

CA Inter **INCOME** **TAX LAW**

Notebook Style Multicoloured
Book penned by CA RS



Study Mate
Self Study Book. Explains all Concepts.. Simplifies all Concepts...

INDEX

Income Tax Law

Chapter No.

Page No.

01 Basics, Normal Tax Rates, Alternate Tax Regimes & Special Tax Rates

1.1 - 1.16

02 Residence & Scope of Total Income

2.17 - 2.23

03 Income from House Property

3.24 - 3.31

04 Capital Gain

4.32 - 4.51

05 Income from Salary

5.52 - 5.69

06 Profit & Gain from Business & Profession

6.70 - 6.97

07 Income from Other Sources

7.98 - 7.109

08 Clubbing

8.110 - 8.112

09 Set Off & Carry Forward of losses

9.113 - 9.115

10 Deductions from Gross Total Income

10.116 - 10.130

11 TDS, TCS & Advance Tax

11.131 - 11.148

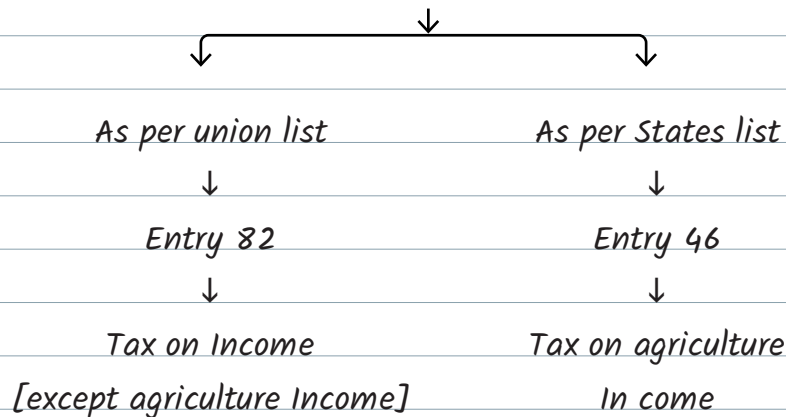
12 Provision for Filing Return of Income & Self Assessment

12.149 - 12.157

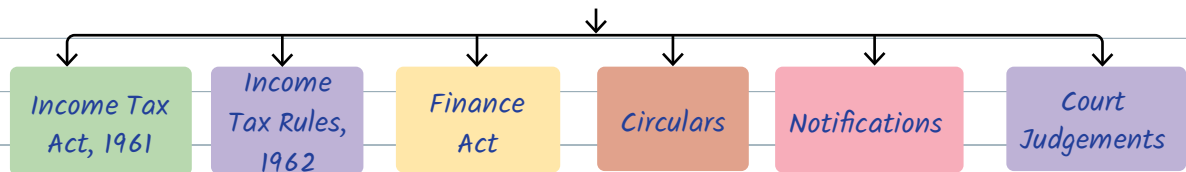
Part I Overview of Direct Taxes

1. Taxes means unilateral payment in the form of compulsory finance charge to Govt & Direct Taxes means taxes on Income on the person who earns such income.

2. Constitutional Right to Tax **[Article 246]**



3. Source of Income Tax laws.



A. Income Tax Act, 1961

Provides Basis for Income Tax Laws, Determination of total income, tax liability & assessment.

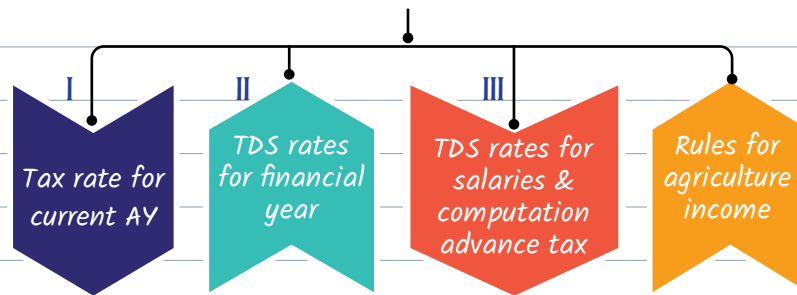
B. Income Tax Rules, 1962

Rules Provides procedures, principles for valuation

C. Finance Act

- To Amend Provisions of Income Tax Act, Finance minister proposes a finance act every year. [Budget]
- For your attempt finance act 2025 is applicable

• Finance Act 4 Parts



D. Circulars

- Issued by CBDT to clarify the meaning & scope of certain provisions contained in the Act.
- Circulars are binding to Assessing officer & not to assessee.

E. Notifications

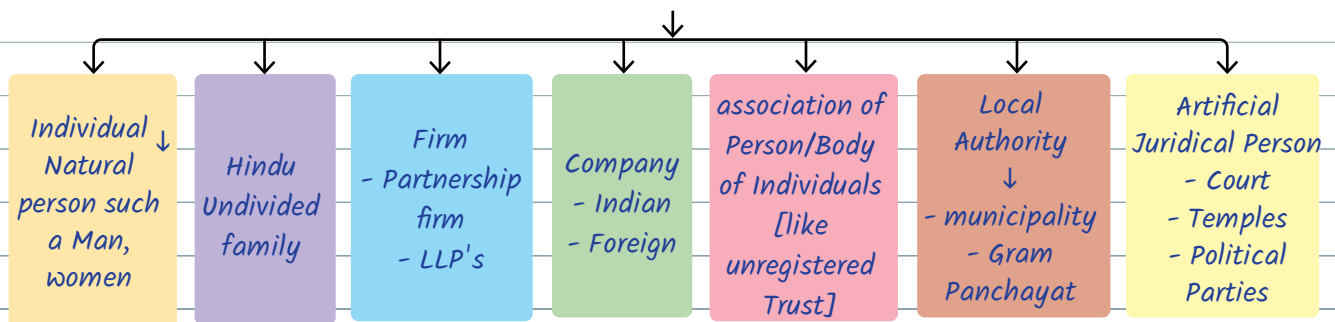
Notifications are issued by CBDT/Central Govt. to give effect to provision of the Act
Eg extension of Date of ITR.

F. Court Judgements

Judgements by High Courts/Supreme Court

4. Basic Definition

A. Person [sec 2(31)]



B. Assessee

It means any person who is liable to pay any tax or any other sum under IT Act, 1961. It includes person in respect of which any proceeding initiated, deemed assessee or assessee in default.

C. Assessment Year.

Year of tax payment, starting from 1 April to 31 March following the Previous year.

D. Previous year.

year in which income is earned is previous Year. It is preceding to Assessment Year. It generally starts with 1st April & ends with 31st March. But in case of new established business, PY will commence from date of establishment of such business

E. Certain cases where income is taxed in Previous Year Itself.

1. Shipping Business of Non Resident
2. Income of person leaving for long duration without any intention of returning (marriage)
3. AOP / BOI / AJP formed for particular event / purpose
4. person trying to escape taxes by transferring assets.
5. Income of discontinued Business

F. Return of Income

Return of income is the format in which the assessee furnishes information as to his total income and tax payable.

The format for filing of returns by different assesseees is notified by the CBDT. The particulars of income earned under different heads, gross total income, deductions from gross total income, total income and tax payable by the assessee are required to be furnished in the return of income.

G. Assessment

This is the procedure by which the income of an assessee is determined. It may be by way of a normal assessment or by way of reassessment of an income previously assessed. Assessment Procedure will be dealt with in detail at the Final level.

5. Steps to Calculate Total Income.

	PY xx	AY xx
Particulars	₹	₹
Income from Salary.	xx	
Income from House Property	xx	
Income from Business & profession.	xx	
Income from Capital Gain	xx	
Income from other sources	xx	

CHAPTER I

Clubbing of Income

Set off & Carry forward of loss

gross total Income	xx	xx
(-) Deduction U/C VI A	(xx)	
Net Total Income / Total Income	xx	xx
Tax payable on such Income		xx
Add Surcharge [on Tax payable]		xx
Add Health & Education cess [4% of (Tax + Sc)]		xx
Total Tax liability		xx
(-) TDS/TCS Credit		(xx)
(-) Advance Tax		(xx)
Net Tax payable / Refundable.		xx

This rounded of to nearest 10

Part 2 General Tax Rates for Assesment Year 2026-27

1. for Individual, Huf, AOP, BOI, Artificial Juridical Person

(Resident or Non Resident)

If Total Income (NTI)	Rate
Upto ₹ 2,50,000 (Basic exemption limit)	Nil
from ₹ 2,50,000 upto ₹ 5,00,000	5%
from ₹ 5,00,000 upto ₹ 10,00,000	20%
above ₹ 10,00,000	30%

2. for Senior citizen who is 60 years of age but less than 80 years.

[Birthday on 1 April 2026. means 60 age completed on 31 march] [only Resident]

It total income (NTI)	Rate
Upto ₹ 3,00,000 [Basic exemption limit]	Nil
from ₹ 3,00,000 upto 5,00,000	5%
from 5,00,000 upto ₹ 10,00,000	20%
above ₹ 10,00,000	30%

3. Senior Citizen of 80 years of age or above [Resident]

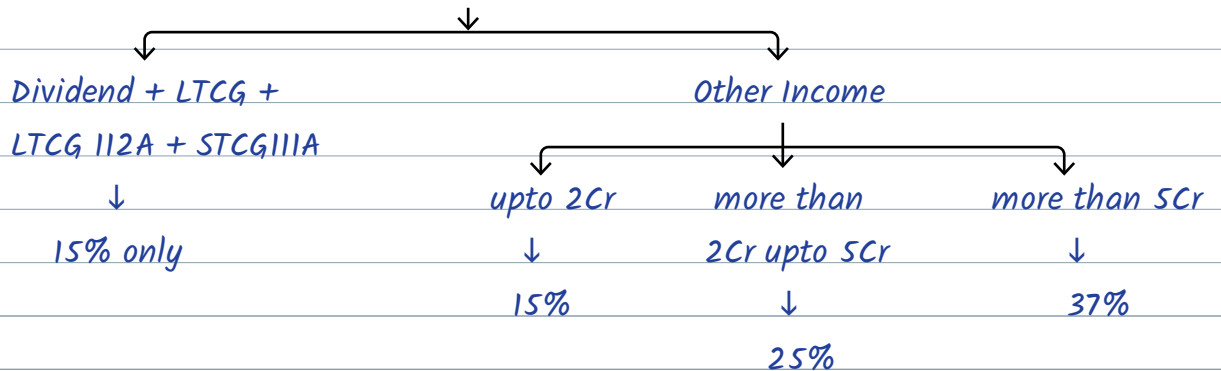
If Total Income (NTI)	Rate
Upto ₹ 5,00,000 [Basic exemption limit]	Nil
From ₹ 5,00,000 upto ₹ 10,00,000	20%
Above ₹ 10,00,000	30%

Common Point for 1,2,3

Surcharge for Assessee being Individual, HUF, AOP, BOI, AJP

S NO. Total Income	Surcharge
(i) Total Income upto & so lacks	Nil
(ii) Total Income more than 50 lakh upto 1 crores.	10%
(iii) Total Income more than 1 crores upto 2 crores.	15%
(iv) Total Income more than 2Cr. upto 5 Crore.	15%
(v) Total Income is more than 5 crore	

Bifurcate Total Income



Crux:- Once Total Income of 2 Cr is crossed remove dividend, LTCG 112A, LTCG STCG 111 A & then check whether exceeds 2 Cr or 5 Cr limit]

Example

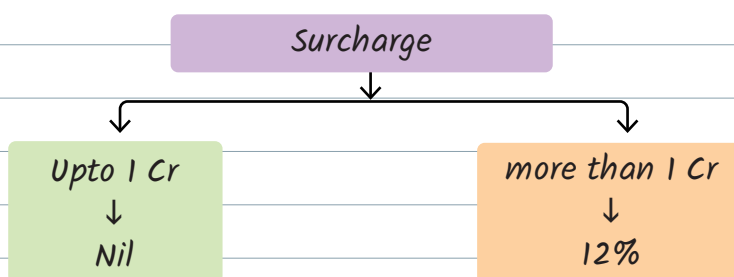
Mr. Rahul

Case	CG & Dividend Income	Other Income	Total Income	Surcharge Rate on Tax on CG & Dividend	Surcharge Rate on Tax on other Income
1.	15 Lacs	25 Lacs	40 lacs	-	-
2.	45 Lacs	50 Lacs	95 lacs	10%	10%
3.	55 Lacs	65 Lacs	120 lacs	15%	15%

4.	2.3 Cr	25 Lacs	2.55 Cr	15%	15%
5.	1 Cr	2.6 Cr	3.6 Cr	15%	25%
6.	4 Cr	3 Cr	7 Cr	15%	25%
7.	4 CR	6 Cr	10 Cr	15%	37%
8.	10 Cr	10 Cr	20 Cr	15%	37%

4. firm / Local Authority / LLP

Flat Rate = 30%



5. Company

a. Domestic company [having Turnover of PY 2023-24 upto 400 Cr] 25%

b. Domestic company other than above 30%

c. Foreign company 35%

Surcharge in case of Company

	Domestic co	foreign co.
Total Income > 1 Crore upto 10 Cr	7%	2%
Total Income > 10 Crores	12%	5%

6. Cooperative Society

Total Income	Tax Rate
Upto 10,000	10%
> 10,000 upto 20,000	20%
> 20,000	30%

Surcharge

Total Income > 1 crore upto 10 Cr	7 %
Total Income > 10 crores.	12 %

7. In all cases Health & education less @ 4%. shall be added to Tax including Surcharge.

Example Mr. Rahul Age 30. Total income for PY 2025-26 in as follows

- i) Capital Gain U/S 112A 1.2 Cr
- ii) Capital Gain U/S 112 40 lakhs
- iii) Capital Gain U/S 111A 3 Cr
- iv) Dividend Income 20 lakhs
- v) Other Income 3 Crores

computation of Tax liability for AY 2026-27 [Normal Provision]

Solution :-

Particular	Tax Rate	Income	Tax
LTCG 112A	12.5% (over 1.25L)	1.2 Cr	14,84,375
LTCG 112	12.5%	40L	5,00,000
STCG 111A	20%	3 Cr	60,00,000
Other Income [3 Cr + 20 L]	slab Rate	3.2 Cr	94,12,500
		7.8 Cr	
	Total Tax		1,73,96,875

Surcharge @ 15% on LTCG/STCG

[14,84,375 + 5,00,000 + 60,00,000] X 15% 11,97,656

Surcharge @ 15% on Dividend Income

588281 x 15% 88242

[20L/3.2Cr x 94,12,500]

Surcharge @ 25% On Balance Income 22,06,054

88,24,219 x 25%

[9412500 - 588281]

2,08,88,827

Add education Cess @ 4%

8,35,553

Net Tax liability

2,17,24,380

Marginal Relief in Surcharge.

- 1. This relief Is given in case where there is significant rise to total taxes due change In surcharge Bracket with little increase in Income.

Eg. person earning 4.99 Cr pays 25% Surcharge
 person earning 5.01 Cr Pays 37% Surcharge

2. calculation of Marginal Relief

Step 1: Calculate Tax on Original Total Income [without cess]

Step 2: Calculate Tax on

♦ ₹ 50 lacs/1 cr./2 cr./5 cr. [Individual etc.]

♦ ₹ 1 cr. [Firm etc.]

♦ ₹ 1 cr./10 cr. [Company]

as per case [without Cess]

Step 3: Tax to be paid = Step 2 + Extra Income

Step 4: Marginal Relief = Step 1 - Step 3 [Original Tax - Tax to be paid]

3. Eg. total Income of Mr. Lavish [Age 33] is ₹ 5,01,00,000/- calculate Tax liability

Calculation of tax liability

Tax on Total Income	₹
Upto 2,50,000	-
from 2,50,000 to 5,00,000 @ 5%	12,500
from 5,00,000 to 10,00,000 @ 20%	1,00,000
from 10,00,000 to 5,01,00,000 @ 30%.	<u>1,47,30,000</u>
	1,48,42,500
Add Surcharge @ 37%	<u>54,91,725</u>
	2,03,34,225
Above amount shall be restricted to	1,86,15,625
Tax on 5,00,00,000 & [Total Income - 5 Cr]	
= 1,85,15,625 + 1,00,000	
[Surcharge @ 25% will still be applicable]	
Marginal relief	<u>17,18,600</u>
Tax payable =	1,86,15,625
Add Education cess @ 4%	<u>7,44,625</u>
Total tax liability	<u>1,93,60,250</u>

Sec 87A:- Tax Rebate

For **Resident Individuals** whose Total Income is upto ₹5,00,000 Tax rebate of

- i) 100% of tax payable or
 ii) 12500
- ↓
Whichever is lower

Notes

- 1) Rebate shall be calculated on Gross tax liability ie Tax + HEE
- 2) Rebate U/S 87A is available against all income except (LTCG U/S 112A)
- 3) If Income exceeds even by 1 rupee from 5 lakhs then rebate u/s 87A not allowed.

Part 3 Alternate Tax Regimes

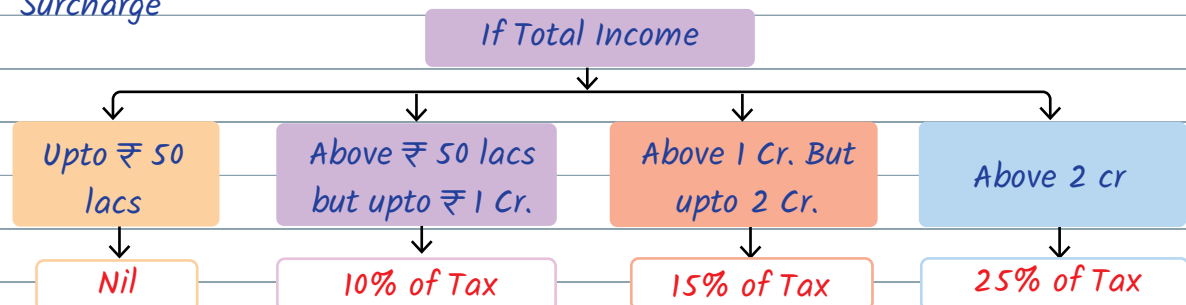
Sec 115 BAC Tax rates for Individual, HUF, AOP, BOI, AJP

1. Tax rate

Total income	Tax rate
Upto ₹ 4,00,000	Nil
₹ 4,00,000 to ₹ 8,00,000	5%
₹ 8,00,000 to ₹ 12,00,000	10%
₹ 12,00,000 to ₹ 16,00,000	15%
₹ 16,00,001 to ₹ 20,00,000	20%
₹ 20,00,000 to ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

2. Special Income U/S 111 A, 112A 112 shall be taxable @ special rates

3. Surcharge



Surcharge Rate of 25% is not applicable on STCG u/s 111A, LTCG u/s 112A, LTCG u/s 112 and Dividend Income.

4. HEC @ 4%. will be always applicable on Tax + Surcharge
5. Rebate U/S 87A [not available on any tax on special income LTCG 112-A] for Resident Individual having Total Income upto ₹12,00,000
- a) 100% of Tax payable ↓ whichever to lower
- b) ₹ 60000

6. Marginal relief: Normally marginal relief is given in case of greater increment of tax on account of change in Surcharge bracket but As per Sec 115 BAC, marginal relief shall also be available on Incremental tax due to rebate U/S 87A.

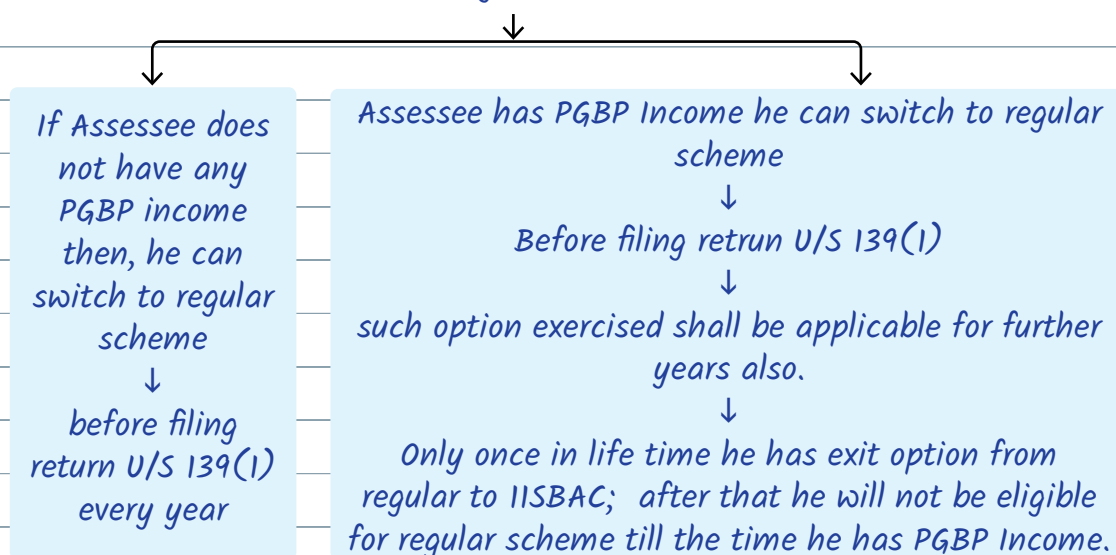
Income of 11,99,999 → No Tax. because of Rebate U/S 87A
 Income of 12,00,001 → Tax of 60000 because of non availability of rebate
 Thus marginal relief will be tax on Income [before HEC]
 Restricted to. [Total Income - 12,00,000]

Ex. Income of 12,40,000

Tax on such Income (before cess)	66000	} marginal Relief 26,000
Restricted maximum to (12,40,000 - 12,00,000)	40000	
Add HEC @ 4% on 40,000	1600	
Tax liability	41,600/-	

7. Other Points

- a. If opting for 115BAC, assessee is not required to pay tax as per Amt, any B/F Amt credit shall lapse on applicability of this scheme
- b. Section 115BAC in a default tax regime however



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Corp. Office: M-1, Trade Centre,
South Tukoganj, Indore
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