

7th
Edition



INCOME TAX LAW & PRACTICE

ASSESSMENT YEAR 2025-26

Prof. Preeti Rani Mittal

Dr. Anshika Bansal



SULTAN CHAND & SONS

Income Tax

Law & Practice

(Assessment Year 2025-26)

Dedicated to our Parents

Late Mr. Ravindra Nath
Mrs. Sneh Lata

Mr. Kuldeep Bansal
Mrs. Rama Bansal

INCOME TAX

LAW AND PRACTICE (Assessment Year 2025-26)

Prof. Preeti Rani Mittal

[M.Com., M.A. (Economics), Ph.D]

Professor and Head of Department

Dr. P.D.B.H. Govt. (P.G.) College
Kotdwar, Uttarakhand

Dr. Anshika Bansal

[M.Com., NET, U-SET, CA (Inter.), Ph.D]

Assistant Professor

Dr. P.D.B.H. Govt. (P.G.) College
Kotdwar, Uttarakhand



SULTAN CHAND & SONS®

Educational Publishers
New Delhi

SULTAN CHAND & SONS®

Educational Publishers

23, Daryaganj, New Delhi-110 002

Phones : 011-23281876, 23266105, 41625022 (*Showroom & Shop*)

011-23247051, 40234454 (*Office*)

E-mail : sultanchand74@yahoo.com; info@sultanchandandsons.com

Fax : 011-23266357; Website : www.sultanchandandsons.com

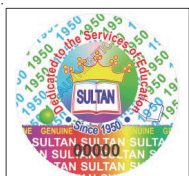
ISBN : 978-93-49290-03-7 (TC 007)

Price : ₹ 795.00

First Edition : 2019

Seventh Edition : 2025

EVERY GENUINE COPY OF THIS BOOK HAS A HOLOGRAM



In our endeavour to protect you against counterfeit/fake books, we have pasted a copper hologram over the cover of this book. The hologram displays the full visual image, unique 3D multi-level, multi-colour effects of our logo from different angles when tilted or properly illuminated under a single light source, such as 3D depth effect, kinetic effect, pearl effect, gradient effect, trailing effect, emboss effect, glitter effect, randomly sparking tiny dots, micro text, laser numbering, etc.

A fake hologram does not display all these effects.

Always ask the bookseller to put his stamp on the first page of this book.

All Rights Reserved: No part of this book, including its style and presentation, may be reproduced, stored in a retrieval system, or transmitted in any form or by any means—electronic, mechanical, photocopying, recording or otherwise without the prior written consent of the Publishers. Exclusive publication, promotion and distribution rights reserved with the Publishers.

Warning: The doing of an unauthorised act in relation to a copyright work may result in both civil claim for damages and criminal prosecution.

Special Note: Photocopy or Xeroxing of educational books without the written permission of Publishers is illegal and against Copyright Act. Buying and selling of pirated books is a criminal offence. Publication of key to this is strictly prohibited.

General: While every effort has been made to present authentic information and avoid errors, the author and the publishers are not responsible for the consequences of any action taken on the basis of this book.

Limits of Liability/Disclaimer of Warranty: The publisher and the author make no representation or warranties with respect to the accuracy or completeness of the contents of this work and specifically disclaim all warranties, including without limitation warranties of fitness for a particular purpose. No warranty may be created or extended by sales or promotional materials. The advice and strategies contained herein may not be suitable for every situation. This work is sold with the understanding that the publisher is not engaged in rendering legal, accounting, or other professional services. If professional assistance is required, the services of a competent professional person should be sought. Neither the publisher nor the author shall be liable for damage arising herefrom.

Disclaimer: The publisher have taken all care to ensure highest standard of quality as regards typesetting, proofreading, accuracy of textual material, printing and binding. However, they accept no responsibility for any loss occasioned as a result of any misprint or mistake found in this publication.

Author's Acknowledgement: The writing of a Textbook always involves creation of a huge debt towards innumerable author's and publications. We owe our gratitude to all of them. We acknowledge our indebtedness in extensive footnotes throughout the book. If, for any reason, any acknowledgement has been left out we beg to be excused. We assure to carry out correction in the subsequent edition, as and when it is known.

Preface



PREFACE TO SEVENTH EDITION

We are pleased to present the seventh edition of *Income Tax Law and Practice*, thoroughly revised and updated as per the Finance Act, 2024 for the Assessment Year 2025–26. This edition has been carefully prepared to make the subject of income tax more understandable, practical, and relevant for students.

The book begins with a clear explanation of basic income tax concepts, including definitions and the structure of taxation in India. It then moves into detailed chapters on the five heads of income—salary, house property, business or profession, capital gains, and income from other sources—explaining how each type of income is computed and taxed under the Income Tax Act, 1961.

Special attention has been given to topics such as exempt incomes, clubbing of income, set-off and carry forward of losses, and deductions available under Chapter VI-A. The book also includes dedicated chapters on the assessment of individuals, HUFs, and firms including LLPs, along with detailed coverage of rebates and relief, return filing, TDS, and the procedure of assessment.

This edition includes updated content on two key areas: a newly added chapter that explains the structure and functioning of Income Tax Authorities, and an appendix that presents recent case laws to help readers understand how tax laws are interpreted in real court decisions. These updates aim to bridge the gap between theory and application.

Throughout the book, illustrations and unsolved problems are arranged according to sub-topics, helping students to apply theoretical knowledge to practical questions. Updated examples based on the latest tax slabs under both the new and old regimes have also been included for better understanding.

To support easy learning, the book provides notes, hints, and summaries within each chapter. A comprehensive Table of Contents, List of Tables, and List of Figures further improve the user experience.

At the beginning of the book, a section on Silent Features of 2025 has been included to highlight all important amendments brought by the Finance Act, 2025 in a summarized and easy-to-locate format, enabling students to stay updated with the latest changes in law.

This book is designed primarily for students of B.Com., B.Com. (Hons.), BBA, BCA, M.Com., MBA, and CA (Intermediate). It aims to serve as a complete academic resource for students and teachers alike.

We extend our heartfelt thanks to our parents and family members for their constant support and encouragement. A special mention goes to our dear Dipesh Mittal and Pranika Bansal, whose love and inspiration have been truly motivating. We are deeply grateful to Mr. Vikas Mittal and Mr. Ayush Bansal for their invaluable help in editing the content of *Income Tax Law*. Their contributions have been instrumental in refining this edition.

We also express our sincere appreciation to our publisher, Sultan Chand & Sons, for their dedicated efforts in presenting this edition so professionally. We firmly believe that there is always room for improvement, and we warmly welcome suggestions and feedback for making this book even better in future editions.

Prof. Preeti Rani Mittal
Dr. Anshika Bansal

Contents



<i>Preface</i>	v
<i>List of Tables</i>	xxvii
<i>List of Figures</i>	xxix
<i>Snapshot of the Book</i>	xxx
<i>Salient Features of Finance Act, 2025</i>	xxxi – xxxvii
<i>Income Tax for Non-resident: Taxable Income & Deduction</i>	xxix – xlii
1. Basic Concepts of Income Tax	1 – 32
<i>Learning Outcomes</i>	1
What is Tax	1
Types of Tax	2
Direct Tax	2
Indirect Tax	2
Power to Levy	2
What is Income Tax	3
Features of Income Tax	3
Brief History of Income Tax in India	4
Objectives of Income Tax	4
Components of Income Tax Law	5
Income Tax Act, 1961	5
Income Tax Rules, 1962	6
Annual Finance Act	6
Circulars and Notifications	6
Judicial Decision	7
Basis and Procedure of Charging Income Tax	7
Basis of Charge [Section 4]	7
Procedure of Charging Income Tax	7
Important Definitions	8
Assessee [Section 2(7)]	8
Person [Section 2(31)]	8
Assessment Year [Section 2(9)]	10
Previous Year [Section 3]	10
Income [Section 2 (24)]	13
Gross Total Income [Section 80B(5)]	16
Total Income [Section 2(45)]	16
Rounding-Off of Total Income [Section 288A]	17

Rounding-Off of Tax [Section 288B]	17
Casual Incomes	17
Agriculture Income [Section 2(1A)]	18
Average Rate [Section 2(10)]	18
Maximum Marginal Rate [Section 2(29C)]	18
Liable to Tax [Section 2(29A)]	19
Permanent Account Number [Section 139A]	19
Income Tax Rates Applicable	19
For Individual	19
For Individual Resident Senior Citizen	20
For Individual Resident Super-Senior Citizen	20
New Tax Regime	20
Tax Rate for Firm	23
Tax Rate for Company	23
Tax Planning, Tax Avoidance, Tax Evasion and Tax Management	24
<i>Theoretical Questions</i>	29
<i>Long Answer Type Questions</i>	29
<i>Short Answer Type Questions</i>	29
<i>Objective Type Questions</i>	30
<i>Multiple Choice Questions (MCQs)</i>	30
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	31
<i>State Whether the following Statements are 'True' or 'False'</i>	31
<i>Practical Questions</i>	32
2. Residential Status	33 – 63
<i>Learning Outcomes</i>	33
How Residency Affects Tax	33
Determination of Residential Status of Different Persons	34
Residential Status of Individual [Section 6(1) and 6(6)]	34
Resident [Section 6(1)]	34
Deemed Resident [Section 6(1A)]	36
Non-Resident [Section 2(30)]	36
Residential Status of HUF, Firm and AOP [Section 6(2) and 6(6)(b)]	40
Hindu Undivided Family (HUF)	40
Firm and Other Association of Persons [Section 6(2)]	42
Residential Status of Company [Section 6(3)]	42
When a Company is Resident	42
When a Company is Non-resident	42
Residential Status of any other Person [Section 6(4)]	43
When any other Person is Resident	43
When any other Person is Non-resident	43
Determination of Tax Incidence [Section 5]	43
Tax Incidence of Resident/Not Ordinarily Resident/Non-resident	43
Charge on 'Deemed Receipt' Basis [Section 7]	48
Charge on 'Deemed Accrual' Basis [Section 9]	48
Income from Connection in India [Section 9(1)(i)]	49
Income from Salaries Earned in India [Section 9(1)(ii)]	52
Salary Paid by Government to Indian Citizen Working Outside India [Section 9(1)(iii)]	52
Dividend Paid Outside India [Section 9(1)(iv)]	52
Income by Way of Interest [Section 9(1)(v)]	53
Income by Way of Royalty [Section 9(1)(vi)]	53
Income by Way of Technical Service [Section 9(1)(vii)]	54
Payment to Non-resident or to a Foreign Company on or after the 5th Day of July, 2019 [Section 9(1)(viii)]	54

<i>Theoretical Questions</i>	57
<i>Long Answer Type Questions</i>	57
<i>Short Answer Type Questions</i>	58
<i>Objective Type Questions</i>	58
<i>Multiple Choice Questions (MCQs)</i>	58
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	59
<i>State Whether the following Statements are 'True' or 'False'</i>	59
<i>Practical Questions</i>	60
3. Income Exempt from Tax	65 – 86
<i>Learning Outcomes</i>	65
Classification of Income Tax Purposes	65
Exempted Income for All Assessee	65
Fully Exempted Incomes for All Assessee	65
Partially Exempted Income for All Assessee	80
Taxable Income for All Assessee	83
Rebatable (Tax free) Income for All Assessee	83
Restrictions on Allowability of Expenditure [Section 14A]	84
<i>Theoretical Questions</i>	84
<i>Long Answer Type Questions</i>	84
<i>Short Answer Type Questions</i>	84
<i>Objective Type Questions</i>	85
<i>Multiple Choice Questions (MCQs)</i>	85
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	85
<i>State Whether the following Statements are 'True' or 'False'</i>	86
<i>Practical Questions</i>	86
4. Income from Salary	87 – 191
<i>Learning Outcomes</i>	87
What is Salary Income	87
Basis of Charge	88
Important Points for Computing Salary Income	88
Employer and Employee Relationship	89
Salary from Present, Past or Prospective Employer	89
Salary from more than One Employer	89
Tax-free Salary	89
Previous Year for Salaries	89
Place of Accrual of Salary Income	90
Pension	90
Advance Salary	90
Accrual or Receipt Basis	90
Surrender of Salary	90
Voluntary Foregoing of Salary	90
Arrears of Salary Received	90
Due Date of Salary	90
Grade or Basic Pay	90
Meaning of Salary [Section 17(1)]	91
Wages	92
Annuity or Pension	92
Gratuity	92
Fees, Commission, Perquisites, Profits in Lieu of Salary and Addition to Salary	92
Advance Salary	92
Payment Received by an Employee in Respect of any Period of Leave not Availed of by Him	92
Annual Accretion to the Balance of Recognized Provident Fund	92

Transferred Balance in Recognized Provident Fund	92
National Pension Scheme	93
Agniveer Corpus Fund	93
Allowances	93
Fully Taxable Allowances	94
Partly Taxable Allowances	95
Fully Exempted Allowances	101
Perquisites	106
Taxability of Perquisites	106
Valuation of Perquisites	108
Perquisites Taxable in Case of All Types of Employees	108
Perquisites Taxable in Case of Specified Employees Only [Section 17(2)(iii)]	118
Tax Free Perquisites	125
Profits in Lieu of Salary [Section 17(3)]	132
Relief when Salary, <i>etc.</i> , is Paid in Arrears or in Advance [Section 89(1)]	132
Retirement/Superannuation Benefits	134
Pension [Section 10(10A)]	134
Gratuity [Section 10(10)]	136
Leave Encashment [Section 10(10AA)]	138
Retrenchment Compensation [Section 10(10B)]	141
Voluntary Retirement [Section 10(10C)] Read with Rule 2BA	143
Provident Fund	144
National Pension Scheme (NPS) [Section 10 (12A & 12B)]	146
Limit of Deduction	146
Withdrawal Limit	146
Approved Superannuation Fund	146
Deduction from Salary [Section 16]	149
<i>Theoretical Questions</i>	172
<i>Long Answer Type Questions</i>	172
<i>Short Answer Type Questions</i>	173
<i>Objective Type Questions</i>	173
<i>Multiple Choice Questions (MCQs)</i>	173
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	174
<i>State Whether the following Statements are 'True' or 'False'</i>	175
<i>Practical Questions</i>	175

5. Income from House Property

193 – 247

<i>Learning Outcomes</i>	193
What is House Property Income?	193
Basis of Charge [Section 22]	193
Composite Rent	195
Exemption Regarding Income from House Property	196
Deduction of Rental Income in Gross Total Income of a Co-operative Society	196
Determination of Annual Value [Section 23]	197
Definition of Annual Value	197
Taxable Income under the Head House Property	197
Computation of Taxable Income Under the Head House Property for Building Let-out [Section 23(1)]	198
Computation of Gross Annual Value of a Let-out throughout the Previous Year [Section 23(1)(a) and (b)]	198
Gross Annual Value of a Property if Let-out Property is Vacant for Part of the Year [Section 23(1)(c)]	200
House Property Let-out Part of the Year and Rest of the Year Occupied for Self Residence [Section 23(3)]	200
In Case of a House Property, a Portion Let-out and a Portion Self-occupied	201

Treatment of Unrealised Rent [Explanation Section 23(1)]	204
Deduction for Unrealised Rent	204
Deductions from Income from Let-out House Property [Section 24]	205
Standard Deduction under Section 24(a)	205
Interest on Housing Loan under Section 24(b)	205
Computation of Taxable Income under the Head House Property for	
Building Self-occupied [Section 23(2)]	209
Self-occupied House or Unoccupied House [Section 23(2)]	210
House Property Let-out Part of the Year and Rest of the Year	
Occupied for Self Residence [Section 23(3)]	210
More than Two House for Self Residence [Section 23(4)]	211
Deductions from Income from Self-occupied House Property [Section 24(b)]	212
Amounts not Deductible from Income from House Property [Section 25]	215
Arrears of Rent or Recovery of Unrealised Rent [Section 25A]	215
Property Owned by Co-owner [Section 26]	217
<i>Theoretical Questions</i>	235
<i>Long Answer Type Questions</i>	235
<i>Short Answer Type Questions</i>	236
<i>Objective Type Questions</i>	236
<i>Multiple Choice Questions (MCQs)</i>	236
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	237
<i>State Whether the following Statements are 'True' or 'False'</i>	237
<i>Practical Questions</i>	238

6. Profit and Gains of Business or Profession

249 – 334

<i>Learning Outcomes</i>	249
Framework of Provisions for Business or Profession	249
Meaning of Business and Profession as per Income Tax Act	249
Meaning of 'Profits'	250
Method of Accounting [Section 145]	251
Incomes not Taxable under the Head 'Profit and Gains' of Business or Profession	251
Income from House Property [Section 22]	251
Dividend Income on Shares [Section 56(2)(i)]	251
Casual Income [Section 56(2)(ib)]	251
Interest Received on Compensation or Enhanced Compensation	
[Section 56(2)(viii)]	251
Any Profit/Loss on Sale of Business Assets	252
Basis of Charges [Section 28]	254
Business or Professional Income [Section 28(i)]	254
Compensation [Section 28(ii)]	254
Income of Trade, Professional or Similar Association [Section 28(iii)]	255
Receipt in Connection with Foreign Trade [Section 28(iia to iic)]	255
Benefit or Perquisites [Section 28(iv)]	255
Receipt of a Partner from the Firm [Section 28(v)]	255
Sum Received under Certain Agreement for Not to Carry on Business [Section 28(va)]	255
Sum Received under a Keyman Insurance Policy [Section 28(vi)]	256
Conversion of Inventory [Section 28(via)]	256
Transfer of Certain Assets Specified u/s 35AD in Certain Circumstances	
[Section 28(vii)]	256
Income from Speculative Business [Section 28 Explanation 2]	256
Income from Letting Out of Residential House [Section 28 Explanation 3]	257
Important Rules Regarding Assessment of Business Income	258
Computation of Income under the Head Business or Profession [Section 29]	259
Allowable Deduction while Computing Income from Business or Profession	
[Section 30 to 37]	259

Rent, Rates, Taxes, Repairs and Insurance for Buildings [Section 30]	259
Repairs and Insurance of Machinery, Plant and Furniture [Section 31]	260
Depreciation [Section 32]	260
Tea, Coffee and Rubber Development Account [Section 33AB]	260
Site Restoration Fund [Section 33ABA]	261
Expenditure on Scientific Research [Section 35]	263
Other Deductions [Section 36]	277
General Deductions [Section 37(1)]	282
Political Party Souvenir, Brochure [Section 37(2B)]	285
Inadmissible Deductions [Section 40]	290
In the Case of any Assessee	291
In the Case of Firm	292
In the Case of an Association of Persons or Body of Individuals other than a Company or a Co-operative Society or a Society	293
Expenses or Payments Not Deductible in Certain Circumstances [Section 40A]	294
Payments to Relative [Section 40A(2)]	294
Payment in Cash [Section 40A(3)]	295
Where Payment is made in Subsequent Year, although Deduction for the Expenses was already Allowed in the Earlier Year [Section 40A(3A)]	296
Disallowance of Provision for Gratuity [Section 40A(7)]	296
Employer Contribution towards Funds Required by Law [Section 40A(9)]	297
No Deduction of Marked to Market Loss [Section 40A(13)]	297
Deemed Profits Chargeable to Tax [Section 41]	297
Recovery of any Loss or Expenditure Allowed as a Deductions Earlier [Section 41(1)]	297
Profit on Sale of Assets on which Depreciation is Claimed on Straight Line Method [Section 41(2)]	297
Profit on Sale of Capital Assets used for Scientific Research [Section 41(3)]	297
Bad Debts Recovered [Section 41(4)]	298
Withdrawal from Reserves Created [Section 41(4A)]	298
Set-off of Losses against Profits Chargeable to Tax [Section 41(5)]	298
Other Provisions	298
Certain Deductions to be Only on Actual Payment [Section 43B]	298
Special Provision in Case of Income of Public Financial Institutions, <i>etc.</i> [Section 43D]	299
Maintenance of Accounts by Certain Persons Carrying on Profession or Business [Section 44AA]	299
Audit of Accounts of Certain Persons Carrying on Business or Profession [Section 44AB]	301
Valuation of Stock [Section 145A]	302
<i>Theoretical Questions</i>	321
<i>Long Answer Type Questions</i>	321
<i>Short Answer Type Questions</i>	321
<i>Objective Type Questions</i>	322
<i>Multiple Choice Questions (MCQs)</i>	322
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	323
<i>State Whether the following Statements are 'True' or 'False'</i>	323
<i>Practical Questions</i>	323

7. Determination of Income on Presumptive Basis

335 – 349

<i>Learning Outcomes</i>	335
What is Presumptive Tax?	335
Benefits of Presumptive Tax Scheme	335
Special Provision for Computing Profits and Gains of Business on Presumptive Basis [Section 44AD]	335

Special Provision for Computing Profits and Gains of Profession on Presumptive Basis [Section 44ADA]	338
Special Provision for Computing Profits and Gains of Business of Plying, Hiring or Leasing Goods Carriages [Section 44AE]	340
Special Provision for Computing Profits and Gains of Shipping Business in the Case of Non-residents [Section 44B]	341
Special Provision for Computing Profits and Gains in Connection with the Business of Exploration, etc., of Mineral Oils [Section 44BB]	342
Special Provision for Computing Profits and Gains of the Business of Operation of Aircraft in the Case of Non-residents [Section 44BBA]	343
Special Provision for Computing Profits and Gains of Foreign Companies Engaged in the Business of Civil Construction, etc., in Certain Turnkey Power Projects [Section 44BBB]	344
Determination of Commission Income of Agents of Life Insurance Corporation of India, UTI, other Notified Mutual Funds, etc.	345
<i>Theoretical Questions</i>	347
<i>Long Answer Type Questions</i>	347
<i>Short Answer Type Questions</i>	347
<i>Objective Type Questions</i>	347
<i>Multiple Choice Questions (MCQs)</i>	347
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	348
<i>Practical Questions</i>	348

8. Depreciation 351 – 378

<i>Learning Outcomes</i>	351
What Does Depreciation Mean	351
Depreciation [Section 32]	351
General Instructions Regarding Depreciation	352
Types of Depreciation	353
Straight Line Method (SLM)	353
Written Down Value Method (WDV)	353
Method of Depreciation	354
Depreciation on Actual Cost Basis Applicable to Power Generation Undertakings [Section 32(1)(i)]	354
Written Down Value Method (Based on the Block of Assets)	356
Additional Depreciation [Section 32(1)(iia)]	359
Terminal Depreciation [Section 32(1)(iii)]	361
Actual Cost [Section 43]	361
Meaning of Actual Cost [Section 43(1)]	361
Actual Cost in Certain Special Situation	361
Unabsorbed Depreciation [Section 32(2)]	365
Investment in New Plant or Machinery in Notified Backward Areas in Certain States [Section 32AD]	366
Special Provision for Computation of Capital Gains in Case of Depreciable Assets	372
On WDV Basis	372
On SLM Basis	373
Deduction from Capital Gain [Section 48]	374
<i>Theoretical Questions</i>	375
<i>Long Answer Type Questions</i>	375
<i>Short Answer Type Questions</i>	375
<i>Objective Type Questions</i>	376
<i>Multiple Choice Questions (MCQs)</i>	376
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	376
<i>State Whether the following Statements are 'True' or 'False'</i>	376
<i>Practical Questions</i>	377

9. Capital Gains	379 – 458
<i>Learning Outcomes</i>	379
Framework of Provisions for Capital Gains	379
Basis of Charge [Section 45(1)]	380
Essential Elements of “Capital Gains”	380
Capital Asset [Section 2(14)]	380
Types of Capital Assets and Capital Gains	382
Determination of Period of Holding	384
Period of Holding in Respect of Capital Goods	
[Explanation of 1(i) to Section 2(42A)]	384
Period of Holding in Respect of Other Capital Assets [Rule 8AA]	386
Transfer of Capital Asset [Section 2(47)]	386
Certain Transactions not Regarded as Transfer [Section 47]	387
Computation of Capital Gain [Section 48]	392
Computation of Short-term Capital Gains	393
Computation of Long-term Capital Gains	393
No Deduction of Securities Transaction Tax	394
Expenditure on Transfer of Capital Asset	394
Cost of Acquisition of an Asset	394
Indexed Cost of Acquisition	394
Indexed Cost of Improvement	395
Withdrawal of Indexation Benefit from 23rd July 2024	395
Special Tax Option under Section 112 for Land or Building	395
Cost Inflation Index	395
Capital Gain on Transfer of Shares or Debentures in the Hands of	
Non-residents (Proviso 1 of Section 48 and Rule 115A)	396
Special Provision for Computation of Capital Gains in Case of	
Depreciable Assets [Section 50]	397
Cost with Reference to Certain Modes of Acquisition [Section 49]	402
Cost of Acquisition in Certain Cases [Section 55]	406
Scope and Year of Chargeability [Section 45]	409
General Provision [Section 45(1)]	409
Insurance Receipts [Section 45(1A)]	409
Transfer by Way of Conversion of Capital Asset into Stock-in-trade	
[Section 45(2)]	410
Capital Gain on Transfer of Securities [Section 45(2A)]	412
Capital Gain on Transfer of Capital Asset by a Partner or Member to a	
Firm Capital Contribution [Section 45(3)]	412
Distribution of Capital Asset on Dissolution of Firm or Reconstitution of	
Firm/AOI/BOI <i>etc.</i> [Section 45(4) and Section 9B]	413
Capital Gain on Compulsory Acquisition of a Capital Asset [Section 45(5)]	414
Computation of Capital Gains in Case of Specified Agreement	
[Section 45(5A)]	415
Capital Gain on Transfer of Unit [Section 45(6)]	416
Capital Gains in the Hands of Liquidated Company on Liquidation [Section 46(1)]	416
Capital Gains in the Hands of Shareholders on Liquidation [Section 46(2)]	416
Capital Gains on Purchase by Company of its Own Shares or Other	
Specified Securities [Section 46A]	416
Advance Money Received [Section 51]	416
Exemptions of Capital Gains	417
Capital Gains on Transfer of Long-term Residential House Property [Section 54]	417
Capital Gains on Transfer of Agricultural Land [Section 54B]	422
Capital Gains on Compulsory Acquisition of Land and Building [Section 54D]	423
Capital Gains on Transfer of Long-term Capital Asset being Land or Building	
or Both Invested in Long-term Specified Securities [Section 54EC]	425

Capital Gains Arising from the Transfer of Long-term Capital Asset in Units of Specified Fund [Section 54EE]	427
Transfer of any Long-term Capital Asset (Other than Residential House) and Investment made in the Purchase or Construction of a Residential House [Section 54F]	428
Exemption of Capital Gains on Shifting of Industrial Undertaking from Urban Area to Non Urban Area [Section 54G]	430
Exemption of Capital Gain on Transfer of Assets in Case of Shifting of Industrial Undertaking from an Urban Area to any Special Economic Zone (SEZ) [Section 54GA]	432
Exemption of Long-term Capital Gain Tax on Transfer of Residential Property if Net Consideration is Invested in the Equity Shares of a New Start-up SME Company [Section (54GB)]	434
Extension of Time for Acquiring New Asset or Depositing or Investing Amount of Capital Gain [Section 54H]	437
Capital Gain Account Scheme, 1988	437
Rate of Capital Gain Tax	437
Short-term Capital Gains (STCG) [Section 111A]	437
Tax on Long-term Capital Gain in Various Cases [Section 112]	439
Long-term Capital Gains Arising from Sale of Listed Securities [Section 112A]	441
Long-term Capital Gains Arising from Transfer of Specified Asset	443
Reference to Valuation Officer [Section 55A]	443
<i>Theoretical Questions</i>	451
<i>Long Answer Type Questions</i>	451
<i>Short Answer Type Questions</i>	451
<i>Objective Type Questions</i>	451
<i>Multiple Choice Questions (MCQs)</i>	451
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	452
<i>State Whether the following Statement are 'True' or 'False'</i>	452
<i>Practical Questions</i>	453

10. Income from Other Sources 459 – 502

<i>Learning Outcomes</i>	459
Residual Income Provisions	459
Types of Income Covered under this Head	459
General Income [Section 56(1)]	460
Specified Income [Section 56(2)]	461
Dividend [Section 56(2)(i)]	461
Casual Incomes [Section 56(2)(ib)]	464
Contribution to a Fund for Welfare of Employees Received by the Employer [Section 56(2)(ic)]	465
Interest on Securities [Section 56(2)(id)]	465
Income from Letting of Machinery, Plant or Furniture [Section 56(2)(ii)]	473
Income from Composite Letting of Machinery, Plant or Furniture and Buildings [Section 56(2)(iii)]	473
Sum Received under Keyman Insurance Policy [Section 56(2)(iv)]	474
Taxability of Gifts [Section 56(2)(x)]	475
Share Premium in Excess of the Fair Market Value to be Treated as Income [Section 56(2)(viib)]	481
Interest on Compensation or Enhanced Compensation [Section 56(2)(viii)]	482
Advance Forfeited Due to Failure of Negotiations for Transfer of a Capital Asset to be Taxable as "Income from Other Sources" [Section 56(2)(ix)]	482
Compensation or any Other Payment Received in Connection with Termination of his Employment [Section 56(2)(xi)]	482
Any Specified Sum Received by a Unit Holder [Section 56(2)(xii)]	482
Sum Received Under a Life Insurance Policy including the Amount Allocated by Way of Bonus [Section 56(2)(xiii)]	483

Family Pension	483
Deductions [Section 57]	484
Collection Charges in Case of Dividend and Interest on Securities [Section 57(i)]	484
Deduction in Respect of Employee's Contribution towards Welfare of Employees [Section 57(ia)]	484
Deduction in Respect of Rental Income Letting of Plant, Machinery, Furniture or Building [Section 57(ii)]	484
Standard Deduction out of Family Pension [Section 57(ia)]	485
Deduction from any Other Income [Section 57(iii)]	485
Deduction Regarding Interest on Compensation or Enhanced Compensation [Section 57(iv)]	485
Deduction from Dividend and Mutual Fund Income	485
Amounts not Deductible [Section 58]	485
Personal Expenses [Section 58(1)(a)(i)]	485
Interest [Section 58(1)(a)(ii)]	485
Salary [Section 58(1)(a)(iii)]	485
Wealth Tax [Section 58(1A)]	485
Expenditure in Respect of Winnings from Lottery [Section 58(4)]	485
Method of Accounting [Section 145]	486
<i>Theoretical Questions</i>	495
<i>Long Answer Type Questions</i>	495
<i>Short Answer Type Questions</i>	495
<i>Objectives Type Questions</i>	495
<i>Multiple Choice Questions (MCQs)</i>	495
<i>Fill in the Blanks with Appropriate Word(s) and Figure(s)</i>	496
<i>State Whether the following Statements are 'True' or 'False'</i>	496
<i>Practical Questions</i>	496

11. Clubbing of Income

503 – 518

<i>Learning Outcomes</i>	503
Framework of Provisions for Clubbing of Income	503
Income of Other Persons Included in an Assessee Total Income [Sections 60 to 63]	503
Transfer of Income where there is no Transfer of Assets [Section 60]	503
Revocable Transfer of Assets [Section 61]	504
Exceptions where Revocable Transfer Excluded from Clubbing Provision [Section 62]	504
Meaning of "Revocable Transfer" [Section 63]	504
Income of Other Person included in Individual's Total Income	504
Any Salary, Commission, Fees or any Other form of Remuneration in which the Spouse has Substantial Interest [Section 64(1)(ii)]	504
Transfer of Assets to Spouse [Section 64(1)(iv)]	506
Transfer of the Asset to Son's Wife [Section 64(1)(vi)]	508
Transfer of Asset to any Other Person for the Benefit of Spouse [Section 64(1)(vii)]	508
Transfer of Asset to any Other Person for the Benefit of Son's Wife [Section 64(1)(viii)]	509
Clubbing of Income of Minor Child [Section 64(1A)]	509
Transfer of Self-acquired Property to Hindu Undivided Family of which he is a Member [Section 64(2)]	510
Cross Transfer	513
Liability of Person in Respect of Income Included in the Income of Another Person [Section 65]	513
Deemed Incomes	513
Cash Credits [Section 68]	513
Unexplained Investments [Section 69]	513
Unexplained Money, etc. [Section 69A]	514
Amount of Investments, etc., Not Fully Disclosed in Books of Account [Section 69B]	514

Unexplained Expenditure, <i>etc.</i> [Section 69C]	514
Unexplained Amount Borrowed or Repaid on <i>Hundi</i> [Section 69D]	514
Tax on Income Referred to in Section 68 or Section 69 or Section 69A or Section 69B or Section 69C or Section 69D [Section 115BBE]	514
<i>Theoretical Questions</i>	516
<i>Long Answer Type Questions</i>	516
<i>Short Answer Type Questions</i>	516
<i>Objectives Type Questions</i>	516
<i>Multiple Choice Questions (MCQs)</i>	516
<i>Fill in the Blanks with Appropriate Word(s) or Figures(s)</i>	517
<i>State Whether the following Statements are 'True' or 'False'</i>	517
<i>Practical Questions</i>	517

12. Set-off and Carry Forward of Losses 519 – 549

<i>Learning Outcomes</i>	519
Framework of Provisions for Set-Off and Carry Forward of Losses	519
Set-off of Losses	519
Set-off of Loss from One Source Against Income from another Source under the Same Head of Income, <i>i.e.</i> , Intra Source Set-off [Section 70]	520
Set-off of Loss from One Head Against Income of Another Head in Same Assessment Year, <i>i.e.</i> , Inter Head Set-off [Section 71]	521
Special Provisions to Set Off of Losses in Case of a Person if he Opted to be Taxed Under Section 115BAC	523
Carry Forward and Set-off of Loss	527
Carry Forward of Loss under the Head “House Property” [Section 71B]	528
Carry Forward of Non-speculation “Business Loss” [Section 72]	528
Carry Forward of “Speculation Business Loss” [Section 73]	529
Carry Forward and Set-off of Loss of Business Specified u/s 35AD [Section 73A]	530
Carry Forward of Loss under the Head “Capital Gains” [Section 74]	530
Carry Forward of Loss for Owning and Maintaining Horse Races [Section 74A(3)]	531
Carry Forward and Set-off of Unabsorbed Depreciation [Section 32(2)]	531
Carry Forward and Set-off of Current and Brought Forward Losses	532
Provisions Relating to Carry Forward and Set-off of Accumulated Loss and Unabsorbed Depreciation Allowance in Amalgamation or Demerger, <i>etc.</i> [Section 72A]	532
Amalgamation of a Company	532
Demerger of a Company	533
Reorganization of Business	534
Conversion into Limited Liability Partnership [Section 72A(6A)]	534
Meaning of Certain Terms	535
Treatment of Carry Forward of Losses of Certain Assessee	535
Losses of Firms [Section 75]	535
Carry Forward and Set-off of Losses in Case of Change in Constitution of Firm or on Succession [Section 78]	536
Carry Forward and Set-off of Losses in Case of Certain Companies [Section 79]	536
Filing of Return of Loss [Section 80]	537
<i>Theoretical Questions</i>	543
<i>Long Answer Type Questions</i>	543
<i>Short Answer Type Questions</i>	543
<i>Objective Type Questions</i>	544
<i>Multiple Choice Questions (MCQs)</i>	544
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	545
<i>State Whether the following Statements are 'True' or 'False'</i>	545
<i>Practical Questions</i>	545

13. Deductions to be Made in Computing Total Income	551 – 629
<i>Learning Outcomes</i>	551
Meaning of Gross Total Income	551
General Rules of Deductions [Section 80A]	551
Various Deductions [Section 80C to 80U]	553
Deduction in Respect of Certain Payments	553
Deduction in Respect of Life Insurance Premium, Deferred Annuity, Contributions to Provident Fund, Subscription to Certain Equity Shares or Debentures, <i>etc.</i> [Section 80C]	553
Deduction in Respect of Contribution to Certain Pension Funds [Section 80CCC]	559
Deduction in Respect of Contribution to Pension Scheme of Central Government [Section 80CCD]	560
Limit on Deductions under Sections 80C, 80CCC and 80CCD [Section 80CCE]	561
Deduction in Respect of Contribution to <i>Agnipath</i> Scheme [Section 80CCH]	561
Deduction in Respect of Medical Insurance Premium [Section 80D]	562
Deduction in Respect of Maintenance Including Medical Treatment of a Dependant who is a Person with Disability [Section 80DD]	565
Deduction in Respect of Medical Treatment of Specified Diseases and Ailment [Section 80ddb]	566
Deduction in Respect of Interest on Loan taken for Higher Education [Section 80E]	568
Deduction in Respect of Interest on Loan taken for Residential House Property [Section 80EE]	568
Deduction in Respect of Interest on Loan taken for Certain House Property [Section 80EEA]	570
Deduction in Respect of Purchase of Electric Vehicle [Section 80EEB]	571
Deduction in Respect of Donations to Certain Funds, Charitable Institutions, <i>etc.</i> [Section 80G]	572
Deduction in Respect of Rents Paid [Section 80GG]	577
Deduction in Respect of Certain Donations for Scientific Research or Rural Development [Section 80GGA]	580
Deduction in Respect of Contributions given by Companies to Political Parties [Section 80GGB]	581
Deduction in Respect of Contributions given by any Person to Political Parties [Section 80GGC]	581
Deductions in Respect of Certain Incomes Covered under Section 80-IA to 80U	582
Deduction in Respect of Profits and Gains from Industrial Undertakings or Enterprise Engaged in Infrastructure Development [Section 80-IA]	582
Deduction in Respect of Profit and Gains by an Undertaking or an Enterprise Engaged in Development of Special Economic Zone [Section 80-IAB]	587
Special Provision in Respect of Specified Business [Section 80-IAC]	587
Deduction in Respect of Profits and Gains from Certain Industrial Undertakings Other than Infrastructure Development Undertakings [Section 80-IB]	588
Deductions in Respect of Profits and Gains from Housing Projects [Section 80-IBA]	594
Special Provision in Respect of Certain Undertakings or Enterprises in Certain Special Category States [Section 80-IC]	596
Deduction in Respect of Profits and Gains from Business of Hotels and Convention Centres in Specified Area [Section 80-ID]	598
Special Provisions in Respect of Certain Undertakings in North Eastern State [Section 80-IE]	600
Deduction in Respect of Profits and Gains from Business of Collecting and Processing of Bio-degradable Waste [Section 80JJA]	601
Deduction in Respect of Employment of New Employees [Section 80JJAA]	601
Deductions in Respect of Certain Incomes of Offshore Banking Units and International Financial Services Centre [Section 80LA]	602

Deduction in Respect of Certain Inter-corporate Dividends [Section 80M]	604
Deduction in Respect of Income of Co-operative Societies [Section 80P]	604
Deduction in Respect of Royalty Income, <i>etc.</i> , of Authors of Certain Books Other than Text-books [Section 80QQB]	605
Deduction in Respect of Royalty on Patents [Section 80RRB]	607
Deduction in Respect of Interest on Deposits in Savings Account [Section 80TTA]	609
Deduction in Respect of Interest on Deposits in Case of Senior Citizen [Section 80TTB]	610
Deduction in Case of a Person with Disability [Section 80U]	611
<i>Theoretical Questions</i>	621
<i>Long Answer Type Questions</i>	621
<i>Short Answer Type Questions</i>	621
<i>Objective Type Questions</i>	621
<i>Multiple Choice Questions (MCQs)</i>	621
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	622
<i>State Whether the following Statements are 'True' or 'False'</i>	622
<i>Practical Questions</i>	623

14. Assessment of Agricultural Income 631 – 645

<i>Learning Outcomes</i>	631
Agriculture Income Framework	631
Definition of Agricultural Income	631
Any Income Received as Rent or Revenue from Agricultural Land [Section 2(1A)(a)]	632
Income Derived from Such Land [Section 2(1A)(b)]	632
Income from Farm House [Section 2(1A)(c)]	633
Examples of Agricultural Income and Non-agricultural Income	633
Agricultural Income	633
Non-Agricultural Income	634
Partly Agricultural and Partly Non-agricultural Income	635
Rule-7 Income which is Partially Agricultural and Partially from Business [Applicable to all Except Tea, Coffee and Rubber]	635
Rule-7A Income from the Manufacture of Rubber	636
Rule-7B Income from the Manufacture of Coffee	636
Rule-8 Income from the Manufacture of Tea	636
Partial Integration of Agricultural Income with Non-agricultural Income	636
Applicability of Partial Integration	636
<i>Theoretical Questions</i>	642
<i>Long Answer Type Questions</i>	642
<i>Short Answer Type Questions</i>	642
<i>Objective Type Questions</i>	642
<i>Multiple Choice Questions (MCQs)</i>	642
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	643
<i>State Whether the following Statements are 'True' or 'False'</i>	643
<i>Practical Questions</i>	644

15. Computation of Total Income and Taxation of an Individual 647 – 699

<i>Learning Outcomes</i>	647
Who is Liable to Pay Tax	647
Meaning of Total Income	648
Tax Treatment of Income Received from Different Institution	648
Computation of Total Income and Tax Liability for Individual	649
Income Tax Rates Applicable for Assessment Year 2024-25 under Old Tax Regime	651
Special Rates on Certain Special Incomes	652

Rebate [Section 87A]	653
Surcharge	653
Marginal Relief	654
Alternate Minimum Tax (AMT)	655
When Assessee Does Not Opt to be Taxed u/s 115BAC	655
If an Assessee has Opted for New Tax Regime	658
Ultimate Tax Liability	658
New Tax Scheme for Individual / HUF [Optional]	
[Inserted by the Act No. 12 of 2020, with effect from 1-4-2021]	659
Analysis of Section 115BAC	662
Features of Old Tax Regime and New Tax Regime	663
<i>Theoretical Questions</i>	691
<i>Long Answer Type Questions</i>	691
<i>Short Answer Type Questions</i>	691
<i>Objective Type Questions</i>	691
<i>Multiple Choice Questions (MCQ)</i>	691
<i>State Whether the following Statements are 'True' or 'False'</i>	692
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	692
<i>Practical Questions</i>	693

16. Assessment of Hindu Undivided Family 701 – 726

<i>Learning Outcomes</i>	701
Hindu Undivided Family (HUF) as a Taxable Entity	701
Concept of Hindu Undivided Family (HUF)	701
School of Hindu Law	702
Karta/Manager of Hindu Undivided Family	703
Residential Status of Hindu Undivided Family [Section 6(2)]	704
Different Clauses of Resident Status of Hindu Undivided Family	704
Resident and Ordinarily Resident	704
Not-ordinarily Resident	705
Non-resident	705
Computation of Total Income of Hindu Undivided Family	705
Computation of Income under Different Heads	705
Clubbing of Income	705
Set-off and Carry Forward of Losses	705
Deduction from Gross Total Income	705
Computation of Total Income	706
Assessment of Hindu Undivided Family	706
Taxability of Hindu Undivided Family	707
Application of the Rates of Tax on the Total Income	707
Rebate u/s 87A	707
Add Surcharge	707
Add Health and Education Cess	707
Allow Rebate	707
Deduct the Amount of Prepaid Taxes Paid	707
Tax Payable/Refundable	707
Slab Rates in Old Tax Regime for HUF	708
New Tax Scheme for HUF	708
Income not Treated as a Family Income	709
Assessment After Partition of a Hindu Undivided Family [Section 171]	710
<i>Theoretical Questions</i>	721
<i>Long Answer Type Questions</i>	721
<i>Short Answer Type Questions</i>	722
<i>Objective Type Questions</i>	722
<i>Multiple Choice Questions (MCQs)</i>	722

<i>Fill in the Blanks with Appropriate Word(s) and Figure(s)</i>	722
<i>State Whether the following Statements are 'True' or 'False'</i>	723
<i>Practical Questions</i>	723
17. Assessment of Firms (Including LLP)	727 – 762
<i>Learning Outcomes</i>	727
Partnership in the Eyes of Law and Tax	727
Meaning of “Partnership”, “Firm” and “Partner” under Indian Partnership Act	727
Meaning of Limited Liability Partnership [LLP]	728
Meaning of Partnership, Firm and Partner under Income Tax Act	728
Residential Status of Firm	728
Who can be a Partner?	728
Difference between Unlimited Liability Partnership and Limited Liability Partnership	729
Assessment as a Firm [Section 184]	730
Assessment when Section 184 not Complied with [Section 185]	730
Change in Constitution of a Firm [Section 187]	730
Succession of One Firm by Another Firm [Section 188]	731
Joint and Several Liability of Partners for Tax Payable by Firm [Section 188A]	731
Firm Dissolved or Business Discontinued [Section 189]	731
Computation of Income of Partnership Firm [Section 40(b)]	731
Explanation to Section 40(b)	732
Computation of Firm Book Profit	733
Computation of Total Income of Partnership Firm	735
Computation of Tax Liability of Partnership Firm	737
Some Important Points to Remember while Computing Tax Liability of Partnership Firm	739
<i>Theoretical Questions</i>	757
<i>Long Answer Type Questions</i>	757
<i>Short Answer Type Questions</i>	757
<i>Objective Type Questions</i>	758
<i>Multiple Choice Questions (MCQs)</i>	758
<i>Fill in the Blanks Appropriate Word(s) or Figure(s)</i>	758
<i>State Whether the following Statements are 'True' or 'False'</i>	758
<i>Practical Questions</i>	759
18. Rebate and Relief of Tax	763 – 774
<i>Learning Outcomes</i>	763
Meaning of Rebate on Tax	763
Share of Member of an Association of Persons or Body of Individuals in the Income of the Association or Body [Section 86]	763
Rebate of Income Tax for Residential Individual [Section 87A]	765
Relief when Salary, etc., is Paid in Arrears or in Advance [Section 89(1)]	766
<i>Theoretical Questions</i>	771
<i>Long Answer Type Questions</i>	771
<i>Short Answer Type Questions</i>	771
<i>Objective Type Questions</i>	772
<i>Multiple Choice Questions (MCQs)</i>	772
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	772
<i>State Whether the following Statements are 'True' or 'False'</i>	772
<i>Practical Questions</i>	772
17. Income Tax Authorities	775-796
<i>Learning Outcomes</i>	775
Appointment and Control [Sections 116 to 119a]	775
Classes of Income-tax Authorities [Section 116]	775
Appointment of Income-tax Authorities [Section 117]	776
Control of Income-tax Authorities [Section 118]	776

Instructions to Subordinate Authorities [Section 119]	777
Taxpayer's Charter [Section 119A]	779
Jurisdictional Aspects of Tax Authorities [Section 120 to Section 130]	780
Jurisdiction of Assessing Officers [Section 124]	781
Power to Transfer Cases [Section 127]	782
Change of Incumbent of an Office [Section 129]	783
Faceless Jurisdiction of Income-tax Authorities [Section 130]	783
Powers of Income Tax Authorities [Sections 131 to 136]	783
Powers Regarding Discovery and Production of Evidence [Section 131]	783
Search and Seizure [Section 132]	784
Powers to Requisition Books of Account, <i>etc.</i> [Section 132A]	786
Application of Seized or Requisitioned Assets [Section 132B]	786
Power to Call for Information [Section 133]	788
Power of Survey [Section 133A]	789
Power to Collect Certain Information [Section 133B]	791
Power to Call for Information by Prescribed Income-tax Authority [Section 133C]	791
Power to Inspect Registers of Companies [Section 134]	792
Authority of Senior Income-Tax Officials to Conduct Inquiries [Section 135]	792
Faceless Collection of Information [Section 135A]	793
Proceedings before Income-tax Authorities Deemed as Judicial Proceedings [Section 136]	794
<i>Theoretical Questions</i>	794
<i>Long Answer Type Questions</i>	794
<i>Short Answer Type Questions</i>	794
<i>Objective Type Questions</i>	794
<i>Multiple Choice Questions (MCQs)</i>	794
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	795
<i>State Whether the following Statements are 'True' or 'False'</i>	795
<i>Practical Questions</i>	796

20. Return of Income and E-filing Procedure 797 – 836

<i>Learning Outcomes</i>	797
Overview of Return of Income	797
Filing of Return [Section 139]	798
Compulsory Filing of Return of Income [Section 139(1)]	798
Return Filed to Employer by Salaried Employees/	
Bulk Filing of Return by Salaried Employee [Section 139(1A)]	801
Filing of Return of Income in Computer Media [Section 139(1B)]	802
Specified Class of Persons to be Exempted from Filing Return of Income [Section 139(1C)]	802
Return of Loss [Section 139(3)]	803
Furnishing of Belated Return of Income [Section 139(4)]	803
Return of Income of Charitable Trust [Section 139(4A)]	803
Return of Income of Political Parties [Section 139(4B)]	803
Return of Income of Hospital, Institution <i>etc.</i> [Section 139(4C)]	804
Return of Income by a University/College <i>etc.</i> [Section 139(4D)]	804
Return of Income of a Business Trust [Section 139(4E)]	804
Return of Income of a Investment Fund [Section 139(4F)]	804
Revised Return [Section 139(5)]	805
Particulars to be Furnished with the Return [Section 139(6)]	805
Particulars to be Furnished with Return in the Case of an Assessee Engaged in	
Business or Profession [Section 139(6A)]	805
Filing of Return after due Date or Non-filing of Return [Section 139(8)(A)]	805
Option to File Updated Return of Income [Section 139(8A)]	806
Defective Return [Section 139(9)]	807
Scheme for Submission of Returns Through Tax Return Preparers [Section 139B]	808

Power of Board to Dispense with Furnishing Documents, <i>etc.</i> with Return [Section 139C]	809
Filing of Return in Electronic Form [Section 139D]	809
Verification of Return [Section 140]	809
Prescribed Forms for Filing Return of Income [Rule 12]	810
Manner of Furnishing the Return of Income [Rule 12(3)]	812
Precautions to be Taken while Filing the Return of Income	813
Modes of Filing the Return of Income	814
Manual or Paper Filing of Return of Income	814
E-filing of Return of Income	814
e-Verification of Returns	821
Who can e-Verify the Return	821
Prerequisites for Availing this Service	821
Processes of e-Verification of ITR	822
Important Documents for Income Tax Return	826
Form 16 & 16A [Rule 31 of the Income Tax Rules 1962]	826
26AS [Rule 114-I of the Income Tax Rules 1962]	827
Permanent Account Number [Section 139A]	827
Aadhaar Number [Section 139AA]	832
TAN	832
Annual Information Statement (AIS) [Section 285BBB]	833
<i>Theoretical Questions</i>	835
<i>Long Answer Type Questions</i>	835
<i>Short Answer Type Questions</i>	835
<i>Objective Type Questions</i>	835
<i>Multiple Choice Questions (MCQs)</i>	835
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	836
<i>State Whether the following Statements are 'True' or 'False'</i>	836
<i>Practical Questions</i>	836

21. Tax Deducted at Source and E-TDS Return

837 – 880

<i>Learning Outcomes</i>	837
Basics of Tax Deducted at Source	837
Deduction at Source and Advance Payment [Section 190]	838
Direct Payment [Section 191]	838
Deduction of Tax at Source	839
Salary [Section 192]	839
TDS on Payment from Pre-matured Employee Provident Fund [Section 192A]	841
Interest on Securities [Section 193]	842
Dividends [Section 194]	843
Interest Other than "Interest on Securities" [Section 194A]	844
Winnings from Lottery or Crossword Puzzle [Section 194B]	846
Winnings from Online Games [Section 194BA]	847
Winnings from Horse Race [Section 194BB]	847
Payments to Contractors [Section 194C]	847
Insurance Commission [Section 194D]	850
Payment in Respect of Life Insurance Policy [Section 194DA]	850
Payments to Non-resident Sportsmen or Sports Associations [Section 194E]	851
Payments in Respect of Deposits under National Savings Scheme, <i>etc.</i> [Section 194EE]	851
Commission, <i>etc.</i> , on the Sale of Lottery Tickets [Section 194G]	852
Commission or Brokerage [Section 194H]	852
Rent [Section 194I]	853
Payment on Transfer of Certain Immovable Property Other than Agricultural Land [Section 194IA]	854
Payment of Rent by Certain Individuals or Hindu Undivided Family [Section 194IB]	854

Payment Under Specified Agreement [Section 194IC]	855
Fees for Professional or Technical Services [Section 194J]	855
Income in Respect of Units [Section 194K]	857
Payment of Compensation on Acquisition of Certain Immovable Property [Section 194LA]	857
Income by Way of Interest from Infrastructure Debt Fund [Section 194LB]	858
Certain Income from Units of a Business Trust [Section 194LBA]	858
Income in Respect of Units of Investment Fund [Section 194LBB]	858
Income in Respect of Investment in Securitization Trust [Section 194LBC]	859
Payment of Certain Sums by Certain Individuals or Hindu Undivided Family [Section 194M]	859
Payment of Certain Amounts in Cash [Section 194N]	860
Payment of Certain Sums by E-commerce Operator to E-commerce Participant [Section 194-O]	861
Deduction of Tax by a Specified Bank in Case of Specified Senior Citizen [Section 194P]	862
Deduction of Tax at Source on Benefit or Perquisite in Respect of Business or Profession [Section 194R]	863
Any Other Sums Paid to Non-residents [Section 195]	864
Income Payable "Net of Tax" [Section 195A]	865
Interest or Dividend or Other sums Payable to Government, Reserve Bank or Certain Corporations [Section 196]	865
Income in Respect of Units of Non-residents [Section 196A]	865
Income from Units [Section 196B]	866
Income from Foreign Currency Bonds or Shares of Indian Company [Section 196C]	866
Income of Foreign Institutional Investors from Securities [Section 196D]	866
Certificate for Deduction at Lower Rate [Section 197]	867
No Deduction to be Made in Certain Cases [Section 197A]	867
Enabling Provision for Filing of Declaration for Receipt of Dividend and National Savings Scheme (NSS) Payment without Deduction of Tax [Section 197A(1)]	867
Enabling Provision for Filing of Declaration for Non-deduction of Tax under Section 192A or 193 or 194A or 194D or 194DA or 194-I or 194K by Persons, Other than Companies and Firms [Section 197(1A)]	867
Filing Declaration not Permissible if Income/Aggregate of Incomes Exceed basic Exemption Limit [Section 197A(1B)]	868
Enabling Provision for Filing of Declaration by Resident Senior Citizens for Non-deduction of Tax at Source [Section 197A(1C)]	868
Non-deduction of Tax in Certain Cases	868
Time Limit for Delivery of One Copy of Declaration [Section 197(2)]	869
Tax Deducted is Income Received [Section 198]	869
Credit for Tax Deducted [Section 199]	869
Duty of Person Deducting Tax [Section 200]	869
Processing of Statements of Tax Deducted at Source [Section 200A]	870
Consequences of Failure to Deduct or Pay [Section 201]	871
Deemed Assessee-in-default	871
Non-applicability of Deeming Provision	871
No Penalty under Section 221	871
Interest Liability	871
Time Limit for Deeming a Person to be an Assessee in Default for Failure to Deduct Tax at Source	872
Deduction Only One Mode of Recovery [Section 202]	872
Certificate for Tax Deducted [Section 203]	872
Tax Deduction and Collection Account Number [Section 203A]	872

Meaning of “Person Responsible for Paying” [Section 204]	873
Bar Against Direct Demand on Assessee [Section 205]	873
Requirement to Furnish Permanent Account Number [Section 206AA]	873
Higher Rate of TDS for Non-filers of Income Tax Return [Section 206AB]	874
Due Dates for Filing Quarterly TDS Returns	875
E-TDS and E-TDS Returns	875
Meaning of E-TDS	875
Who is Required to File E-TDS Return?	875
Basic Details to be Included in the of E-TDS Return	875
E-TDS Return Forms	876
E-TDS Return	876
<i>Theoretical Questions</i>	878
<i>Long Answer Type Questions</i>	878
<i>Short Answer Type Questions</i>	878
<i>Objective Type Questions</i>	879
<i>Multiple Choice Questions (MCQs)</i>	879
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	879
<i>State Whether the following Statements are ‘True’ or ‘False’</i>	880
<i>Practical Questions</i>	880

22. Assessment Procedure

881 – 918

<i>Learning Outcomes</i>	881
Assessment on Income Tax	881
Assessment Procedure	882
Self-Assessment [Section 140A]	882
Inquiry by Assessing Officer	884
Assessment by Income Tax Department	887
Types of Assessment	888
Summary Assessment [Section 143(1)]	888
Scrutiny Assessment/Regular Assessment [Section 143(2) and 143(3)]	890
Best Judgement Assessment [Section 144]	892
Faceless Assessment	893
Reference to Dispute Resolution Panel [Section 144C]	900
Income Escaping Assessment [Section 147 to Section 152]	901
Income Escaping Assessment [Section 147]	902
Issue of Notice where Income has Escaped Assessment [Section 148]	902
Conducting Inquiry, Providing Opportunity before Issue of Notice [Section 148A]	904
Meaning of Specified Authority [Section 151]	904
Time Limit for Notice [Section 149]	905
Provision for Cases where Assessment is in Pursuance of an Order on Appeal, etc. [Section 150]	906
Faceless Assessment of Income Escaping Assessment [Section 151A]	907
Other Provisions [Section 152]	907
Time Limit for Completion of Assessment, Reassessment and Recomputation [Section 153]	908
Exclusion of Period [Explanation 1 to Section 153]	911
Rectification of Mistake [Section 154]	914
Notice of Demand [Section 156]	916
Intimation of Loss [Section 157]	916
Faceless Rectification, Amendments and Issuance of Notice or Intimation [Section 157(A)]	916
<i>Theoretical Questions</i>	917
<i>Long Answer Type Questions</i>	917
<i>Short Answer Type Questions</i>	917

<i>Objective Type Questions</i>	917
<i>Multiple Choice Questions (MCQs)</i>	918
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	918
<i>State Whether the Statements are 'True' or 'False'</i>	918
<i>Practical Questions</i>	918

Appendix: Leading Cases of Supreme Court and High Court **919 – 937**

1. M. Gulati vs. Income Tax Officer (ITAT Mumbai, decided on March 15, 2025)	919
2. Karamchhari Union vs. Union of India (Supreme Court, 2000) [243 ITR 143]	920
3. All India Judges Association vs. Union of India & Ors. (Supreme Court, 2024)	921
4. ITC Ltd. vs. Commissioner of Income Tax (TDS) (Supreme Court, 2016)	922
5. Chennai Properties & Investments Ltd. vs. CIT and Rayala Corporation (P.) Ltd. vs. ACIT (Supreme Court, 2015 & 2016) [373 ITR 673; 386 ITR 500]	923
6. Shivani Madan vs. Principal Commissioner of Income Tax, Delhi-01 & Anr. (Delhi High Court, 2025)	924
7. Nandi Steels Ltd. vs. ACIT (Karnataka High Court, 2021)	925
8. CIT vs. Gujarat Guardian Ltd. (Delhi High Court, 2009)	926
9. Daikin Shri Ram Aircon Pvt. Ltd. vs. Deputy Commissioner of Income Tax (Delhi High Court, 2022)	927
10. Mariya Paliwala vs. Income Tax Officer (ITAT Mumbai Big Bench, 2023)	928
11. CIT vs. B.C. Srinivasa Setty (Supreme Court, 1981) [128 ITR 294]	929
12. PCIT vs. Jupiter Capital Pvt. Ltd., (Supreme Court, 2025) [TS-09-SC-2025]	930
13. Homeowner vs. Income Tax Department (ITAT Mumbai Bench, 2025)	930
14. Ocean City Trading (India) Pvt. Ltd. vs. ITO, (ITAT Mumbai, 2010) [2010] [124 ITD 413]	932
15. Tushar Pravinchandra Shah vs. DCIT (ITAT Mumbai, 2011) [3 ITR (TRIB) 530]	933
16. Abhay Kumar Mittal vs. Deputy Commissioner of Income Tax, (ITAT Delhi, 2022) [ITA No. 3385/DEL/2019]	933
17. Capgemini Technology Services India Ltd. vs. DCIT (ITAT Pune, 2017) [ITA No. 1857/PUN/2017]	934
18. Shrikant Mohta vs. ACIT, [2020] (ITAT Kolkata, 2020) [117 taxmann.com 706]	935
19. Akshay Nitin Malu vs. Income Tax Officer, Ward 1, Sangli, (ITAT Pune, 2024) ITA No. 1651/PUN/2024	936

List of Tables



<i>Table No.</i>	<i>Page No.</i>	<i>Table No.</i>	<i>Page No.</i>
1.1 : Difference between Direct Tax and Indirect Tax	2	4.5 : Rent-free Accommodation at a Glance	110
1.2 : Meaning of Income	14	4.6 : Rule 3(7)(ii) at a Glance	115
1.3 : Difference between Gross Total Income and Total Income	16	4.7 : Rules Regarding Leave Travel Concession	127
1.4 : Rate of Tax for the Assessment Year 2024-25	21	4.8 : Perquisites at a Glance	129
1.5 : List of Deductions & Exemption Not Available under Section 115BAC(2)	21	4.9 : Perquisites Taxable in the Hands of Specified and Non-Specified Employees	130
1.6 : Special Rates	22	4.10 : Difference between Allowances and Perquisites	131
1.7 : Normal Tax Rates Applicable to a Domestic Company and Foreign Company	23	4.11 : Tax Treatment of Pension	135
1.8 : Surcharge Applicable to a Domestic Company and Foreign Company in case of Normal Tax Rates	23	4.12 : Tax Treatment of Retrenchment Compensation	141
1.9 : Special Rates Applicable to a Domestic Company	24	4.13 : Tax Treatment of Provident Fund	145
1.10 : Surcharge Applicable to a Domestic Company in Case of Special Tax Rates	24	4.14 : Deduction under Section 16	149
2.1 : Rules at a Glance (Residential Status of Individual)	36	5.1 : Different Cases of Municipal Tax & their Treatment	198
2.2 : Rules at a Glance (Residential Status of HUF)	41	5.2 : Computation of the Taxable Income from Self-occupied House Property	210
2.3 : Rules at a Glance (Residential Status of Firm)	42	5.3 : Computation of Income from House Property at a Glance	214
2.4 : Rules at a Glance (Residential Status of Company)	42	6.1 : Taxability of Compensation Related to Business or Profession	250
2.5 : Classification of Income	44	6.2 : Proforma for Computation of Taxable Income from Business	252
2.6 : Rules at a Glance Regarding Tax Incidence of Resident/Not Ordinarily Resident/ Non-resident	44	6.3 : Proforma for Computation of Taxable Income from Profession	253
3.1 : Interest Income	70	6.4 : Meaning of Certain Terms	257
4.1 : Basis of Taxability of Salary	88	6.5 : Deduction under Section 33AB or Section 33ABA – At a Glance	262
4.2 : Deduction under Section 10(13A) Least of the following will be Exempt	95	6.6 : Meaning of Certain Terms	263
4.3 : Taxability of Allowances under Old vs. New Tax Regime	102	6.7 : Deduction under Section 35(1)(i)	264
4.4 : Valuation of Rent-free Accommodation	108	6.8 : Deduction under Section 35(1)(ii)	264
		6.9 : Deduction under Section 35(1)(iia)	265
		6.10 : Deduction under Section 35(1)(iii)	265
		6.11 : Deduction under Section 35(1)(iv) / Section 35(2)	266
		6.12 : Deduction under Section 35(2AA)	267
		6.13 : Deduction under Section 35(2AB)	268
		6.14 : Deduction under Section 35ABA and 35ABB	269
		6.15 : Deduction under Section 35CCA and 35CCC	274

Table No.	Page No.	Table No.	Page No.
6.16 : Deduction under Section 35D	275	13.1 : Summary of Deduction under Section 80CCD	561
6.17 : Deduction under Section 35E	277	13.2 : Summary of Deduction under Section 80D	564
6.18 : Deductions under Sections 30 to 37 (At a Glance)	285	13.3 : Steps for Computation of Qualifying Limit	574
7.1 : Profits and Gains of Business on Presumptive Basis under Section 44AD (At a Glance)	337	13.4 : Deduction in Respect of Profits and Gains from Industrial Undertakings or Enterprise Engaged in Infrastructure Development [Section 80-IA] (At a Glance)	584
7.2 : Profits and Gains of Profession on Presumptive Basis under Section 44ADA (At a Glance)	339	13.5 : Specified Districts having World Heritage Sites	599
7.3 : Profits and Gains of Business of Plying, Hiring or Leasing Goods Carriages under Section 44ADA (At a Glance)	341	13.6 : Deduction in Respect of Payment (At a Glance)	612
7.4 : Profits and Gains of Shipping Business in the Case of Non-residents under Section 44b (At a Glance)	342	13.7 : Deduction in Respect of Incomes (At a Glance)	614
7.5 : Profits and Gains of Business of Exploration, etc., of Mineral Oils in the Case of Non-residents under Section 44BB (At a Glance)	343	14.1 : Partly Agricultural and Partly Business Income (At a Glance)	636
7.6 : Deduction under Section 44BBA Special Provision for Computing Profits and Gains of the Business of Operation of Aircraft of Non-residents	343	15.1 : Proforma of Computation of Total Income and Tax Liability for the Year (At a Glance)	650
7.7 : Deduction under Section 44BBB Special Provision for Computing Profits and Gains of Foreign Companies Engaged in the Business of Civil Construction, etc.	344	15.2 : Surcharge (At a Glance)	654
8.1 : Depreciation Rates for Power Generating Undertakings Rule 5(1A)	354	16.1 : Deference between Mitakshara School and Dayabhaga School	703
8.2 : Depreciation Rates for <i>WDV</i> Methods Rule 5(1)	357	16.2 : Proforma of Computation of Total Income of HUF for the Year (At a Glance)	706
9.1 : Types of Capital Assets	383	16.3 : Proforma of Computation of Tax Liability of Hindu Undivided Family for the Year (At a Glance)	708
9.2 : Proforma of Short-term Capital Gains	393	16.4 : Rate of Tax for Assessment Year 2025-26	709
9.3 : Proforma of Long-term Capital Gain	393	17.1 : Difference between Traditional Partnership vs. LLP	729
9.4 : Cost Inflation Index	396	17.2 : Proforma of Computation of Book Profit	733
9.5 : Section 54 at a Glance	418	17.3 : Proforma of Computation of Firm's Total Income	735
9.6 : Section 54B at a Glance	423	17.4 : Proforma of Computation of Tax Liability of the Firm for the Year (At a Glance)	738
9.7 : Section 54D at a Glance	424	17.5 : Special Rates on Certain Special Incomes	738
9.8 : Section 54EC at a Glance	426	18.1 : Proforma of Table 'A' Relief u/s 89	767
9.9 : Section 54EE at a Glance	427	19.1 : Sections Eligible for CBDT Relaxation	777
9.10 : Section 54F at a Glance	429	19.2 : Monetary Approval Limits	778
9.11 : Section 54G at a Glance	431	19.3 : Criteria for Assessing Officer's Jurisdiction	781
9.12 : Section 54GA at a Glance	433	19.4 : Jurisdiction Objection Deadlines	781
9.13 : Section 54GB at a Glance	436	20.1 : Verification of Return	809
10.1 : Proforma for Computation of Taxable Income from Other Sources	484	20.2 : Brief Description of Various Kind of Return Forms	811
11.1 : Substantial Interest	505	20.3 : Manner of Furnishing Return of Income	812
11.2 : Chart Explaining Income Tax Provisions Related to Clubbing of Income	511	22.1 : Time Limit in Different Cases under Section 153	908
12.1 : Set-off of Losses (At a Glance)	522	22.2 : Time Period Excluded in Different Cases under Section 153	912
12.2 : Carry Forward and Set-off of Losses (At a Glance)	530		

List of Figures



<i>Fig. No.</i>	<i>Page No.</i>	<i>Fig. No.</i>	<i>Page No.</i>
1.1 : Legislative Powers for Taxation in India	3	10.1 : Types of Income	459
1.2 : Components of Income Tax Law	5	10.2 : Types of Securities	468
1.3 : Finance Bill	6		
1.4 : Rule of Previous Year	10	12.1 : Sequence for Set-off and Carry Forward of Losses	520
1.5 : Types of Tax Planning	25	12.2 : Order of Set-off	529
		12.3 : Various Provisions Relating to Amalgamation or Demerger, etc.	532
2.1 : Classification of Persons based on Residential Status	34		
2.2 : Income Deemed to be Received in India	48	13.1 : Conditions for Claiming Deduction u/s 80EE	569
2.3 : Income Attributable to the Operations Carried out in India	51	13.2 : Conditions for Claiming Deduction u/s 80EEA	571
2.4 : Income Deemed to Accrue or Arise in India	55	13.3 : Conditions for Claiming Deduction u/s 80EEB	571
4.1 : Income under the Head Salaries	88	15.1 : Process of Computing Gross Total Income	649
4.2 : Taxability of Perquisites	108		
5.1 : Conditions of Chargeability of Income from House Property	194	20.1 : Meaning of “Beneficial Owner” and “Beneficiary”	798
5.2 : Computation of Net Annual Value	197	20.2 : Return of Income	810
5.3 : Computation of Gross Annual Value of Property	202		
5.4 : Deduction from Net Annual Value under Old Tax Regime	213	21.1 : Deduction at Source and Advance Payment of Tax	818
5.5 : Deduction from Net Annual Value under New Tax Regime	214	21.2 : Non-applicability of TDS under Section 194C	848
6.1 : Computation of Income from Business or Profession	259	22.1 : Notice under Section 142	885
		22.2 : Types of Assessment	888
		22.3 : Authorities Constituting AU/TU/VU/RU	899
		22.4 : Structure of Faceless Assessment	899
8.1 : Methods of Depreciation	354	22.5 : Income Escaping Assessment	902
		22.6 : Time Limit for Notice [Section 149]	906
9.1 : Capital Assets under Section 2(14)	382	22.7 : Rectification of Mistake	915
9.2 : Types of Capital Gains	384		
9.3 : Tax Treatment of Advance Money Forfeited	417		



Snapshot of the Book

	Chapter	Pages	Tables	Figures	Illustrations	Long Answers Questions	Short Answers Questions	Objective Type Questions			Practical Questions
								Multiple Choice Questions	Fill in the Blanks	True & False	
1.	Basic Concepts of Income Tax	32	10	5	9	13	16	20	17	11	4
2.	Residential Status	32	6	4	27	10	4	16	7	8	21
3.	Income Exempt from Tax	22	1	–	4	3	5	12	7	6	2
4.	Income from Salary	106	14	2	69	13	17	20	8	9	56
5.	Income from House Property	56	3	5	38	9	12	15	8	10	33
6.	Profit and Gains of Business or Profession	86	18	1	25	9	17	15	7	10	20
7.	Determination of Income on Presumptive Basis	16	7	–	8	3	3	10	5	–	7
8.	Depreciation	28	2	1	14	6	10	10	10	9	8
9.	Capital Gains	80	13	3	44	11	12	18	9	12	27
10.	Income from Other Sources	44	1	2	25	10	14	11	10	8	20
11.	Clubbing of Income	16	2	–	10	8	7	10	7	8	7
12.	Set-off and Carry Forward of Losses	32	2	3	16	6	11	13	11	11	13
13.	Deductions to be Made in Computing Total Income	80	7	3	25	8	15	14	11	10	20
14.	Assessment of Agricultural Income	16	1	–	8	8	7	12	12	10	8
15.	Computation of Total Income and Taxation of an Individual	54	2	1	21	8	8	15	10	12	17
16.	Assessment of Hindu Undivided Family	26	4	–	10	5	7	5	7	8	9
17.	Assessment of Firms (Including LLP)	36	5	–	15	10	11	10	8	10	13
18.	Rebate and Relief of Tax	12	1	–	6	1	4	5	2	5	6
19.	Income Tax Authorities	22	4	–	2	6	6	10	10	8	2
20.	Return of Income and E-filing Procedure	40	3	2	2	8	10	12	6	6	2
21.	Tax Deducted at Source and E-TDS Return	44	–	2	7	6	8	11	6	9	3
22.	Assessment Procedure	38	2	7	2	7	5	5	6	6	2
	Appendix: Leading Cases of Supreme Court and High Court	20	–	–	–	–	–	–	–	–	–
	Total	938	108	41	387	168	209	269	184	186	300

Salient Features of Finance Act, 2025



SALIENT FEATURES OF FINANCE ACT 2025

The Finance Act, 2025 brings several important changes to the Income Tax Act to provide tax relief, reduce compliance burden, and support investment and savings. Major updates include revision of tax slabs under the new tax regime, increase in rebate limit, relief in surcharge, changes in TDS rules, tax benefits for start-ups and NPS Vatsalya, and simplification of rules related to house property and ULIP taxation. The major amendments introduced through the Finance Act, 2025 are listed below.

New Tax Regime

The new tax regime was introduced in Budget 2020 and made the default tax system from Assessment Year 2024–25. However, from Assessment Year 2026–27, a revised version of this regime under Section 115BAC(1A) is now applicable. It covers Individuals, Hindu Undivided Family, Association of Persons, Body of Individuals, and Artificial Juridical Persons. This regime offers lower tax rates but disallows most deductions such as Section 80C, HRA, and LTA. In the Finance Act, 2025, the Government has made changes in the income slabs under new regime to provide relief to taxpayers. The revised tax rates under the new regime are given below:

Income Tax Slab Rates for A.Y 2026-27

S. No.	Total income	Rate of tax
(1)	(2)	(3)
1.	Upto ₹ 4,00,000	Nil
2.	From ₹ 4,00,001 to ₹ 8,00,000	5 per cent
3.	From ₹ 8,00,001 to ₹ 12,00,000	10 per cent
4.	From ₹ 12,00,001 to ₹ 16,00,000	15 per cent
5.	From ₹ 16,00,001 to ₹ 20,00,000	20 per cent
6.	From ₹ 20,00,001 to ₹ 24,00,000	25 per cent
7.	Above ₹ 24,00,000	30 per cent

Old Tax Regime

For the Assessment Year 2026-27, if a taxpayer wishes to be taxed under the old tax regime, they must opt for it under Section 115BAC(6). This regime allows the taxpayer to claim various

exemptions and deductions such as Section 80C, HRA, LTA, etc., which are not available in the new regime. The tax slab rates under the old regime depend on the age and residential status of the individual. In the case of resident individuals, different basic exemption limits apply based on age: below 60 years, senior citizens (60 to less than 80 years), and super senior citizens (80 years and above). For non-resident individuals, the slab rates remain the same regardless of age.

Resident Individuals below the Age of 60 Years: For an individual, other than those mentioned below:

Income Tax Slab Rates for A.Y 2026-27

S. No.	Total income	Rate of tax
(1)	(2)	(3)
1.	Upto ₹ 2,50,000	Nil
2.	₹ 2,50,001 – ₹ 5,00,000	5%
3.	₹ 5,00,001 – ₹ 10,00,000	20%
4.	Above ₹ 10,00,000	30%

For Resident Senior Citizen: For an individual resident senior citizen, who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year:

Income Tax Slab Rates for A.Y 2026-27

S. No.	Total income	Rate of tax
(1)	(2)	(3)
1.	Upto ₹ 3,00,000	Nil
2.	₹ 3,00,001 – ₹ 5,00,000	5%
3.	₹ 5,00,001 – ₹ 10,00,000	20%
4.	Above ₹ 10,00,000	30%

For Resident Super Senior Citizen: For an individual resident super senior citizen, who is 80 years or more at any time during the previous year:

Income Tax Slab Rates for A.Y 2026-27

S. No.	Total income	Rate of tax
(1)	(2)	(3)
1.	Upto ₹ 5,00,000	Nil
2.	₹ 5,00,001 – ₹ 10,00,000	20%
3.	Above ₹ 10,00,000	30%

For Hindu Undivided Family, AOP, BOI, Artificial Judicial Person: For Hindu Undivided Family, Association of Persons or Body of Individuals, whether incorporated or not, or Artificial Juridical Person referred to in Section 2(31)(vii) of the Act:

Income Tax Slab Rates for A.Y 2026-27

S. No.	Total income	Rate of tax
(1)	(2)	(3)
1.	Upto ₹ 2,50,000	Nil
2.	₹ 2,50,001 – ₹ 5,00,000	5%
3.	₹ 5,00,001 – ₹ 10,00,000	20%
4.	Above ₹ 10,00,000	30%

Replacement of “Previous Year” and “Assessment Year” with “Tax Year”

The Income-tax Act, 2025 replaces the earlier dual concept of “Previous Year” and “Assessment Year” with a single term – “Tax Year” to simplify the tax structure. As per Section 3(1) of the Act, the Tax Year means the financial year starting from 1st April and ending on 31st March of the same year. For new businesses or sources of income, Section 3(2) provides that the Tax Year begins from the date of setup or income generation and ends on the same financial year-end.

Rebate Enhanced under Section 87A for New Tax Regime

The Finance Act, 2025 has brought a major relief to individual taxpayers by enhancing the rebate limit under Section 87A. This rebate is available only to resident individuals whose total income is chargeable under Section 115BAC(1A), *i.e.*, the new concessional tax regime.

From the Assessment Year 2026-27, a rebate of up to ₹ 60,000 will be allowed if the total income of the individual does not exceed ₹ 12,00,000. Earlier, this rebate was limited to ₹ 25,000 for income up to ₹ 7,00,000. This change ensures that individuals earning up to ₹ 12 lakh can claim full or partial tax relief under the new regime.

However, it is important to note that this rebate is not applicable on income taxed at special rates, such as short-term capital gains under Section 111A, or long-term capital gains under Sections 112 and 112A.

Surcharge Relief in Budget 2025

The Finance Act, 2025 has made significant changes to the surcharge on income-tax, especially for those opting for the new tax regime under Section 115BAC(1A). The aim is to reduce the tax burden on high-income individuals and promote simplicity in tax computation.

The maximum surcharge rate under the new regime is now restricted to 25%, and the earlier surcharge of 37% on income exceeding ₹ 5 crore (excluding capital gains/dividends) has been removed. Incomes such as capital gains under Sections 111A, 112, and 112A, and dividends are also given relief, as the surcharge on such income cannot exceed 15%.

Surcharge Rates under the Income-tax Act, 2025

Total Income (₹)	Surcharge Rate	Applicability
Above ₹ 50 lakh – up to ₹ 1 crore	10%	Applicable to all assesseees
Above ₹ 1 crore – up to ₹ 2 crore	15%	Applicable to all assesseees
Above ₹ 2 crore – up to ₹ 5 crore (excluding special incomes)	25%	37% surcharge removed for those under Section 115BAC(1A)
Above ₹ 5 crore (excluding special incomes)	25% (instead of 37%)	Applicable only under new regime [Section 115BAC(1A)]
Any amount (on capital gains/dividends)	15% (Maximum)	Even if income exceeds ₹ 5 crore, surcharge on such income capped at 15%

No Tax on Export Purchases by Non-Residents

The Finance Act, 2025 clarifies that non-residents who purchase goods from India only for export will not be treated as having a business connection or significant economic presence (SEP) under Section 9. This means such export-related purchases will not be taxed in India, ensuring consistency and avoiding confusion from earlier provisions. This change will apply from Assessment Year 2026-27 onwards.

Increase in Income Limits for Perquisite Exemption

Under Section 17(2), certain benefits provided by the employer are not treated as perquisites if the employee's salary does not exceed ₹ 50,000, and foreign medical travel expenses are also exempt if gross total income is below ₹ 2,00,000. Since these income limits no longer reflect current economic conditions, the Finance Act, 2025 allow the government to revise these limits through rules, keeping in view the rising cost of living.

Simplification of Annual Value for Self-Occupied Property

Under the current Section 23(2) of the Income Tax Act, the annual value of a self-occupied house property is considered nil, if the house is used by the owner for residential purposes or if the owner is unable to occupy it due to employment, business, or profession at another location. As per Section 23(4), this benefit is available for a maximum of two-house properties, as specified by the assessee.

The Finance Act, 2025 has now simplified this rule. As per the amendment, if a person is living in their own house or is unable to live in it due to any reason (not just job or business), the annual value will still be considered nil. This change gives more flexibility and removes the need to explain the reason for non-occupation.

However, the earlier limit of two-house properties still applies. So, this nil annual value benefit can be claimed only for two houses.

Capital Gains Treatment for Investment Funds Securities

The Finance Act, 2025 provides that securities held by investment funds (under Section 115UB) in accordance with SEBI regulations will be treated as capital assets. Therefore, income from their transfer will be taxed as capital gains, not as business income.

Uniform Tax Rate on Long-Term Capital Gains for Non-Residents

Under Section 115AD, Foreign Institutional Investors (FIIs) and specified funds were taxed at 10% on long-term capital gains (LTCG) from securities not covered under Section 112A.

The Finance Act (No. 2), 2024 increased the LTCG tax rate to 12.5% for all assesseees but retained the 10% rate for FIIs and specified funds for non-112A securities. To remove this difference, the Finance Act, 2025 now provides that LTCG from all such securities (excluding Section 112A and 115AB units) will be taxed at 12.5%, bringing uniformity across taxpayers.

Tax Deduction for Contributions to NPS Vatsalya

[Section 80CCD and Section 10(12BA)]

The NPS Vatsalya Scheme, launched on 18 September 2024, allows parents or guardians to open a National Pension Scheme (NPS) account for their minor children. The account is managed by the guardian until the child turns 18, after which it is transferred to the child's name and continues as an NPS Tier-1 account.

To encourage savings for minors, the Finance Act, 2025 proposes the following tax benefits:

- Under Section 80CCD(1B), parents/guardians can claim a deduction up to ₹ 50,000 for contributions made to a minor's NPS Vatsalya account.
- The withdrawal of such amounts (or returns on them) will be taxable in the year of withdrawal, except in the case of death of the minor, where such amount will be exempt.
- A new clause Section 10(12BA) is introduced to exempt partial withdrawals made for specific purposes like education, medical treatment, or disability (over 75%) of the minor, up to 25% of contributions, as per PFRDA regulations.

Clarity on Taxation of ULIP Maturity Proceeds

Under Section 10(10D), the maturity amount received from a life insurance policy, including any bonus, is exempt from income tax if the annual premium does not exceed 10% of the actual capital sum assured. To limit this exemption to small and genuine cases, the Finance Act, 2021 introduced a condition that for ULIPs issued on or after 1st February 2021, the exemption will not apply if the annual premium exceeds ₹ 2,50,000.

However, there was confusion regarding the tax treatment of such non-exempt ULIPs. To bring clarity, the Finance Act, 2025 proposes that ULIPs not eligible for exemption under Section 10(10D) will be treated as capital assets under Section 2(14). The profit from their redemption will be taxed under capital gains as per Section 45(1B). Additionally, these ULIPs will be included in the definition of equity-oriented funds under Section 112A, making them eligible for equity capital gains tax treatment.

Measures to Promote Investment and Employment in IFSC

An International Financial Services Centre (IFSC) is set up to provide world-class financial services to non-residents and certain residents in foreign currencies. To strengthen India's position as a global financial hub, the government has already offered various tax benefits to units in IFSC. To further encourage investment and generate employment, the Finance Act, 2025 has proposed important amendments, which are listed below.

- **Extension of Sunset Dates for IFSC Tax Benefits:** The Finance Act, 2025 has extended the sunset date to 31st March, 2030 for various tax concessions related to IFSC under Section 80LA(2)(d), 10(4D), 10(4F), 10(4H), and 47(viiad). These changes will apply from 1st April, 2025.
- **Exemption for IFSC Life Insurance Policies:** As per the amendment to Section 10(10D) of the Income-tax Act, with effect from 1st April 2025, any amount received under a life insurance policy issued by an Insurance Office located in the International Financial Services Centre shall be fully exempt from tax.
- **Exemption to Ship Leasing Units in IFSC [Sections 10(4H) & 10(34B)]:** As per the amendment to Section 10(4H), capital gains from the transfer of equity shares of domestic companies engaged in ship leasing by non-residents or IFSC units will now be exempt. Similarly, under Section 10(34B), dividends paid by an IFSC unit engaged in ship leasing to another IFSC unit will also be exempt.
- **Deemed Dividend Exclusion for IFSC Treasury Centres:** Section 2(22)(e) treats certain loans to shareholders as deemed dividends. To avoid this for IFSC treasury centres, the Finance Act, 2025 provides that loans or advances between group entities will not be treated as dividends if one entity is a finance unit in IFSC and the parent entity is listed abroad (excluding notified countries).

Extension of Tax Benefit Timeline for Start-ups (Section 80-IAC)

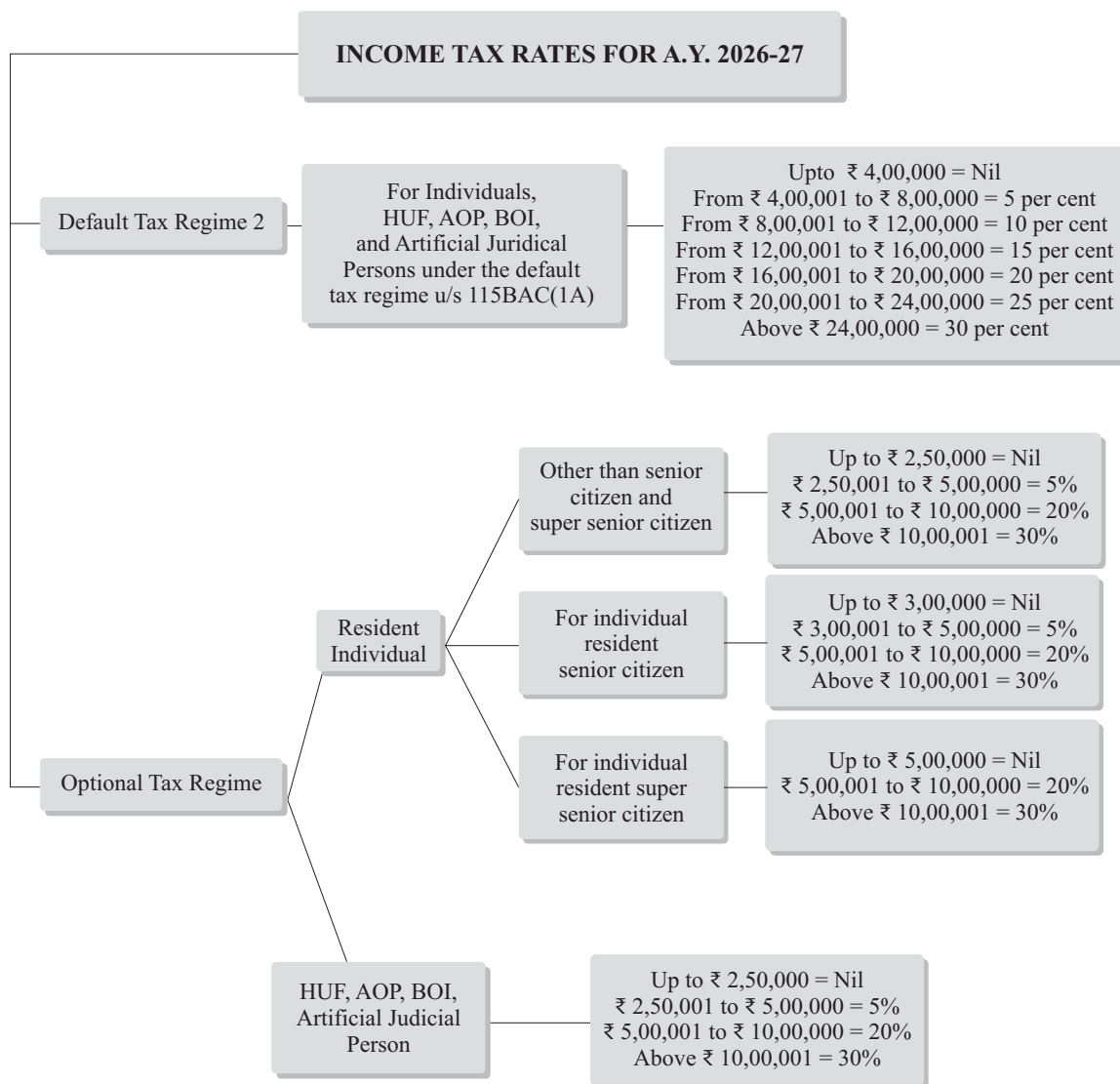
Under Section 80-IAC, eligible start-ups can claim 100% tax deduction on profits for any 3 consecutive years out of 10, if certain conditions are met, including incorporation between 1st April 2016 and 31st March 2025. The Finance Act, 2025 extends this timeline by 5 years. Now, start-ups incorporated up to 31st March 2030 can avail this benefit.

Changes in TDS Deduction Rules

TDS provisions have various thresholds of amount of payment or amount of income, beyond which tax is required be deducted. It is proposed to rationalize these thresholds as below:

Revised TDS Threshold Limits

Section	Nature of Income	Current Threshold	Proposed Threshold
193	Interest on securities	Nil	₹ 10,000
194A	194A – Interest other than Interest on securities)	(i) ₹ 50,000 for senior citizen; (ii) ₹ 40,000 in case of others when payer is bank, cooperative society and post office (iii) ₹ 5,000 in other cases	₹ 1,00,000 (senior citizens) ₹ 50,000 in case of others when payer is bank, co-operative society and post office ₹ 10,000 (others – non-bank)
194	Dividend (individual shareholder)	₹ 5,000	₹ 10,000
194K	Mutual fund units/income	₹ 5,000	₹ 10,000
194B	Winnings from lottery, puzzles, etc.	Aggregate of amounts exceeding ₹ 10,000 during the financial year	₹ 10,000 in respect of a single transaction
194BB	Winnings from horse race		
194D	Insurance commission	₹ 15,000	₹ 20,000
194G	Commission/prize on lottery tickets	₹ 15,000	₹ 20,000
194H	Commission or brokerage	₹ 15,000	₹ 20,000
194-I	Rent	₹ 2,40,000/year	₹ 50,000 per month
194J	Professional/technical services	₹ 30,000	₹ 50,000
194LA	Enhanced compensation	₹ 2,50,000	₹ 5,00,000



Income Tax for Non-resident: Taxable Income & Deduction



The Indian Income Tax Act of 1961 also applies to anyone generating income outside their own country besides residents. The income tax regulations and benefits available to them differ significantly from those available to resident Indians.

WHO IS A NON-RESIDENT?

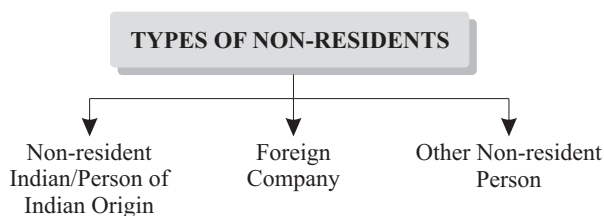
“Non-resident” is a person who has not been residing in India for a specified period of time. The Residential Status of an individual in a given year determines whether the individual is Resident or Non-resident for the year.

HOW TO DETERMINE RESIDENTIAL STATUS OF NON-RESIDENT?

Residential status of an individual is determined on the basis of the number of days an individual has physically stayed in India. Residential status has nothing to do with the nationality or domicile of an individual. It may also happen that an Indian, who is citizen of India, may be a non-resident for Income Tax purposes in a particular year and an American citizen may be resident in India for Income Tax purposes in a particular year.

TYPES OF NON-RESIDENTS

Under Income Tax Act 1961, non-resident is broadly classified under the following three heads:



DO NON-RESIDENT HAVE TO PAY TAXES IN INDIA FOR INCOME EARNED ABROAD?

The answer is YES. After determination of residential status, the next step is to identify income taxable in India as per person residential status.

For Resident Individuals: All income is taxable in India *i.e.*, income earned whether in India or outside India is taxable in India.

For Non-resident Indians: Only income earned or accrued in India or deemed to be so is taxable in India. Therefore, income from any country besides India is not taxable in India.

WHAT IS INCOME EARNED OR ACCRUED IN INDIA?

India follows “source rule” basis of taxation, *i.e.*, all the income which accrue or arises from or through a source in India is taxable in India. Therefore, identifying the source of Income is of utmost importance. If it is established that the income has its source in India, whether direct or indirect, such income would become taxable in India. List of such incomes are:

- Any salary received in India
- Any salary received for services rendered in India
- Rental income (if any) received from a property situated in India
- Capital gain (if any) arising on account of transfer of property or asset in India
- Any income from deposits in India such as interest on fixed deposits
- Any interest received on savings bank account, *etc.*

SPECIFIC PROVISIONS RELATED TO INVESTMENT INCOME OF NON-RESIDENT

As a Non-resident person can avail of a special provision related to investment income. A Non-resident is taxed at 20% when he invests in certain assets in India. All the more, he/she is not required to file an income tax return if his/her income comprises only special investment income and TDS on the same has been deducted.

WHAT ARE THE INVESTMENTS THAT QUALIFY FOR SPECIAL TREATMENT?

The income derived from the following assets in India acquired in foreign currency shall qualify for special treatment:

- Shares in Indian Companies (Public or Private company)
- Debentures, only issued by a publicly-listed Indian company (not private)
- Deposits with banks and public companies
- Any security of the Central Government
- No deduction under Section 80 will be allowed while calculating investment income.

DEDUCTIONS AVAILABLE TO NON-RESIDENT

Of the total deductions available to a resident individual, few are not available to non-resident individuals. A brief list of deductions available or not to Non-residents is shown below:

<i>Section</i>	<i>Deductions Allowed</i>	<i>Deductions Not Allowed</i>
80C	<ul style="list-style-type: none"> • LIC premium • Tuition Fees • Principal repayment of home loans • Unit Linked Insurance Plan (ULIP) • Equity Linked Tax Saving Scheme (ELSS) 	<ul style="list-style-type: none"> • Investment in Public Provident Fund (PPF) (Not allowed opening a new PPF account. However, PPF account opened while you are a resident is allowed to be maintained.)

<i>Section</i>	<i>Deductions Allowed</i>	<i>Deductions Not Allowed</i>
	<ul style="list-style-type: none"> Investment in National Saving Certificate (NSC) 	<ul style="list-style-type: none"> Post Office 5year Deposit scheme Senior citizen savings scheme <i>etc.</i>
80D	<ul style="list-style-type: none"> Medical Insurance 	NA
80E	<ul style="list-style-type: none"> Interest paid on Education loan 	NA
80DD	<ul style="list-style-type: none"> Deduction for maintenance including medical treatment of dependent handi-capped as defined under section 	NA
80G	<ul style="list-style-type: none"> Payments made in the form of eligible Donations 	NA
80DDB	<ul style="list-style-type: none"> Deduction for medical treatment of dependent handicapped (as certified by a prescribed specialist) 	NA
80TTA/ 80TTB	<ul style="list-style-type: none"> Interest on Savings Bank Account 	NA
80U	<ul style="list-style-type: none"> Deduction allowed to a tax payer who himself suffers from disability 	NA

NON-RESIDENT IS TAXED AT WHICH INCOME TAX SLAB RATE

Tax Slabs of Non-resident for Assessment Year 2025-26

Unlike residents for who tax rates are classified on the basis of age, no such classification is available for Non-residents. Hence, for Non-Residents whether aged

- Below 60 Years
- Above 60-80 Years, and
- Above 80 Years
- All are taxed uniformly

The tax slab rates for Non-resident Individuals are:

<i>Income</i>	<i>Tax Rate</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,000 to ₹ 5,00,000	5%
₹ 5,00,000 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Benefits of Basic Exemption Limit

- As a Non-resident, you still get the benefit of the basic exemption limit of ₹ 2,50,000 from your total income. However, if total income of Non-resident in India consists of only short-term capital gains or long-term capital gains, then the benefit of the basic exemption limit is not available in respect of such gains.

When is a Non-residents Required to File his Income Tax Return?

Non-residents are required to file a return of income if they have taxable income in India.

In the following situations an NRI is required to file Income Tax Return in India:

- If Non-Residents Gross Total Income before allowing any deductions under section 80 is more than ₹ 2,50,000.
- If Non-residents are seeking a refund from the department.
- If Non-residents want to have the benefit of carrying forward of losses.

About the Book

- **Covers Latest Amendments:** Updated as per the Finance Act, 2024, with all important changes relevant for A.Y. 2025–26.
- **Easy-to-Understand Format:** Concepts are presented in a clear, structured, and student-friendly manner for better understanding.
- **Rich in Illustrations and Practical Problems:** Includes numerous solved examples and unsolved questions, arranged topic-wise to build application skills.
- **Helpful Tax Planning Tips:** Practical hints provided at suitable places to guide students on effective tax planning methods.
- **Covers Court Rulings in Detail:** Important and recent case laws are included in the appendix, showing how courts interpret tax provisions.
- **Exam-Oriented Content:** Designed to meet the needs of students appearing in university and professional exams, with relevant questions and formats.
- **Comparison of Old vs. New Tax Regime:** The impact of both regimes is highlighted throughout the book, helping students clearly understand the differences and choose the right approach.

About the Authors

Prof. Preeti Rani Mittal, did her M.Com., M.A. (Economics) and Ph.D. from C.C.S. University, Meerut (U.P.). She received her Ph.D. degree with the topic, "Impact of Human Resource Management in Life Insurance Corporation of India". Presently, she is Professor and Head of the Commerce Department in Dr. P.D.B.H. Govt. (P.G.) College, Kotdwar, Uttarakhand. She has a rich academic experience of 25+ years in the field of Commerce and Management at higher education. She has published 32 research papers in leading journals and presented papers in National and International seminars. Prof. Mittal has authored two more books:

- Auditing and Corporate Governance
- Fundamentals of Income Tax: Problems and Solutions

Prof. Mittal, was awarded 'Tejaswini Women of India National Award for Best Teaching'. She was conferred 'Saraswatibai Dadasahab Phalke' Iconic International Women Award for her contribution to Education in March 2021. She has also been a co-guide for Ph.D. students. She is associated with the Institute of Chartered Accountants of India (ICAI), Public Service Commission, Uttarakhand, C.C.S. University, S.D.S. University, H.G.U. and H.N.B. Garhwal University, etc. Her areas of interest include Taxation, Human Resource Management, Accounting, Corporate Governance, etc. Apart from being a passionate reader and writer, she is also an acclaimed speaker.



Dr. Anshika Bansal, is Assistant Professor, Department of Commerce, Govt. P.G. College, New Tehri (Uttarakhand). She did her graduation and Post Graduation from H.N.B. Garhwal University (Uttarakhand). She qualified NET, U-SET and CA (Inter examinations). She has got her Ph.D. degree with the topic "The Role of Human Resource Practices on Organizational Effectiveness". She is having a teaching experience of 4+ years in the field of Commerce and Management at higher education. She is the author of two books & has published several research papers in leading journals.



Sultan Chand & Sons

Publishers of Standard Educational Textbooks

23 Daryaganj, New Delhi-110002
Phones (S) : 011-23281876, 23266105, 41625022
(O) : 011-23247051, 40234454
Email : sultanchand74@yahoo.com
info@sultanchandandsons.com



TC - 007

ISBN 978-93-49290-03-7

