

Tamil Nadu State Council for Higher Education (TANSCHÉ) Syllabus
For B.Com. (General) & B.Com. (Accounting & Finance)

INCOME TAX

LAW AND PRACTICE – II

Assessment Year 2025-26

Preeti Rani Mittal
Anshika Bansal



Sultan Chand & Sons

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as per

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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



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

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

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Preface

This book, *Income Tax Law and Practice – II*, has been specially written to help students understand income tax in an easy and practical way. It is meant mainly for B.Com. (General) and B.Com. (Accounting & Finance) students, as per the latest syllabus given by the Tamil Nadu State Council for Higher Education (TANSCHÉ) for the *Assessment Year 2025–26*. Along with that, the book is also useful for students of BBA, M.Com., CA (Inter), CS, CMA, and other professional courses, where income tax is an important subject.

The main aim of this book is to make learning income tax simple and straightforward. We have followed the TANSCHÉ syllabus very carefully, so that every topic given by the university is covered in the same order and detail as required. All the new rules and changes up to the Finance Act, 2025, have been included, so students get the most updated content.

The book is divided into five units, just like it is given in the TANSCHÉ syllabus.

The first unit is about Capital Gains. Here, students will learn about capital assets, the reasons for paying tax when these assets are transferred, and how to calculate capital gains. The unit covers both short-term and long-term capital gains, and explains exemptions under different sections such as 54, 54B, 54D, 54EC, 54F, and 54GA. Every concept is explained with simple examples and solved questions that make it easy to understand.

The second unit covers Income from Other Sources and Clubbing of Income. Students will learn about different income sources not covered under other heads and how such incomes are charged to tax. The chapter on clubbing of income explains when the income of one person is added to another, with practical situations that make these rules easy to follow.

The third unit is about Set-off and Carry Forward of Losses and Deductions. This part explains how losses from one source can be set off against other incomes and how they can be carried forward if not fully set off in the same year. It also covers all deductions available under Chapter VI-A, step by step, with examples showing students how to claim these deductions correctly.

The fourth unit teaches Computation of Total Income for Individuals. It guides students through the entire calculation process for individuals, comparing the old and new tax regimes. Sample computations, clear steps, and tabular presentations help students practice and prepare for exams in the most efficient manner.

The fifth and final unit explains Income Tax Authorities and Return Filing Process. Here, students get to know about different authorities under the Income Tax Act, their roles and powers, and the step-by-step procedure for filing income tax returns. This unit also explains related concepts like PAN, e-filing, and information statements, exactly as required by the syllabus.

To help students even more, the book has many solved examples, practice questions, tables, and figures. There are also multiple-choice questions and important case law to help build practical and exam-related understanding.

We sincerely hope that this book will be a useful companion for students throughout the year. Our focus has always been on making income tax easy to learn and apply, in line with the TANSCHÉ syllabus. We wish all readers success in their studies and future professional journey.

Prof. Preeti Rani Mittal
Dr. Anshika Bansal



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Snapshot of the Book



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					Long Answers Questions	Short Answers Questions	Multiple Choice Questions	Fill in the Blanks	True & False	
Unit I – Capital Gains										
1. Capital Gains		11	4	40	11	12	18	9	12	25
Unit II – Income from Other Sources and Clubbing of Income										
2. Income from Other Sources		–	2	22	10	14	11	10	8	20
3. Clubbing of Income		2	–	9	8	7	10	7	8	7
Unit III – Set-off and Carry Forward of Losses and Deductions from Gross Total Income										
4. Set-off and Carry Forward of Losses		2	2	11	6	10	13	11	11	11
5. Deductions to be Made in Computing Total Income		6	3	16	5	12	12	8	9	16
Unit IV – Computation of Total Income – Individual										
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Unit V – Income Tax Authorities and Return Processing										
7. Income Tax Authorities		4	–	–	7	6	10	10	8	2
8. Procedure for Assessment & Filing Return		3	4	4	8	10	11	6	6	2
Appendix										
Leading Cases of Supreme Court & High Court		–	–	–	–	–	–	–	–	–
Total		30	16	119	63	78	98	71	72	96



Salient Features of Finance Act, 2025

SALIENT FEATURES OF THE FINANCE ACT 2024

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

<i>S. No.</i> <i>(1)</i>	<i>Total Income</i> <i>(2)</i>	<i>Rate of Tax</i> <i>(3)</i>
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

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 AY 2026-27

S. No. (1)	Total Income (2)	Rate of Tax (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 AY 2026-27

S. No. (1)	Total Income (2)	Rate of Tax (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 AY 2026-27

S. No. (1)	Total Income (2)	Rate of Tax (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. (1)	Total Income (2)	Rate of Tax (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

<i>Total Income (₹)</i>	<i>Surcharge Rate</i>	<i>Applicability</i>
Above 50 lakh – up to 1 crore	10%	Applicable to all assessees
Above 1 crore – up to 2 crore	15%	Applicable to all assessees
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%

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).

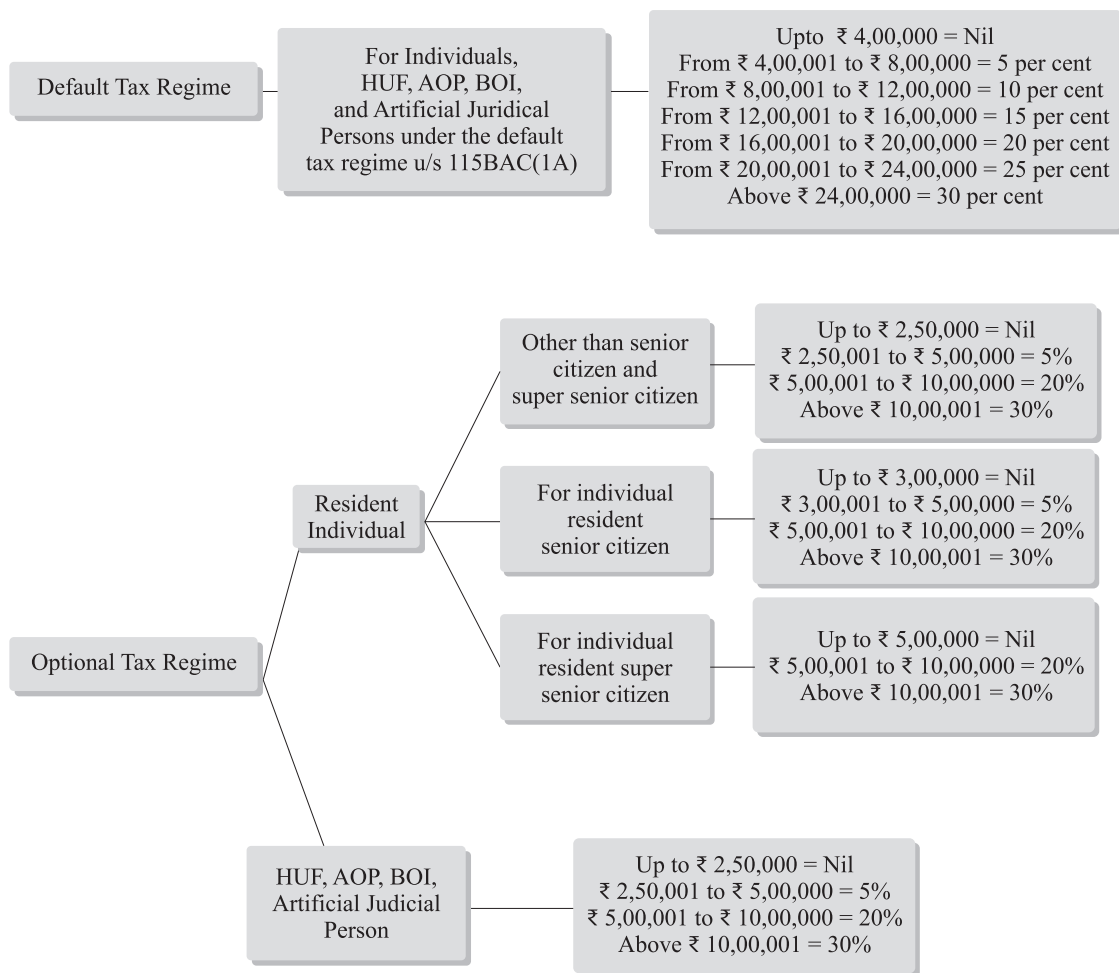
Changes in TDS Deduction Rules

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, cooperative 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 RATES FOR A.Y. 2026-27



About the Book

- Fully updated as per Tamil Nadu State Council for Higher Education (TANSCHÉ) syllabus for AY 2025-26.
- Covers all important topics of Income Tax for B.Com. (General), B.Com. (Accounting & Finance), and professional courses.
- Simple language and clear explanations for easy understanding.
- Detailed chapters on Capital Gains, Income from Other Sources, Clubbing of Income, Set-off and Carry Forward of Losses, Deductions and Income Tax Authorities.
- Step-by-step guidance on Income Tax computation for individuals under old and new tax regimes.
- Includes practical examples, solved problems, figures, tables, and multiple-choice questions to support effective exam preparation.

About the Authors

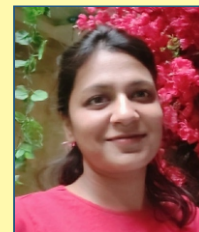
Prof. (Dr.) Preeti Rani Mittal is Professor and Head of the Department of Commerce at Dr. P.D.B.H. Governeaching and research experience, Prof. Mittal has contributed extensively to Commerce and Management education.



She has published moment (P.G.) College, Kotdwar, Uttarakhand. She holds M.Com., M.A. (Economics), and Ph.D. degrees from C.C.S. University, Meerut. Her doctoral research focused on the "Impact of Human Resource Management in Life Insurance Corporation of India." With over 26 years of tre than 32 research papers in reputed journals and presented at many national and international seminars. Prof. Mittal has also co-guided Ph.D. scholars and authored two well-known books: Auditing and Corporate Governance and Fundamentals of Income Tax: Problems and Solutions. She is the Principal Investigator of a research project under the Chief Minister Higher Education Research Encouragement Scheme by the Department of Higher Education, Government of Uttarakhand.

Prof. Mittal actively contributes to academic and professional bodies including ICAI, C.C.S. University, S.D.S. University, H.G.U., H.N.B. Garhwal University, UKPSC (Uttarakhand Public Service Commission), and UKSSC (Uttarakhand Subordinate Service Selection Commission). Her key interests include Taxation, Human Resource Management, Accounting, and Corporate Governance.

Dr. Anshika Bansal is an Assistant Professor in the Department of Commerce at Dr. P.D.B.H. Government (P.G.) College, Kotdwar. She earned her graduation, post-graduation, and Ph.D. from H.N.B. Garhwal University. Her doctoral research focused on "The Role of Human Resource Practices on Organizational Effectiveness." With 5+ years of teaching experience in Commerce and Management, Dr. Bansal has qualified NET, U-SET, and CA (Inter).



She is the author of two books and has published several research papers in reputed journals. Her main areas of interest are Taxation, Accounting, and Human Resource Management.



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23 Daryaganj, New Delhi-110002

Phones (S) : 011-23281876, 23266105, 41625022

(O) : 011-23247051, 40234454

Email : sultanchand74@yahoo.com

info@sultanchandandsons.com



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