

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

Notebook Style **Multicoloured**
Book penned by CA RS



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

Dear Students,

I am so glad that you chose this book to accompany you on your CA Intermediate Income Taxes journey. Believe me, it took me months to comprehensively cover the entire syllabus of Direct Taxes in just "160 pages" without leaving anything out.

This book is specially crafted to help you cover the entire syllabus during the last 1.5 days before your exam. It will act as a true Study Mate and friend.

I have left space at the top of each chapter so that you can write your name and feel motivated when you read it. Also Please leave your signature beside mine as an autograph!

I hope you will take full benefit of this book. Remember, you are capable and prepared to achieve great success.

With lots of love and best wishes,



CA Rahul Satija

CA _____

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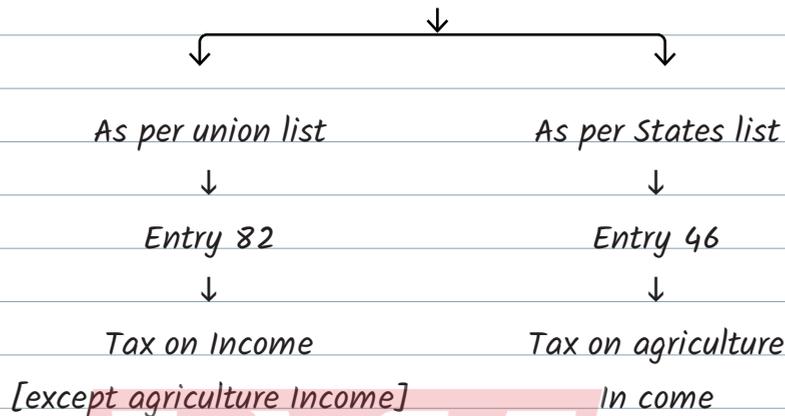
Income Tax Law

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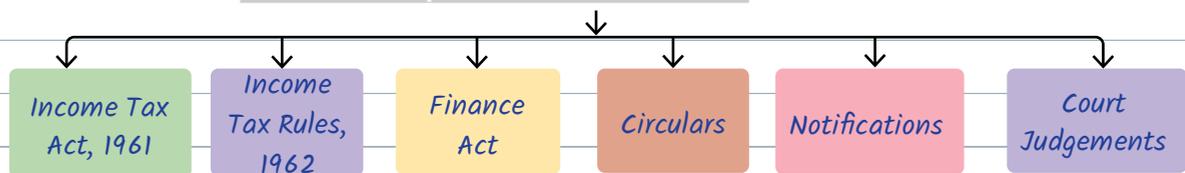
Part I Overview of Direct Taxes

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

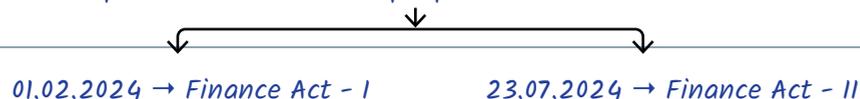
Provides Basis for Income Tax Laws, Determination of total income, tax liability & assessment.

B. Income Tax Rules, 1962

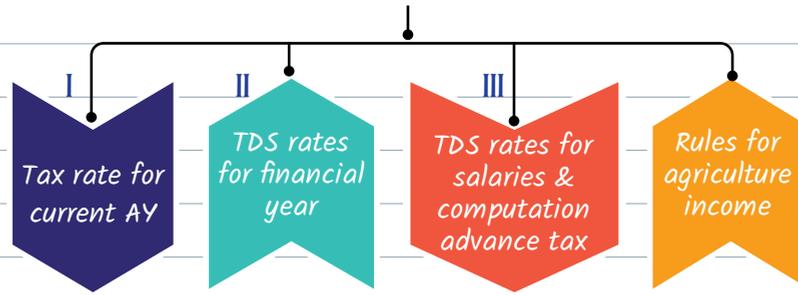
Rules Provides procedures, principles for valuation

C. Finance Act

- To Amend Provisions of Income Tax Act, Finance minister proposes a finance act every year. [Budget]
- For your attempt finance minister proposed 2 finance acts



● 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

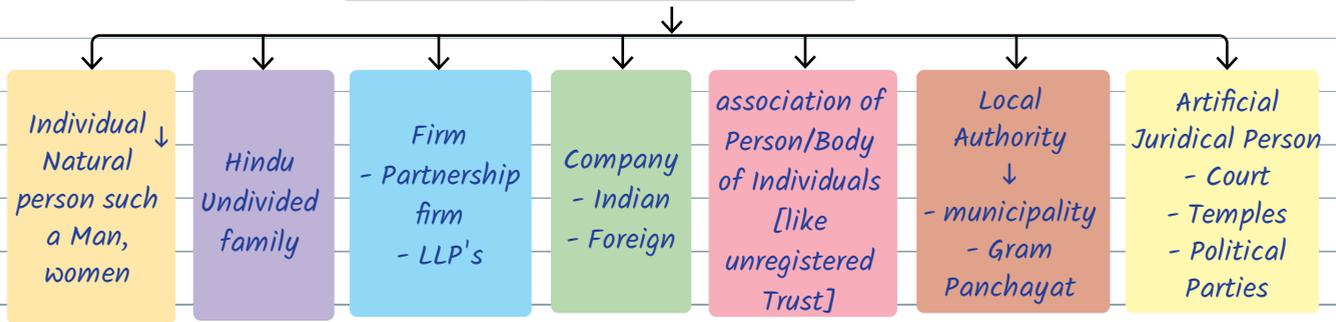
Notifications are issued by CBDT/Central Govt. to give effect to provision of the Act
Eg extension of Date of ITR.

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 1

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)
(-) Relief U/S 89/90/91		(xx)
Net Tax payable / Refundable.		xx

This rounded of to nearest 10

Part 2 General Tax Rates for Assessment Year 2025-26

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 2025. 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%

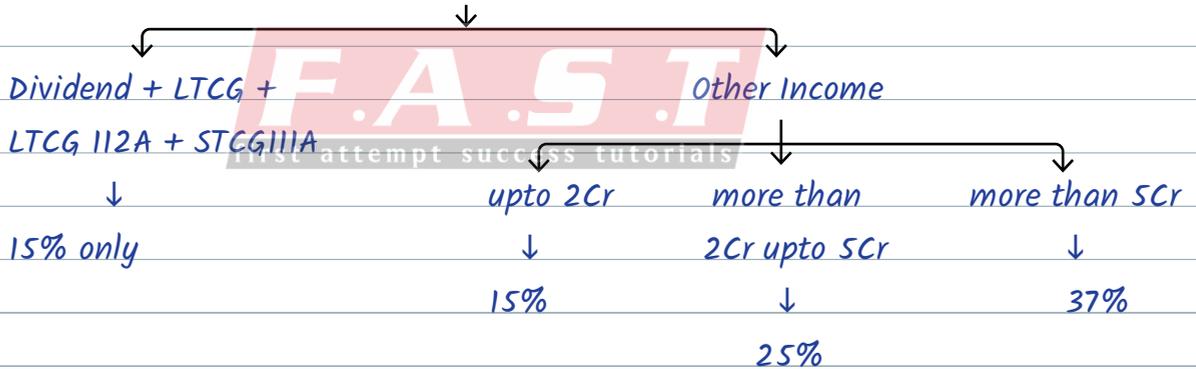
3.	Senior Citizen of 80 years of age or above [Resident]	
	If Total Income (NTI)	Rate
	Upto ₹ 5,00,000 [Basic exemption limit]	Nil
	From ₹ 5,00,000 upto ₹ 10,00,000	20%
	Above ₹ 10,00,000	30%

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.	}
(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 III A & then check whether exceeds 2 Cr or 5 Cr limit]

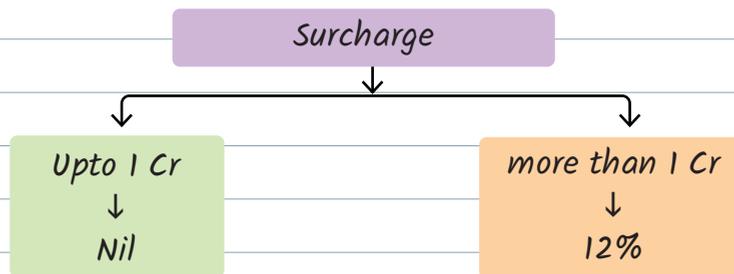
Example Mr. Rahul

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 2022-23 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 2024-25 in as follows

- i) Capital Gain U/S 112A 1.2Cr
- 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

(asset transferred before 23-7-2024)

computation of Tax liability for AY 2025-26 [Normal Provision]

Solution :-

Particular	Tax Rate	Income	Tax
LTCG 112A	10 %	1.2 Cr	11,90,000
LTCG 112	20 %	40L	8,00,000
STCG 111A	15 %	3 Cr	45,00,000
Other Income [3 Cr + 20 L]	slab Rate	3.2 Cr	94,12,500
		7.8 Cr	
	Total Tax		1,59,02,500

Surcharge @ 15% on LTCG/STCG

$[11,90,000 + 8,00,000 + 45,00,000] \times 15\%$ 9,73,500

Surcharge @ 15% on Dividend Income

$588281 \times 15\%$ 88242

$[201/3.2Cr \times 94,12,500]$

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

$88,24,219 \times 25\%$

$[9412500 - 588281]$

1,91,70,296

Add education Cess @ 4%

7,66812

Net Tax liability

1,99,37,107

Or

1,99,37,110

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 Case]

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%	1,47,30,000
	<u>1,48,42,500</u>
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 +
- 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

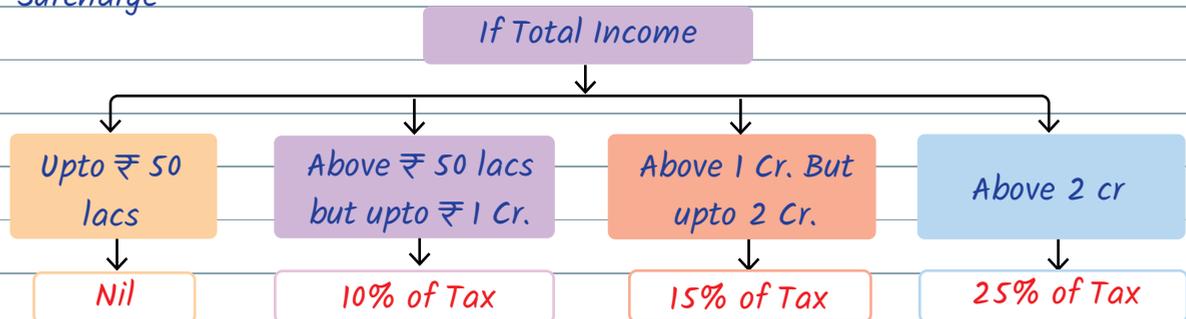
Sec 115 BAC Tax rates for Individual, HUF, AOP, BOI, AJP (including Trust, Political Parties]

1. Tax rate

Total income	Tax rate
Upto ₹ 3,00,000	Nil
₹ 3,00,001 to ₹ 7,00,000	5%
₹ 7,00,001 to ₹ 10,00,000	10%
₹ 10,00,001 to ₹ 12,00,000	15%
₹ 12,00,001 to ₹ 15,00,000	20%
Above ₹ 15,00,000	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 LTCG 112 A]
for Resident Individual having Total Income upto ₹7,00,000
 - a) 100% of Tax payable
 - b) ₹ 25000

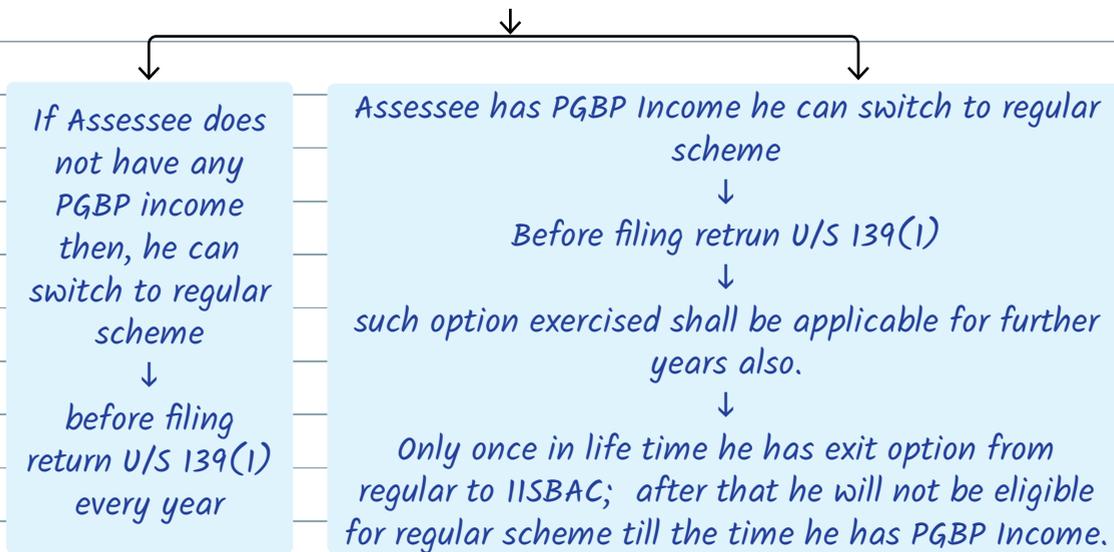
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whichever to lower
- 6. Marginal relief: Normally marginal relief is given in case of greater increment of tax on account of change in Surcharge bracket but As per Sec 115 BAC, marginal relief shall also be available on Incremental tax due to rebate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

Income of 6,99,999, → No Tax. because of Rebate U/S 87A
 Income of 7,00,001 → Tax of 20000 because of non availability of rebate
 Thus marginal relief will be tax on Income [before HEC]
 Restricted to. [Total Income - 700000]

Ex. Income of 7,20,000

Tax on such Income (before cess)	22000	} marginal Relief 2000
Restricted maximum to (7,20,000 - 7,00,000)	20000	
Add HEC @ 4% on 20,000	800	
Tax liability	20,800/-	

- 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



- e. Assessee opting Sec 115 BAC shall not be allowed to claim following deductions
- (i) HP:-
 - Interest on self occupied HP U/S 24(b)
 - Set-off HP loss [let out property] against other head.
 - (ii) Salary:-
 - Allowances [except Travelling, Duty, Conveyance, Daily]
 - leave travel concession U/S 10(8)
 - Deduction U/S 16 → [SD of ~~50000~~ 75,000, allowed]
 - Professional Tax
 - Entertainment Allowance
 - HRA
 - (iii) PGBP
 - Additional Depreciation
 - Sec 33AB/ABA
 - Scientific Research
 - Specified business
 - (iv) Other Sources:-
 - Allowances to MPS / MLA'S [Daily & constituency]
 - Allowance to minor. [1500 per child]
 - (v) Deduction:-
 - U/S 10 AA
 - U/C VIA [except 80JJAA, 80CCD(2) [pension]
 - 80 CCH(2) [contribution to Agniveer Corpus]

Note

- any unabsorbed expenditure on account of above, shall be deemed to be lapsed on exercising scheme U/S 115BAC
- If assessee having PGBP & opting 115BAC for first time in AY 25-26 and if any additional depreciation is included in B/F unabsorbed depreciation then such additional depreciation not allowed to be set-off but it will be added to opening WDV of block as on 01/04/2024.

Part 4 Special Tax Rates (compulsory)

Sections	Covered in
Sec 111A: STCG On certain Assets. Sec 112 A: LTCG on Certain Assets. Sec 112: LTCG on other Assets.	In Capital Gain Chapter
Sec 115 BB: Winnings from lottery Sec 115 BBJ: Winnings from Online Gaming	In this chapter

Sec 115BB; - Tax on winning from lotteries, crossword puzzles races, card Games :- 30%.

1. No deduction of any expenditure against this Income, No benefit of Basic exemption available, No chapter VI.A deductions Available.

Sec 115 BBJ:- Winnings from Online Gaming. [30%]

[Dream 11, MPL, poker baazi]

1. Taxable @ 30% on Net winning.
2. No deduction of any expenditure against this income, No benefit of Basic exemption available, No chapter VI. A deductions Available.

Remaining Topics

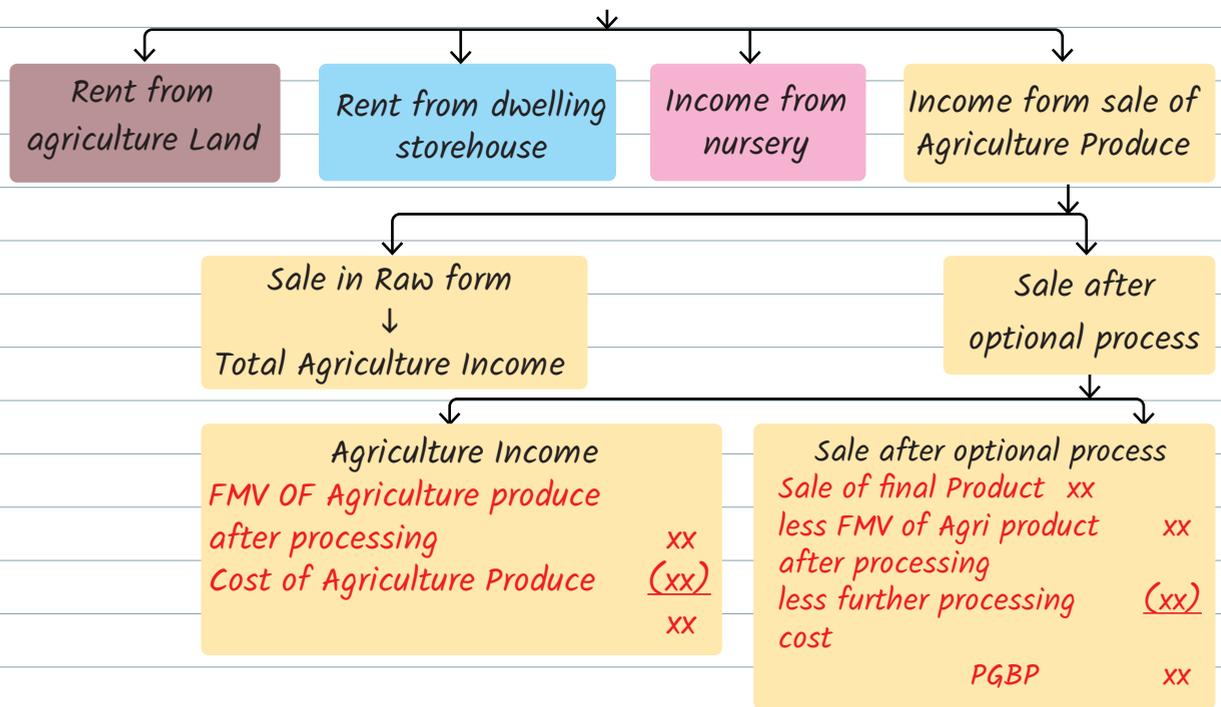
1.

Application of Income	VS	Diversion of Income
<ul style="list-style-type: none"> - Earned by assessee but transferred by assessee on account of will with no obligation - Taxable in hands of Assessee - Eg Mr. Rahul Directed his Employer to contribute 10% of his salary to Ram Mandir. here, portion of Salary donated shall be added to income of Mr. Rahul. 	VS	<ul style="list-style-type: none"> - earned by assessee but transferred by assessee on account of agreement on as per law - Taxable in hands of person to whom diverted. - Firm has 3 partners A, B, C, where there is agreement that after death of Ms. A 20% of profits of every year will be given to wife of Mr. A. thus such share in profit will be taxable in hands of wife of Mr. A.

2.

Exempt Income

- a. Sec 10 (1) Agriculture Income
Exempt if agriculture land is in India.



Partial Integration

1. If assessee is Individual, Huf, AOP, BOI, AJP & Agriculture Income is more than 5000 & Non agriculture Income is more than Basic exemption

2. Computation of tax liability

Non Agriculture Income	xx	
Agriculture Income	xx	
Total Income	xx	
Tax on Total Income		xx
Less:- Tax on [Agriculture Income+ Basic Exemption]		xx
Total Tax liability		xx

Sec 14A

- 1) NO deduction shall be allowed against Income which is exempt under any head
- 2) If AO is not satisfied with assesses attribution of expenses toward exempt income & taxable income then he shall Compute disallowance as per rule 8D

Rule 8D :- Computation of disallowed expenditure relating to exempt income.

a) Amount of expenses directly relating to exempt income	xx
+b) Amount equal to	
1% of annual average of monthly average of opening & closing balance of Investment, income form which is exempt	xx
Total amount disallowable U/S 14A	xx

Notes

This rule provides for disallowance even if assessee has no exempt income during particular PY even though he has sources of exempt income.

b. Sec 10(2)

Amount received by member from Income of Huf

c. Sec 10(2A)

Share of profit received by partner from firm/ LLP to the extent taxable for firm.

d. Sec 10(10BC)

Compensation received from Govt / local authority by individual / legal heir on account of disaster.

e. Any award won for literary, artistic work is also exempt.**3. a. Sec 68**

Cash Credit:- Any sum credited in books of Assessee & he offers no explanation to it, then sum credited shall be treated as Income of assessee for that P.Y.

अगर जिस नाम से credit है Books में उसने कोई explanation नहीं दिया credits के regarding | तो तुम कितना भी loan-loan Bol दो वो Loan नहीं बनेगा वो Income treat किया जाएगा

अगर Co. random account credit को application money बोल दे | Or applicant ने कोई satisfactory explanation नहीं दिया | तो तुम कितना भी application money बोल दो वो Income u/s 68 ही Treat किया जाएगा

(Above not applicable to SEBI registered venture (capitalist)).

b. Sec 69:- Unexplained Investments

where in the PY., assessee made investments which are not recorded in Books of Accounts & assessee offers no explanations about nature or source of Investment, or provides non-satisfactory investments then value of such investment is deemed Income & taxable in that PY.

c. **Sec 69A- Unexplained money, assets etc.**

where in the PY, assessee is found owner of **money, bullion, jewellery or other valuable article** which are not recorded in Books of Accounts assessee offer no explanations about nature or source of assets, or provides non satisfactory explanation then value of such assets in deemed Income & taxable in that PY.

d. **Sec 69B:- Amount of Investments not fully disclosed in BOA.**

Where AO finds Actual value of Investments recorded in books > Value recorded in Books } Difference shall be deemed Income by AO

e. **Sec 69 C:- Unexplained Expenditure**

where assessee incurs any expenditure & offers then such expenditure be treated as deemed income & shall not be allowed deduction (disallowed in addition to treating income)

no explanations
unsatisfactory explanation

f. **Sec 69D- Amount borrowed or repaid on Hundi**

Amount Borrowed | Repaid on Hundi otherwise than A/c payee cheque/DD/ Ecs or any electronic mode shall be deemed income. If amount borrowed already treated as income u/s 69 D then repayment of Income shall not be treated as income

Income mentioned US 68 to 69D shall taxable @ 60% (+25% surcharge +4% HEC ie 78%) + (10% penalty on tax)

→ Deduction u/s 28 to 44C or sec 57 not allowed against above income, means gross income taxable.

→ Deduction u/c VI-A not available.

→ Basic Exemption Benefit NOT Available against above income.

Alternate minimum tax [Sec 115 JC]



1. AMT is applicable to All Assessee except company

2. Tax Payable by any person shall be higher of

(i) Income tax payable as Normal Provisions XX

(ii) 18.5% of Adjusted total Income (ATI) XX

[Add surcharge [if any] + 4%] XX

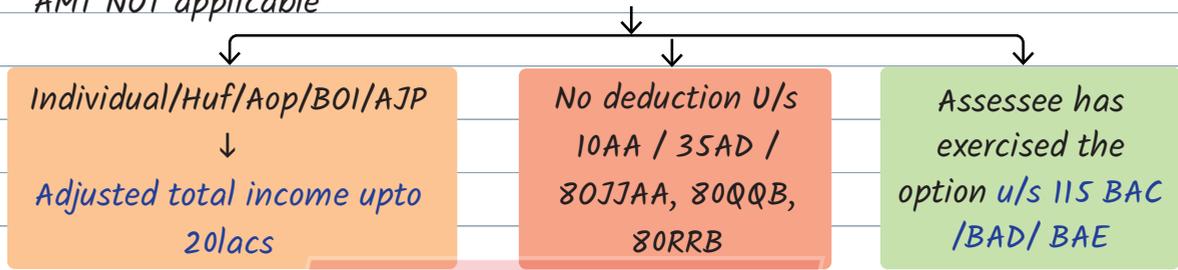
CHAPTER 1

3. Calculation of Adjusted Total Income (ATI)

Particulars	₹
Total Income as per normal provisions of Income tax Add;	xx
Add; (i) Deductions U/S 10 AA (SEZ)	xx
 (ii) Deductions U/S 35AD (Specified Bustners)	xx
 (iii) Deduction V/C VI A (80JJAA, 80QQB, 80RRB)	—
	xx
 Less :- Depreciation allowable as per sec 32 assuming that deduction u/s 35AD was not allowed on asset	(xx)
ATI	xx

4 Other Points

→ AMT NOT applicable



→ In case co-operative society AMT is applicable @ 15% instead of 18.5%

→ All provision of It act like advance tax, interest U/S 234 A/B/C shall apply to assessee

5 AMT credit.

→ If AMT > Normal Income tax then excess shall be treated as AMT credit

→ AMT credit can be c/f & set off for 15 years

→ credit can set off in the year in which regular tax is more than AMT to the extent Normal tax is more than AMT In that year.

→ AMT credit can be carried forward even if AMT not applicable in subsequent PY.

Py.	Tax u/s 115 JB JC	Normal	Actual payable	Adjustment	Actual Tax	AMT Credit
19-20	5,00,000	3,00,000	5,00,000		5,00,000	2,00,000
20-21	2,00,000	50,000	2,00,000		2,00,000	3,50,000
21-22	1,00,000	2,10,000	2,10,000	1,10,000	1,00,000	2,40,000
22-23	50,000	3,00,000	3,00,000	2,40,000	60,000	-
23-24	1,00,000	90,000	1,00,000		1,00,000	10,000

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