

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

A Textbook of
Income Tax
Law and Practice – II

Assessment Year 2025-26

Dr. Anita Raman • Dr. A. Lydia Arockia Mary



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A Textbook of
INCOME TAX
Law & Practice – II

Assessment Year 2025-26

For B.Com. (General), B.Com. (Accounting & Finance), BBA, & M.Com.
as per

Tamil Nadu State Council for Higher Education (TANSCHÉ) Syllabus

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P



Preface

We are delighted to present Volume II of our textbook on Income Tax Law and Practice, continuing the academic journey we began in Volume I. While the first volume laid the groundwork by introducing fundamental concepts and primary heads of income, this second volume builds upon that base and explores more advanced and practical aspects of taxation.

This volume includes key topics such as Capital Gains, Income from Other Sources, Clubbing of Income, Set-off and Carry Forward of Losses, Deductions from Gross Total Income, Income Tax Authorities and Procedure of Assessment, and Assessment of Individuals, Firms, and Hindu Undivided Families. These chapters are designed to help learners:

- Understand intricate provisions with clarity
- Apply tax laws through examples and case-based illustrations
- Prepare effectively for university exams and professional courses
- Gain practical insights into compliance and tax planning

The content reflects the latest amendments and notifications, ensuring that students and professionals stay current with evolving tax laws. This book is especially beneficial for students pursuing B.Com., BBA, M.Com. and other commerce-related programs, as well as for aspiring tax practitioners.

We extend our heartfelt thanks to readers, educators, and reviewers for their encouragement and valuable feedback on Volume I. We hope Volume II continues to support your learning and professional growth.

Your suggestions for further improvement are always welcome.

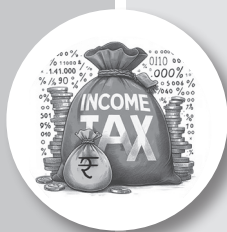
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Snapshot of the Book



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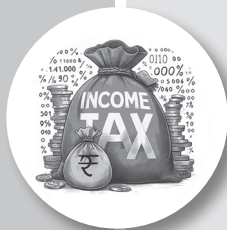
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Tax Rates for the Assessment Year 2025-26

TAX SLAB RATES

1. For an Individual, HUF, AOP, BOI or an Artificial Juridical Person

Table 1

<i>Net Income Range</i>	<i>Income Tax Rates</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5% above 2,50,000
₹ 5,00,001 to ₹ 10,00,000	12,500 + 20% above 5,00,000
₹ 10,00,001 to ₹ 50,00,000	1,12,500 + 30% above 10,00,000
₹ 50,00,001 to ₹ 1,00,00,000	1,12,500 + 30% above 10,00,000
Above ₹ 1,00,00,000	1,12,500 + 30% above 40,00,000

Notes:

- **Rebate u/s 87A:** A resident individual (whose net income does not exceed ₹ 5,00,000) can avail rebate u/s 87A. It can be claimed as a deduction from income tax before calculating and charging health and education cess.
- **Surcharge:** A surcharge of 10% of income tax is levied if the net income range of a person is between ₹ 50,00,000 to ₹ 1,00,00,000.

Further, a surcharge of 15% of income tax is levied if the net income range of a person is above ₹ 1,00,00,000.

- **Health and Education Cess:** It is 4% of income tax and surcharge.
- **Alternate Minimum Tax:** Tax payable by a non-corporate assessee shall not be less than 18.5% + SC + HEC of the “adjusted total income” as per Section 115JC.

2. For Resident Senior Citizen (who is 60 years of age or more but below 80 years of age at any time during the previous year)

Table 2

<i>Net Income Range</i>	<i>Income Tax Rates</i>
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 5,00,000	5% above 3,00,000
₹ 5,00,001 to ₹ 10,00,000	10,000 + 20% above 5,00,000

<i>Net Income Range</i>	<i>Income Tax Rates</i>
₹ 10,00,001 to ₹ 50,00,000	1,12,500 + 30% above 10,00,000
₹ 50,00,001 to ₹ 1,00,00,000	1,12,500 + 30% above 10,00,000
Above ₹ 1,00,00,000	1,12,500 + 30% above 10,00,000

Note: Surcharge and Health and education cess are levied the same as in the case of an individual, HUF, AOPs, BOIs or an artificial juridical person.

3. For “Very Senior Citizen” Who is 80 Years of Age or above 80 years During the Previous Year

Table 3

<i>Net Income Range</i>	<i>Income Tax Rates</i>
Up to ₹ 5,00,000	Nil
₹ 5,00,001 to ₹ 10,00,000	20% above 5,00,000
₹ 10,00,001 to ₹ 50,00,000	1,12,500 + 30% above 10,00,000
₹ 50,00,001 to ₹ 1,00,00,000	1,12,500 + 30% above 10,00,000
Above ₹ 1,00,00,000	1,12,500 + 30% above 10,00,000

Note: Surcharge and Health and education cess are levied the same as in the case of an individual, HUF, AOPs, BOIs or an artificial juridical person.

4. For Firms

- Firm is taxed @ 30 % for the assessment year 2025-26.
- Surcharge is 12% if the net income exceeds ₹ 1 crore. It is subject to a marginal relief in the case of a firm having a net income of exceeding ₹ 1 crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of ₹ 1 crore by more than the amount of income that exceeds ₹ 1 crore.

5. For Companies: For the assessment year 2025-26 the following rates of income is applicable:

1. For a Domestic Company:
 - (a) Where the total turnover or gross receipt during the previous year 2016-17 does not exceed ₹ 250 crore: Rate of income tax is 25%.
 - (b) Any other domestic company: Rate of income tax is 30%.
2. For a Foreign Company :
 - (a) When the royalty received from Government or an Indian concern for an agreement made after 31st March 1961, but before 1st April 1976 or fees for rendering technical services as an agreement made after 29th February 1964 but before 1st April 1976 and such an agreement in both the cases has been approved by the Central Government : Rate of income tax is 50%.
 - (b) Other Income: Rate of tax is 40%.

Note:

• Surcharge:

- (a) For a domestic company if the income is in the range of ₹ 1 crore to ₹ 10 crore – surcharge rate 7%. But if the net income exceeds ₹ 1 crore – surcharge rate is 12%.

- **Marginal Relief:**

- (a) In the case of a company having a net income of exceeding ₹ 1 crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of ₹ 1 crore by more than the amount of income that exceeds ₹ 1 crore.
- (b) In the case of a company having a net income of exceeding ₹ 10 crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax and surcharge on total income of ₹ 10 crore by more than the amount of income that exceeds ₹ 10 crore.

- **Health and Education Cess:** It is 4% of income tax and surcharge.

- **Minimum Alternate Tax:** If book profit of a company exceeds ₹ 1 crore but does not exceed ₹ 10 crore, the minimum alternate tax cannot exceed (₹ 18.5 lakhs + book profit – ₹ 1 crore) + HEC.

However, if the book profit exceeds ₹ 10 crore, the minimum alternate tax cannot exceed the following:

- (a) For a Domestic company: (₹ 197.95 lakhs + book profit – ₹ 10 crore) + HEC;
- (b) For a Foreign company: (₹ 188.7 lakhs + book profit – ₹ 10 crore) + HEC.

6. For Cooperative Societies

Table 4

<i>Net Income Range</i>	<i>Income Tax Rates</i>
Up to ₹ 10,000	10%
₹ 10,000 to ₹ 20,000	20%
Above ₹ 20,000	30%

Note:

- **Surcharge:** Surcharge is 12% of income tax if net income exceeds ₹ 1 crore. It is subject to a marginal relief (in the case of a cooperative society having a net income of exceeding ₹ 1 crore, the amount payable as income tax and surcharge shall not exceed the total amount payable as income tax on total income of ₹ 1 crore by more than the amount of income that exceeds ₹ 1 crore).
- **Health and Education Cess:** It is 4% of income tax and surcharge.
- **Alternate Minimum Tax:** Tax payable cannot be less than 18.5 % (+ SC + HEC) of the 'adjusted total income' as per Section 115JC.

7. For Local Authorities:

- Local authorities are taxable at the rate of 30%
- Surcharge is 12% of income tax if net income exceeds ₹ 1 crore. It is also subject to a marginal relief like the cooperative society.
- Health and education cess: It is 4% of income tax and surcharge.
- Alternate minimum tax: Tax payable cannot be less than 18.5% (+ SC+ HEC) of 'adjusted total income' as per Section 115JC.

NEW TAX REGIME

Table 5

<i>Income Slabs</i>	<i>Income Tax Rates for FY 2024-25 (AY 2025-26)</i>
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 7,00,000	5% on income exceeding ₹ 3,00,000
₹ 7,00,001 to ₹ 10,00,000	₹ 20,000 + 10% on income exceeding ₹ 7,00,000
₹ 10,00,001 to ₹ 12,00,000	₹ 50,000 + 15% on income exceeding ₹ 10,00,000
₹ 12,00,001 to ₹ 15,00,000	₹ 80,000 + 20% on income exceeding ₹ 12,00,000
Above ₹ 15,00,001 to ₹ 50,00,000	₹ 1,40,000 + 30% on income exceeding ₹ 15,00,000

About the Book

This textbook is designed to provide comprehensive coverage of income tax laws and practices, specifically tailored for students and professionals. It covers essential topics such as income from capital gains, income from other sources, set-off and carry-forward of losses, and computation of total income. The book aims to equip readers with practical knowledge and skills to navigate complex tax scenarios. With updated information and examples, it's a valuable resource for those seeking to understand income tax laws. The book is authored by experts in the field, ensuring accuracy and relevance.

Salient Features

- **Comprehensive Coverage:** The book provides in-depth coverage of income tax laws and practices, including the latest updates and amendments.
- **Practical Examples:** The book includes practical examples and illustrations to help readers understand complex tax concepts and apply them to real-world scenarios.
- **Updated Information:** The book is regularly updated to reflect changes in tax laws and regulations, ensuring readers have access to the latest information.
- **Clear Explanations:** The authors explain complex tax concepts in a clear and concise manner, making it easier for readers to understand and apply them.
- **User-Friendly Format:** The book is designed to be user-friendly, with a logical structure and easy-to-navigate sections, making it a convenient reference guide.

About the Authors

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