in certain cases [Section 273B]</b> .....	<b>1157</b>
<b>25.14. Procedure for Imposing Penalty [Section 274]</b> .....	<b>1158</b>
<b>25.15. Bar of Limitation for Imposing Penalties [Section 275]</b> .....	<b>1160</b>
<b>25.16. Power of Principal Commissioner or Commissioner to Grant Immunity from Prosecution [Section 278AB]</b> 1161	



## **[CHAPTER-26]**

### **Appeals and Revision**

### **[Sections 246 to 264]**

26.1. Remedy Available Against the Order of The Commissioner (Appeals)/Revision Orders Of CIT ....	1164
26.2. Remedy Against Orders of Appellate Tribunal .....	1166
26.3. Appeal Against Order of High Court to Supreme Court.....	1169
26.4. Appealable Orders Before Commissioner (Appeals) [Section 246A].....	1170
26.5. Appeal by Person Denying Liability to Deduct Tax [Section 248].....	1172
26.6. Form of Appeal and Limitation [Section 249 and Rules 45 & 46].....	1174
26.7. Procedure in Hearing Appeal [Section 250] .....	1176
26.8. Faceless Appeals Before Commissioner (Appeals) – Notification No. 139/2021.....	1178
26.9. Powers of the Commissioner (Appeals)-[CIT(A)] [Section 251].....	1179
26.10. Appeals to the Income Tax Appellate Tribunal (ITAT) [Section 253(1) & (2)].....	1181
26.11. Procedure for Filing Appeal to Appellate Tribunal (ITAT) [Sections 253(3), (3A), (4), (5) & (6)] .	1183
26.12. Orders of Appellate Tribunal (ITAT) [Section 254] .....	1186
26.13. Remedies Against Orders of the Income Tax Appellate Tribunal (ITAT).....	1189
26.14. Appeal to the Supreme Court [Section 261].....	1191
26.15. Revision by Chief Commissioner/Commissioner [Sections 263 & 264] .....	1193
26.16. Faceless Revision of Orders [Section 264A].....	1196
26.17. Faceless Effect of Orders [Section 264B].....	1198
26.18. Special Provision for Avoiding Repetitive Appeals [Section 158A & Rule 16] .....	1202
26.19. Special Provisions for Avoiding Repetitive Appeals by Revenue [Section 158AA] .....	1205
26.20. Exclusion of Time Taken for Obtaining Copy of Order [Section 268].....	1208

## **[CHAPTER-27]**

### **Equalisation Levy**

### **[Chapter VIII of the Finance Act, 2016]**

27.1. Charge of Equalisation Levy [Section 165 and section 165A] .....	1213
27.2. Collection and Recovery of Equalization Levy [Section 166 And Section 166A].....	1216
27.3. Furnishing of Statement [Section 167] .....	1219
27.4. Processing of Statement [Section 168] .....	1221
27.5. Rectification of Mistake [Section 169].....	1223
27.6. Interest on Delayed Payment of Equalisation Levy [Section 170].....	1226
27.7. Penalty for Failure to Deduct or Pay Equalisation Levy (EL) [Section 171] .....	1229
27.8. Penalty for Failure to Furnish the Equalisation Levy (EL) Statement [Section 172].....	1230
27.9. Penalty Not to Be Imposed in Certain Cases [Section 173].....	1232
27.10. Amounts Not Deductible [Section 40(a)(ib)] .....	1234

## **[CHAPTER-28]**

### **Miscellaneous Provisions**

<b>28.1. Mode of Taking or Accepting Certain Loans, Deposits and Specified Sum [Section 269SS] .....</b>	<b>1236</b>
28.1.1. Section 269SS Not to Apply in The Following Cases [Provisos 1 And 2 To Section 269SS] .....	1238
<b>28.2. Mode of Repayment of Certain Loans or Deposits and Specified Advance Received [Section 269T] 1239</b>	
28.2.1. Exceptions to Section 269T (Repayment of Loans/Deposits ≥ ₹20,000 in Cash) .....	1241
28.2.2. Consequences of Violating Section 269T (Penalty under Section 271E) .....	1242
<b>28.3. Section 269ST: Mode of Undertaking Specified Transactions (Cash Limit) .....</b>	<b>1244</b>
28.3.1. Penalty for Violating Section 269ST (Under Section 271DA) .....	1246
<b>28.4. Mandating Electronic Payment Acceptance (Sections 269SU &amp; 271DB) .....</b>	<b>1247</b>
28.4.1. Penalty for Non-Compliance with Section 269SU (Under Section 271DB) .....	1249
<b>28.5. Certain Transfers to be Void [Section 281] .....</b>	<b>1250</b>
<b>28.6. Section 281B: Provisional Attachment to Protect Revenue .....</b>	<b>1253</b>
<b>28.7. Service of Notice Under the Income Tax Act [Section 282 to 284] .....</b>	<b>1255</b>
<b>28.8. Service of Notice When Family is Disrupted or Firm is Dissolved [Section 283] .....</b>	<b>1256</b>
<b>28.9. Service of Notice in Case of Discontinued Business [Section 284] .....</b>	<b>1259</b>
<b>28.10. Authentication of Notices &amp; Documents [Section 282A] .....</b>	<b>1261</b>
<b>28.11. Section 292B: Return of Income, Assessment, etc., Not Invalid on Certain Grounds .....</b>	<b>1262</b>
<b>28.12. Submission of Statements Under Section 285B &amp; Rule 121A .....</b>	<b>1263</b>
<b>28.13. Provisions Under Section 285BA: Statement of Financial Transaction (SFT) or Reportable Account 1265</b>	
<b>28.14. Annual Information Statement (AIS) Under Section 285BB .....</b>	<b>1266</b>
<b>28.15. Condonation of Delay in Obtaining Approval [Section 293B] .....</b>	<b>1268</b>
<b>28.16. Power to Withdraw Approval [Section 293C] .....</b>	<b>1270</b>
<b>28.17. Faceless Approval or Registration [Section 293D] .....</b>	<b>1271</b>
<b>28.18. Dispute Resolution Committee (DRC) [Section 245MA] .....</b>	<b>1273</b>
<b>28.19. Tax Clearance Certificate (TCC) Under Section 230: A Comprehensive Guide .....</b>	<b>1275</b>
<b>28.20. Tonnage Tax Scheme Under Sections 115V to 115VZC: A Comprehensive Guide .....</b>	<b>1278</b>

## [CHAPTER-1]

# Amendments brought in the Income-Tax Act by The Finance Bill, 2025

Here is a detailed breakdown of the key amendments introduced in the Income-Tax Act, 1961 by the Finance Bill, 2025.

## 1.1. Amendments Related to Investment Funds and IFSCs

### 1) Section 9A (Investment Fund Participation Rules):

- Indirect investments by Indian residents in offshore funds are now excluded from the 5% limit, reducing compliance burdens .
- The Central Government can relax conditions for eligible investment funds/fund managers in International Financial Services Centres (IFSCs) .

### 2) Section 10(4D) (Tax Exemptions for Specified Funds):

- Retail Schemes and Exchange-Traded Funds (ETFs) regulated under IFSCA (Fund Management) Regulations now qualify for tax exemptions .
- Funds must comply with IFSCA regulations instead of additional CBDT-prescribed conditions .

### 3) Section 47(viia) (Tax-Neutral Relocation of Funds):

- Expands the definition of "resultant fund" to include Retail Schemes and ETFs, allowing tax-free relocation to IFSCs without meeting Section 10(4D) conditions .

### 4) Section 10(4E) (Exemptions for Non-Residents in IFSCs):

- Extends tax exemptions to non-residents trading in offshore derivative instruments and OTC derivatives with Foreign Portfolio Investors (FPIs) in IFSCs .

### 5) Section 10(10D) (Life Insurance Policies in IFSCs):

- Corrects the reference from "IFSC insurance intermediary offices" to "IFSC insurance offices" for tax-exempt life insurance policies .

## 1.2. Presumptive Taxation for Non-Residents

### New Section 44BBD:

Section 44BBD, introduced by the Finance Act 2025, is a **presumptive taxation scheme** designed to attract foreign expertise into India's electronics manufacturing sector by simplifying tax compliance for non-residents.

### Who It Applies To

Non-resident entities that:

- Provide **services or technology** to a **resident Indian company**
- That company must be **setting up or operating an electronics manufacturing facility** under a scheme notified by the **Ministry of Electronics and Information Technology (MeitY)**

### Key Features

- **Presumptive Income:** 25% of the total receipts from such services will be deemed as taxable business income.
  - **No Deductions Allowed:** No further deductions for expenses, depreciation, or losses under Sections 32 or 72.
  - **Overrides Normal Provisions:** Operates *notwithstanding* Sections 28 to 43A, meaning it bypasses standard profit computation rules.
  - **Effective Date:** Applies from **Assessment Year 2026–27** (i.e., from 1 April 2026)
- 

## 1.3. Block Assessment and Undisclosed Income

### Chapter XIV-B (Sections 158BA, 158BB, 158BE):

- Replaces "total income" assessment with "**undisclosed income**" assessment in search/seizure cases .
- **Undisclosed income**  
includes:
  - Income declared in block returns.
  - Income determined by the Assessing Officer (AO) based on search evidence .

Excludes income already assessed under regular provisions (e.g., Sections 143, 147) .

- **Time limit for block assessments:**
    - 12 months (extendable to 13 months if extended under Section 158BC) .
  - **Tax rate:** Undisclosed income taxed at **60%** .
-

## 1.4. Income Tax Slabs for FY 2025-26 (AY 2026-27)

The Budget 2025 proposed new tax slab rates under section 115BAC i.e., the New Tax Regime or the Default Tax Regime. This was to ensure that individuals save more and increase their spending capacity. These revised tax slab rates will be applicable for income earned in FY 2025-26 onwards.

INCOME RANGE (₹)	TAX RATE
Up to 4,00,000	0%
4,00,001 – 8,00,000	5%
8,00,001 – 12,00,000	10%
12,00,001 – 16,00,000	15%
16,00,001 – 20,00,000	20%
20,00,001 – 24,00,000	25%
Above 24,00,000	30%

### Key Features of the New Regime:

#### 1. Increased Rebate (Section 87A):

- Rebate raised to **₹60,000** (from ₹25,000), making incomes up to **₹12 lakh tax-free**.
- For salaried individuals, the effective tax-free limit is **₹12.75 lakh** (including ₹75,000 standard deduction).

#### 2. Higher Basic Exemption:

- Increased from ₹3 lakh to **₹4 lakh**.

#### 3. No Major Deductions:

- Only **standard deduction (₹75,000)** and **employer's NPS contribution (14% of basic salary)** are allowed.

#### 4. Surcharge:

- Capped at **25%** for incomes above ₹2 crore (vs. 37% in the old regime).

## Old Tax Regime Slabs (FY 2025-26)

No changes were made to the old regime slabs, which remain age-dependent :

### For Individuals Below 60 Years:

INCOME RANGE (₹)	TAX RATE
Up to 2,50,000	0%
2,50,001 – 5,00,000	5%
5,00,001 – 10,00,000	20%
Above 10,00,000	30%

### For Senior Citizens (60–80 Years):

- ₹3 lakh basic exemption (0% tax).
- 5% for ₹3–5 lakh, 20% for ₹5–10 lakh, 30% above ₹10 lakh .

### For Super Seniors (80+ Years):

- ₹5 lakh basic exemption (0% tax).
- 20% for ₹5–10 lakh, 30% above ₹10 lakh .

---

## Key Changes in FY 2025-26

### 1. Rebate Expansion:

- Tax-free income limit raised to ₹12 lakh (new regime) .

### 2. TDS Thresholds Increased:

- Senior citizens' interest income TDS threshold raised to ₹1 lakh (from ₹50,000) .
- Rent TDS threshold increased to ₹50,000/month (from ₹2.4 lakh/year) .

### 3. TCS Relaxations:

- No TCS on education loans under LRS (Liberalized Remittance Scheme) .
- Threshold for overseas remittance TCS raised to ₹10 lakh (from ₹7 lakh) .

---

## Which Regime to Choose?

- **New Regime:** Better for those with **limited investments/deductions** (e.g., salaried employees with incomes under ₹12 lakh) .
- **Old Regime:** Beneficial for those claiming **deductions (e.g., 80C, 80D, HRA)** or with incomes above ₹15 lakh



## 1.5. Revised TDS threshold Limits effective from April 1, 2025

Here’s a consolidated table of the **revised TDS threshold limits effective from April 1, 2025**, based on the Finance Act 2025 amendments:

Key TDS Threshold Changes (FY 2025-26)

SECTION	NATURE OF PAYMENT	OLD THRESHOLD (PRE-APRIL 2025)	NEW THRESHOLD (FROM APRIL 2025)	TDS RATE
<b>193</b>	Interest on Securities	Nil	₹10,000	10%
<b>194A</b>	Interest (other than securities)	₹50,000 (senior citizens), ₹40,000 (others)	₹1,00,000 (seniors), ₹50,000 (others)	10%
<b>194</b>	Dividend to individual shareholders	₹5,000	₹10,000	10%
<b>194B</b>	Lottery/Crossword Puzzle Winnings	₹10,000 (annual aggregate)	₹10,000 <b>per transaction</b>	30%
<b>194BB</b>	Horse Race Winnings	₹10,000 (annual aggregate)	₹10,000 <b>per transaction</b>	30%
<b>194D</b>	Insurance Commission	₹15,000	₹20,000	2% (Ind/HUF), 10% (Others)
<b>194G</b>	Lottery Ticket Commission	₹15,000	₹20,000	2%
<b>194H</b>	Brokerage/Commission	₹15,000	₹20,000	2%
<b>194I</b>	Rent	₹2,40,000 (annual)	₹50,000 <b>per month</b>	2% (machinery), 10% (land/building)
<b>194J</b>	Professional/Technical Fees	₹30,000	₹50,000	10% (general), 2% (call centers/tech services)

SECTION	NATURE OF PAYMENT	OLD THRESHOLD (PRE-APRIL 2025)	NEW THRESHOLD (FROM APRIL 2025)	TDS RATE
194K	Mutual Fund Income (dividend)	₹5,000	₹10,000	10%
194LA	Compensation on Immovable Property	₹2,50,000	₹5,00,000	10%
194T	Partner's Remuneration (new section)	–	₹20,000 (annual)	10%

## Key Highlights of Changes

### 1. Senior Citizen Benefits:

- Interest income (Section 194A) threshold doubled to **₹1 lakh** for seniors.
- No TDS if interest from FDs/RDs stays below this limit.

### 2. Rent Payments (Section 194I):

- Shift from **annual** (₹2.4L) to **monthly** threshold (₹50,000/month).

### 3. Simplified Gaming/Winnings Tax:

- TDS on lottery/horse race winnings now applies **per transaction** (not annual aggregate).

### 4. New Section 194T:

- **10% TDS** on partner remuneration exceeding ₹20,000/year in firms/LLPs.

### 5. Removed Provisions:

- **Section 206AB** (higher TDS for non-filers) scrapped, easing compliance.

## 1.6.Key changes to Tax Collected at Source (TCS) effective from April 1, 2025

Here’s a structured table summarizing the **key changes to Tax Collected at Source (TCS) effective from April 1, 2025**, based on the Finance Bill 2025 amendments:

TCS Changes from April 2025

SECTION	TRANSACTION TYPE	OLD THRESHOLD/RATE (PRE-APRIL 2025)	NEW THRESHOLD/RATE (FROM APRIL 2025)	KEY NOTES
206C(1G)	Remittances under LRS	₹7 lakh threshold	₹10 lakh threshold	No TCS below ₹10L; applies to foreign tours, gifts, investments .
	- Education (self-funded)	5% above ₹7L	5% above ₹10L	Medical treatment similarly taxed .
	- Education (via loan)	5% above ₹7L	<b>Exempt</b> (No TCS)	Applies to loans from RBI-recognized institutions .
	- Other purposes (investments, gifts)	20% above ₹7L	20% above ₹10L	Includes overseas tour packages .
206C(1H)	Sale of goods	0.1% on sales >₹50L	<b>Removed</b>	Eliminates overlap with TDS under Section 194Q .
206C(1F)	Luxury goods (e.g., cars, art, watches)	1% on sale >₹10L	<b>Expanded categories</b>	Now covers yachts, helicopters, designer bags, etc. .

SECTION	TRANSACTION TYPE	OLD THRESHOLD/RATE (PRE-APRIL 2025)	NEW THRESHOLD/RATE (FROM APRIL 2025)	KEY NOTES
206C(1)	Forest produce (timber, etc.)	2.5%	Reduced to 2%	Excludes tendu leaves (remains 5%) .
206CCA	Higher TCS for non-filers	Higher rates (e.g., 5% vs. 1%)	Section omitted	No need to verify ITR filing status of buyers .
276BB	Prosecution for delayed TCS payment	Strict penalties	Exemption if paid by quarterly due date	Relief for minor delays .

### Key Takeaways :

1. **LRS Simplification:** Higher threshold (₹10L) and education loan exemption reduce compliance burden for students/medical travelers.
2. **Business Ease:** Removal of TCS on goods (Section 206C(1H)) and non-filer penalties (206CCA) streamlines transactions.
3. **Luxury Goods:** New 1% TCS on high-value items targets undisclosed income .
4. **Forest Produce:** Rate cut to 2% benefits timber traders

## 1.7.Extension of Time Limits for Filing Updated Tax Returns (ITR-U)

Here’s a structured table summarizing the **extension of time limits for filing Updated Tax Returns (ITR-U) under the Income Tax Act, 1961**, as amended by the Finance Bill 2025:

Updated Tax Return (ITR-U) Time Limits and Additional Tax Liability

TIME PERIOD FOR FILING ITR-U	EXTENDED DEADLINE	ADDITIONAL TAX PAYABLE	KEY CONDITIONS
Within <b>12 months</b> from the end of the relevant Assessment Year (AY)	Up to 1 year from original due date (e.g., 31 July 2026 for FY 2024-25 AY 2025-26)	<b>25%</b> of (tax + interest)	Applies to missed income disclosures or errors .

TIME PERIOD FOR FILING ITR-U	EXTENDED DEADLINE	ADDITIONAL TAX PAYABLE	KEY CONDITIONS
Within <b>24 months</b> from the end of the AY	Up to 2 years from original due date	<b>50%</b> of (tax + interest)	Must disclose previously omitted income .
Within <b>36 months</b> from the end of the AY	Up to 3 years from original due date	<b>60%</b> of (tax + interest)	Excludes cases under scrutiny or audit .
Within <b>48 months</b> (new limit) from the end of the AY	Up to <b>4 years</b> from original due date (e.g., 31 March 2029 for FY 2024-25 AY 2025-26)	<b>70%</b> of (tax + interest)	Introduced to encourage voluntary disclosures .

### Key Notes:

1. **Purpose:** ITR-U allows taxpayers to correct omissions/discrepancies in original returns, such as unreported income or missed deductions <sup>8</sup>.
2. **Exclusions:** Cannot be filed if:
  - The return is already under scrutiny, audit, or reassessment.
  - To claim refunds or carry forward losses .
3. **Payment Deadline:** Additional tax must be paid before filing ITR-U to avoid penalties

## 1.8. Tax Exemption for Start-ups

Start-ups in India can benefit from significant tax exemptions under **Section 80-IAC** of the Income-tax Act, designed to support innovation and entrepreneurship.

### Key Features of the Exemption

- **100% tax deduction** on profits for **3 consecutive years** out of the first **10 years** since incorporation.
- Available to **DPIIT-recognized start-ups** that are:
  - Incorporated as a **Private Limited Company** or **LLP**
  - Engaged in an *eligible business* (innovation, development, or scalable models with job/wealth creation potential)
  - Have a turnover of **less than ₹100 crore** in any previous year

### Budget 2025 Update

The eligibility window for incorporation has been **extended to 31 March 2030**, allowing more start-ups to qualify for the tax holiday.

## Additional Relief – Angel Tax Exemption (Section 56)

Recognized start-ups can also apply for exemption from **Angel Tax** under Section 56(2)(viib), provided:

- Aggregate paid-up capital and share premium after issue does not exceed ₹25 crore
- The investor and investment meet prescribed conditions

You can apply for both exemptions through the Startup India portal after obtaining DPIIT recognition.

## 1.9.Key Amendments related to Deduction on Remuneration paid to Partners

Here's a structured summary of the **key amendments related to deduction on remuneration paid to partners** introduced by the **Finance Bill 2025**, based on the latest updates:

### 1. Increased Permissible Limits for Partner Remuneration

**Amendment:** The deduction limit for remuneration paid to **working partners** under **Section 40(b)** has been **doubled** from FY 2025-26 (AY 2026-27) .

BOOK PROFIT	FY 2024-25 LIMIT	FY 2025-26 LIMIT (REVISED)
First ₹3 lakh (or loss)	₹1.5 lakh or 90% of profit*	<b>₹3 lakh or 90% of profit*</b>
Remaining book profit	60% of profit	<b>60% of profit (unchanged)</b>

#### Example:

For a book profit of ₹9 lakh:

- **FY 2024-25:** Max deduction = ₹6.3 lakh [(₹3L × 90%) + (₹6L × 60%)].
- **FY 2025-26:** Max deduction = ₹7.2 lakh [(₹6L × 90%) + (₹3L × 60%)].

#### Conditions:

- Remuneration must be authorized in the **partnership deed**.
- Only applicable to **working partners** (not sleeping partners or LLPs) .

### 2. Introduction of TDS on Partner Remuneration (Section 194T)

#### New Rule:

From **April 1, 2025**, firms must deduct **10% TDS** on:

- Salary, bonus, commission, or interest paid to partners if **annual aggregate exceeds ₹20,000** .



## Key Points:

- **Covered Payments:** Remuneration, interest on capital/loans, commissions.
- **Exempt Payments:** Capital repayments or profit shares .
- **Timing:** TDS deducted at the **earlier of payment or credit to partner's account** .
- **Non-Resident Partners:** Ambiguity exists on whether Section 194T or 195 applies; CBDT clarification awaited .

## Penalties for Non-Compliance:

- **1% monthly interest** for non-deduction.
- **30% disallowance** of the expense .

---

## 3. Impact on Tax Planning

- **Firms:** Must update partnership deeds to reflect revised remuneration limits and ensure TDS compliance .
- **Partners:** Remuneration remains taxable as "**Profits from Business/Profession**", while disallowed amounts are exempt .

## Example Scenario:

If a firm pays ₹5 lakh as remuneration (within revised limits):

- **Firm:** Claims full deduction under Section 40(b).
- **Partner:** Pays tax on ₹5 lakh, minus TDS of ₹50,000 (if applicable) .

---

## 4. Key Exclusions

- **LLPs:** Section 40(b) does not apply; remuneration rules differ .
- **Presumptive Taxation (Section 44AD/ADA):** No deduction allowed for partner remuneration .

---

## Summary of Changes

ASPECT	PRE-2025	POST-2025 (FINANCE BILL 2025)
Remuneration Limit	₹1.5L/₹3L + 60%	₹3L/₹6L + 60%
TDS on Payments	Not applicable	10% if >₹20K annually
Compliance	Lax	Strict (TDS + deed updates)

## 1.10. Treatment of ULIPs (Unit-Linked Insurance Plans) as Capital Gains

Here’s a detailed summary of the **treatment of ULIPs (Unit-Linked Insurance Plans) as capital gains** under the **Finance Bill 2025**, including key changes, tax rates, and applicability:

### 1. Key Changes in ULIP Taxation (Effective April 1, 2026)

- **Capital Asset Classification:** ULIPs with annual premiums **exceeding ₹2.5 lakh** will now be classified as **capital assets** under **Section 2(14)** of the Income Tax Act, 1961 .
- **Taxation as Capital Gains:** Redemption proceeds from non-exempt ULIPs (premiums > ₹2.5 lakh) will be taxed under **capital gains** (Section 45(1B)) instead of "Income from Other Sources" .
- **Equity-Oriented Fund Status:** Non-exempt ULIPs are included in the definition of **equity-oriented funds** under **Section 112A**, aligning their tax treatment with equity mutual funds .

### 2. Tax Rates for ULIP Redemption

HOLDING PERIOD	TAX RATE	TAX TYPE
<12 months	20%	Short-Term Capital Gains (STCG)
≥12 months	12.5%	Long-Term Capital Gains (LTCG)

**Note:**

- For ULIPs issued **before February 1, 2021**, the ₹2.5 lakh premium rule does not apply (maturity remains tax-free) .
- **Death benefits** remain **tax-exempt** under Section 10(10D), irrespective of premium amount .

### 3. Conditions for Tax Exemption

ULIP maturity proceeds are **tax-free** under **Section 10(10D)** only if:

1. **Premium Limit:** Annual premium ≤ ₹2.5 lakh (for policies issued after February 1, 2021) .
2. **Sum Assured Ratio:** Premium must be ≤10% of the sum assured (for policies issued after April 1, 2012) .
3. **Multiple ULIPs:** Aggregate premiums across all ULIPs must not exceed ₹2.5 lakh/year .

**Example:** If you hold 3 ULIPs with annual premiums of ₹1 lakh, ₹1 lakh, and ₹60,000, all remain tax-exempt. If one policy has a ₹3 lakh premium, its maturity proceeds will be taxable .

## 4. Rationale for the Change

- **Preventing Tax Avoidance:** High-net-worth individuals were using ULIPs to invest large sums in equities tax-free. The new rules ensure parity with direct equity investments .
- **Clarity:** Earlier, non-exempt ULIPs faced ambiguity in tax treatment (e.g., whether taxed as "Other Income" or capital gains). The 2025 amendment resolves this .

## 5. Impact on Investors

- **Higher Premium Policies:** Investors paying >₹2.5 lakh/year will now pay **12.5% LTCG tax** (vs. earlier slab rates up to 30%) .
- **Planning Tip:** Split investments across multiple ULIPs to stay under the ₹2.5 lakh/year threshold for tax-free maturity .

## 6. Comparison with Pre-2025 Rules

ASPECT	PRE-2025	POST-2025 (FINANCE BILL 2025)
Tax Treatment	Taxed as "Other Income" (slab rates)	Taxed as capital gains (12.5% LTCG)
Premium Threshold	₹2.5 lakh/year (exemption limit)	Same, but clarity on capital gains tax
Holding Period	Not defined	12+ months for LTCG benefits

## 1.11. Relaxation of Deemed Let-Out Property Provision under the Finance Bill 2025.

Here's a detailed summary of the **relaxation of deemed let-out property provisions** under the **Finance Bill 2025**, including key changes, tax implications, and practical examples:

### 1. Key Changes in Deemed Let-Out Property Rules (Effective April 1, 2025)

- **Removal of Occupation Conditions:** Previously, taxpayers could claim **two properties as self-occupied** only if they couldn't occupy the second property due to **employment, business, or profession** elsewhere. This condition has been **removed** .
- **Simplified Declaration:** Now, taxpayers can declare **any two properties as self-occupied** (with nil annual value) **regardless of the reason for non-occupation** (e.g., vacation home, family use, or personal preference) .
- **Third Property Rule Unchanged:** Properties beyond the first two will still be **deemed let-out**, and notional rent will apply .

## 2. Tax Implications

SCENARIO	PRE-2025 TREATMENT	POST-2025 TREATMENT
<b>Two Self-Occupied Properties</b>	One tax-free; second taxed if not meeting employment/business conditions	<b>Both tax-free</b> (nil annual value)
<b>Three or More Properties</b>	Two tax-free (if conditions met); others deemed let-out	<b>Two tax-free</b> ; third deemed let-out

### Example:

- **Mr. A** owns three houses (Delhi, Mumbai, Goa).
  - **Pre-2025:** Only Delhi (self-occupied) and Mumbai (if work-related) could be tax-free. Goa deemed let-out.
  - **Post-2025:** **Delhi and Mumbai** can be declared tax-free; Goa deemed let-out .

---

## 3. Key Benefits

1. **Reduced Compliance Burden:** No need to prove employment/business reasons for non-occupation .
2. **Boost to Real Estate:** Encourages investment in **secondary/vacation homes** by eliminating notional rent tax .
3. **Simplified Filing:** Taxpayers no longer need to calculate or report deemed rental income for two properties .

---

## 4. Practical Impact

- **Homeowners:** Save taxes on second properties (e.g., ₹4.8 lakh notional rent no longer taxed for a ₹40K/month property) .
- **Investors:** Makes owning multiple properties more attractive, especially in **tier 2/3 cities** .
- **Professionals:** Eases tax burdens for those with properties in multiple cities (no relocation proof needed) .

## 1.12. Removal of Equalisation Levy under the Finance Bill 2025

Here’s a detailed summary of the **removal of the Equalisation Levy (EL)** in India, including key changes, effective dates, and implications:

### 1. Overview of Equalisation Levy Removal

The **Finance Bill 2025** has abolished the **6% Equalisation Levy (EL)** on digital advertising services provided by non-resident companies, effective from **April 1, 2025**. This follows the earlier removal of the **2% EL on e-commerce transactions** in **2024**.

### 2. Key Changes

ASPECT	PRE-2025	POST-2025 (FINANCE BILL 2025)
<b>6% EL on Digital Ads</b>	Applied to B2B transactions (e.g., Google, Meta ads)	<b>Abolished</b> from April 1, 2025 .
<b>2% EL on E-Commerce</b>	Applied to non-resident e-commerce operators (e.g., Amazon, SaaS providers)	<b>Already removed in 2024.</b>
<b>Compliance</b>	Indian businesses withheld 6% on payments >₹1 lakh/year	<b>No EL deduction required.</b>
<b>Tax Treaties</b>	EL was outside Income Tax Act, leading to disputes	Now assessed under <b>Permanent Establishment (PE)</b> or <b>Royalty/FTS</b> rules .

# [CHAPTER-2]

## Important Concepts of Taxation

### 2.1. Definition of "Person" under Section 2(31)

Section 2(31) of the Income Tax Act, 1961 provides an inclusive definition of the term "person" for taxation purposes, which is much broader than the ordinary meaning of an individual human being. This definition is fundamental as it determines who can be assessed for income tax in India.

#### Comprehensive Definition

According to Section 2(31), a "person" includes:

1. **An individual** - Refers to a natural human being whether male, female, minor or major. A minor's income is generally taxable through their legal guardian
2. **A Hindu Undivided Family (HUF)** - A family arrangement recognized under Hindu law consisting of all persons lineally descended from a common ancestor including their wives and unmarried daughters. The manager is called "Karta" and members are "coparceners"
3. **A company** - A legal entity registered under the Companies Act, including Indian companies, foreign companies, and certain declared associations
4. **A firm** - An association of persons carrying on business under a partnership agreement, including Limited Liability Partnerships (LLPs) under the LLP Act, 2008
5. **An association of persons (AOP) or body of individuals (BOI)** - Whether incorporated or not
6. **A local authority** - Such as municipalities, panchayats, cantonment boards, port trusts etc.
7. **Every artificial juridical person** - Not falling within any of the preceding categories (e.g., universities, deities, idols)

#### Examples of Different Categories

- **Company:** Reliance Industries Ltd., Punjab National Bank
- **Artificial Juridical Person:** Calcutta University, Reserve Bank of India
- **Local Authority:** Municipal Corporation of Delhi, Village Panchayat
- **Firm:** Partnership firm with partners A, B and C
- **HUF:** Joint family consisting of Mr. A, his brother B, Mrs. A and B
- **Individual:** Any natural person like Prime Minister Narendra Modi
- **AOP:** MARKFED, Housefed

### 2.2. Assessment Year [Section 2(9)]

Section 2(9) of the Income Tax Act, 1961, defines "**Assessment Year**" (AY) as:

*"the period of twelve months commencing on the 1st day of April every year."*



## Key Points:

- **Assessment Year (AY)** is the **financial year (April 1 to March 31)** in which the income earned in the **Previous Year (PY)** is assessed and taxed.
  - **Example:** Income earned in **PY 2024-25** (April 1, 2024 – March 31, 2025) is assessed in **AY 2025-26** (April 1, 2025 – March 31, 2026).
- **Relation with Previous Year (PY):**
  - **PY** = Year in which income is earned.
  - **AY** = Year in which income is taxed.
- **Exceptions (Where Income is Taxed in the Same Year, Not Next AY):**
  - Income of non-resident shipping businesses (Section 172)
  - Persons leaving India permanently (Section 174)
  - Discontinued businesses (Section 176)
- **Significance:**
  - Determines **tax return filing deadlines**.
  - Decides **applicable tax rates & deductions**.
  - Used for **income assessment, scrutiny, and refunds**.

## Example:

- If you earn ₹10 lakh in **2024-25 (PY)**, you file returns and pay tax in **2025-26 (AY)**.

## 2.3. Previous Year [Section 3]

As per **Section 3** of the Income Tax Act, 1961:

*"The year in which income is earned is termed the 'Previous Year' (PY)."*

- It is the **financial year (April 1 to March 31)** immediately preceding the **Assessment Year (AY)**.
- **Example:** Income earned during **PY 2024-25** (April 1, 2024 – March 31, 2025) is taxed in **AY 2025-26**.

---

## 1. Key Features of Previous Year

- **General Rule:** PY is always a 12-month period (April–March), except for:
  - **New businesses/professions:** PY starts from the date of commencement until March 31 of that financial year (e.g., a business started on July 1, 2024, has PY from July 1, 2024, to March 31, 2025).
  - **New income sources:** Similar to new businesses, PY begins when the income source is activated.
- **Uniformity:** Since AY 1989-90, all taxpayers must follow the April–March cycle

## Example Scenarios

CASE	PREVIOUS YEAR (PY)	ASSESSMENT YEAR (AY)
Salary earned (April 2024–March 2025)	2024-25	2025-26
New business started on December 1, 2024	Dec 1, 2024 – Mar 31, 2025	2025-26
Discontinued business (closed June 2024)	April 1, 2023 – June 30, 2024	Taxed in PY 2023-24

## 2.4. Assessee [Section 2(7)]

### 1. Statutory Definition

As per **Section 2(7)** of the Income Tax Act, 1961, an **Assessee** means:

*"A person by whom any tax or any other sum of money (interest, penalty, etc.) is payable under this Act."*

This includes:

- Every person in respect of whom any proceeding under the Act has been taken
- A person who is deemed to be an assessee under any provision of the Act
- A person who is deemed to be an assessee in default under any provision of the Act

### 2. Categories of Assessee

#### 1. Ordinary Assessee

Any person against whom proceedings are taken for:

- Assessment of income
- Assessment of loss
- Refund of tax

#### 2. Representative Assessee [Sections 160-163]

- Legal representatives of deceased persons
- Guardians of minors/lunatics
- Agents of non-residents
- Trustees of trusts

#### 3. Assessee-in-Default

A person who fails to fulfill statutory obligations:

- Employer not deducting TDS (Section 201)
- Person not collecting TCS (Section 206C)

#### 4. Deemed Assessee

Persons treated as assessee due to specific circumstances:

- Legal heir of deceased (Section 159)
- Successor in business (Section 170)

### 3. Key Concepts

- **Person vs. Assessee:**

While all assessee are persons (as per Section 2(31)), not all persons are assessee (only those liable to pay tax)

- **Tax Liability:**

An assessee becomes liable when:

- Income exceeds exemption limit
- Required to file return (even if below taxable limit)
- Obligated to deduct/collect tax at source

### 4. Special Cases

SITUATION	TYPE OF ASSESSEE
Minor's income clubbed with parent's	Parent is assessee
Non-resident's Indian income	Non-resident or their agent
HUF income	Karta as representative assessee
Company in liquidation	Liquidator as assessee

### 5. Practical Implications

- **Return Filing:** Only assessee need to file returns
- **Tax Proceedings:** Assessments are made in the name of the assessee
- **Legal Responsibility:** Assessee must maintain proper books and documents

### 6. Example Scenarios

1. **Salaried Employee** earning ₹8 lakh/year → Ordinary assessee
2. **NRIs** earning rental income in India → Assessee (may appoint agent)
3. **Company** failing to deduct TDS → Assessee-in-default

## 2.5. Charge of Income-Tax [Section 4]

**Section 4(1)** of the Income Tax Act, 1961, states:

"Income-tax shall be charged for every assessment year (AY) at the rates prescribed in the Finance Act on the **total income** of the **previous year (PY)** of every **person** (as defined under Section 2(31))."


This means:

- **Tax is levied annually** (for each AY).
- **Rates are fixed by the Finance Act** (e.g., Budget 2024 sets rates for AY 2025-26).
- **Tax applies on "total income"** (computed per Income Tax rules).
- **Taxable entity = "Person"** (individual, HUF, company, etc., as per **Section 2(31)**).

**Example :**

**Scenario:** Mr. A (resident) earns ₹15L in PY 2024-25 (salary + rent).

- **AY:** 2025-26
- **Taxable Income:** ₹15L – ₹50K (standard deduction) = ₹14.5L
- **Tax Rate:** As per AY 2025-26 slabs (e.g., 5% on ₹2.5L–₹5L, 20% on ₹5L–₹10L, etc.).

	<p><b>Enjoying the Sample!</b></p> <p><b>Buy the e-Book (PDF) Online</b></p> <p><b>to Read the Full Book.</b></p> <p><b><a href="http://www.IncomeTaxManagement.in">www.IncomeTaxManagement.in</a></b></p>
---	--

