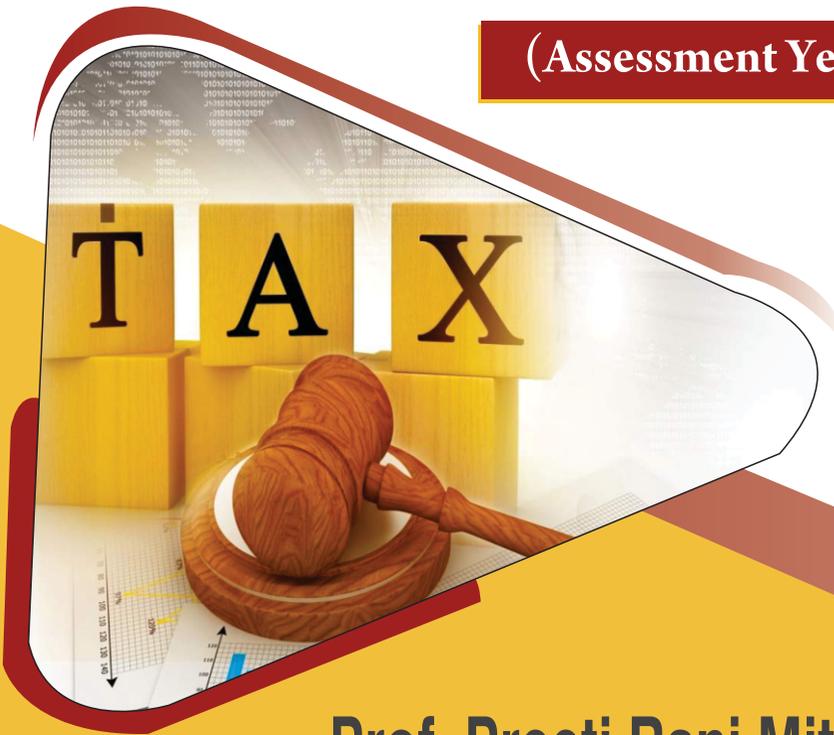


6th
EDITION

INCOME TAX

Law and Practice

(Assessment Year 2024-25)



Prof. Preeti Rani Mittal
Dr. Anshika Bansal

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Income Tax

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INCOME TAX

LAW AND PRACTICE
(Assessment Year 2024-25)

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New Delhi

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Educational Publishers

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011-23247051, 40234454 (*Office*)

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

ISBN : 978-93-91820-93-0 (TC 007)

Price : ₹ 725.00

First Edition : 2019; Fifth Edition : 2023

Sixth Edition : 2024

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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 SIXTH EDITION

The present publication is the 6th edition of the book *Income Tax Law and Practice* & has been amended by the Finance Act, 2023 for the assessment year 2024-25 with the following noteworthy features:

[Coverage]: Coverage of this book includes:

The introductory chapter narrate brief introduction of taxation system, concept, basic definitions, planning and charter of income tax at a glance.

Chapter 2 given an overview of residential status of an assessee which determines the scope of chargeability of his income for computation of his tax liability.

Chapter 3 is devoted for fully and partially exempted income which are specifically exempted from tax by income tax law.

Chapter 4-10 deal with all heads of income which holds tax liability on income from salary, house property, business & profession, capital gain and other sources. It deals in details all provisions of assessment of income relating to Income Tax Act, 1961.

Chapter 11 covers clubbing of income including cross transfer, deemed incomes and revocable transfer in such a way that tax liability of a taxpayer can be reduced or avoided.

Chapter 12 depict set off and carry forward of losses incurred by a person against his profit or income in assessment year.

Chapter 13 is devoted to privileges the deductions to be made in computing total income in respect of certain payments.

Chapter 14 a brief chapter which deals with assessment of agricultural income including non-agricultural income.

Chapter 15 provide thorough detail about computation of total income and procedure of taxation of an individual.

Chapter 16 is dedicated to assessment of HUF. The Income Tax Act provides a special status to HUF and it is treated as separate entity for the purpose of assessment.

Chapter 17 illustrate the assessment of Firm's including LLP. It is also a separate legal entity in the eye of income tax department and covers all provisions of Firm and LLP' taxation.

Chapter 18 shows rebate and relief of tax, on which tax already been paid.

Chapter 19 give an overview of the return of income and e-filing procedure, furnished by a taxpayer to the income tax department in prescribed form.

Chapter 20 represents TDS and E-TDS return with an aim to collect tax from every source of income in quick and efficient collection of taxes.

Chapter 21 characterizes assessment procedure; it begins with self-assessment and end with the assessment by the authority.

Chapter 22 narrate some leading cases of Supreme Court which are simply known as “stand by decisions”.

[Student-Oriented Book]: This book has been developed keeping in mind the following factors:

- Interaction of the author/teacher with their students in the classroom.
- Simple Language is used throughout the book for easy learning.

[Arrangement of Illustrations and Unsolved Practical Questions]: Illustrations and unsolved practical questions in each chapter are arranged ‘sub-topic’ wise by which students can apply what they learn to actual taxation situations.

[Notes and Hints]: All chapters have plenty of notes and hints in each illustration and question which helps the students in solve their numerical problems properly and easy understanding in complex subject like Income Tax.

[Annotation]: Section-wise detail annotation on changes made by the Finance Act, 2023.

[Amendment Made by Finance Act, 2024]: All Amendments are duly incorporated in silent features of the book and are appropriately highlighted.

[Comprehensive Table of Contents]: The contents of all chapters are clearly presented at the starting of the book.

[List of Tables & List of Figures]: The list of tables and list of figures are printed in starting of the book for better clarity.

[Solution of Practical Questions Also Available]: For solutions to the unsolved questions of each chapter, students may refer to [Fundamental of Income Problems & Solutions].

[Computation of Taxes]: The illustrations and questions throughout the book have been restructured according to new tax regime u/s 115BAC along with old tax regime.

[Exordium of Chapter]: Each chapter begins with an exordium, which aims to provide students with a preliminary understanding of that chapter.

This book is primarily intended for B.com, B.com (Hons.), BBA, BCA, M.Com, M.B.A, and CA (Intermediate) students. The book has been written to cater to the needs of students appearing in such examinations. We trust the book would meet the requirements of both teachers as well as students.

We express our thanks to our parents, family members, and our loving **Dipesh Mittal** and **Pranika Bansal**. In this connection, **Mr. Vikas Mittal** and **Mr. Ayush Bansal** have contributed immensely in editing the contents of the Income Tax Law and deserve a special mention.

We offer our gratitude to our publisher **Sultan Chand & Sons** for doing an excellent job in bringing out this edition. We believe that there is always a scope for improvement in the book, suggestions and comments for further improvement of the book are welcome.

Prof. Preeti Rani Mittal
Dr. Anshika Bansal

PREFACE TO FIFTH EDITION

The Present Publication is the 5th Edition of the book Income Tax Law and Practice & has been amended by the Finance Act 2022 for the assessment year 2023-24 with the following noteworthy features:

Coverage: Coverage of this book includes:

- New syllabus of NEP, 2020
- 22 Chapters
- 373 Illustrations
- 294 Practical Problems
- 101 Tables
- 41 Figures
- 162 Long Answer Questions
- 203 Short Answer Questions
- 259 Application Based MCQs
- Case of Supreme Court and High Court
- E-filing of Return
- Faceless Tax Proceedings
- This book covers the amended, updated & annotated text of the Income-tax Act 1961 & the Finance Act 2022.

Student-Oriented Book: This book has been developed keeping in mind the following factors:

- Interaction of the author/teacher with their students in the classroom
- Simple Language is used throughout the book for easy learning.

Arrangement of Illustrations and Unsolved Practical Questions: Illustrations and Unsolved Practical Questions in each chapter are arranged 'sub-topic' wise by which students can apply what they learn to actual taxation situations.

Annotation: Section-wise detail annotation on changes made by the Finance Act, 2022.

Amendment made by Finance Act 2023: All Amendments are duly incorporated in silent features of the book and are appropriately highlighted.

Comprehensive Table of Contents: The contents of all chapters are clearly presented at the starting of the book.

List of Tables & List of Figures: The list of Tables and List of Figures are printed in starting of the book for better clarity.

Solution of Practical Questions also Available: For Solutions to the unsolved questions of each chapter, students may refer to [Fundamental of Income Problems & Solutions].

Computation of Taxes: The tax of the assessee is calculated on various slabs of income along with new slab rates.

Exordium of Chapter: Each chapter begins with an exordium, which aims to provide students with a preliminary understanding of that chapter.

CA (Intermediate) students. The book has been written to cater to the needs of students appearing in such examinations. We trust the book would meet the requirements of both teachers as well as students.

We express our thanks to our parents, family members, and our loving Divesh Mittal and Pranika Bansal. In this connection, Mr. Vikas Mittal and Mr. Ayush Bansal have contributed immensely in editing the contents of the Income Tax Law and deserve a special mention.

We acknowledge our deepest indebtedness to Mr. Durga Chaudhary because of the trust he has shown in us and he has always supported us in moving forward.

We offer our gratitude to our publisher **Sultan Chand & Sons** for doing an excellent job in bringing out this edition. We believe that there is always a scope for improvement in the book, suggestions and comments for further improvement of the book are welcome.

Prof. Preeti Rani Mittal
Dr. Anshika Bansal

Contents



<i>Preface</i>	v
<i>List of Tables</i>	xxix
<i>List of Figures</i>	xxxii
<i>Snapshot of the Book</i>	xxxii
<i>Salient Features of Finance Act, 2024</i>	xxxiii – xxxvi
<i>Income Tax for Non-resident: Taxable Income & Deduction</i>	xxxvii – xl
1. Basic Concepts of Income Tax	1 – 34
Exordium of Chapter	1
Types of Tax	1
Direct Tax	1
Indirect Tax	1
Structure of Indian Taxation System	2
Income Tax	4
Features of Income Tax	4
Brief History of Income Tax in India	5
Components of Income Tax Law	5
Income Tax Act, 1961	5
Income Tax Rules, 1962	6
Annual Finance Act	6
Memorandum of Income Tax	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
Charter of Income Tax	19
Meaning of Charter	19
Duties towards the Taxpayers	20
Expectation from the Taxpayers	20
Income Tax Rates Applicable	21
For Individual	21
For Individual Resident Senior Citizen	21
For Individual Resident Super-Senior Citizen	22
New Tax Regime	22
Tax Rate for Firm	24
Tax Rate for Company	25
Tax Planning, Tax Avoidance, Tax Evasion and Tax Management	26
<i>Theoretical Questions</i>	31
<i>Long Answer Type Questions</i>	31
<i>Short Answer Type Questions</i>	31
<i>Objective Type Questions</i>	31
<i>Multiple Choice Questions (MCQs)</i>	31
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	32
<i>State Whether the following Statements are 'True' or 'False'</i>	33
<i>Practical Questions</i>	33

2. Residential Status

35 – 65

Exordium of Chapter	35
Determination of Residential Status of Different Persons	35
General Rules	35
Residential Status of Individual [Section 6(1) and 6(6)]	36
Resident [Section 6(1)]	36
Deemed Resident [Section 6(1A)]	38
Non-Resident [Section 2(30)]	38
Residential Status of HUF, Firm and AOP [Section 6(2) and 6(6)(b)]	41
Hindu Undivided Family (HUF)	41
Firm and Other Association of Persons [Section 6(2)]	44
Residential Status of Company [Section 6(3)]	44
When a Company is Resident	44
When a Company is Non-resident	44
Residential Status of any other Person [Section 6(4)]	45
When any other Person is Resident	45
When any other Person is Non-resident	45
Determination of Tax Incidence [Section 5]	45
Tax Incidence of Resident/Not Ordinarily Resident/Non-resident	45
Charge on 'Deemed Receipt' Basis [Section 7]	50
Charge on 'Deemed Accrual' Basis [Section 9]	50
Income from Connection in India [Section 9(1)(i)]	51
Income from Salaries Earned in India [Section 9(1)(ii)]	54
Salary Paid by Government to Indian Citizen Working Outside India [Section 9(1)(iii)]	54

Dividend Paid Outside India [Section 9(1)(iv)]	54
Income by Way of Interest [Section 9(1)(v)]	55
Income by Way of Royalty [Section 9(1)(vi)]	55
Income by Way of Technical Service [Section 9(1)(vii)]	56
Payment to Non-resident or to a Foreign Company on or after the 5th Day of July, 2019 [Section 9(1)(viii)]	56
<i>Theoretical Questions</i>	59
<i>Long Answer Type Questions</i>	59
<i>Short Answer Type Questions</i>	60
<i>Objective Type Questions</i>	60
<i>Multiple Choice Questions (MCQs)</i>	60
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	61
<i>State Whether the following Statements are 'True' or 'False'</i>	61
<i>Practical Questions</i>	62
3. Income Exempt from Tax	67 – 88
Exordium of Chapter	67
Exempted Income for All Assessee	67
Fully Exempted Incomes for All Assessee	67
Partially Exempted Income for All Assessee	79
Taxable Income for All Assessee	85
Rebatable (Tax free) Income for All Assessee	85
Restrictions on Allowability of Expenditure [Section 14A]	86
<i>Theoretical Questions</i>	86
<i>Long Answer Type Questions</i>	86
<i>Short Answer Type Questions</i>	86
<i>Objective Type Questions</i>	86
<i>Multiple Choice Questions (MCQs)</i>	86
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	87
<i>State Whether the following Statements are 'True' or 'False'</i>	87
<i>Practical Questions</i>	88
4. Income from Salary	89 – 191
Exordium of Chapter	89
Income from Salaries [Section 15]	89
Important Points for Computing Salary Income	90
Employer and Employee Relationship	90
Salary from Present, Past or Prospective Employer	90
Salary from more than One Employer	90
Tax-free Salary	90
Previous Year for Salaries	91
Place of Accrual of Salary Income	91
Pension	91
Advance Salary	91
Accrual or Receipt Basis	91
Surrender of Salary	91
Voluntary Foregoing of Salary	91
Arrears of Salary Received	91
Due Date of Salary	91
Grade or Basic Pay	92
Meaning of Salary [Section 17(1)]	93
Wages	93
Annuity or Pension	93

Gratuity	93
Fees, Commission, Perquisites, Profits in Lieu of Salary and Addition to Salary	93
Advance Salary	93
Payment Received by an Employee in Respect of any Period of Leave not Availed of by Him	93
Annual Accretion to the Balance of Recognized Provident Fund	94
Transferred Balance in Recognized Provident Fund	94
National Pension Scheme	94
Agniveer Corpus Fund	94
Allowances	95
Fully Taxable Allowances	95
Partly Taxable Allowances	96
Fully Exempted Allowances	102
Perquisites	106
Taxability of Perquisites	107
Valuation of Perquisites	109
Perquisites Taxable in Case of All Types of Employees	109
Perquisites Taxable in Case of Specified Employees Only [Section 17(2)(iii)]	119
Tax Free Perquisites	126
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 – 246

Exordium of Chapter	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]	196
Definition of Annual Value	196
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]	214
Arrears of Rent or Recovery of Unrealised Rent [Section 25A]	214
Property Owned by Co-owner [Section 26]	216
<i>Theoretical Questions</i>	234
<i>Long Answer Type Questions</i>	234
<i>Short Answer Type Questions</i>	235
<i>Objective Type Questions</i>	235
<i>Multiple Choice Questions (MCQs)</i>	235
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	236
<i>State Whether the following Statements are 'True' or 'False'</i>	236
<i>Practical Questions</i>	237

6. Profit and Gains of Business or Profession **247 – 334**

Exordium of Chapter	247
Meaning of Business and Profession as per Income Tax Act	247
Meaning of 'Profits'	247
Method of Accounting [Section 145]	248
Incomes not Taxable under the Head 'Profit and Gains' of Business or Profession	248
Income from House Property [Section 22]	248
Dividend Income on Shares [Section 56(2)(i)]	248
Casual Income [Section 56(2)(ib)]	249
Interest Received on Compensation or Enhanced Compensation [Section 56(2)(viii)]	249
Any Profit/Loss on Sale of Business Assets	249
Basis of Charges [Section 28]	251
Business or Professional Income [Section 28(i)]	251
Compensation [Section 28(ii)]	251
Income of Trade, Professional or Similar Association [Section 28(iii)]	252
Receipt in Connection with Foreign Trade [Section 28(iiiia to iiic)]	252
Benefit or Perquisites [Section 28(iv)]	252
Receipt of a Partner from the Firm [Section 28(v)]	252
Sum Received under Certain Agreement for Not to Carry on Business [Section 28(va)]	253
Sum Received under a Keyman Insurance Policy [Section 28(vi)]	253

Conversion of Inventory [Section 28(via)]	253
Transfer of Certain Assets Specified u/s 35AD in Certain Circumstances [Section 28(vii)]	254
Income from Speculative Business [Section 28 Explanation 2]	254
Important Rules Regarding Assessment of Business Income	255
Computation of Income under the Head Business or Profession [Section 29]	256
Allowable Deduction while Computing Income from Business or Profession [Section 30 to 37]	256
Rent, Rates, Taxes, Repairs and Insurance for Buildings [Section 30]	256
Repairs and Insurance of Machinery, Plant and Furniture [Section 31]	257
Depreciation [Section 32]	257
Tea, Coffee and Rubber Development Account [Section 33AB]	257
Site Restoration Fund [Section 33ABA]	258
Expenditure on Scientific Research [Section 35]	260
Other Deductions [Section 36]	273
General Deductions [Section 37(1)]	278
Political Party Souvenir, Brochure [Section 37(2B)]	281
Inadmissible Deductions [Section 40]	291
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)]	297
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)]	298
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, etc. [Section 43D]	299
Maintenance of Accounts by Certain Persons Carrying on Profession or Business [Section 44AA]	300
Audit of Accounts of Certain Persons Carrying on Business or Profession [Section 44AB]	302
Valuation of Stock [Section 145A]	302
<i>Theoretical Questions</i>	321
<i>Long Answer Type Questions</i>	321
<i>Short Answer Type Questions</i>	322
<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>	324
7. Determination of Income on Presumptive Basis	335 – 349
Exordium of Chapter	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]	339
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]	343
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
Exordium of Chapter	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	353
Depreciation on Actual Cost Basis Applicable to Power Generation Undertakings [Section 32(1)(i)]	353
Written Down Value Method (Based on the Block of Assets)	355
Additional Depreciation [Section 32(1)(ia)]	359
Terminal Depreciation [Section 32(1)(iii)]	360
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 – 454**

Exordium of Chapter	379
Basis of Charge [Section 45(1)]	379
Essential Elements of “Capital Gains”	379
Capital Asset [Section 2(14)]	379
Types of Capital Assets and Capital Gains	381
Determination of Period of Holding	382
Period of Holding in Respect of Capital Goods	
[Explanation of 1(i) to Section 2(42A)]	382
Period of Holding in Respect of Other Capital Assets [Rule 8AA]	384
Transfer of Capital Asset [Section 2(47)]	384
Certain Transactions not Regarded as Transfer [Section 47]	385
Computation of Capital Gain [Section 48]	390
Computation of Short-term Capital Gains	391
Computation of Long-term Capital Gains	391
No Deduction of Securities Transaction Tax	392
Expenditure on Transfer of Capital Asset	392
Cost of Acquisition of an Asset	392
Indexed Cost of Acquisition	392
Indexed Cost of Improvement	393
Cost Inflation Index	393
Capital Gain on Transfer of Shares or Debentures in the Hands of	
Non-residents (Proviso 1 of Section 48 and Rule 115A)	394
Special Provision for Computation of Capital Gains in Case of	
Depreciable Assets [Section 50]	395
Cost with Reference to Certain Modes of Acquisition [Section 49]	399
Cost of Acquisition in Certain Cases [Section 55]	404
Scope and Year of Chargeability [Section 45]	406
General Provision [Section 45(1)]	406
Insurance Receipts [Section 45(1A)]	407
Transfer by Way of Conversion of Capital Asset into Stock-in-trade	
[Section 45(2)]	407
Capital Gain on Transfer of Securities [Section 45(2A)]	409
Capital Gain on Transfer of Capital Asset by a Partner or Member to a	
Firm Capital Contribution [Section 45(3)]	409
Distribution of Capital Asset on Dissolution of Firm or Reconstitution of	
Firm/AOI/BOI <i>etc.</i> [Section 45(4) and Section 9B]	410
Capital Gain on Compulsory Acquisition of a Capital Asset [Section 45(5)]	411
Computation of Capital Gains in Case of Joint Development Agreement	
[Section 45(5A)]	412
Capital Gain on Transfer of Unit [Section 45(6)]	413
Capital Gains in the Hands of Liquidated Company on Liquidation [Section 46(1)]	413
Capital Gains in the Hands of Shareholders on Liquidation [Section 46(2)]	413

Capital Gains on Purchase by Company of its Own Shares or Other Specified Securities [Section 46A]	413
Advance Money Received [Section 51]	413
Exemptions of Capital Gains	414
Capital Gains on Transfer of Long-term Residential House Property [Section 54]	414
Capital Gains on Transfer of Agricultural Land [Section 54B]	419
Capital Gains on Compulsory Acquisition of Land and Building [Section 54D]	420
Capital Gains on Transfer of Long-term Capital Asset being Land or Building or Both Invested in Long-term Specified Securities [Section 54EC]	422
Capital Gains Arising from the Transfer of Long-term Capital Asset in Units of Specified Fund [Section 54EE]	424
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]	425
Exemption of Capital Gains on Shifting of Industrial Undertaking from Urban Area to Non Urban Area [Section 54G]	427
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]	429
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)]	431
Extension of Time for Acquiring New Asset or Depositing or Investing Amount of Capital Gain [Section 54H]	434
Capital Gain Account Scheme, 1988	434
Rate of Capital Gain Tax	434
Short-term Capital Gains (STCG) [Section 111A]	434
Tax on Long-term Capital Gain in Various Cases [Section 112]	436
Long-term Capital Gains Arising from Sale of Listed Securities [Section 112A]	437
Long-term Capital Gains Arising from Transfer of Specified Asset	439
Reference to Valuation Officer [Section 55A]	439
<i>Theoretical Questions</i>	447
<i>Long Answer Type Questions</i>	447
<i>Short Answer Type Questions</i>	447
<i>Objective Type Questions</i>	447
<i>Multiple Choice Questions (MCQs)</i>	447
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	448
<i>State Whether the following Statement are 'True' or 'False'</i>	448
<i>Practical Questions</i>	449
10. Income from Other Sources	455 – 499
Exordium of Chapter	455
Types of Income Covered under this Head	455
General Income [Section 56(1)]	455
Specified Income [Section 56(2)]	456
Dividend [Section 56(2)(i)]	456
Casual Incomes [Section 56(2)(ib)]	461
Contribution to a Fund for Welfare of Employees Received by the Employer [Section 56(2)(ic)]	462
Interest on Securities [Section 56(2)(id)]	462
Income from Letting of Machinery, Plant or Furniture [Section 56(2)(ii)]	470
Income from Composite Letting of Machinery, Plant or Furniture and Buildings [Section 56(2)(iii)]	470

Sum Received under Keyman Insurance Policy [Section 56(2)(iv)]	471
Taxability of Gifts [Section 56(2)(x)]	471
Share Premium in Excess of the Fair Market Value to be Treated as Income [Section 56(2)(viib)]	478
Interest on Compensation or Enhanced Compensation [Section 56(2)(viii)]	479
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)]	479
Compensation or any Other Payment Received in Connection with Termination of his Employment [Section 56(2)(xi)]	479
Any Specified Sum Received by a Unit Holder [Section 56(2)(xii)]	479
Sum Received Under a Life Insurance Policy including the Amount Allocated by Way of Bonus [Section 56(2)(xiii)]	480
Family Pension	480
Deductions [Section 57]	481
Collection Charges in Case of Dividend and Interest on Securities [Section 57(i)]	481
Deduction in Respect of Employee’s Contribution towards Welfare of Employees [Section 57(ia)]	481
Deduction in Respect of Rental Income Letting of Plant, Machinery, Furniture or Building [Section 57(ii)]	481
Standard Deduction out of Family Pension [Section 57(iaa)]	482
Deduction from any Other Income [Section 57(iii)]	482
Deduction Regarding Interest on Compensation or Enhanced Compensation [Section 57(iv)]	482
In Case of Dividend or Income in Respect of Units of a Mutual Fund Specified under Section 10(23D) or Income in Respect of Units of a Specified Company Defined in the Explanation to Section 10(35)	482
Amounts not Deductible [Section 58]	482
Personal Expenses [Section 58(1)(a)(i)]	482
Interest [Section 58(1)(a)(ii)]	482
Salary [Section 58(1)(a)(iii)]	482
Wealth Tax [Section 58(1A)]	482
Expenditure in Respect of Winnings from Lottery [Section 58(4)]	482
Method of Accounting [Section 145]	483
<i>Theoretical Questions</i>	492
<i>Long Answer Type Questions</i>	492
<i>Short Answer Type Questions</i>	492
<i>Objectives Type Questions</i>	492
<i>Multiple Choice Questions (MCQs)</i>	492
<i>Fill in the Blanks with Appropriate Word(s) and Figure(s)</i>	493
<i>State Whether the following Statements are ‘True’ or ‘False’</i>	493
<i>Practical Questions</i>	493
11. Clubbing of Income	501 – 516
Exordium of Chapter	501
Income of Other Persons Included in an Assessee Total Income [Sections 60 to 63]	501
Transfer of Income where there is no Transfer of Assets [Section 60]	501
Revocable Transfer of Assets [Section 61]	501
Exceptions where Revocable Transfer Excluded from Clubbing Provision [Section 62]	501
Meaning of “Revocable Transfer” [Section 63]	502
Income of Other Person included in Individual’s Total Income	502
Any Salary, Commission, Fees or any Other form of Remuneration in which the Spouse has Substantial Interest [Section 64(1)(ii)]	502
Transfer of Assets to Spouse [Section 64(1)(iv)]	504
Transfer of the Asset to Son’s Wife [Section 64(1)(vi)]	505
Transfer of Asset to any Other Person for the Benefit of Spouse [Section 64(1)(vii)]	506

Transfer of Asset to any Other Person for the Benefit of Son's Wife [Section 64(1)(viii)]	506
Clubbing of Income of Minor Child [Section 64(1A)]	506
Transfer of Self-acquired Property to Hindu Undivided Family of which he is a Member [Section 64(2)]	508
Cross Transfer	510
Liability of Person in Respect of Income Included in the Income of Another Person [Section 65]	511
Deemed Incomes	511
Cash Credits [Section 68]	511
Unexplained Investments [Section 69]	511
Unexplained Money, <i>etc.</i> [Section 69A]	511
Amount of Investments, <i>etc.</i> , Not Fully Disclosed in Books of Account [Section 69B]	512
Unexplained Expenditure, <i>etc.</i> [Section 69C]	512
Unexplained Amount Borrowed or Repaid on <i>Hundi</i> [Section 69D]	512
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]	512
<i>Theoretical Questions</i>	514
<i>Long Answer Type Questions</i>	514
<i>Short Answer Type Questions</i>	514
<i>Objectives Type Questions</i>	514
<i>Multiple Choice Questions (MCQs)</i>	514
<i>Fill in the Blanks with Appropriate Word(s) or Figures(s)</i>	515
<i>State Whether the following Statements are 'True' or 'False'</i>	515
<i>Practical Questions</i>	515
12. Set-off and Carry Forward of Losses	517 – 547
Exordium of Chapter	517
Set-off of Losses	517
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]	517
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]	519
Special Provisions to Set Off of Losses in Case of a Person if he Opted to be Taxed Under Section 115BAC	520
Carry Forward and Set-off of Loss	525
Carry Forward of Loss under the Head "House Property" [Section 71B]	525
Carry Forward of Non-speculation "Business Loss" [Section 72]	526
Carry Forward of "Speculation Business Loss" [Section 73]	527
Carry Forward and Set-off of Loss of Business Specified u/s 35AD [Section 73A]	528
Carry Forward of Loss under the Head "Capital Gains" [Section 74]	528
Carry Forward of Loss for Owning and Maintaining Horse Races [Section 74A(3)]	528
Carry Forward and Set-off of Unabsorbed Depreciation [Section 32(2)]	529
Carry Forward and Set-off of Current and Brought Forward Losses	529
Provisions Relating to Carry Forward and Set-off of Accumulated Loss and Unabsorbed Depreciation Allowance in Amalgamation or Demerger, <i>etc.</i> [Section 72A]	529
Amalgamation of a Company	530
Demerger of a Company	531
Reorganization of Business	531
Conversion into Limited Liability Partnership [Section 72A(6A)]	532
Meaning of Certain Terms	532
Treatment of Carry Forward of Losses of Certain Assessee	533
Losses of Firms [Section 75]	533

Carry Forward and Set-off of Losses in Case of Change in Constitution of Firm or on Succession [Section 78]	533
Carry Forward and Set-off of Losses in Case of Certain Companies [Section 79]	533
Filing of Return of Loss [Section 80]	534
<i>Theoretical Questions</i>	541
<i>Long Answer Type Questions</i>	541
<i>Short Answer Type Questions</i>	541
<i>Objective Type Questions</i>	542
<i>Multiple Choice Questions (MCQs)</i>	542
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	542
<i>State Whether the following Statements are 'True' or 'False'</i>	543
<i>Practical Questions</i>	543
13. Deductions to be Made in Computing Total Income	549 – 625
Exordium of Chapter	549
General Rules of Deductions [Section 80A]	549
Various Deductions [Section 80C to 80U]	551
Deduction in Respect of Certain Payments	551
Deduction in Respect of Life Insurance Premium, Deferred Annuity, Contributions to Provident Fund, Subscription to Certain Equity Shares or Debentures, etc. [Section 80C]	551
Deduction in Respect of Contribution to Certain Pension Funds [Section 80CCC]	557
Deduction in Respect of Contribution to Pension Scheme of Central Government [Section 80CCD]	557
Limit on Deductions under Sections 80C, 80CCC and 80CCD [Section 80CCE]	558
Deduction in Respect of Medical Insurance Premium [Section 80D]	559
Deduction in Respect of Maintenance Including Medical Treatment of a Dependant who is a Person with Disability [Section 80DD]	562
Deduction in Respect of Medical Treatment of Specified Diseases and Ailment [Section 80DDB]	563
Deduction in Respect of Interest on Loan taken for Higher Education [Section 80E]	565
Deduction in Respect of Interest on Loan taken for Residential House Property [Section 80EE]	565
Deduction in Respect of Interest on Loan taken for Certain House Property [Section 80EEA]	567
Deduction in Respect of Purchase of Electric Vehicle [Section 80EEB]	568
Deduction in Respect of Donations to Certain Funds, Charitable Institutions, etc. [Section 80G]	569
Deduction in Respect of Rents Paid [Section 80GG]	574
Deduction in Respect of Certain Donations for Scientific Research or Rural Development [Section 80GGA]	577
Deduction in Respect of Contributions given by Companies to Political Parties [Section 80GGB]	578
Deduction in Respect of Contributions given by any Person to Political Parties [Section 80GGC]	578
Deductions in Respect of Certain Incomes Covered under Section 80-IA to 80U	579
Deduction in Respect of Profits and Gains from Industrial Undertakings or Enterprise Engaged in Infrastructure Development [Section 80-IA]	579
Deduction in Respect of Profit and Gains by an Undertaking or an Enterprise Engaged in Development of Special Economic Zone [Section 80-IAB]	584
Special Provision in Respect of Specified Business [Section 80-IAC]	584
Deduction in Respect of Profits and Gains from Certain Industrial Undertakings Other than Infrastructure Development Undertakings [Section 80-IB]	585

Deductions in Respect of Profits and Gains from Housing Projects [Section 80-IBA]	591
Special Provision in Respect of Certain Undertakings or Enterprises in Certain Special Category States [Section 80-IC]	593
Deduction in Respect of Profits and Gains from Business of Hotels and Convention Centres in Specified Area [Section 80-ID]	595
Special Provisions in Respect of Certain Undertakings in North Eastern State [Section 80-IE]	597
Deduction in Respect of Profits and Gains from Business of Collecting and Processing of Bio-degradable Waste [Section 80JJA]	598
Deduction in Respect of Employment of New Employees [Section 80JAA]	598
Deductions in Respect of Certain Incomes of Offshore Banking Units and International Financial Services Centre [Section 80LA]	599
Deduction in Respect of Certain Inter-corporate Dividends [Section 80M] [Inserted by Act No. 12 of 2020 w.e.f. 1.04.2021]	601
Deduction in Respect of Income of Co-operative Societies [Section 80P]	601
Deduction in Respect of Royalty Income, <i>etc.</i> , of Authors of Certain Books Other than Text-books [Section 80QQB]	602
Deduction in Respect of Royalty on Patents [Section 80RRB]	604
Deduction in Respect of Interest on Deposits in Savings Account [Section 80TTA]	606
Deduction in Respect of Interest on Deposits in Case of Senior Citizen [Section 80TTB]	607
Deduction in Case of a Person with Disability [Section 80U]	607
<i>Theoretical Questions</i>	617
<i>Long Answer Type Questions</i>	617
<i>Short Answer Type Questions</i>	618
<i>Objective Type Questions</i>	618
<i>Multiple Choice Questions (MCQs)</i>	618
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	619
<i>State Whether the following Statements are 'True' or 'False'</i>	619
<i>Practical Questions</i>	620
14. Assessment of Agricultural Income	627 – 641
Exordium of Chapter	627
Definition of Agricultural Income	627
Any Income Received as Rent or Revenue from Agricultural Land [Section 2(1A)(a)]	627
Income Derived from Such Land [Section 2(1A)(b)]	628
Income from Farm House [Section 2(1A)(c)]	628
Examples of Agricultural Income and Non-agricultural Income	629
Agricultural Income	629
Non-Agricultural Income	629
Partly Agricultural and Partly Non-agricultural Income	631
Rule-7 Income which is Partially Agricultural and Partially from Business [Applicable to all Except Tea, Coffee and Rubber]	631
Rule-7A Income from the Manufacture of Rubber	631
Rule-7B Income from the Manufacture of Coffee	632
Rule-8 Income from the Manufacture of Tea	632
Partial Integration of Agricultural Income with Non-agricultural Income	632
Applicability of Partial Integration	632
<i>Theoretical Questions</i>	638
<i>Long Answer Type Questions</i>	638
<i>Short Answer Type Questions</i>	638

<i>Objective Type Questions</i>	638
<i>Multiple Choice Questions (MCQs)</i>	638
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	639
<i>State Whether the following Statements are 'True' or 'False'</i>	639
<i>Practical Questions</i>	640
15. Computation of Total Income and Taxation of an Individual	643 – 695
Exordium of Chapter	643
Meaning of Total Income	643
Tax Treatment of Income Received from Different Institution	643
Computation of Total Income and Tax Liability for Individual	644
Income Tax Rates Applicable for Assessment Year 2024-25	647
Special Rates on Certain Special Incomes	648
Rebate [Section 87A]	648
Surcharge	649
Marginal Relief	650
Alternate Minimum Tax (AMT)	650
When Assessee Does Not Opt to be Taxed u/s 115BAC	650
If an Assessee has Opted for New Tax Regime	654
Ultimate Tax Liability	654
New Tax Scheme for Individual / HUF [Optional]	
[Inserted by the Act No. 12 of 2020, with effect from 1-4-2021]	654
Analysis of Section 115BAC	658
Features of Old Tax Regime and New Tax Regime	658
<i>Theoretical Questions</i>	687
<i>Long Answer Type Questions</i>	687
<i>Short Answer Type Questions</i>	687
<i>Objective Type Questions</i>	687
<i>Multiple Choice Questions (MCQ)</i>	687
<i>State Whether the following Statements are 'True' or 'False'</i>	688
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	688
<i>Practical Questions</i>	688
16. Assessment of Hindu Undivided Family	697 – 721
Exordium of Chapter	697
Concept of Hindu Undivided Family (HUF)	697
School of Hindu Law	698
Karta/Manager of Hindu Undivided Family	698
Residential Status of Hindu Undivided Family [Section 6(2)]	700
Different Clauses of Resident Status of Hindu Undivided Family	700
Resident and Ordinarily Resident	700
Not-ordinarily Resident	700
Non-resident	700
Computation of Total Income of Hindu Undivided Family	701
Computation of Income under Different Heads	701
Clubbing of Income	701
Set-off and Carry Forward of Losses	701
Deduction from Gross Total Income	701
Computation of Total Income	702
Assessment of Hindu Undivided Family	702
Taxability of Hindu Undivided Family	702
Application of the Rates of Tax on the Total Income	703
Rebate u/s 87A	703
Add Surcharge	703

Add Health and Education Cess	703
Allow Rebate	703
Deduct the Amount of Prepaid Taxes Paid	703
Tax Payable/Refundable	703
Slab Rates in Old Tax Regime for HUF	704
New Tax Scheme for HUF	704
Income not Treated as a Family Income	705
Assessment After Partition of a Hindu Undivided Family [Section 171]	705
<i>Theoretical Questions</i>	717
<i>Long Answer Type Questions</i>	717
<i>Short Answer Type Questions</i>	717
<i>Objective Type Questions</i>	717
<i>Multiple Choice Questions (MCQs)</i>	717
<i>Fill in the Blanks with Appropriate Word(s) and Figure(s)</i>	718
<i>State Whether the following Statements are 'True' or 'False'</i>	718
<i>Practical Questions</i>	718
17. Assessment of Firms (Including LLP)	723 – 758
Exordium of Chapter	723
Meaning of “Partnership”, “Firm” and “Partner” under Indian Partnership Act	723
Meaning of Limited Liability Partnership [LLP]	723
Meaning of Partnership, Firm and Partner under Income Tax Act	724
Residential Status of Firm	724
Who can be a Partner?	724
Difference between Unlimited Liability Partnership and Limited Liability Partnership	725
Assessment as a Firm [Section 184]	725
Assessment when Section 184 not Complied with [Section 185]	726
Change in Constitution of a Firm [Section 187]	726
Succession of One Firm by Another Firm [Section 188]	726
Joint and Several Liability of Partners for Tax Payable by Firm [Section 188A]	727
Firm Dissolved or Business Discontinued [Section 189]	727
Computation of Income of Partnership Firm [Section 40(b)]	727
Explanation to Section 40(b)	728
Computation of Firm Book Profit	728
Computation of Total Income of Partnership Firm	731
Computation of Tax Liability of Partnership Firm	733
Some Important Points to Remember while Computing Tax Liability of Partnership Firm	735
<i>Theoretical Questions</i>	753
<i>Long Answer Type Questions</i>	753
<i>Short Answer Type Questions</i>	753
<i>Objective Type Questions</i>	754
<i>Multiple Choice Questions (MCQs)</i>	754
<i>Fill in the Blanks Appropriate Word(s) or Figure(s)</i>	754
<i>State Whether the following Statements are 'True' or 'False'</i>	754
<i>Practical Questions</i>	755
18. Rebate and Relief of Tax	759 – 769
Exordium of Chapter	759
Share of Member of an Association of Persons or Body of Individuals in the	
Income of the Association or Body [Section 86]	759
Rebate of Income Tax for Residential Individual [Section 87A]	760
Relief when Salary, etc., is Paid in Arrears or in Advance [Section 89(1)]	762
<i>Theoretical Questions</i>	767
<i>Long Answer Type Questions</i>	767

<i>Short Answer Type Questions</i>	767
<i>Objective Type Questions</i>	767
<i>Multiple Choice Questions (MCQs)</i>	767
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	767
<i>State Whether the following Statements are 'True' or 'False'</i>	768
<i>Practical Questions</i>	768
19. Return of Income and E-filing Procedure	771 – 808
Exordium of Chapter	771
Filing of Return [Section 139]	771
Compulsory Filing of Return of Income [Section 139(1)]	771
Return Filed to Employer by Salaried Employees/ Bulk Filing of Return by Salaried Employee [Section 139(1A)]	775
Filing of Return of Income in Computer Media [Section 139(1B)]	776
Specified Class of Persons to be Exempted from Filing Return of Income [Section 139(1C)]	776
Return of Loss [Section 139(3)]	776
Furnishing of Belated Return of Income [Section 139(4)]	776
Return of Income of Charitable Trust [Section 139(4A)]	777
Return of Income of Political Parties [Section 139(4B)]	777
Return of Income of Hospital, Institution <i>etc.</i> [Section 139(4C)]	777
Return of Income by a University/College <i>etc.</i> [Section 139(4D)]	778
Return of Income of a Business Trust [Section 139(4E)]	778
Return of Income of an Investment Fund [Section 139(4F)]	778
Revised Return [Section 139(5)]	778
Particulars to be Furnished with the Return [Section 139(6)]	778
Particulars to be Furnished with Return in the Case of an Assessee Engaged in Business or Profession [Section 139(6A)]	779
Filing of Return after due Date or Non-filing of Return [Section 139(8)(A)]	779
Option to File Updated Return of Income [Section 139(8A)]	779
Defective Return [Section 139(9)]	780
Scheme for Submission of Returns Through Tax Return Preparers [Section 139B]	781
Power of Board to Dispense with Furnishing Documents, <i>etc.</i> with Return [Section 139C]	782
Filing of Return in Electronic Form [Section 139D]	782
Verification of Return [Section 140]	783
Prescribed Forms for Filing Return of Income [Rule 12]	784
Manner of Furnishing the Return of Income [Rule 12(3)]	785
Precautions to be Taken While Filing the Return of Income	787
Modes of Filing the Return of Income	787
Manual or Paper Filing of Return of Income	788
E-filing of Return of Income	788
e-Verification of Returns	794
Who can e-Verify the Return	794
Prerequisites for Availing this Service	794
Processes of e-Verification of ITR	795
Important Documents for Income Tax Return	799
Form 16 & 16A [Rule 31 of the Income Tax Rules 1962]	799
26AS [Rule 114-I of the Income Tax Rules 1962]	800
Permanent Account Number [Section 139A]	801
Aadhaar Number [Section 139AA]	805
TAN	806
<i>Theoretical Questions</i>	806
<i>Long Answer Type Questions</i>	806

<i>Short Answer Type Questions</i>	806
<i>Objective Type Questions</i>	807
<i>Multiple Choice Questions (MCQs)</i>	807
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	807
<i>State Whether the following Statements are 'True' or 'False'</i>	808
<i>Practical Questions</i>	808
20. Tax Deducted at Source and E-TDS Return	809 – 851
Exordium of Chapter	809
Deduction at Source and Advance Payment [Section 190]	809
Direct Payment [Section 191]	810
Deduction of Tax at Source	810
Salary [Section 192]	810
TDS on Payment from Pre-matured Employee Provident Fund [Section 192A]	812
Interest on Securities [Section 193]	813
Dividends [Section 194]	814
Interest Other than "Interest on Securities" [Section 194A]	815
Winnings from Lottery or Crossword Puzzle [Section 194B]	818
Winnings from Horse Race [Section 194BB]	818
Payments to Contractors [Section 194C]	818
Insurance Commission [Section 194D]	821
Payment in Respect of Life Insurance Policy [Section 194DA]	821
Payments to Non-resident Sportsmen or Sports Associations [Section 194E]	822
Payments in Respect of Deposits under National Savings Scheme, <i>etc.</i> [Section 194EE]	822
Payments on Account of Repurchase of Units by Mutual Fund or Unit Trust of India [Section 194F]	823
Commission, <i>etc.</i> , on the Sale of Lottery Tickets [Section 194G]	823
Commission or Brokerage [Section 194H]	823
Rent [Section 194I]	824
Payment on Transfer of Certain Immovable Property Other than Agricultural Land [Section 194IA]	825
Payment of Rent by Certain Individuals or Hindu Undivided Family [Section 194IB]	826
Payment Under Specified Agreement [Section 194IC]	826
Fees for Professional or Technical Services [Section 194J]	826
Income in Respect of Units [Section 194K]	828
Payment of Compensation on Acquisition of Certain Immovable Property [Section 194LA]	829
Income by Way of Interest from Infrastructure Debt Fund [Section 194LB]	829
Certain Income from Units of a Business Trust [Section 194LBA]	829
Income in Respect of Units of Investment Fund [Section 194LBB]	830
Income in Respect of Investment in Securitization Trust [Section 194LBC]	830
Payment of Certain Sums by Certain Individuals or Hindu Undivided Family [Section 194M]	831
Payment of Certain Amounts in Cash [Section 194N]	831
Payment of Certain Sums by E-commerce Operator to E-commerce Participant [Section 194-O]	832
Deduction of Tax by a Specified Bank in Case of Specified Senior Citizen [Section 194P]	833
Deduction of Tax at Source on Benefit or Perquisite in Respect of Business or Profession [Section 194R]	834
Any Other Sums Paid to Non-residents [Section 195]	835

Income Payable “Net of Tax” [Section 195A]	836
Interest or Dividend or Other sums Payable to Government, Reserve Bank or Certain Corporations [Section 196]	836
Income in Respect of Units of Non-residents [Section 196A]	837
Income from Units [Section 196B]	837
Income from Foreign Currency Bonds or Shares of Indian Company [Section 196C]	837
Income of Foreign Institutional Investors from Securities [Section 196D]	837
Certificate for Deduction at Lower Rate [Section 197]	838
No Deduction to be Made in Certain Cases [Section 197A]	838
Enabling Provision for Filing of Declaration for Receipt of Dividend and National Savings Scheme (NSS) Payment without Deduction of Tax [Section 197A(1)]	838
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)]	839
Filing Declaration not Permissible if Income/Aggregate of Incomes Exceed basic Exemption Limit [Section 197A(1B)]	839
Enabling Provision for Filing of Declaration by Resident Senior Citizens for Non-deduction of Tax at Source [Section 197A(1C)]	839
Non-deduction of Tax in Certain Cases	839
Time Limit for Delivery of One Copy of Declaration [Section 197(2)]	840
Tax Deducted is Income Received [Section 198]	840
Credit for Tax Deducted [Section 199]	840
Duty of Person Deducting Tax [Section 200]	840
Processing of Statements of Tax Deducted at Source [Section 200A]	841
Consequences of Failure to Deduct or Pay [Section 201]	842
Deemed Assessee-in-default	842
Non-applicability of Deeming Provision	842
No Penalty under Section 221	842
Interest Liability	842
Time Limit for Deeming a Person to be an Assessee in Default for Failure to Deduct Tax at Source	843
Deduction Only One Mode of Recovery [Section 202]	843
Certificate for Tax Deducted [Section 203]	843
Tax Deduction and Collection Account Number [Section 203A]	843
Meaning of “Person Responsible for Paying” [Section 204]	844
Bar Against Direct Demand on Assessee [Section 205]	844
Requirement to Furnish Permanent Account Number [Section 206AA]	844
Higher Rate of TDS for Non-filers of Income Tax Return [Section 206AB]	845
Due Dates for Filing Quarterly TDS Returns	846
E-TDS and E-TDS Returns	846
Meaning of E-TDS	846
Who is Required to File E-TDS Return?	846
Basic Details to be Included in the of E-TDS Return	846
E-TDS Return Forms	847
E-TDS Return	847
<i>Theoretical Questions</i>	849
<i>Long Answer Type Questions</i>	849
<i>Short Answer Type Questions</i>	849
<i>Objective Type Questions</i>	850
<i>Multiple Choice Questions (MCQs)</i>	850
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	850

<i>State Whether the following Statements are 'True' or 'False'</i>	851
<i>Practical Questions</i>	851

21. Assessment Procedure **853 – 889**

Exordium of Chapter	853
Assessment Procedure	853
Self-Assessment [Section 140A]	853
Inquiry by Assessing Officer	855
Assessment by Income Tax Department	858
Types of Assessment	859
Summary Assessment [Section 143(1)]	859
Scrutiny Assessment/Regular Assessment [Section 143(2) and 143(3)]	861
Best Judgement Assessment [Section 144]	863
Faceless Assessment	864
Reference to Dispute Resolution Panel [Section 144C]	871
Income Escaping Assessment [Section 147 to Section 152]	872
Income Escaping Assessment [Section 147]	873
Issue of Notice where Income has Escaped Assessment [Section 148]	873
Conducting Inquiry, Providing Opportunity before Issue of Notice [Section 148A]	875
Meaning of Specified Authority [Section 151]	875
Time Limit for Notice [Section 149]	876
Provision for Cases where Assessment is in Pursuance of an Order on Appeal, <i>etc.</i> [Section 150]	877
Faceless Assessment of Income Escaping Assessment [Section 151A]	878
Other Provisions [Section 152]	878
Time Limit for Completion of Assessment, Reassessment and Recomputation [Section 153]	879
Exclusion of Period [Explanation 1 to Section 153]	882
Rectification of Mistake [Section 154]	885
Notice of Demand [Section 156]	887
Intimation of Loss [Section 157]	887
Faceless Rectification, Amendments and Issuance of Notice or Intimation [Section 157(A)]	887
<i>Theoretical Questions</i>	888
<i>Long Answer Type Questions</i>	888
<i>Short Answer Type Questions</i>	888
<i>Objective Type Questions</i>	888
<i>Multiple Choice Questions (MCQs)</i>	888
<i>Fill in the Blanks with Appropriate Word(s) or Figure(s)</i>	888
<i>State Whether the Statements are 'True' or 'False'</i>	888
<i>Practical Questions</i>	889

22. Leading Cases of Supreme Court and High Court **891 – 902**

Exordium of Chapter	891
Commissioner of Income Tax <i>vs.</i> M/s. Larsen & Toubro Ltd.	891
Commissioner of Income Tax <i>vs.</i> Delhi Public School	892
Chennai Properties and Investments Ltd. <i>vs.</i> CIT	892
Vijaya Bank <i>vs.</i> Commissioner of Income Tax	893
Shasun Chemicals & Drugs Ltd. <i>vs.</i> Commissioner of Income Tax	893
M/s. Rayala Corporation Pvt. Ltd. <i>vs.</i> Assistant Commissioner of Income Tax	894
Commissioner of Income Tax <i>vs.</i> Smt. Swapna Roy	895
Citizen Co-operative Society Ltd. <i>vs.</i> Assistant Commissioner of Income Tax	896

Binoy Viswam vs. Union of India	897
Techno Shares and Stocks Limited vs. Commissioner of Income Tax	897
Manoj Kumar Reddy vs. Income Tax Officer (International Taxation)	898
Mon Mohan Kohli vs. ACIT	899
PCIT vs. Tally Solutions (P.) Ltd.	900
Noida Cyber Park (P.) Ltd. vs. ITO	900
State Bank of India vs. ACIT	901

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	1	4.1 : Deduction under Section 10(13A) Least of the following will be Exempt	96
1.2 : List I – Union List	2	4.2 : Allowances at a Glance	103
1.3 : List II – State List	3	4.3 : Valuation of Rent-free Accommodation	109
1.4 : Meaning of Income	13	4.4 : Rent-free Accommodation at a Glance	111
1.5 : Difference between Gross Total Income and Total Income	16	4.5 : Rule 3(7)(ii) at a Glance	116
1.6 : Charter at a Glance	21	4.6 : Rules Regarding Leave Travel Concession	128
1.7 : Rate of Tax for the Assessment Year 2024-25	22	4.7 : Perquisites at a Glance	130
1.8 : List of Deductions & Exemption Not Available under Section 115BAC(2)	23	4.8 : Difference between Allowances and Perquisites	131
1.9 : Special Rates	24	4.9 : Tax Treatment of Pension	135
1.10 : Normal Tax Rates Applicable to a Domestic Company and Foreign Company	25	4.10 : Tax Treatment of Retrenchment Compensation	141
1.11 : Surcharge Applicable to a Domestic Company and Foreign Company in Case of Normal Tax Rates	25	4.11 : Tax Treatment of Provident Fund	145
1.12 : Special Rates Applicable to a Domestic Company	25	4.12 : Deduction under Section 16	149
1.13 : Surcharge Applicable to a Domestic Company in Case of Special Tax Rates	25	5.1 : Different Cases of Municipal Tax & their Treatment	198
2.1 : Rules at a Glance (Residential Status of Individual)	38	5.2 : Computation of the Taxable Income from Self-occupied House Property	210
2.2 : Rules at a Glance (Residential Status of HUF)	43	5.3 : Computation of Income from House Property at a Glance	214
2.3 : Rules at a Glance (Residential Status of Firm)	44	6.1 : Proforma for Computation of Taxable Income from Business	249
2.4 : Rules at a Glance (Residential Status of Company)	44	6.2 : Proforma for Computation of Taxable Income from Profession	250
2.5 : Classification of Income	46	6.3 : Meaning of Certain Terms	254
2.6 : Rules at a Glance Regarding Tax Incidence of Resident/Not Ordinarily Resident/ Non-resident	46	6.4 : Deduction under Section 33AB or Section 33ABA – At a Glance	259
3.1 : Interest Income	72	6.5 : Meaning of Certain Terms	260
		6.6 : Deduction under Section 35(1)(i)	260
		6.7 : Deduction under Section 35(1)(ii)	261
		6.8 : Deduction under Section 35(1)(iia)	261
		6.9 : Deduction under Section 35(1)(iii)	262

Table No.	Page No.	Table No.	Page No.
6.10 : Deduction under Section 35(1)(iv) / Section 35(2)	263	12.1 : Set-off of Losses (At a Glance)	520
6.11 : Deduction under Section 35(2AA)	263	12.2 : Carry Forward and Set-off of Losses (At a Glance)	527
6.12 : Deduction under Section 35(2AB)	264		
6.13 : Deduction under Section 35ABA and 35ABB	266	13.1 : Summary of Deduction under Section 80CCD	558
6.14 : Deduction under Section 35CCA and 35CCC	270	13.2 : Summary of Deduction under Section 80D	561
6.15 : Deduction under Section 35D	271	13.3 : Steps for Computation of Qualifying Limit	571
6.16 : Deduction under Section 35E	273	13.4 : Deduction in Respect of Profits and Gains from Industrial Undertakings or Enterprise Engaged in Infrastructure Development [Section 80-IA] (At a Glance)	581
6.17 : Deductions under Sections 30 to 37 (At a Glance)	281	13.5 : Specified Districts having World Heritage Sites	596
		13.6 : Deduction in Respect of Payment (At a Glance)	609
7.1 : Profits and Gains of Business on Presumptive Basis under Section 44AD (At a Glance)	336	13.7 : Deduction in Respect of Incomes (At a Glance)	611
7.2 : Profits and Gains of Profession on Presumptive Basis under Section 44ADA (At a Glance)	339		
7.3 : Profits and Gains of Business of Plying, Hiring or Leasing Goods Carriages under Section 44ADA (At a Glance)	340	14.1 : Partly Agricultural and Partly Business Income (At a Glance)	632
7.4 : Profits and Gains of Shipping Business in the Case of Non-residents under Section 44b (At a Glance)	342		
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)	342	15.1 : Proforma of Computation of Total Income and Tax Liability for the Year (At a Glance)	646
7.6 : Deduction under Section 44BBA Special Provision for Computing Profits and Gains of the Business of Operation of Aircraft of Non-residents	343	15.2 : Surcharge (At a Glance)	649
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		
		16.1 : Deference between Mitakshara School and Dayabhaga School	698
8.1 : Depreciation Rates for Power Generating Undertakings Rule 5(1A)	354	16.2 : Proforma of Computation of Total Income of HUF for the Year (At a Glance)	702
8.2 : Depreciation Rates for WDV Methods Rule 5(1)	357	16.3 : Proforma of Computation of Tax Liability of Hindu Undivided Family for the Year (At a Glance)	703
		16.4 : Rate of Tax for Assessment Year 2024-25	704
9.1 : Proforma of Short-term Capital Gains	391		
9.2 : Proforma of Long-term Capital Gain	391	17.1 : Difference between Traditional Partnership vs. LLP	725
9.3 : Cost Inflation Index	393	17.2 : Proforma of Computation of Book Profit	729
9.4 : Section 54 at a Glance	415	17.3 : Proforma of Computation of Firm's Total Income	731
9.5 : Section 54B at a Glance	420	17.4 : Proforma of Computation of Tax Liability of the Firm for the Year (At a Glance)	734
9.6 : Section 54D at a Glance	421	17.5 : Special Rates on Certain Special Incomes	734
9.7 : Section 54EC at a Glance	423		
9.8 : Section 54EE at a Glance	424	18.1 : Proforma of Table 'A' Relief u/s 89	763
9.9 : Section 54F at a Glance	426		
9.10 : Section 54G at a Glance	428	19.1 : Verification of Return	783
9.11 : Section 54GA at a Glance	430	19.2 : Brief Description of Various Kind of Return Forms	784
9.12 : Section 54GB at a Glance	433	19.3 : Manner of Furnishing Return of Income	786
11.1 : Substantial Interest	503	21.1 : Time Limit in Different Cases under Section 153	879
11.2 : Chart Explaining Income Tax Provisions Related to Clubbing of Income	509	21.2 : Time Period Excluded in Different Cases under Section 153	883

List of Figures



<i>Fig. No.</i>	<i>Page No.</i>	<i>Fig. No.</i>	<i>Page No.</i>
1.1 : Structure of Indian Taxation System	2	10.1 : Types of Income	455
1.2 : Components of Income Tax Law	5	10.2 : Types of Securities	465
1.3 : Finance Bill	6		
1.4 : Rule of Previous Year	10	12.1 : Sequence for Set-off and Carry Forward of Losses	518
1.5 : Taxpayer's Rights and Obligations	19	12.2 : Order of Set-off	526
1.6 : Types of Tax Planning	26	12.3 : Various Provisions Relating to Amalgamation or Demerger, etc.	529
2.1 : Classification of Persons based on Residential Status	36	13.1 : Conditions for Claiming Deduction u/s 80EE	566
2.2 : Income Deemed to be Received in India	50	13.2 : Conditions for Claiming Deduction u/s 80EEA	567
2.3 : Income Attributable to the Operations Carried out in India	53	13.3 : Conditions for Claiming Deduction u/s 80EEB	568
2.4 : Income Deemed to Accrue or Arise in India	57		
		15.1 : Process of Computing Gross Total Income	645
4.1 : Income under the Head Salaries	89		
4.2 : Taxability of Perquisites	109	19.1 : Meaning of "Beneficial Owner" and "Beneficiary"	772
		19.2 : Return of Income	784
5.1 : Conditions of Chargeability of Income from House Property	193		
5.2 : Computation of Net Annual Value	197	20.1 : Deduction at Source and Advance Payment of Tax	809
5.3 : Computation of Gross Annual Value of Property	202	20.2 : Non-applicability of TDS under Section 194C	819
5.4 : Deduction under Section 24	213		
		21.1 : Notice under Section 142	856
6.1 : Computation of Income from Business or Profession	256	21.2 : Types of Assessment	859
		21.3 : Authorities Constituting AU/TU/VU/RU	870
8.1 : Methods of Depreciation	354	21.4 : Structure of Faceless Assessment	870
		21.5 : Income Escaping Assessment	873
9.1 : Types of Capital Assets	381	21.6 : Time Limit for Notice [Section 149]	877
9.2 : Types of Capital Gains	382	21.7 : Rectification of Mistake	886
9.3 : Tax Treatment of Advance Money Forfeited	414		

Snapshot of the Book



S.No.	Chapter	Tables	Figures	Theory Questions			Objective Type Questions			Practical Questions
				Illustrations	Long Answers Questions	Short Answers Questions	Multiple Choice Questions	Fill in the Blanks	True & False	
1.	Basic Concepts of Income Tax	13	6	9	13	16	20	17	12	4
2.	Residential Status	6	4	27	10	4	16	7	8	22
3.	Income Exempt from Tax	1	–	4	3	5	12	7	6	2
4.	Income from Salary	12	2	67	13	17	20	8	9	56
5.	Income from House Property	3	4	38	9	12	15	8	10	33
6.	Profit and Gains of Business or Profession	17	1	25	9	17	15	7	10	20
7.	Determination of Income on Presumptive Basis	7	–	8	3	3	10	5	–	7
8.	Depreciation	2	1	14	6	10	10	10	9	8
9.	Capital Gains	12	3	42	11	12	18	9	12	27
10.	Income from Other Sources	–	2	25	10	14	11	10	8	20
11.	Clubbing of Income	2	–	10	8	7	10	7	8	7
12.	Set-off and Carry Forward of Losses	2	3	16	6	11	13	11	11	13
13.	Deductions to be Made in Computing Total Income	7	3	25	8	15	14	11	10	20
14.	Assessment of Agricultural Income	1	–	8	8	7	12	12	10	8
15.	Computation of Total Income and Taxation of an Individual	2	1	21	8	8	15	10	12	17
16.	Assessment of Hindu Undivided Family	3	–	10	5	7	5	7	8	9
17.	Assessment of Firms (Including LLP)	5	–	15	10	11	10	8	10	13
18.	Rebate and Relief of Tax	1	–	6	1	4	5	2	5	6
19.	Return of Income and E-filing Procedure	3	2	2	8	10	12	6	6	2
20.	Tax Deducted at Source and E-TDS Return	–	2	7	6	8	11	6	9	3
21.	Assessment Procedure	2	7	2	7	5	5	6	6	2
22.	Leading Cases of Supreme Court and High Court	–	–	–	–	–	–	–	–	–
	Total	101	41	383	162	203	259	174	179	299

Salient Features of Finance Act, 2024



SALIENT FEATURES OF THE FINANCE ACT 2024

The same tax rates will be retained in financial year 2024-25 for direct taxes. There will be no tax liability for taxpayers with an income of up to ₹ 7 lakh, under the new tax regime.

For Individual or H.U.F. or AOP or BOI, whether incorporated or not, or an Artificial Juridical Person: For every individual or H.U.F. or Association of Persons (other than a co-operative society), or Body of Individuals, whether incorporated or not, or an Artificial Juridical Person exercising the option u/s 115BAC for opting for concessional tax rates (subject to conditions provided therein):

Rate of Tax for the Assessment Year 2024-25

<i>Total Income</i>	<i>Rate of Tax</i>
Upto ₹ 3,00,000	Nil
From ₹ 3,00,001 to ₹ 6,00,000	5%
From ₹ 6,00,001 to ₹ 9,00,000	10%
From ₹ 9,00,001 to ₹ 12,00,000	15%
From ₹ 12,00,001 to ₹ 15,00,000	20%
Above ₹ 15,00,000	30%

Old Tax Regime

For the Assessment Year 2024-25, the taxpayer has to exercise the option under Section 115BAC(6) to avail of the benefit of the old tax regime. The normal tax rates applicable to a resident individual will depend on the age of the individual. However, in the case of a non-resident individual, the tax rates will be the same irrespective of his age.

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

<i>Total Income</i>	<i>Rate of Tax</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
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:

<i>Total Income</i>	<i>Rate of Tax</i>
Up to ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
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:

<i>Income</i>	<i>Tax Rate</i>
Up to ₹ 5,00,000	Nil
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

For H.U.F, AOP, BOI, Artificial Judicial Person: For Hindu Undivided Family (H.U.F.), an 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:

<i>Income</i>	<i>Tax Rate</i>
Up to ₹ 2,50,000	Nil
₹ 2,50,001 to ₹ 5,00,000	5%
₹ 5,00,001 to ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Deductions and Exemptions

As per u/s 10(23FE) income of a specified person in the nature of dividend interest, [any sum referred to in clause (xii) of sub-section (2) of section 56] or long-term capital gains arising from an investment made by it in India, whether in the form of debt or share capital or unit, will be exempt from tax if the investment is made on or after the 01-04-2020 but on or before the 31-03-2025 and is held for at least three years.

Exemption to the wholly owned subsidiary of ADIA or Sovereign wealth fund or pension fund will be exempt for specified investment made between 01/04/2020 to 31/03/2024.

As per 80-IAC where the gross total income of an assessee, being an eligible start-up, includes any profits and gains derived from eligible business, there shall, in accordance with and subject to the provisions of this section, be allowed, in computing the total income of the assessee, a deduction of an amount equal to one hundred per cent of the profits and gains derived from such business for three consecutive assessment years, if specified investment made between 01/04/2020 to 31/03/2025.

Exemption under section 10(4D) an investment division of a banking unit of a non-resident located in an International Financial Services Centre, as referred to in sub-section (1A) of section 80LA and which has commenced its operations on or before the 31-03-2025.

Exemption under section 10(4F) any income of a non-resident by way of royalty or interest, on account of lease of an aircraft or a ship in a previous year, paid by a unit of an International Financial Services Centre as referred to in sub-section (1A) of Section 80LA, if the unit has commenced its operations on or before the 31-03-2025.

Faceless Scheme

Section 92CA Faceless Determination of Arm's Length was provided that the CBDT shall issue the necessary directions by 31/03/2025.

Section 144C Faceless Dispute Resolution Panel was provided that the CBDT shall issue the necessary directions by 31/03/2025.

Section 253 Faceless appeal to Appellate Tribunal provided that the CBDT shall issue the necessary directions by 31/03/2025.

Section 255 Faceless procedure of Appellate Tribunal provided that the CBDT shall issue the necessary directions by 31/03/2025.

TCS

In the case of 'sale of overseas tour program package', the TCS rate shall be 5% for remittances up to ₹ 7 lakh, and 20% for remittances exceeding ₹ 7 lakhs.

The collection of tax at source during the period 01-07-2023 to 30-09-2023 shall be in accordance with provisions of Section 206C(1G) as they stood on 01-04-2023 and to restore the threshold of ₹ 7 lakhs per financial year for TCS on all categories (except the sale of overseas tour program packages) of foreign remittances made under the Liberalised Remittance Scheme (LRS) w.e.f. 01-10-2023.

Surcharge on Income-tax

Having a total income (including the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding fifty lakh rupees but not exceeding one crore rupees, at the rate of 10%.

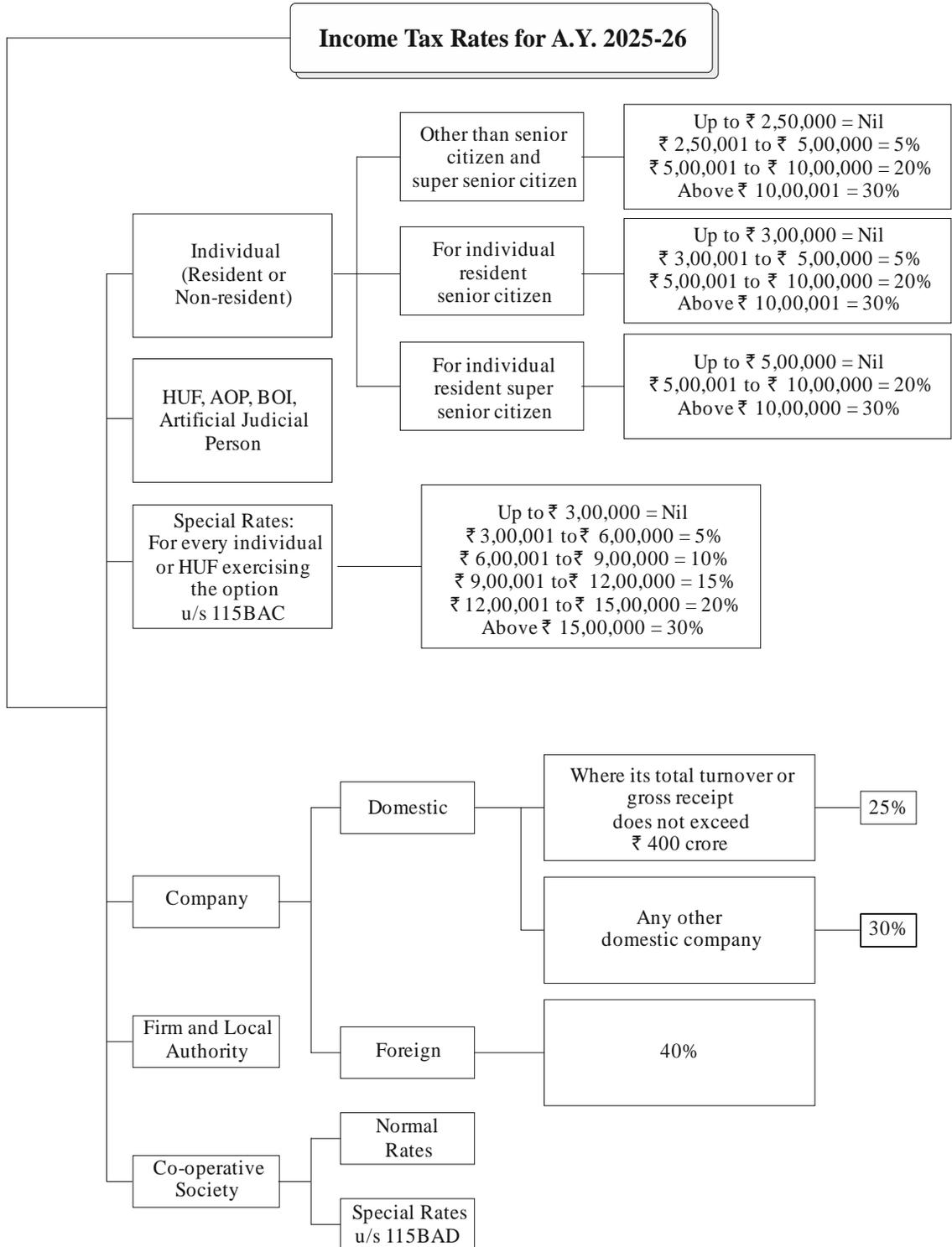
Having a total income (including the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding one crore rupees, but not exceeding two crore rupees, at the rate of 15%.

Having a total income (excluding the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding two crore rupees but not exceeding five crore rupees, at the rate of 25%.

Having a total income (excluding the income by way of dividend or income under the provisions of Section 111A, Section 112 and Section 112A of the Income-tax Act) exceeding five crore rupees, at the rate of 37%.

The 22% tax rate for corporate taxes will apply for existing domestic companies and 15% for certain new manufacturing companies.

In the case of every firm, rate of income-tax on the whole of the total income 30 per cent.



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?

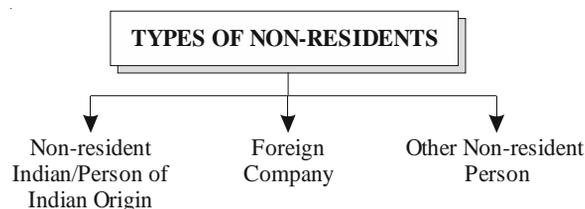
“Non-resident” is a person who has not been residing in India for a specified period of time. The Residential Status of an individual in a given year determines whether the individual is Resident or Non-resident for the year.

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 2024-25

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

- The illustrations and questions have been restructured throughout the book according to new tax regime u/s 115BAC along with old tax regime.
- New illustrations and questions have been added in this edition related to new tax regime u/s 115BAC.
- Each topic is explained theoretically and is followed by graphs, tables, charts etc. to help in understanding the application of income tax law and provisions in a unique and simple way.
- This book contains abundant examples, illustrations and practical questions to clarify the theoretical and practical aspects of income tax law. These practical insights will assist tax consultants, students and anyone who is interested in the field of taxation in applying the law.
- As the nature of tax landscape is continuously to change, we are committed to updating this book to reflect the latest amendments. This book includes updates on amendments and changes as latest by Finance Act, 2023.
- Step-by-step guidelines on how to file income tax return and insertion of relevant case laws to understand how provisions have been interpreted by The Hon'ble Supreme Court is available in the book.
- This book is meant for B.Com., BBA and B.Com. (Hons.) students as well as to serve as an intermediate level course for students preparing for chartered accountancy, cost and management accountancy, certified and company secretary examination and other degree and diploma courses.

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ISBN 978-93-91820-93-0



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