

Overview of Computation of Income and reporting in ROI – Alternate Tax Regime

New vs. Old – Tax Regime

CMA Niranjan Swain.

B.Com,CS,FCMA, LLB

Advocate & Tax Consultants

nswain2008@ymail.com

Tax and Corporate Laws of India

Breaking Down the
Old vs New

Personal Tax Regime –
What You Need
to Know



New Personal Tax Regime: Backdrop

- With a view to simplify the complex maze of plethora of deduction claims of the individual & HUF taxpayers, Government introduced the New Personal Tax regime w.e.f. FY 2020-21 and onwards with reduced tax rates u/s 115BAC
- The compulsory requirement of foregoing of the majority of the available specified deductions by the individuals and HUFs opting for the new personal tax regime made the said new regime unpopular and with a very few takers
- The Government wanted more and more taxpayers to switch to the new regime, to reduce the complexities in return filing and assessments arising out of the plethora of deduction claims of the assesseees applicable in the old regime
- In order to make the new regime more appealing to the taxpayers, some significant amendments in the new personal tax regime u/s 115BAC, have been proposed in the Finance Act 2023 and Finance Bill 2024

Introduction to Alternative or New Tax Regime

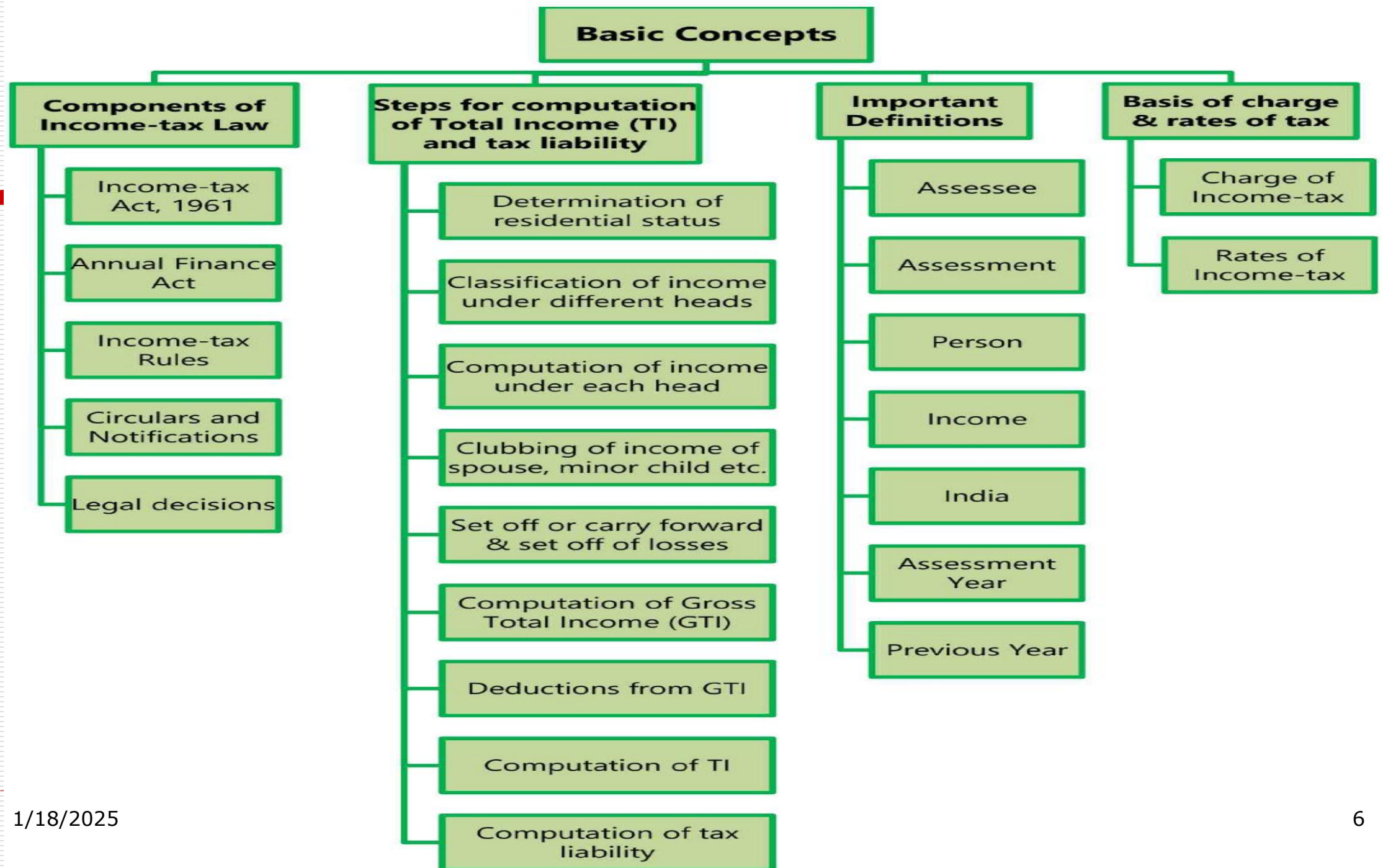
- The Finance Act, 2020 has **inserted a new section 115BAC under Income-tax Act** to provide for an **alternative or new tax regime with effect from 01.04.2021**.The scheme is applicable from Assessment Year 2021-22 onwards.
- The scheme shall be applicable only to **an Individual or HUF**.
- This scheme is also called as Alternative or New Tax Regime because under this scheme, the Government has provided an altogether **new income-tax slab rates**.
- This scheme is optional for the assessee.Thus, **an Individual or HUF has the option either to pay tax as per the new regime or continue with existing one.with existing one.**

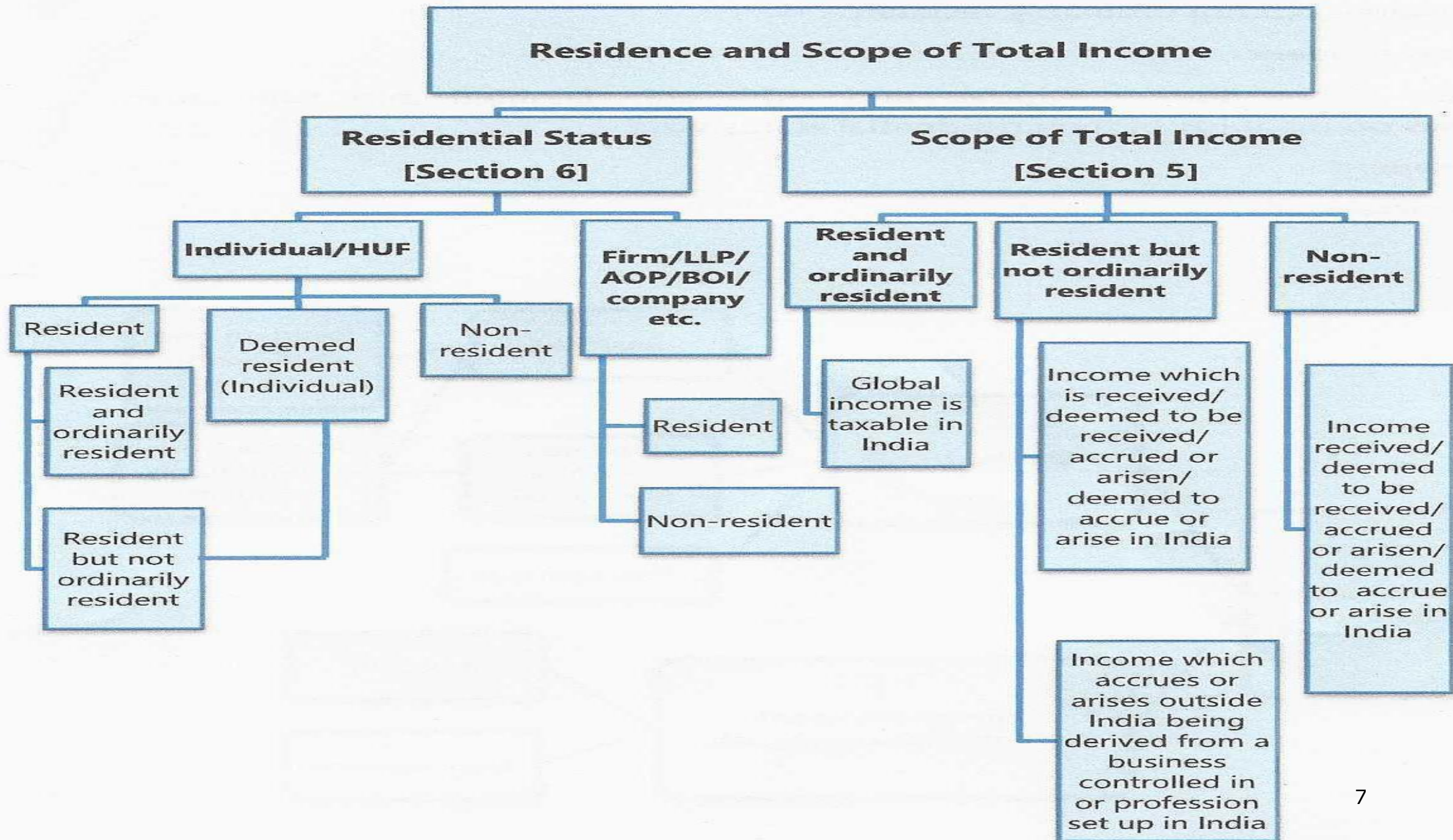
New Tax Regime to be the Default Regime

- ❑ New Personal Tax Regime can be opted by AOP, BOI & Artificial Juridical Person, as well
- ❑ Till FY 2022-23 (AY 2023-24), the Old Personal Tax Regime is the Default Regime and the Taxpayers opting for the New regime and having their income under the head 'Profits from Business or Profession' are required to file an electronic declaration in prescribed Form 10IE, before the due date of filing their ITRs
- ❑ W.e.f. FY 2023-24 (AY 2024-25), the New Personal Tax Regime u/s 115BAC(1A), will become the Default Regime
- ❑ Persons having their income under the head 'Profits from Business or Profession' and wanting to benefit from the specified deductions available only under the Old regime, are now required to exercise their option of filing their ITRs under the Old Regime by filing an electronic declaration in the prescribed form u/s 115BAC(6), before filing of their ITRs

New Tax Regime to be the Default Regime

- ❑ Such persons shall be able to exercise the option of opting back to the new regime u/s 115BAC(1A) only once
- ❑ Persons not having income from business or profession shall be able to exercise the option of furnishing their ITRs as per the Old regime, in each year, by selecting the option of old regime in their ITR Forms
- ❑ The salaried individuals will be required to submit their investment declaration forms to their employers at the beginning of the financial year only, if they wish to opt for the old regime, in order to enable their employers to deduct accurate TDS on their salaries, after giving the benefit of deductions claimed





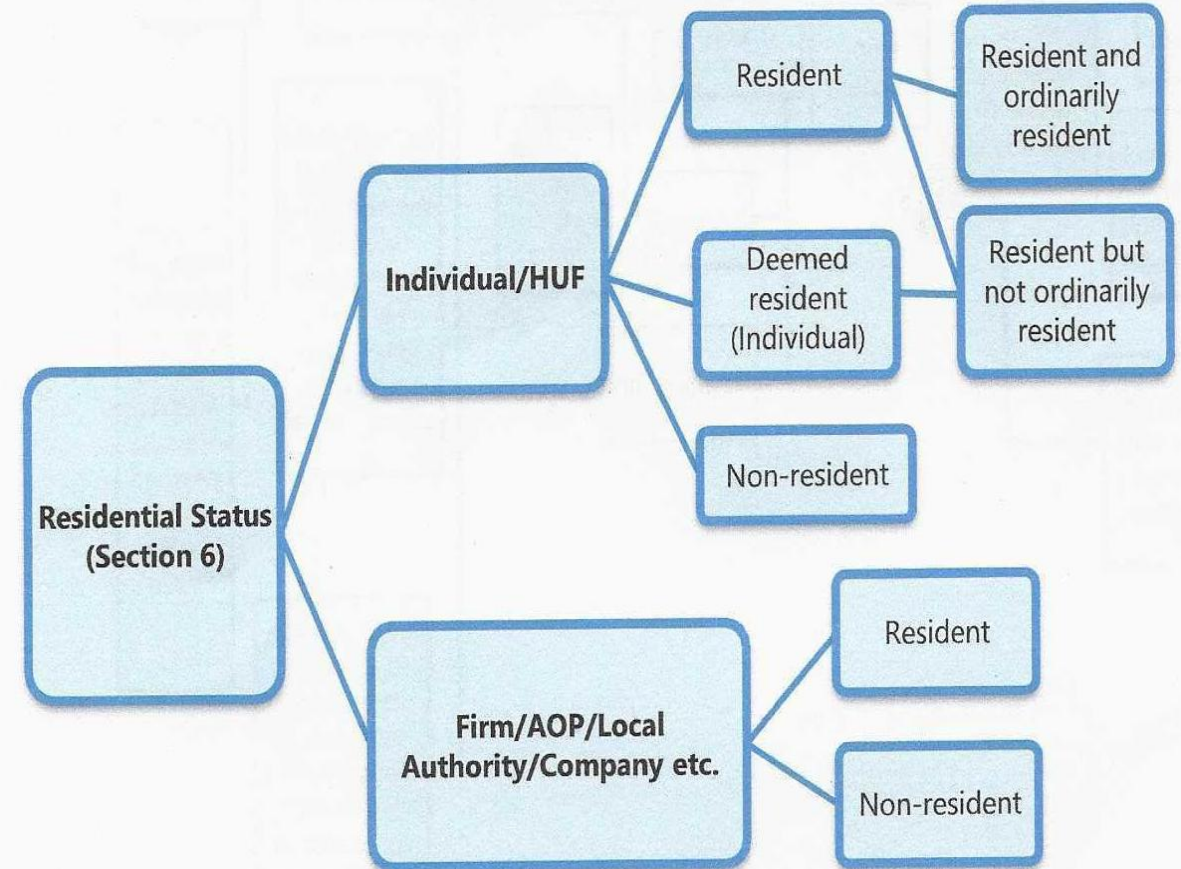
Residence & Scope of Taxable Income

The incidence of tax on any assessee depends upon his residential status under the Act. For all purposes of income-tax, taxpayers (individuals and HUF) are classified into three broad categories on the basis of their residential status viz.

- (1) Resident and ordinarily resident
- (2) Resident but not ordinarily resident
- (3) Non-resident

Taxpayers (other than individuals and HUF) are classified into two broad categories on the basis of their residential status viz.

- (1) Resident
- (2) Non-resident



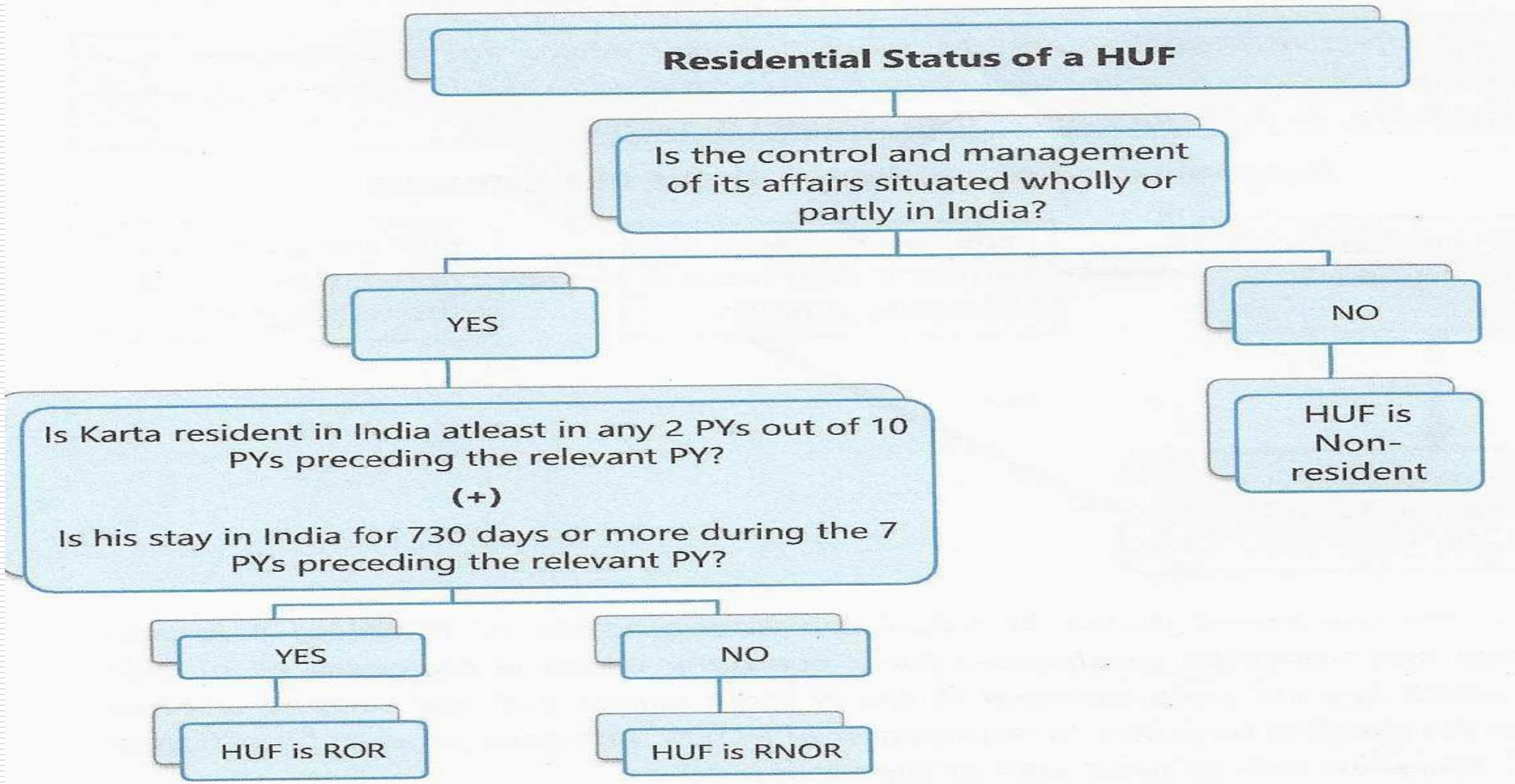
(I) Residential status of an individual

(1) Section		(2) 6(1)	(3) 6(1)	(4) 6(1)	(5) 6(1)	(6) 6(1A)
Main conditions		All individuals [Other than (3), (4) and (5)] [Either (a) or (b) should be satisfied for being a resident]	Indian citizen leaving India in relevant P.Y. for employment or as member of crew of Indian ship	Indian citizen or PIO residing outside India visiting India during the relevant P.Y. and having total income (excl. Income from foreign sources) ≤ ₹ 15 lakh	Indian citizen or PIO residing outside India visiting India during the relevant P.Y. and having total income (excl. Income from foreign sources) > ₹ 15 lakh	Deemed resident – Indian citizen whose total income (excl. Income from foreign sources) > ₹ 15 lakh, who is not liable to tax in any other country
(a)	≥ 182 days in the relevant P.Y.	√	√	√	√	X
(b)	≥ 60 days in the relevant P.Y. + ≥ 365 days in 4 immediately preceding PYs	(OR) √	 x	 x	≥ 120 days in the relevant P.Y. + ≥ 365 days in 4 immediately preceding PYs	 x
Additional conditions		Section 6(6)			Section 6(6)	Section 6(6)
(i)	≥ 730 days in in 7 immediately preceding PYs	If both (i) and (ii) are satisfied, ROR. Otherwise RNOR i.e., if either (i) or (ii) are satisfied or neither (i) nor (ii) are satisfied, RNOR.			By default RNOR, if individual becomes resident due to the fulfillment of modified second condition above	By default RNOR
(ii)	Resident for ≥ 2 years out of the 10 immediately preceding PYs					

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Notes -

- (1) Section 6(1A) would not apply in case of an individual who is said to be resident in India in the previous year under section 6(1).
- (2) A person is said to be of Indian origin if he or either of his parents or either of his grandparents was born in undivided India
- (3) "Income from foreign sources" means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India) and which is not deemed to accrue or arise in India.



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Residential status of firms, AoPs and Bols

Resident: A firm, AoP and Bol would be resident in India if the control and management of its affairs is situated wholly or partly in India.

Non-resident: Where the control and management of the affairs is situated wholly outside India, the firm, AoP and Bol would become a non-resident.



The residential status of the partners/ members is immaterial while determining the residential status of a Firm/AOP/BOL.

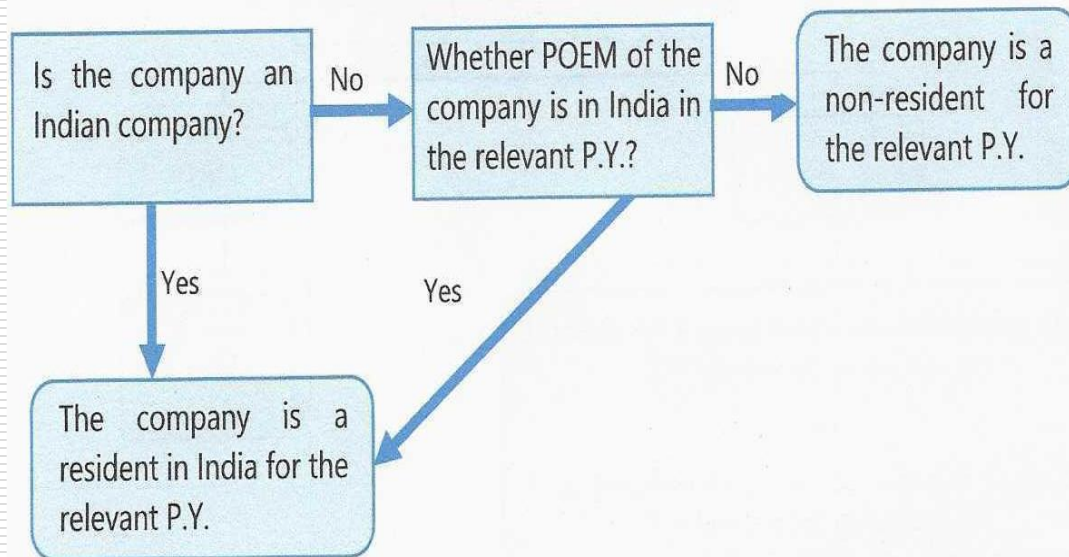
Residential status of companies

A company would be resident in India in any previous year, if-

- (i) it is an Indian company; or
- (ii) its place of effective management, in that year, is in India.

"Place of effective management" to mean a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made [Explanation to section 6(3)].

Determination of residential status of a company



Note – The guidelines issued by CBDT for determination of POEM of a foreign company and transition mechanism for a company which is incorporated outside India, which has not been assessed to tax in India earlier and has become resident in India for the first time due to application of POEM, has been provided in Chapter

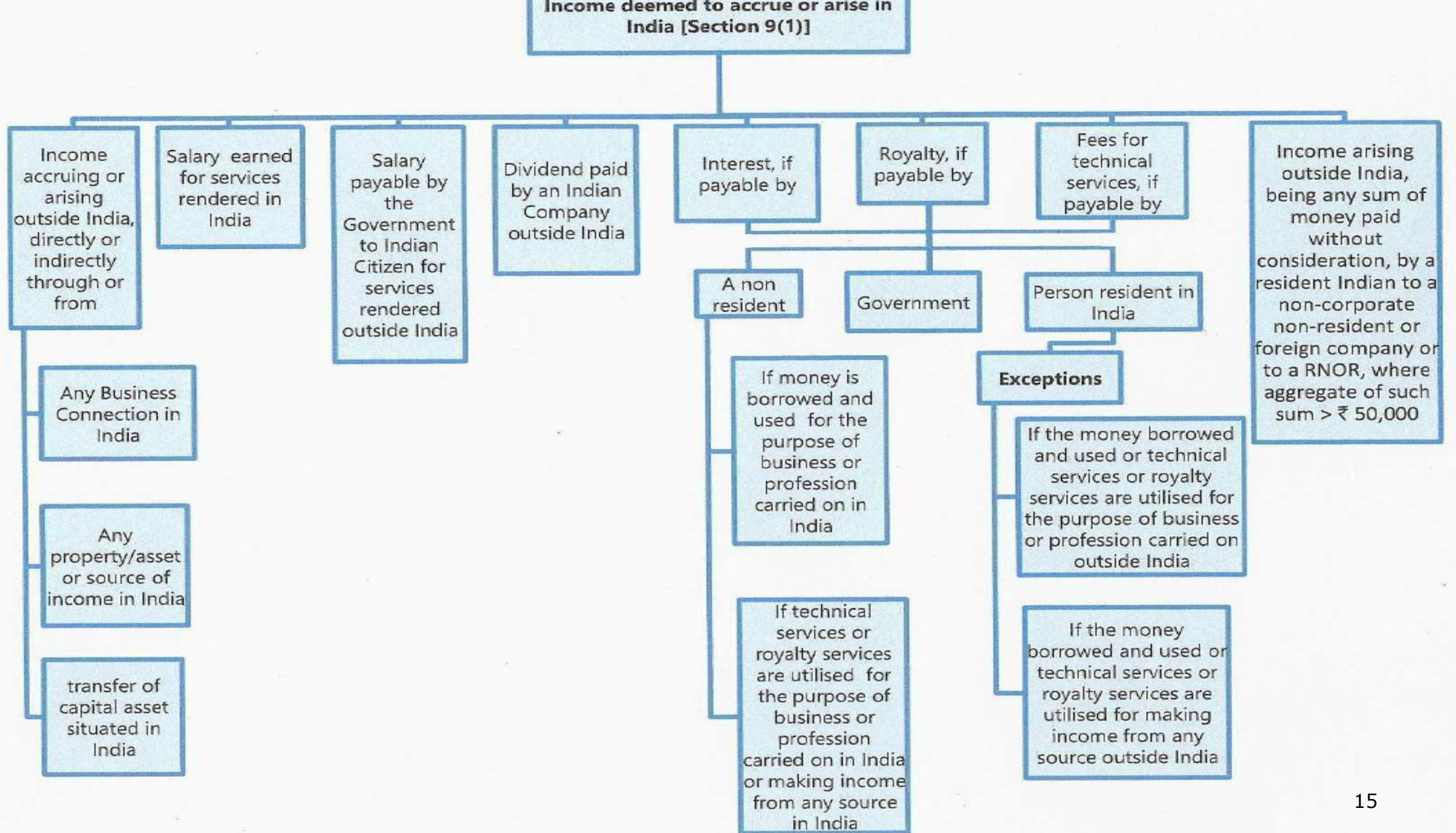
Residential status of local authorities and artificial juridical persons

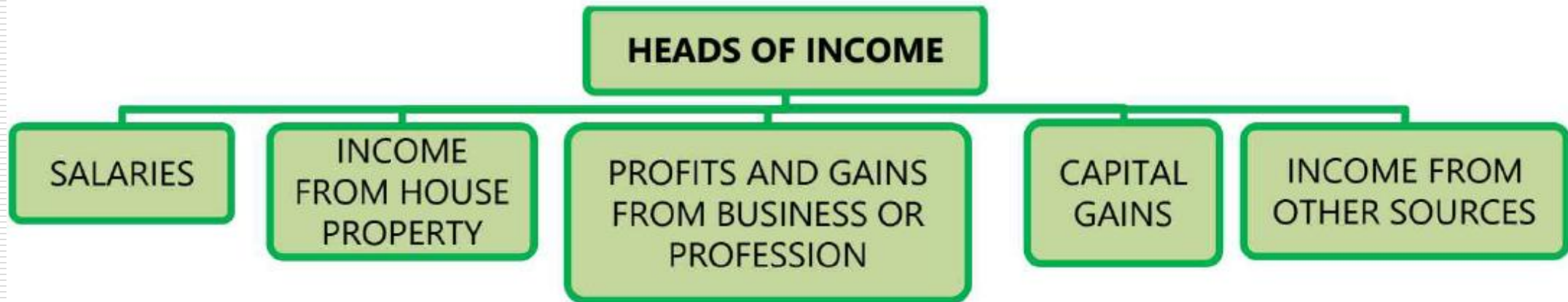
Resident: Local authorities and artificial juridical persons would be resident in India if the control and management of its affairs is situated wholly or partly in India.

Non-resident: Where the control and management of the affairs is situated wholly outside India, they would become non-residents.

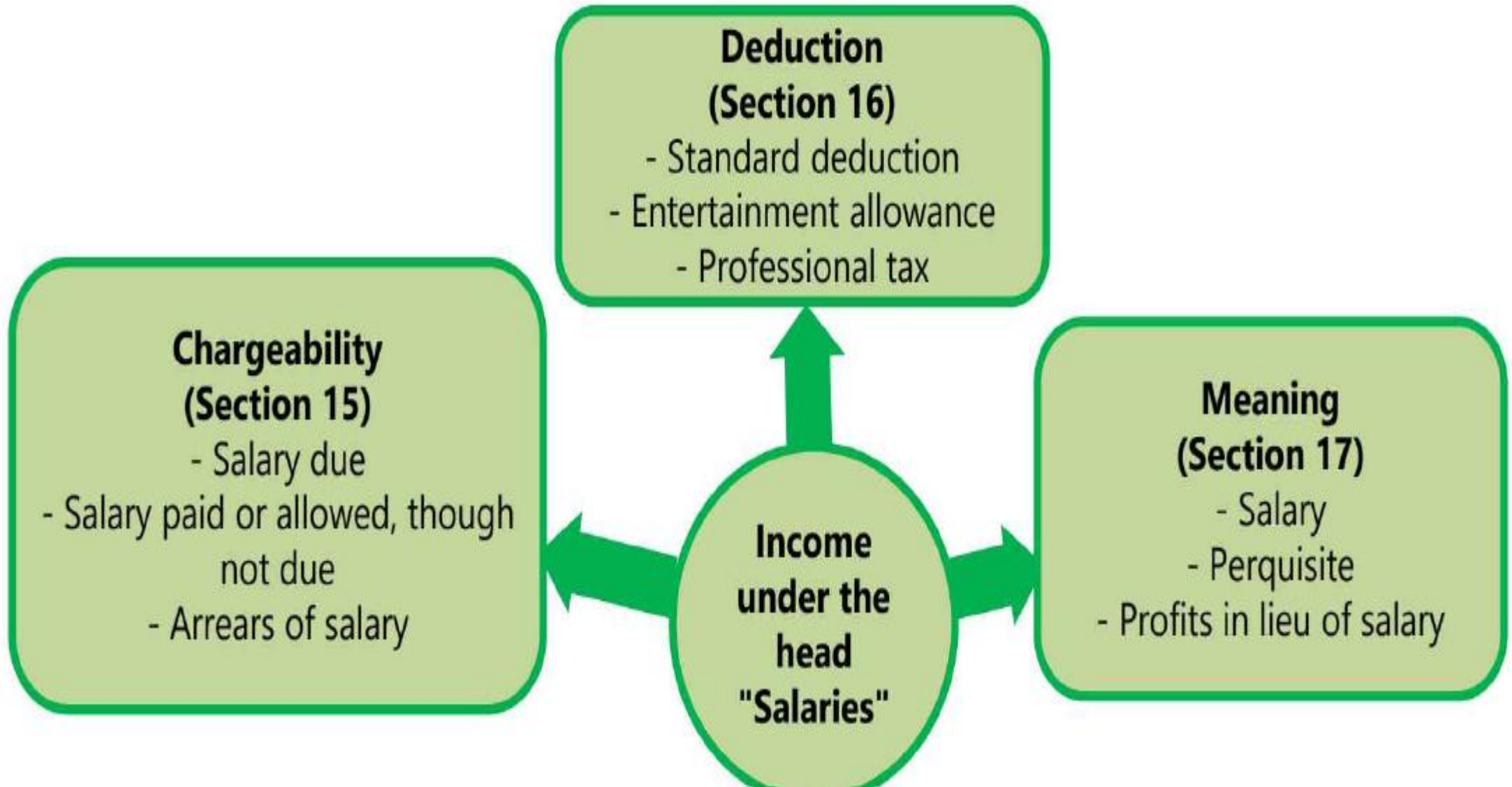
Residential Status and Scope of Total Income: Whether the following incomes are to be included in Total Income?

Scope of total Income	Resident and Ordinarily Resident (ROR)	Resident but not Ordinarily Resident (RNOR)	Non-Resident
Income received or deemed to be received in India during the previous year	Yes	Yes	Yes
Income accruing or arising or deeming to accrue or arise in India during the previous year	Yes	Yes	Yes
Income accruing or arising outside India during the previous year	Yes, even if such income is not received or brought into India during the previous year	Yes, but only if such income is derived from a business controlled in or profession set up in India; Otherwise, No.	No





HEADS OF INCOME					
	Salaries	Income from house property	Profits and gains from business or profession	Capital Gains	Income from Other sources
Charging Section	15	22	28	45	56
Deeming provisions	-	25A & 27	41	46, 46A, 50B, 50C, 50CA, 50D	59
Deductions allowable	16	24	30 to 37	48(i), (ii) & 54	57
Deductions not allowable	-	25	40 & 40A	Last proviso to section 48	58
Other provisions	17	23 & 26	29, 38, 43, 43A, 43B, 43CA, 44AA, 44AB, 44AD, 44ADA & 44AE	47, 47A, 49, 51, 55 & 55A	-



Proforma for computation of income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC

Particulars	Amount (₹)	Amount (₹)
Net profit as per statement of profit and loss		A
Add: Expenses debited to statement of profit and loss but not allowable		
• Depreciation as per books of account	xxx	
• Income-tax [disallowed u/s 40(a)(ii)]	xxx	
• 30% of sum payable to residents on which tax is not deducted at source or has not been remitted on or before the due date u/s 139(1), after deduction, disallowed under section 40(a)(ia) [The same is allowable in the year in which the tax is deducted and remitted]	xxx	
• Any expenditure incurred, in respect of which payment is made for goods, services or facilities to a related person, to the extent the same is excessive or unreasonable, in the opinion of the A.O, having regard to its FMV [disallowed u/s 40A(2)]	xxx	

Proforma for computation of income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC

Particulars	Amount (₹)	Amount (₹)
<ul style="list-style-type: none"> Any expenditure incurred in respect of which payment or aggregate of payments to a person exceeding ₹ 10,000 in a single day is made otherwise than by way of A/c payee cheque/bank draft/ use of ECS through bank A/c or through such other prescribed electronic mode (debit card, credit card, Net banking, RTGS, NEFT, IMPS, BHIM Aadhar Pay) [disallowed u/s 40A(3)] 	xxx	
<ul style="list-style-type: none"> Certain sums payable by the assessee which have not been paid during the relevant P.Y. in which the liability was incurred on or before the due date for filing return u/s 139(1) in respect of that P.Y. [disallowed u/s 43B] 	xxx	
<ul style="list-style-type: none"> Sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of MSME Development Act, 2006 [disallowed u/s 43B] 	xxx	
<ul style="list-style-type: none"> Personal expenses [not allowable as per section 37] 	xxx	

Proforma for computation of income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC

Particulars	Amount (₹)	Amount (₹)
<ul style="list-style-type: none"> Capital expenditure [not allowable as per section 37] 	xxx	
<ul style="list-style-type: none"> Repairs of capital nature [not allowable as per Sections 30 & 31] 	xxx	
<ul style="list-style-type: none"> Amortization of preliminary expenditure u/s 35D/ expenditure incurred under voluntary retirement scheme u/s 35DDA [4/5th of such expenditure to be added back] 	xxx	
<ul style="list-style-type: none"> Family planning expenses not allowable in the case of a person other than a company 	xxx	
<ul style="list-style-type: none"> Fine or penalty paid for infringement or breach of law [However, penalty in the nature of damages for delay in completion of a contract, being compensatory in nature, is allowable] 	xxx	
<ul style="list-style-type: none"> All expenses related to income which is not taxable under this head e.g. municipal taxes in respect of residential house property 	xxx	
<ul style="list-style-type: none"> Any sum paid by the assessee as an employer by way of contribution to pension scheme u/s 80CCD exceeding 14% of the salary of the employee 	xxx	B
(A + B)		C

Proforma for computation of income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC

Particulars	Amount (₹)	Amount (₹)
Less: Expenditure allowable as deduction but not debited to statement of profit and loss		
<ul style="list-style-type: none"> Depreciation computed as per Rule 5 of Income-tax Rules, 1962 	xxx	
<ul style="list-style-type: none"> 30% of expenditure disallowed in an earlier P.Y. due to non-deduction of tax at source/ non-remittance before due date u/s 139(1) of that year, allowed this year on remittance (This item of adjustment is generally given under "Additional information" in the question) 	xxx	
<ul style="list-style-type: none"> Amount disallowed in an earlier P.Y. as per section 43B, due to non-payment on or before due date u/s 139(1), allowed as deduction in this year on actual payment (This item of adjustment is generally given under "Additional information" in the question) 	xxx	D
(C - D)		E

Proforma for computation of income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC

Particulars	Amount (₹)	Amount (₹)
Less: Income credited in statement of profit and loss but not taxable/taxable under any other head		
• Dividend income	xxx	
• Agricultural income exempt under section 10(1)	xxx	
• Interest on securities/savings bank account/FD taxable under the head "Income from other sources"	xxx	
• Profit on sale of capital asset taxable under the head "Capital Gains"	xxx	
• Rent from house property taxable under the head "Income from house property"	xxx	
• Winnings from lotteries, horse races, games etc. taxable under the head "Income from other sources"	xxx	
• Gifts exempt or taxable under the head "Income from other sources"	xxx	
• Income-tax refund not taxable	xxx	
• Interest on income-tax refund taxable under the head "Income from other sources"	xxx	F
(E - F)		G

Proforma for computation of income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC

Particulars	Amount (₹)	Amount (₹)
Add: Income chargeable under this head/Deemed Income [If the same is given as additional information and has not already been credited to Statement of Profit & Loss]		
<ul style="list-style-type: none"> Salary, remuneration, interest received by a partner from the firm, to the extent the same is deductible in the hands of the firm as per section 40(b) 	xxx	
<ul style="list-style-type: none"> Bad debt allowed as deduction u/s 36(1)(vii) in an earlier P.Y., now recovered [deemed as income u/s 41(4)] 	xxx	
<ul style="list-style-type: none"> Remission or cessation of a trading liability [deemed as income u/s 41(1)] 	xxx	H
Profits and gains from business or profession (G + H)		I

Proforma for computation of income under the head “Profits and gains of business or profession” under optional tax regime taking business income computed under default tax regime under section 115BAC as the starting point

Particulars	Amount (₹)	Amount (₹)
Profits and gains from business or profession as per section 115BAC		A
Less: Expenditure allowable as deduction		
<ul style="list-style-type: none"> • Additional depreciation@20% of actual cost of new P & M acquired by an assessee engaged in the business of manufacture or production of any article or thing or generation, transmission or distribution of power (10% of actual cost, if put to use for less than 180 days in the year of acquisition) [Balance additional depreciation can be claimed in the next year i.e., P.Y.2025-26] 	xxx	
<ul style="list-style-type: none"> • Balance additional depreciation @10% of actual cost of P & M acquired and installed during the P.Y. 2023-24 and put to use for less than 180 days in that year 	xxx	B
Profits and gains from business or profession as per normal provisions of the Act (A – B)		C

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Note - An assessee carrying on specified business and exercising the option to shift out of the default tax regime provided under section 115BAC(1A), is eligible for deduction u/s 35AD in respect of capital expenditure (other than land, goodwill and financial instruments) incurred for such business, subject to fulfillment of specified conditions. However, if he pays tax under default tax regime under section 115BAC, he would **not** be eligible for deduction u/s 35AD.

The table in the next page depicts the allowability of deduction for expenditure incurred for in-house scientific research related to the business of the assessee and contribution to outsiders for scientific research/social science/statistical research under the default tax regime and optional tax regime.

Nature of Expenditure/ contribution for scientific research/social science/statistical research	Under the default tax regime u/s 115BAC			Under the optional tax regime as per the normal provisions of the Act		
	Allowability of deduction	Treatment while computing income under the head "PGBP"		Allowability of deduction	Treatment while computing income under the head "PGBP"	
		If debited to Profit & Loss A/c	If given as additional information		If debited to Profit & Loss A/c	If given as additional information

II. Contribution to outsiders

35(1)(ii)	Notified approved research association/university/ college/other institution for scientific research	Not allowable as deduction	To be added back while computing income under the head "PGBP"	No adjustment required	Allowable as deduction	No adjustment required, since it is already debited to profit and loss A/c	To be deducted while computing income under the head "PGBP"
35(1)(ia)	Approved notified Company for scientific research						
35(1)(iii)	Notified approved research association/university/ college/other institution for research in social science or statistical research						
35(2AA)	Approved National Laboratory/ University/ IIT/specified person to be used for scientific research undertaken under an approved programme						

1/18/2025

CMA Niranjana Swain, Bcom, CS, FCMA, LLB,
Advocate & Tax Consultant

28

Proforma for computation of income under the head "Capital Gains"

	Particulars	Amt (₹)	Amt (₹)
In case of a Short-term capital asset (STCA)	Full value of consideration received or accruing as a result of transfer	xxx	
	Less: Expenditure incurred wholly and exclusively in connection with such transfer (for e.g., brokerage on sale)	xxx	
	<i>(Note: Deduction on account of STT paid will not be allowed)</i>		
	Net Sale Consideration		xxx
	Less: Cost of acquisition (COA) [Refer table at page 3.464]	xxx	
	Cost of improvement (COI) [Refer table at page 3.466]	xxx	xxx
	Short-term capital gain (STCG)		xxx
	Less: Exemption under sections 54B/54D		xxx
	Short-term capital gain chargeable to tax		xxx

Proforma for computation of income under the head "Capital Gains"

	Particulars	Amt (₹)	Amt (₹)
In case of a Long-term capital asset (LTCA)	In case transfer takes place before 23.7.2024		
	Full value of consideration received or accruing as a result of transfer	xxx	
	Less: Expenditure incurred wholly and exclusively in connection with such transfer (for e.g., brokerage on sale) <i>(Note: Deduction on account of STT paid will not be allowed)</i>	xxx	
	Net Sale Consideration		xxx
	Less: Indexed cost of acquisition (ICOA) <div style="text-align: center;"> $\frac{\text{Cost of acquisition} \times \text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the asset was first held by the assessee or P.Y. 2001-02, whichever is later}}$ </div>	xxx	
	Less: Indexed cost of improvement (ICOI) <div style="text-align: center;"> $\frac{\text{Cost of improvement} \times \text{CII for the year in which the asset is transferred}}{\text{CII for the year in which the improvement took place}}$ </div>	xxx	xxx

Proforma for computation of income under the head “Capital Gains”

	Particulars	Amt (₹)	Amt (₹)
	Long-term capital gains (LTCG)		xxx
	Less: Exemption under sections 54/54B/54D/54EC/54F <i>[Refer Table at pages 3.468-3.470]</i>		xxx
	Long-term capital gains chargeable to tax		xxx
	In case transfer takes place on or after 23.7.2024		
	Full value of consideration received or accruing as a result of transfer	xxx	
	Less: Expenditure incurred wholly and exclusively in connection with such transfer (for e.g., brokerage on sale) <i>(Note: Deduction on account of STT paid will not be allowed)</i>	xxx	
	Net Sale Consideration		xxx
	Less: Cost of acquisition (COA) <i>[Refer table at page 3.464]</i>	xxx	
	Less: Cost of improvement (COI) <i>[Refer table at page 3.466]</i>	xxx	xxx
	Long-term capital gains (LTCG)		xxx
	Less: Exemption under sections 54/54B/54D/54EC/54F <i>[Refer Table at pages 3.468-3.470]</i>		xxx
	Long-term capital gains chargeable to tax		xxx

Proforma for computation of income under the head "Capital Gains"

	Particulars	Amt (₹)	Amt (₹)
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Rate of tax on Short-term Capital Gains (STCG)

Section	Rate of tax	
111A	<ul style="list-style-type: none">STCG arising on transfer of listed equity shares, units of equity-oriented fund and unit of business trust¹ - STT should have been paid on such sale.	
	If transfer takes place	Rate of tax
	Before 23.7.2024	15%
	On or after 23.7.2024	20%
	<ul style="list-style-type: none">STCG arising from transaction undertaken in foreign currency on a recognized stock exchange located in an International Financial Services Centre (IFSC) would be taxable at a concessional rate of 15% or 20%, as the case may be, even though STT is not paid in respect of such transaction.	

Rates of tax on Long-term Capital Gains (LTCG)

Section	Rate of tax
112A	<ul style="list-style-type: none"> • LTCG exceeding ₹ 1,25,000 would be taxable <ul style="list-style-type: none"> - @10%, if transfer takes place before 23.7.2024 - @12.5%, if transfer takes place on or after 23.7.2024 on the transfer of following long-term capital assets - <ul style="list-style-type: none"> - listed equity shares, if STT has been paid on acquisition and transfer of such shares - units of equity-oriented fund and unit of business trust, if STT has been paid on transfer of such units • Total exemption in a previous year cannot exceed ₹ 1.25 lakhs. • If such transaction is undertaken on a recognized stock exchange located in an IFSC, LTCG would be taxable at a concessional rate of 10% or 12.5%, as the case may be, where the consideration for transfer is received or receivable in foreign currency, even though STT is not paid in respect of such transaction. • Benefit of indexation and currency fluctuation would not be available.

112	Long-term capital asset (LTCA)	Rate of tax
	If transfer takes place before 23.7.2024	
	Unlisted securities, or shares of a closely held company	Non-corporate non-resident/ foreign company - 10% without the benefit of indexation and foreign currency fluctuation Other Assesseees – 20% with indexation benefit
	Listed securities (other than a unit) or a zero-coupon bond	- 10% without indexation or - 20% with indexation benefit whichever is more beneficial to the assessee
	Other Assets (other than taxable u/s 112A)	- 20% with indexation benefit



If transfer takes place on or after 23.7.2024

Land or building or both
if acquired before
23.7.2024

Individual or HUF, being a resident –
12.5% without indexation or 20% with
indexation benefit, whichever is more
beneficial to the assessee

Other Assesseees – 12.5% without
indexation

- Land or building or
both if acquired on or
after 23.7.2024

or

- Other Assets (other
than taxable u/s 112A)

12.5% without indexation

[In case of non-residents, LTCG on transfer
of unlisted securities, or shares of a closely
held company, would be taxable @12.5%
without indexation and foreign currency
fluctuation]

Notes:

- In case of a **resident individual or a Hindu Undivided Family (HUF)**, the LTCG taxable u/s 112 or 112A or STCG taxable u/s 111A shall be reduced by the unexhausted basic exemption limit and the balance shall be subject to tax.
- In respect of bonds or debentures (whether listed or unlisted) transferred before 23.7.2024, the resultant capital gains will be considered either long-term or short-term, based on the holding period, and taxed accordingly. If unlisted debentures or bonds are transferred on or after 23.7.2024, the resulting capital gains will always be treated as short-term, regardless of the holding period. Indexation benefit is in any case not available for bonds/debentures, even if transferred before 23.07.2024.
- **No deduction under Chapter VI-A** can be claimed in respect of such LTCG chargeable to tax u/s 112 or u/s 112A or STCG chargeable to tax u/s 111A.
- Rebate u/s 87A **is not available** in respect of tax payable on LTCG **u/s 112A**.
- In case the assessee pays tax under default tax regime, enhanced surcharge of 25% would not be levied on dividend income, STCG taxable u/s 111A and LTCG taxable u/s 112 and u/s 112A.
- In case the assessee exercises the option of shifting out of the default tax regime under section 115BAC, enhanced surcharge of 25% or 37% would not be levied on dividend income, STCG taxable u/s 111A and LTCG taxable u/s 112 and u/s 112A.

Period of holding [Section 2(42A)]
[In case transfer takes place before 23.7.2024]

STCA, if held for ≤ 12 months	<ul style="list-style-type: none"> • Security (other than unit) listed in a recognized stock exchange • Unit of equity oriented fund/unit of UTI • Zero Coupon bond
LTCA, if held for > 12 months	
STCA, if held for ≤ 24 months	<ul style="list-style-type: none"> • Unlisted shares • Land or building or both
LTCA, if held for > 24 months	
STCA, if held for ≤ 36 months	<ul style="list-style-type: none"> • Unlisted securities other than shares • Other capital assets
LTCA, if held for > 36 months	

[In case transfer takes place on or after 23.7.2024]

STCA, if held for ≤ 12 months	<ul style="list-style-type: none"> • Security listed in a recognized stock exchange • Unit of equity oriented fund/UTI • Zero Coupon bond
LTCA, if held for > 12 months	
STCA, if held for ≤ 24 months	<ul style="list-style-type: none"> • Other capital assets
LTCA, if held for > 24 months	

Note – It is to be noted that as per section 50AA, capital gains arising from transfer of the following assets would always be capital gains arising from transfer of short-term capital assets irrespective of the period of holding of such assets:

- units of a specified mutual fund acquired on or after 1.4.2023,
- market linked debentures,
- unlisted bond and unlisted debenture which is transferred or redeemed or matures on or after 23.7.2024.

Proforma for computation of "Income from Other Sources"

	Particulars	Amt
(i)	Dividend Income	xxx
(ii)	Casual Income (winnings from lotteries, crossword puzzles, races including horse races, card games and other games, gambling, betting etc.)	xxx
(iii)	Interest received on compensation/ enhanced compensation deemed to be income in the year of receipt [Section 56(2)(viii)]	xxx
(iv)	Advance forfeited due to failure of negotiations for transfer of a capital asset [Section 56(2)(ix)]	xxx
(v)	Sum of money or property received by any person [Section 56(2)(x)]	xxx
(vi)	Compensation or other payment, due to or received by any person, in connection with termination of his employment or the modification of the terms and conditions relating thereto [Section 56(2)(xi)]	xxx
(vii)	Sum received, including the amount allocated by way of bonus, under a LIP other than under a ULIP and keyman insurance policy, which is not exempt u/s 10(10D) [Section 56(2)(xii)]	xxx

Proforma for computation of "Income from Other Sources"

	Particulars	Amt
(viii)	<p>The following income, if not chargeable under the head "Profits and gains of business or profession"</p> <p>(a) Any sum received by an employer from his employees as contributions to any provident fund, superannuation fund or any other fund for the welfare of the employees xxx</p> <p>(b) Interest on securities xxx</p> <p>(c) Income from letting out on hire of machinery, plant or furniture xxx</p> <p>(d) Where letting out of buildings is inseparable from the letting out of machinery, plant or furniture, the income from such letting xxx</p> <p>(e) Any sum received under a Keyman insurance policy including bonus on such policy (if not chargeable to tax under the head "Salaries" also) xxx xxx</p>	
(ix)	Any income chargeable to tax under the Act, but not falling under any other head of income	xxx

Proforma for computation of "Income from Other Sources"

	Particulars	Amt
(x)	Deemed income u/s 59 – Remission or cessation of a trading liability or receipt of any amount in respect of loss or expenditure allowed as deduction in an earlier P.Y.	xxx
		xxx
	Less: Deductions allowable [Section 57]	
(a)	In case of dividends [other than dividend referred u/s 2(22)(f)] or income in respect of units of a mutual fund or income in respect of units from a specified company - interest expenditure allowable as deduction subject to a maximum of 20% of such income included in the total income for that year, without deduction under this section	xxx
(b)	In case of interest on securities - Any reasonable sum paid by way of commission or remuneration to a banker or any other person	xxx
(c)	Income consists of recovery from employees as contribution to any PF, superannuation fund etc. - Amount of contribution remitted before the due date under the respective Acts, in accordance with the provisions of section 36(1)(va)	xxx

Proforma for computation of "Income from Other Sources"

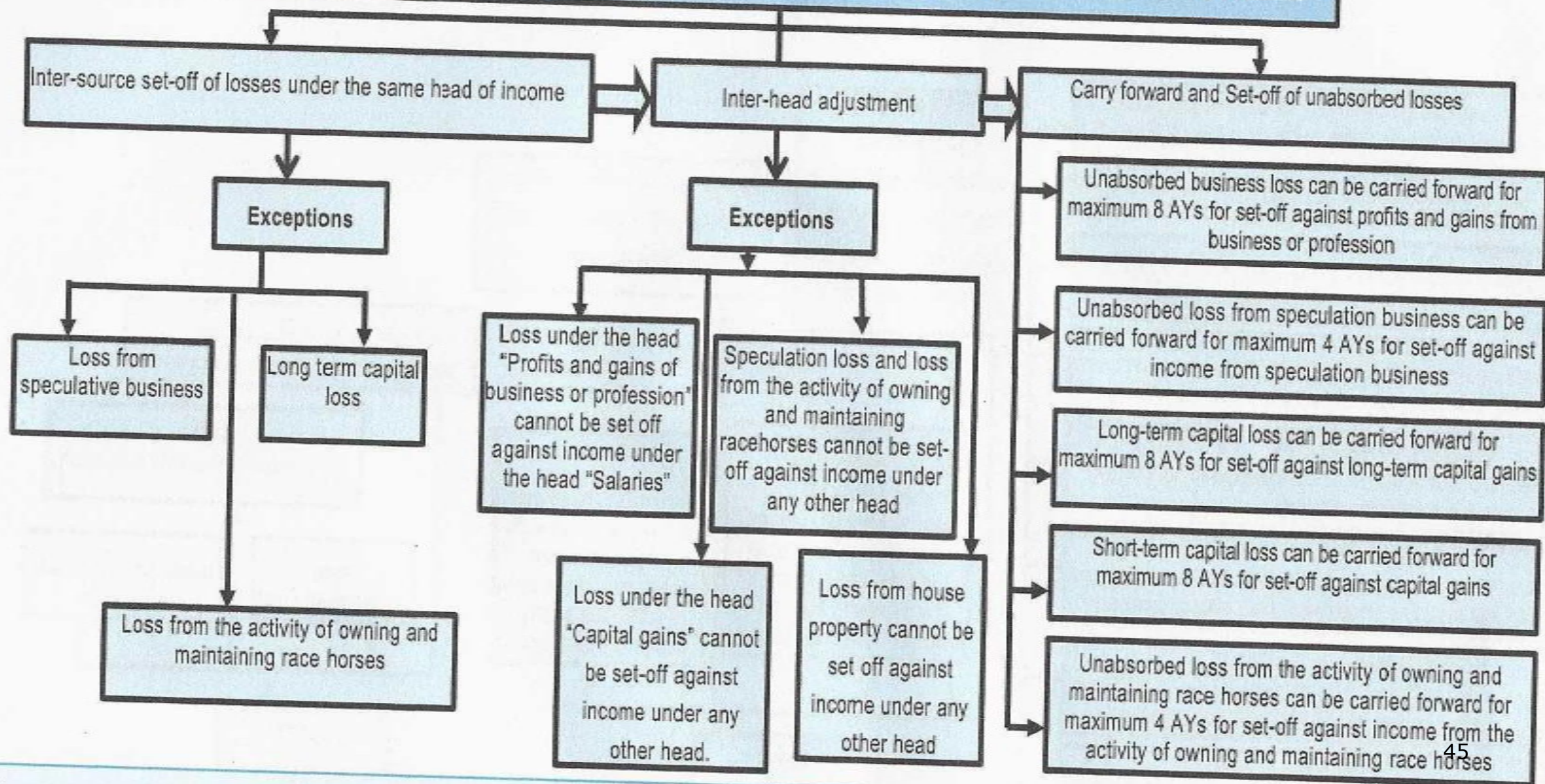
	Particulars		Amt
(d)	Income from letting on hire of machinery, plant and furniture, with or without building	xxx	
	- current repairs to the machinery, plant, furniture or building		
	- insurance premium		
	- depreciation/unabsorbed depreciation		
(e)	Family Pension – 33-1/3% of such income or ₹ 15,000 <i>(in case of optional tax regime) or 25,000 (in case of default tax regime u/s 115BAC)</i> , whichever is less.	xxx	
(f)	Interest on compensation/enhanced compensation received – 50% of such interest	xxx	
(g)	Any other expenditure not in the nature of capital expenditure incurred wholly and exclusively for earning such income	xxx	xxx
Income from Other Sources			xxx

Deductions not allowable [Section 58]	
(a)	Any personal expense of the assessee.
(b)	Any interest chargeable to tax under the Act which is payable outside India on which tax has not been paid or deducted at source.
(c)	Any payment chargeable to tax under the head "Salaries", if it is payable outside India unless tax has been paid thereon or deducted at source therefrom.
(d)	30% of sum payable to a resident on which tax is deductible at source, if such tax has not been deducted or after deduction has not been paid on or before the due date of return specified in section 139(1).
(e)	Any expenditure in respect of which a payment is made to a related person, to the extent the same is considered excessive or unreasonable by the Assessing Officer, having regard to the FMV.
(f)	Any expenditure in respect of which a payment or aggregate payments exceeding ₹ 10,000 is made to a person in a day otherwise than by account payee cheque/bank draft or ECS through bank account or through such other prescribed electronic mode such as credit card, debit card, net banking, IMPS, UPI, RTGS, NEFT, and BHIM Aadhar Pay.

Tax on Income from Other Sources				
Income	Winnings from lotteries, crossword puzzles, races including horse races, card games and other games, gambling, betting etc. (other than winning from any online game)	Unexplained cash credits/ investments/ money, bullion, jewellery etc./ expenditure, etc.	Net winnings from online games	Other Income
Section	Section 115BB	Section 115BBE	Section 115BBJ	-
Tax rate	30% of such winnings (further increased by surcharge, if	60% of such income <i>plus</i> surcharge @25% of tax	30% of such winnings (further increased by	Normal rates of tax
Tax on Income from Other Sources				
	applicable, and health and education cess@4%)	(Effective rate of tax is 78%, including health and education cess@4%)	surcharge, if applicable, and health and education cess@4%)	

Other conditions	<ul style="list-style-type: none"> ➤ No expenditure or allowance can be allowed from such income. ➤ Deduction under Chapter VI-A is not allowable from such income. ➤ Adjustment of unexhausted basic exemption limit is also not permitted against such income. ➤ Set-off of losses is not permissible against such income. 	<p>Deductions specified in section 57 allowable, subject to limits mentioned thereunder.</p> <p>Section 58 specifies the deductions not allowable.</p>
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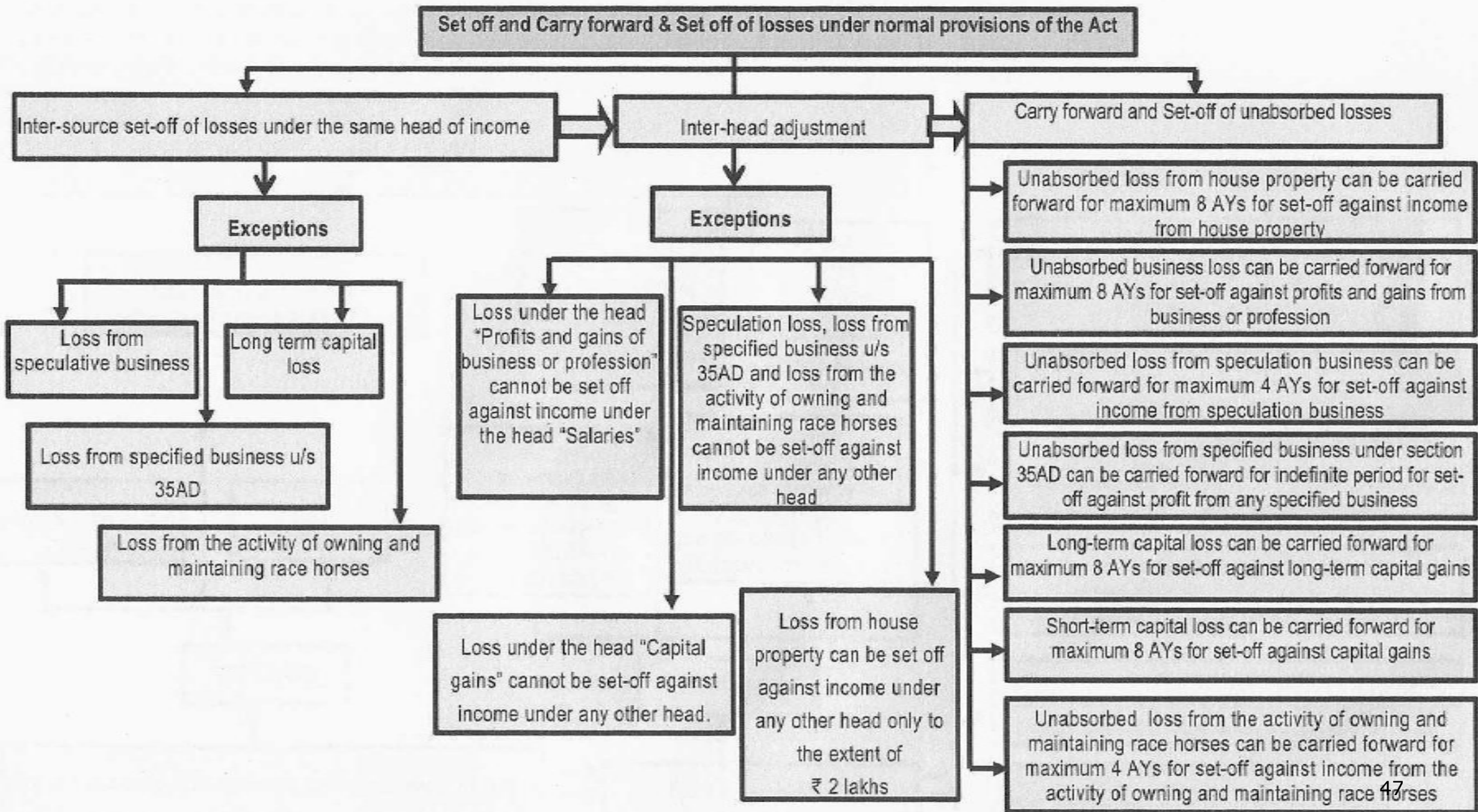
Set off and Carry forward & Set off of losses under default tax regime under section 115BAC



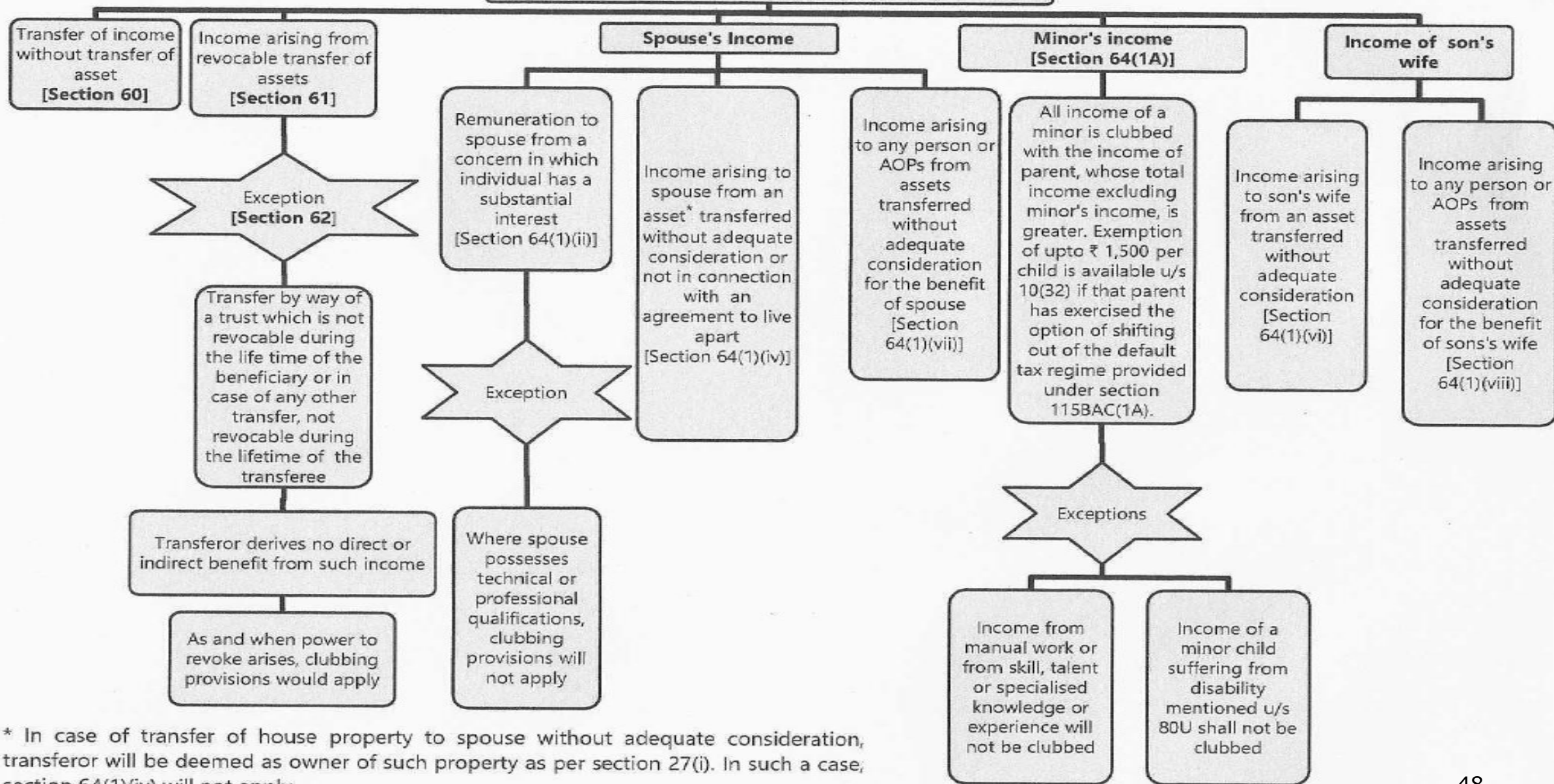
Note -

Following brought forward losses/ depreciation is not allowed to be set off while computing total income under default tax regime under section 115BAC

1. Brought forward loss from self-occupied house property
2. Brought forward business loss of specified business u/s 35AD
3. Brought forward business loss on account of deduction u/s 35(1)(ii)(iia)(i)(ii) or u/s 35(2AA)
4. Unabsorbed depreciation attributable to additional depreciation u/s 32(1)(ia).

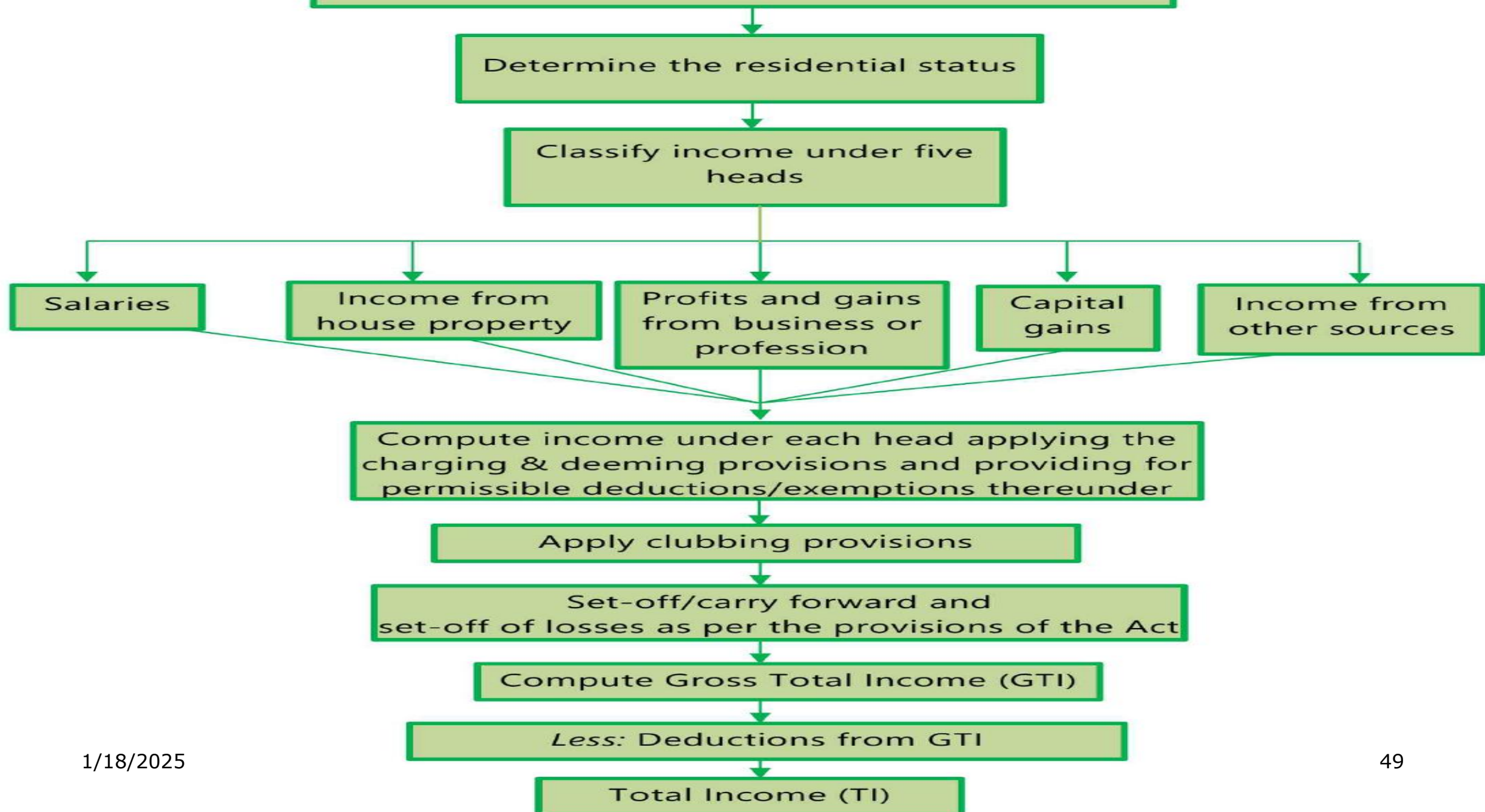


Income of other persons included in assessee's total income



* In case of transfer of house property to spouse without adequate consideration, transferor will be deemed as owner of such property as per section 27(i). In such a case, section 64(1)(iv) will not apply.

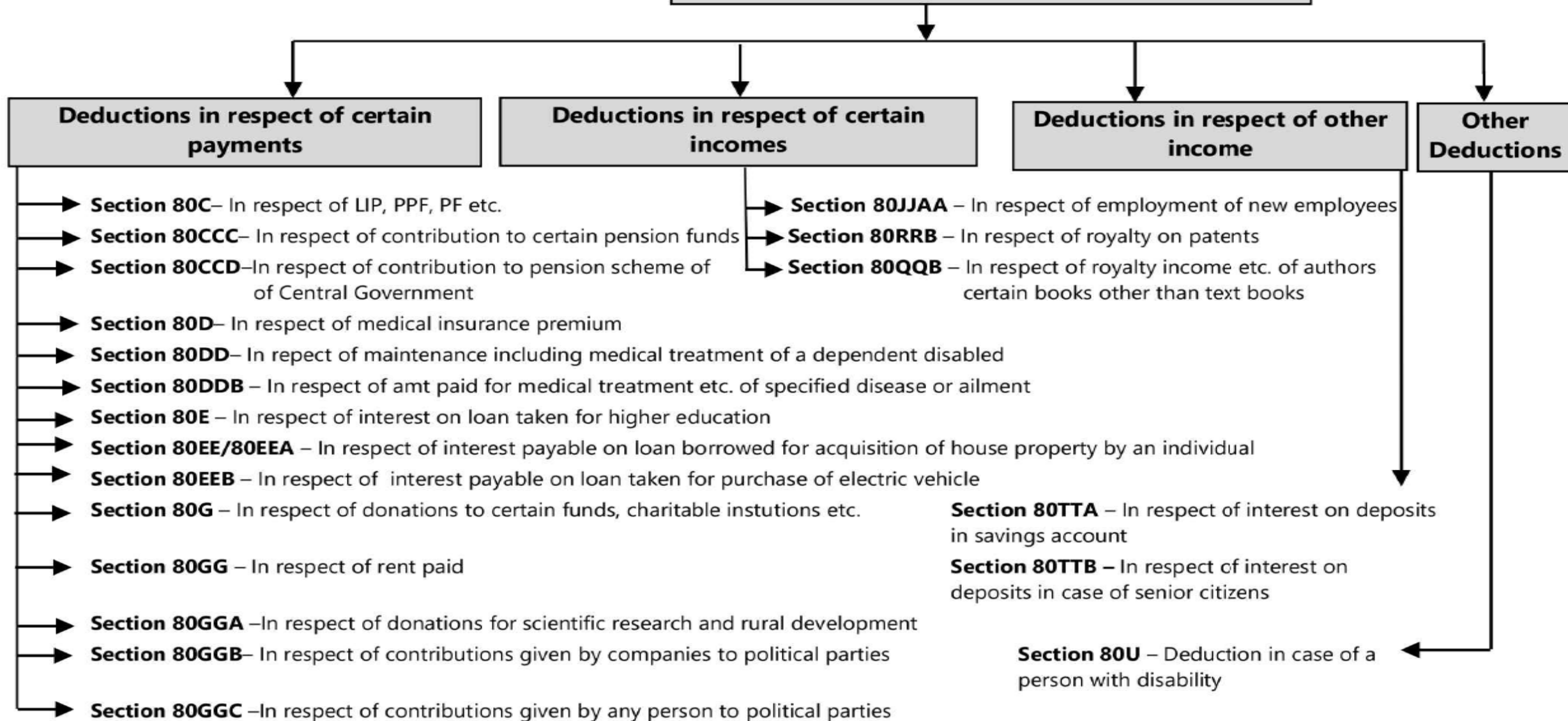
COMPUTATION OF TOTAL INCOME



CHAPTER OVERVIEW



Deductions from Gross Total Income

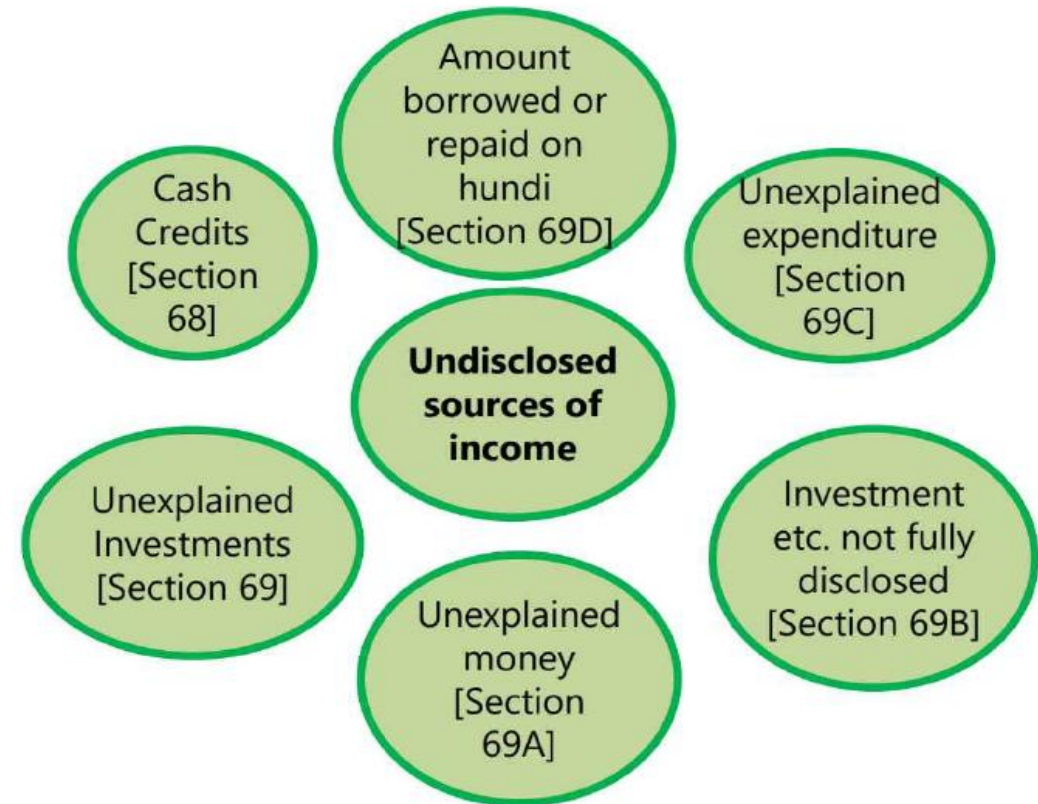


Reporting of Income v. Under Reporting of Income

❑ **Mis Reporting**

❑ **Under Reporting of Income**

Undisclosed sources of income



Computation of total income and tax liability for the year

Particulars	Amount		
Income from salary	XXXXXX	Tax on total income to be computed at the applicable rates (for rates of tax, refer "Tax Rate" section)	XXXXXX
Income from house property	XXXXXX	Less : Rebate under section 87A (discussed in later FAQ)	(XXXXXX)
Profits and gains of business or profession	XXXXXX	Tax Liability After Rebate	XXXXXX
Capital gains	XXXXXX	Add: Surcharge (discussed in later FAQ)	XXXXXX
Income from other sources	XXXXXX	Tax Liability After Surcharge	XXXXXX
Total of head wise income	XXXXXX	Add: Health & Education cess @ 4% on tax liability after surcharge	XXXXXX
Set off of losses	XXXXXX	Tax liability before rebate under sections 86 , section 89 , sections 90 , 90A and 91 (if any) (*)	XXXXXX
Gross Total Income	XXXXXX	Less : Rebate under sections 86 , section 89 , sections 90 , 90A and 91 (if any) (*)	(XXXXXX)
Less : Deductions under Chapter VI-A (i.e., under section 80C to 80U))	(XXXXXX)	Tax liability for the year before pre-paid taxes	XXXXXX
Total Income (i.e., taxable income)	XXXXXX	Less: Prepaid taxes in the form of TDS, TCS and advance tax	(XXXXXX)
		Tax payable/Refundable	XXXXXX

■

New Tax Regime for Section 115BAC of the Income Tax Act introduces an alternative tax regime for Individuals, Hindu Undivided Families (HUFs), Associations of Persons (AOPs), Bodies of Individuals (BOIs), and Artificial Juridical Persons (AJPs), collectively referred to as 'eligible assesses.'

Comparative of Tax Rates

Total Income In INR	New Regime (Section 115BAC) Tax Rate (%) - FY 2023-24	New Regime (Section 115BAC) Tax Rate (%) - FY 2022-23	Old Regime -with Tax Rates (%)
Up to 2.5 lakhs	Nil	Nil	Nil
From 2.50 lakhs to 3.00 lakhs	Nil	5	5
From 3.00 lakhs to 5.00 lakhs	5 (tax rebate u/s 87A is available)	5 (tax rebate u/s 87A is available)	5 (tax rebate u/s 87A is available)
From 5.00 lakhs to 6,00 lakhs	5	10	20
From 6.00 lakhs to 7.50 lakhs	10 (tax rebate u/s 87A is available up to Rs.7 lakhs)	10	20
From 7.50 lakhs to 9.00 lakhs	10	15	20
From 9.00 lakhs to 10.00 lakhs	15	15	20
From 10.00 lakhs to 12.50 lakh	15	20	30
From 12.50 lakh to 15.00 lakh	20	25	30
Above 15.00 lakh	30	30	30
•Rate of surcharge (up to Rs.50 lakhs -Nil, above Rs.50 lakhs to Rs.100 lakhs -10%). H7 Cess - 4%, Further, rebate under section 87A shall be available both under the new and old tax regime.			

Tax Slab Comparison

Tax Slab for FY 2023-24	Tax Rate	Tax Slab for FY 2024-25	Tax Rate
Upto ₹ 3 lakh	Nil	Upto ₹ 3 lakh	Nil
₹ 3 lakh - ₹ 6 lakh	5%	₹ 3 lakh - ₹ 7 lakh	5%
₹ 6 lakh - ₹ 9 lakh	10%	₹ 7 lakh - ₹ 10 lakh	10%
₹ 9 lakh - ₹ 12 lakh	15%	₹ 10 lakh - ₹ 12 lakh	15%
₹ 12 lakh - ₹ 15 lakh	20%	₹ 12 lakh - ₹ 15 lakh	20%
More than 15 lakh	30%	More than 15 lakh	30%

■

Basic concept Of Taxability of Income in the hands of Individuals

Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
Basic Salary	Taxable	X	X	X
Dearness Allowance	Taxable	X	X	X
Site Allowance	Taxable			
Production Incentive	Taxable	X	X	X
One Time (six months) pension	Taxable - Benefit of exemption may be claimed	X	X	X
Exemption on voluntary retirement	Exemption u/s 10(10C)	✓	✓	✓
Exemption on gratuity u/s 10(10)	Exemption u/s 10(10)	✓	✓	✓
Exemption on Leave encashment u/s 10(10AA)	Exemption u/s 10(10AA)	✓	✓	✓
Professional Tax	deductible	✓	X	X
Overtime Allowance	Taxable	x	X	X

■ Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
	Least of Following is Exempt: A)Actual HRA Received.B)40% or 50%(if house situated in delhi, mumbai, kolkatta or madrass)of salary.C)Rent Paid Minus 10% of salary	✓	X	X
HRA Exemption				
Leave Travel Concession or Assistance (LTC/LTA), extended by an employer to an employee for going anywhere in India along with his family u/s 10(5)	Exempted under section 10(5)	✓	X	X
Children Education Allowance	Rs.100 pm * 2 children	✓	X	X
Children Hostel Allowance	Rs.300 pm * 2 children	✓	X	X
Daily Allowance to meet the ordinary daily charges incurred by an employee on account of absence from his normal place of duty	To the extent expenditure incurred - section 10(14)	✓	✓	✓

Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
Conveyance Allowance granted to meet the expenditure on conveyance in performance of duties of an office Section 10(14)	To the extent expenditure incurred - section 10(14)	✓	✓	✓
Transport Allowance for a specially-abled person	Rs.3200 PM in case of blind / deaf & dump handicapped employee	✓	✓	✓
Uniform Allowance Section	To the extent expenditure incurred - section 10(14)	✓	✓	✓
Accomodation at concessional	As per Valuation Rule	✓	✓	✓
Education Facility at concessional rate	As per section 17(2)	✓	✓	✓

Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime-upto	New Tax Regime-from
Group Insurance	Exempted perquisite	✓	✓	✓
Medical Facilities	As prescribed in proviso to section 17(2)	✓	✓	✓
Group Medical Insurance / Medi claim policy	Exempted perquisite	✓	✓	✓
Providing Motor Car for Official Use	As prescribed in proviso to section 17(2)(iii)	✓	✓	✓
Supply of Electricity at concessional rate - own production of OPGC	Cost of Electricity - cost recovered	✓	✓	✓
Interest free or concessional loan exceeding Rs.20,000/-	if loan amount does not exceeds Rs.20000 Or Loan is provided for treatment of specified diseases (Rule 3A)	✓	✓	✓

Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
Gift or Voucher or Coupon on ceremonial occasions or otherwise provided to the employee	Up to Rs.5000/- exempted	✓	✓	✓
Free Recreation/ Club Facilities	Expenses incurred on club facilities for the official purposes and Use of health club, sports and similar facilities provided uniformly to all employees shall be exempt from tax	✓	✓	✓
Food allowance / Food Coupons	Rs 50/meal subject to 2 meals a day	✓	X	X
Other Perquisites for official purposes	Exempted perquisite	✓	✓	✓
Use of Movable Assets	Exempted	✓	✓	✓

Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
Transfer of Movable Assets	WDV - amount recovered	✓	✓	✓
Contribution made to the account of the assessee by the employer—(a) in a recognised provident fund;(b) in the scheme referred to in section 80CCD(1); and(c) in an approved superannuation fund	Exempt Upto Rs. 7,50,000/-	✓	✓	✓
Clubing of income of minor child	In case, the income of minor is clubbed with the income of the parent under section 64(1A), a sum of Rs.1500 is deducted by virtue of section 10(32).	✓	✓	✓

Particulars of Income - Taxability ▪ / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime-upto 3/2023	New Tax Regime-from 01.04.2023
Interest on Home Loan u/s 24b on: Self-occupied or vacant property	Deductible Up to Rs.2 lakhs	✓	X	X
Interest on Home Loan u/s 24b on: Let-out property	Fully Deductible . Regarding loss c/f refer separate slide	✓	✓	✓
Deduction u/s 80C (EPF LIC ELSS PPF FD Children's	Deductible under Chapter - VIA	✓	X	X
Employee's (own) contribution to NPS	Deductible under Chapter - VIA	✓	X	X
Employer's contribution to NPS	Deductible under Chapter - VIA	✓	✓	✓
Medical insurance premium - 80D	Deductible under Chapter - VIA	✓	X	X

[DEDUCTION UNDER CHAPTER-VIA.pdf](#)

Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
Disabled Individual - 80U	Deductible under Chapter - VIA	✓	X	X
Interest on education loan - 80E	Deductible under Chapter - VIA	✓	X	X
Interest on Electric vehicle loan - 80EEB	Deductible under Chapter - VIA	✓	X	X
Donation to Political party/trust etc - 80G	Deductible under Chapter - VIA	✓	X	X
Savings Bank Interest u/s 80TTA and 80TTB	Deductible under Chapter - VIA	✓	X	X
Other Chapter VI-A deductions	Deductible under Chapter - VIA	✓	X	X
All contributions to Agniveer Corpus Fund - 80CCH	Deductible under Chapter - VIA	✓	Did not exist	✓
Deduction on Family Pension Income		✓	✓	✓

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Particulars of Income - Taxability / Exemption / deduction	Basis of Exption	Old Tax Regime	New Tax Regime- upto 3/2023	New Tax Regime- from 01.04.2023
Income level for rebate eligibility		₹ 5 lakhs	₹ 5 lakhs	₹ 7 lakhs
Standard Deduction		₹ 50,000	-	₹ 50,000
Effective Tax-Free Salary income		₹ 5.5 lakhs	₹ 5 lakhs	₹ 7.5 lakhs
Rebate u/s 87A		₹12,500	₹12,500	₹25,000
Standard Deduction (Rs 50,000)		✓	X	✓

Finance Bill 2024
Due to change of Slab Rates:

**Tax Rebate u/s 87A – up to
Rs.25,000/-**

Comparative of Tax rates after amendments

Income Range	Old Regime Tax Rates for FY 22-23 (AY 23-24),			New Regime Tax Rates for FY 22-23 (AY 23-24)
	Individuals and HUF with age less than 60 years	Individuals and HUF with age 60 years or more but less than 80 years	Individuals and HUF with age 80 years or more	Applicable for All Individuals or HUF
Rs 0.0 to Rs 2,50,000	NIL	NIL	NIL	NIL
Rs 2,50,001 to Rs 3,00,000	5% (tax rebate u/s 87a is available)	NIL	NIL	5% (tax rebate u/s 87a is available)
Rs. 3,00,001 to Rs 5,00,000		5% (tax rebate u/s 87a is available)	NIL	
Rs. 5,00,001 to Rs 7,50,000	20%	20%	20%	10%
Rs 7,50,001 to Rs 10,00,000	20%	20%	20%	15%
Rs 10,00,001 to Rs. 12,50,000	30%	30%	30%	20%
Rs. 12,50,001 to Rs. 15, 00,000	30%	30%	30%	25%
Exceeding Rs. 15,00,000	30%	30%	30%	30%

Deductions allowable in Old Personal Tax Regime

- ☐ Standard Deduction – Rs.50,000 / Budget Rs75000
- ☐ Deduction in respect of family pension u/s 57(iia), upto Rs. 15,000 / Budget Rs25000
- ☐ Exemption on Voluntary Retirement 10(10C), Gratuity u/s 10(10) and Leave encashment u/s 10(10AA)
- ☐ Leave Travel Concession [Section 10(5)]
- ☐ House Rent Allowance [Section 10(13A)]
- ☐ Official and Personal Allowances (other than those prescribed) [Section 10(14)]
- ☐ Allowances to MPs/MLAs [Section 10(17)]
- ☐ Exemption for Income of Minor [Section 10(32)]
- ☐ Deduction for Units in Special Economic Zones (SEZ) [Section 10AA]
- ☐ Entertainment Allowance [Section 16(ii)]
- ☐ Professional Tax [Section 16(iii)]
- ☐ Interest on Housing Loan (for self-occupied house property) [Section 24(b)]
- ☐ Additional Depreciation for New Plant and Machinery [Section 32(1)(iia)]
- ☐ Deduction for Investment in New Plant and Machinery in Notified Backward Areas [Section 32AD]

Deductions allowable in Old Personal Tax Regime

- ❑ Deduction for Tea, Coffee, or Rubber Business [Section 33AB]
- ❑ Deduction for Prospecting, Extraction, or Production of Petroleum or Natural Gas in India [Section 33ABA]
- ❑ Deduction for Donations to Approved Scientific Research Associations, Universities, Colleges, or Institutes [Section 35(1)(ii)]
- ❑ Deduction for Payments to Indian Companies for Scientific Research [Section 35(1)(ia)]
- ❑ Deduction for Donations to Universities, Colleges, or Institutions for Social Science or Statistical Research [Section 35(1)(iii)]
- ❑ Deduction for Donations for Scientific Research or Expenditure on Scientific Research [Section 35(2AA)]
- ❑ Deduction for Capital Expenditure on Specified Businesses (e.g., cold chain facility, warehousing facility) [Section 35AD]

Deductions allowable in Old Personal Tax Regime

- ❑ Deduction for Expenditure on Agriculture Extension Projects [Section 35CCC]
- ❑ Chapter VIA Deductions u/s 80C like LIC, ULIPs, PPF; NPS Contribution u/s 80CCD(1)/(1B) (Except NPS u/s Section 80CCD(2) & Agneeveer Corpus Fund u/s 80CCH(2))
- ❑ Deduction in respect of Mediclaim Premium u/s 80D
- ❑ Deduction in respect of Interest paid on education loan u/s 80E / 80EEA
- ❑ Deduction in respect of Donation u/s 80G
- ❑ Deduction in respect of Royalty income of Authors on Books u/s 80QQB
- ❑ Deduction in respect of Interest Income on Savings Bank account u/s 80TTA
- ❑ Deduction in respect of Interest Income on deposits with Post Office, Banks u/s 80TTB
- ❑ Interest on PPF & Final payment on maturity u/s 10(11)
- ❑ Interest on Sukanya Samridhi Account , withdrawal and final payment on maturity from such account - **Sec 10(11A)**

Deductions allowable in New Tax Tax Regime

- ❑ Standard Deduction of Rs. 50,000 u/s 16(ia) to salaried individuals & pensioners
- ❑ Deduction in respect of family pension u/s 57(iia), upto Rs. 15,000 / Budget Rs25000
- ❑ Deduction in respect of contribution to Agniveer Corpus Fund under the newly inserted section 80CCH(2)
- ❑ Deduction in respect of Employer's Contribution to National Pension Scheme (NPS) u/s 80CCD(2) to the extent of 10% of basic salary and dearness allowance in case of private sector employee & 14% in case of government employee
- ❑ Transport allowance u/s 10(14) in case of a specially-abled person
- ❑ Conveyance allowance u/s 10(14) received to meet the conveyance expenditure incurred as part of the employment
- ❑ Daily allowance u/s 10(14) received to meet the ordinary regular charges or expenditure you incur on account of absence from his regular place of duty
- ❑ Exemption on Voluntary Retirement 10(10C), Gratuity u/s 10(10) and Leave encashment u/s 10(10AA)
- ❑ Interest on Home Loan on let-out property (Section 24)
- ❑ Deduction in respect of additional employee cost (Section 80JJAA)

-

- ❑ **Perquisite Valuation Rules:** Perquisite valuation rule 3 will remain unaltered even if an employee wants to pay tax under alternative tax regime u/s 115BAC (no exemption of Rs.50 per meal paid through food coupons / vouchers not exempted).
- ❑ **Adjustment of Losses:** Total loss will be calculated without adjusting brought forward loss from any earlier years, if such loss pertains to any deduction under section as listed as not allowed.
- ❑ Any loss under the head "Income from House Property " can not be adjusted with any other income under any head.

The table below outlines the breakeven points for the new and old tax regime after the amendment proposed by the Finance (No. 2) Bill 2024.

<i>Nature of deduction available in the normal tax regime</i>	<i>Breakeven point</i>	<i>When it is beneficial to opt for the new tax regime of Section 115BAC?</i>	<i>Reference</i>
No deduction is allowable	-	Always	Table 1
Deduction allowable under Section 80C	-	Always	Table 2
Deduction allowable under: - Sections 80C - Section 80D	7,75,000	Income in excess of Breakeven	Table 3
Deduction allowable under: - Section 80C - Section 80D - Section 24 (Interest on housing loan)	14,75,000	Income in excess of Breakeven	Table 4

The table below outlines the breakeven points for the new and old tax regime after the amendment proposed by the Finance (No. 2) Bill 2024.-

Table 1: Individual not eligible for any deduction

<i>Income</i>	<i>Tax liability under the New Regime</i>	<i>Tax liability under the Normal regime (for AY 2025-26)</i>	<i>Net tax saving</i>
6,00,000	-	33,800	33,800
7,00,000	-	54,600	54,600
8,00,000	31,200	75,400	34,000
9,00,000	41,600	96,200	54,600
10,00,000	52,000	1,17,000	65,000
11,00,000	67,600	1,48,200	80,600
12,00,000	83,200	1,79,400	96,200
13,00,000	1,04,000	2,10,600	1,06,600
14,00,000	1,24,800	2,41,800	1,17,000
15,00,000	1,45,600	2,73,000	1,27,400

Table 2: Individual eligible for deduction under section 80C

Income	Tax liability under the New Regime	Tax liability under the Normal Regime (for AY 2025-26)	Net tax saving
6,00,000	-	-	-
7,00,000	-	23,400	23,400
7,25,000	23,400	28,600	5,200
7,50,000	26,000	33,800	7,800
7,75,000	28,600	39,000	10,400
8,00,000	31,200	44,200	13,000
9,00,000	41,600	65,000	23,400
10,00,000	52,000	85,800	33,800
11,00,000	67,600	1,06,600	39,000
12,00,000	83,200	1,32,600	49,400
13,00,000	1,04,000	1,63,800	59,800
14,00,000	1,24,800	1,95,000	70,200
15,00,000	1,45,600	2,26,200	80,600

Table 3: Assessee is eligible for deduction under sections 80C and 80D

Income	Tax liability under the New Regime	Tax liability under the Normal regime (for AY 2025-26)	Net tax saving
6,00,000	-	-	-
7,00,000	-	-	-
7,50,000	26,000	23,400	-2,600
7,75,000	28,600	28,600	-
8,00,000	31,200	33,800	2,600
8,50,000	36,400	44,200	7,800
9,00,000	41,600	54,600	13,000
9,50,000	46,800	65,000	18,200
10,00,000	52,000	75,400	23,400
11,00,000	67,600	96,200	28,600
12,00,000	83,200	1,17,000	33,800
13,00,000	1,04,000	1,48,200	44,200
14,00,000	1,24,800	1,79,400	54,600
15,00,000	1,45,600	2,10,600	65,000

Table 4: Assessee is eligible for deduction under section 80C and 80D, and deduction for interest on housing loan under section 24(b)

Income	Tax liability under the New Regime	Tax liability under the Normal Regime (for AY 2025-26)	Net Tax Saving
6,00,000	-	-	-
7,00,000	-	-	-
8,00,000	31,200	-	-31,200
9,00,000	41,600	-	-41,600
10,00,000	52,000	33,800	-18,200
11,00,000	67,600	54,600	-13,000
12,00,000	83,200	75,400	-7,800
13,00,000	1,04,000	96,200	-7,800
14,00,000	1,24,800	1,17,000	-7,800
14,50,000	1,35,200	1,32,600	-2,600
14,75,000	1,40,400	1,40,400	-
15,00,000	1,45,600	1,48,200	2,600
16,00,000	1,76,800	1,79,400	2,600
17,00,000	2,08,000	2,10,600	2,600
18,00,000	2,39,200	2,41,800	2,600
19,00,000	2,70,400	2,73,000	2,600
20,00,000	3,01,600	3,04,200	2,600
25,00,000	4,57,600	4,60,200	2,600
30,00,000	6,13,600	6,16,200	2,600

Practical Case Study 2				
Comparison between Old Regime & New Regime at Income Level of Rs 15 lakhs				
		Regime		New Regime
Gross Salary		1,500,000		1,500,000
Less: Deductions Claimed				
Standard Deduction u/s 16(ia)		50,000		50,000
Deductions u/s 80C				
Employees Contribution to PF	90,000			
LIC Premium	10,000			
Sukanya Samridhi Yojna	50,000	150,000		Not Available
House Rent Allowance (HRA) u/s 10(13A)		100,000		Not Available
Leave Travel Concession (LTC) u/s 10(5)		108,333		Not Available
Scenario 1				
Total Available Deductions		408,333		50,000
Gross Total Income		1,091,667		1,450,000
Total Tax Liability		145,600		145,600
Scenario 2				
If Sukanya Samridhi Yojna Deposit is not made				
Total Available Deductions		358,333		50,000
Total Tax Liability		161,200		145,600
Scenario 3				
If Mediclaim Premium u/s 80D of Rs 25000 has also been paid				
Total Available Deductions		433,333		50,000
Total Tax Liability		137,800		145,600

Practical Case Study 3				
Comparison between Old Regime & New Regime at Income Level of Rs 20 lakhs				
		Regime		New Regime
Gross Salary		2,000,000		2,000,000
Less: Deductions Claimed				
Standard Deduction u/s 16(ia)		50,000		50,000
Deductions u/s 80C				
Principal Repayment of Home Loan	120,000			
NPS Contribution u/s 80CCD(1B)	50,000	150,000		Not Available
Interest on Home Loan (Self-occupied property)		200,000		Not Available
Leave Travel Concession (LTC) u/s 10(5)		50,000		Not Available
Research Allowance u/s 10(14)		25,000		Not Available
Scenario 1				
Total Available Deductions		425,000		50,000
Gross Total Income		1,575,000		1,950,000
Total Tax Liability		296,400		296,400
Scenario 2				
If NPS Contribution is not done				
Total Available Deductions		395,000		50,000
Total Tax Liability		305,760		296,400
Scenario 3				
If Mediclaim Premium u/s 80D of Rs 25000 has also been paid				
Total Available Deductions		450,000		50,000
Total Tax Liability		288,600		296,400

New vs Old Regime: Income Tax Calculator

<https://incometaxindia.gov.in/Pages/tools/115bac-tax-calculator-finance-bill-2023.aspx>

If you have salary income:

Deductions Gross Income	Zero	₹1,00,000	₹1,50,000	₹1,38,500	₹1,87,500	₹2,12,500	₹2,37,500	₹2,50,000	₹2,62,500	₹2,87,500	₹3,12,500	₹3,25,000	₹3,50,000	₹3,75,000
₹5,50,000	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹6,50,000	New	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹7,00,000	New	SAME	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹8,00,000	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹8,50,000	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹9,00,000	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old
₹9,50,000	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old
₹10,00,000	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old
₹10,50,000	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old
₹11,50,000	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old
₹12,50,000	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old
₹14,00,000	New	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old
₹14,50,000	New	New	New	New	New	New	New	New	New	New	New	New	SAME	Old
₹15,50,000	New	New	New	New	New	New	New	New	New	New	New	New	New	SAME
₹16,00,000	New	New	New	New	New	New	New	New	New	New	New	New	New	SAME

Break- Even Point Analysis between New & Old Personal Tax Regime

Income in INR	Less: Standard Deduction in INR	Net Income in INR	Tax Liability as per New Regime	Additional Deductions (over & above standard deduction) required in Old Regime for Break Even	When will New Personal Tax Regime will be More Beneficial?
700000	50,000	65,0000	0	1,50,000	At an income level of Rs 7 lakh and less, an individual will benefit only in new regime.
800000	50,000	7,50,000	35,000	1,38,500	At an income level of Rs 8 lakh, an individual will benefit in new regime if the available deductions (other than standard deduction) are less than Rs. 1,38,500
9,00,000	50,000	8,50,000	40,000	2,12,500	At an income level of Rs 9 lakh, an individual will benefit in new regime if the available deductions (other than standard deduction) are less than Rs. 2,12,500

Break- Even Point Analysis between New & Old Personal Tax Regime

Income in INR	Less: Standard Deduction in INR	Net Income in INR	Tax Liability as per New Regime	Additional Deductions (over & above standard deduction) required in Old Regime for Break Even	When will New Personal Tax Regime will be More Beneficial?
12,50,000	50,000	12,00,000	90,000	3,12,500	At an income level of Rs 15 lakh, an individual will benefit in new regime if the available deductions (other than standard deduction) are less than Rs. 3,12,500
15,00,000	50,000	14,50,000	1,40,000	3,58,000	At an income level of Rs 15 lakh, an individual will benefit in new regime if the available deductions (other than standard deduction) are less than Rs. 3,58,000
15,50,000	50,000	15,00,000	1,50,000	3,75,000	At an income level greater than Rs 15 lakh, an individual will benefit in new regime if the available deductions (other than standard deduction) are less than Rs. 3,75,000

Break- Even Point Analysis between New & Old Personal Tax Regime

Income in INR	Less: Standard Deduction in INR	Net Income in INR	Tax Liability as per New Regime	Additional Deductions (over & above standard deduction) required in Old Regime for Break Even	When will New Personal Tax Regime will be More Beneficial?
16,00,000	50,000	15,50,000	1,65,000	3,75,000	At an income level greater than Rs 15 lakh, an individual will benefit in new regime if the available deductions (other than standard deduction) are less than Rs. 3,75,000

If you have income other than salary:

Deductions* Gross Income	Zero	₹1,00,000	₹1,50,000	₹1,62,500	₹1,87,500	₹2,12,500	₹2,37,500	₹2,50,000	₹2,62,500	₹2,87,500	₹3,12,500	₹3,25,000	₹3,50,000	₹3,75,000
₹5,00,000	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹6,00,000	New	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME	SAME
₹6,50,000	New	SAME	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹7,50,000	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹8,00,000	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old	Old
₹8,50,000	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old	Old
₹9,00,000	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old	Old
₹9,50,000	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old	Old
₹10,00,000	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old	Old
₹11,00,000	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old	Old
₹12,00,000	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old	Old
₹13,50,000	New	New	New	New	New	New	New	New	New	New	New	SAME	Old	Old
₹14,25,000	New	New	New	New	New	New	New	New	New	New	New	New	SAME	Old
₹15,00,000	New	New	New	New	New	New	New	New	New	New	New	New	New	SAME

When total deductions are ₹1.5 lakhs or less: New regime will be beneficial

When total deductions are less than ₹1.5lakhs					
A	B	C	D	E	F
Gross Total Income	Tax as per Old Regime - Standard deduction = ₹50,000 - Others u/s 80C, 80D etc = ₹1,50,000 - Rebate on income up to ₹5,00,000	Tax as per New Regime		Difference (B-D)	Which regime is better?
		Pre-Budget 2023 - No deductions or exemptions - Rebate on income up to ₹5,00,000	Post-Budget 2023 - Standard deduction: ₹50,000 - Rebate on income up to ₹7,00,000		
₹5,00,000	₹0	₹0	₹0	₹0	Any
₹6,00,000	₹0	₹22,500	₹0	₹0	Any
₹7,00,000	₹0	₹32,500	₹0	₹0	Any
₹7,50,000	₹22,500	₹37,500	₹0	₹22,500	New
₹8,00,000	₹32,500	₹45,000	₹30,000	₹2,500	New
₹9,00,000	₹52,500	₹60,000	₹40,000	₹12,500	New
₹10,00,000	₹72,500	₹75,000	₹52,500	₹20,000	New
₹13,00,000	₹1,42,500	₹1,37,500	₹1,00,000	₹42,500	New
₹15,00,000	₹2,02,500	₹1,87,500	₹1,40,000	₹62,500	New
₹15,50,000	₹2,17,500	₹2,02,500	₹1,50,000	₹67,500	New
₹17,00,000	₹2,62,500	₹2,47,500	₹1,95,000	₹67,500	New
₹20,00,000	₹3,52,500	₹3,37,500	₹2,85,000	₹67,500	New
₹30,00,000	₹6,52,500	₹6,37,500	₹5,85,000	₹67,500	New

When total deductions are more than ₹1.5 lakhs : Old regime will be beneficial

When total deductions are more than ₹3.75 lakhs					
A	B	C	D	E	F
Gross Total Income	Tax as per Old Regime - Standard deduction: ₹50,000 - Others u/s 80C+80D+NPS+Home loan interest (available up to ₹2,00,000) etc = Considered: ₹3,80,000 = ₹1,50,000+₹55,000+₹25,000+₹1,50,000 - Rebate on income up to ₹5,00,000	Tax as per New Regime		Difference (B-D)	Which regime is better?
		Pre-Budget 2023 - No deductions or exemptions - Rebate on income up to ₹5,00,000	Post-Budget 2023 - Standard deduction: ₹50,000 - Rebate on income up to ₹7,00,000		
₹5,00,000	₹0	₹0	₹0	₹0	Any
₹6,00,000	₹0	₹22,500	₹0	₹0	Any
₹7,00,000	₹0	₹32,500	₹0	₹0	Any
₹7,50,000	₹0	₹37,500	₹0	₹0	Any
₹8,00,000	₹0	₹45,000	₹30,000	-₹30,000	Old
₹9,00,000	₹0	₹60,000	₹40,000	-₹40,000	Old
₹10,00,000	₹26,500	₹75,000	₹52,500	-₹26,000	Old
₹13,00,000	₹86,500	₹1,37,500	₹1,00,000	-₹13,500	Old
₹15,00,000	₹1,33,500	₹1,87,500	₹1,40,000	-₹6,500	Old
₹15,50,000	₹1,48,500	₹2,02,500	₹1,50,000	-₹1,500	Old
₹17,00,000	₹1,93,500	₹2,47,500	₹1,95,000	-₹1,500	Old
₹20,00,000	₹2,83,500	₹3,37,500	₹2,85,000	-₹1,500	Old
₹30,00,000	₹5,83,500	₹6,37,500	₹5,85,000	-₹1,500	Old

When total deductions are between ₹1.5 lakhs to ₹3.75 lakhs: Will depend on various income levels

When total deductions are between ₹1.5 lakhs and ₹3.75 lakhs					
A	B	C	D	E	F
Gross Total Income	Tax as per Old Regime - Standard deduction: ₹50,000 - Others u/s 80C+80D+others: ₹2,50,000 = ₹1,50,000+₹50,000+₹50,000 - Rebate on income up to ₹5,00,000	Tax as per New Regime		Difference (B-D)	Which regime is better?
		Pre-Budget 2023 - No deductions or exemptions - Rebate on income up to ₹5,00,000	Post-Budget 2023 - Standard deduction: ₹50,000 - Rebate on income up to ₹7,00,000		
₹5,00,000	₹0	₹0	₹0	₹0	Any
₹6,00,000	₹0	₹22,500	₹0	₹0	Any
₹7,00,000	₹0	₹32,500	₹0	₹0	Any
₹7,50,000	₹0	₹37,500	₹0	₹0	Any
₹8,00,000	₹12,500	₹45,000	₹30,000	-₹17,500	Old
₹9,00,000	₹32,500	₹60,000	₹40,000	-₹7,500	Old
₹10,00,000	₹52,500	₹75,000	₹52,500	₹0	Any
₹13,00,000	₹1,12,500	₹1,37,500	₹1,00,000	₹12,500	New
₹15,00,000	₹1,72,500	₹1,87,500	₹1,40,000	₹32,500	New
₹15,50,000	₹1,87,500	₹2,02,500	₹1,50,000	₹37,500	New
₹17,00,000	₹2,32,500	₹2,47,500	₹1,95,000	₹37,500	New
₹20,00,000	₹3,22,500	₹3,37,500	₹2,85,000	₹37,500	New
₹30,00,000	₹6,22,500	₹6,37,500	₹5,85,000	₹37,500	New

New Tax Regime – Filing of Income Tax Forms

Alternative Tax Regime	Applicable to	Filing of Form
Section 115BA	Domestic Company	Form 10-IB
Section 115BAA	Domestic Company	Form 10-IC
Section 115BAB	Domestic Company	Form 10-ID
Section 115BAD	Co-operative Society	Form 10-IF
Section 115BAE	Co-operative Society	Form 10-IFA

These forms can be filed online at the Income Tax e-Filing Portal by navigating to: e-file > Income Tax forms > file Income Tax Forms.

How To Opt for New Tax Regime

Effective from the Assessment Year 2024-25, the new tax regime will be the default option for Individuals, Hindu Undivided Families (HUFs), Associations of Persons (AOPs), Bodies of Individuals (BOIs), and Artificial Juridical Persons (AJPs). If an assessee prefers the old tax regime, they must explicitly opt out of the new tax regime.

For those with income from a business or profession, opting out of the new tax regime and switching to the old tax regime requires furnishing Form No. 10-IEA on or before the due date for filing the income return under Section 139(1). Once this option is exercised, it applies to the year it is chosen and the subsequent assessment year.

Form No. 10-IEA can be filed online at Income Tax e-Filing Portal by navigating to: e-file > Income Tax forms > file Income Tax Forms.

For those with income other than from a business or profession, the choice of the tax regime can be indicated in the Income Tax Return (ITR) while filing the income return.

How to Choose Between the Old and New Tax Regime?

- ❑ Choosing between the old and new tax regimes depends on the amount of exemptions and deductions available to the assessee. If an individual has no deductions or exemptions to claim, it is generally beneficial to opt for the new tax regime. However, if an individual can claim deductions or exemptions such as those under Section 80C, Section 80D, House Rent Allowance, or interest on a housing loan under Section 24, it is advisable to calculate taxes under both regimes to determine which option is more advantageous.

Presumptive Taxation u/s 44AD/44ADA: New vs Old Regime

- The threshold limit for presumptive taxation scheme in respect of small business u/s 44AD has been increased from Rs 2 crores to Rs 3 crores, and in respect of professionals u/s 44ADA has been increased from Rs 50 lakhs to Rs 75 lakhs, w.e.f. FY 2023-24 and onwards
- These increased limits are subject to the mandatory condition that respective cash receipts from such small businesses or professions, must not exceed 5% of their total receipts from such business or profession
- In the presumptive taxation scheme u/s 44AD, the proprietor businessman declares the income at 6%/8% of the total turnover, on presumptive basis, without claiming any business expenditure

Presumptive Taxation u/s 44AD/44ADA: New vs Old Regime

- ❑ Chapter VIA deductions are available in presumptive income schemes u/s 44AD/44ADA.
- ❑ In terms of tax slab rates, the new regime u/s 115BAC(1A) is naturally the clear choice.
- ❑ However, if the taxpayers opting for presumptive income scheme, also have Chapter VIA deductions like 80C/80D/Interest on Home Loan for self occupied property etc. then the break-even point analysis to be done which will help help in the choice between the Old and New regime

Alternate Tax Regime Available under different section

	<i>SECTION 115BA</i>	<i>SECTION 115BAA</i>	<i>SECTION 115BAB</i>	<i>SECTION 115BAC</i>	<i>SECTION 115BAD</i>
To whom available	Existing domestic company	Domestic company	New domestic manufacturing company	Individual/HUF	Resident co-operative society

From which assessment year available	2017-18	2020-21	2020-21	2021-22	2021-22
Tax rate	25%	22%	15%	See para 547	22%
Surcharge	Applicable surcharge (7%/12%)	10%	10%	Applicable surcharge (10%/15%/25%/37%)	10%
Whether marginal relief available in case of surcharge	Yes	No	No	Yes	No
HEC	4%	4%	4%	4%	4%
Any specific activity required to avail alternative tax regime	Manufacture/ production of goods	No	Manufacture/ production of goods	No	No
Date of set-up and registration	On or after March 1, 2016	-	On or after October 1, 2019	-	-

Alternate Tax Regime Available under different section

	<i>SECTION 115BA</i>	<i>SECTION 115BAA</i>	<i>SECTION 115BAB</i>	<i>SECTION 115BAC</i>	<i>SECTION 115BAD</i>
To whom available	Existing domestic company	Domestic company	New domestic manufacturing company	Individual/HUF	Resident co-operative society
Date of commencement of manufacture	Not specified	–	On or before March 31, 2023	–	–
Incentives available	A few incentives not available	A few incentives not available	A few incentives not available	A few incentives not available	A few incentives not available
Deduction under sections 10AA, 32(1)(ia), 32AD, 33AB, 33ABA, 35(1)(i)/(ia)/(iii), 35(2AA)/(2AB), 35AD, 35CCC, 35CCD, whether available	Not available (even deduction under sections 32AC and 35AC, not available)	Not available	Not available	Not available [however, sections 35(2AB) and 35CCD are otherwise not applicable in the case of individual/HUF]	Not available [however, sections 35(2AB) and 35CCD are otherwise not applicable in the case of co-operative society]
Deduction under Chapter VI-A (i.e., sections 80C to 80U), whether available	<ul style="list-style-type: none"> ■ Deduction is available under sections 80G, 80GGA, 80GGB and 80JJAA. ■ No other deduction is available 	<ul style="list-style-type: none"> ■ Deduction is available under sections 80JJAA, 80LA(1A) and 80M. ■ No other deduction is available under Chapter VI-A† 	<ul style="list-style-type: none"> ■ Deduction is available under sections 80JJAA and 80M. ■ No other deduction is available under Chapter VI-A† 	<ul style="list-style-type: none"> ■ Deduction is available under sections 80CCD(2) (i.e., employer's contribution towards NPS), 80JJAA and 80LA(1A) 	<ul style="list-style-type: none"> ■ Deduction is available under sections 80JJAA and 80LA(1A). ■ No other deduction is available under Chapter VI-A

† However, for the assessment year 2020-21, deduction is available under sections 80G, 80GGA and 80GGB.

Alternate Tax Regime Available under different section

	<i>SECTION 115BA</i>	<i>SECTION 115BAA</i>	<i>SECTION 115BAB</i>	<i>SECTION 115BAC</i>	<i>SECTION 115BAD</i>
To whom available	Existing domestic company	Domestic company	New domestic manufacturing company	Individual/HUF	Resident co-operative society
Deduction/exemption under sections 10(5)/(13A)/(14)/(17)/(32), 16, 24(b) and 57(iia), whether available	-	-	-	Not available [however, deduction under section 24(b) pertaining to let out property/deemed to be let out property is available]	-
Whether brought forward loss pertaining to above deductions/exemptions can be set off and carried forward	No	No (even if it arises because of operation of section 72A)	No (even if it arises because of operation of section 72A)	No (even current year's house property loss cannot be set off against any other income)	No
For which year the option of adopting alternative tax regime can be exercised	For the first assessment year of the domestic company (if it is not availed in the first year, it cannot be opted for the second or subsequent years)	For the assessment year 2020-21 or any subsequent year (if it is not availed for the assessment year 2020-21, the assessee can opt for it in any subsequent year)	For the first assessment year of the domestic company (if it is not availed in the first year, it cannot be opted for the second or subsequent years)	For the assessment year 2021-22 or any subsequent year (if it is not availed for the assessment year 2021-22, the assessee can opt for it in any subsequent year)	For the assessment year 2021-22 or any subsequent year (if it is not availed for the assessment year 2021-22, the assessee can opt for it in any subsequent year)

Alternate Tax Regime Available under different section

	<i>SECTION 115BA</i>	<i>SECTION 115BAA</i>	<i>SECTION 115BAB</i>	<i>SECTION 115BAC</i>	<i>SECTION 115BAD</i>
To whom available	Existing domestic company	Domestic company	New domestic manufacturing company	Individual/HUF	Resident co-operative society
Due date of exercise of goods of option	On or before the due date of furnishing of first return of income [Form No. 10-IB]	On or before the due date of furnishing of return of income of the year in which the assessee wants to opt for lower tax regime [Form No. 10-IC]	On or before the due date of furnishing of first return of income [Form No. 10-ID]	On or before the due date of furnishing of return of income of the year in which the assessee wants to opt for lower tax regime	On or before the due date of furnishing of return of income of the year in which the assessee wants to opt for lower tax regime
After exercising option, is it possible to withdraw for the same or any other subsequent year	No (however, one can shift to the tax regime of section 115BAA)	No	No	<i>Assessee not having any business or profession income - Fresh option is required every year</i> <i>Assessee having income from business/ profession - See Note</i>	No

Alternate Tax Regime Available under different section

	<i>SECTION 115BA</i>	<i>SECTION 115BAA</i>	<i>SECTION 115BAB</i>	<i>SECTION 115BAC</i>	<i>SECTION 115BAD</i>
To whom available	Existing domestic company	Domestic company	New domestic manufacturing company	Individual/HUF	Resident co-operative society
Whether provisions of minimum alternate tax (MAT) or alternate minimum tax (AMT) applicable for the assessment year for which the assessee has opted for the alternative tax regime under these sections	Yes, applicable	Not applicable	Not applicable	Not applicable	Not applicable
Whether brought forward MAT/AMT credit available after availing alternative tax regime	Yes	No	No	No	No

Notes - It cannot be withdrawn in any subsequent year (except when he does not have any income from business/profession).

**ALTERNATIVE TAX REGIME FOR EXISTING MANUFACTURING
DOMESTIC COMPANIES UNDER SECTION 115BA**
Manufacturing domestic companies under section 115BA

- ❑ Section 115BA has been inserted with effect from the assessment year 2017-18. **Conditions** - The following conditions should be satisfied in order to avail the benefit of lower tax rate under section 115BA –
- ❖ 1. The assessee is a domestic company. 2. The company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to (or distribution of) such article or thing manufactured or produced by it.
- ❖ 3. The company has been set-up and registered on or after March 1, 2016.
- ❖ 4. Total income of the company is computed without claiming additional depreciation and deduction under sections 10AA, 32AC, 32AD, 33AB, 33ABA, 35(1)(ii)/(iia)/(iii)/35(2AA)/(2AB), 35AC, 35AD, 35CCC, 35CCD, sections 80H to 80TT (not being section 80JJAA).
- ❑ 5. Total income of the company is calculated after claiming depreciation (rate cannot be more than 40 per cent) and without adjusting brought forward loss from any earlier year (if such loss pertains to any deduction under the aforesaid sections). Moreover, such loss will not be carried forward.

ALTERNATIVE TAX REGIME FOR EXISTING MANUFACTURING DOMESTIC COMPANIES UNDER SECTION 115BA

Manufacturing domestic companies under section 115BA

- ☐ **Conditions - Option** - If the above conditions are satisfied, the company has an option to pay tax at the rate of 25 per cent [+ SC + HEC] [if such company has other incomes which are taxable under other provisions of Chapter XII (*i.e.*, sections 110 to 115BBG), then tax on such other incomes will be calculated as per the rate(s) specified by these sections and balance amount of income will be taxable under section 115BA at the rate of 25 per cent]. This option shall be exercised on or before the due date for furnishing the first of the returns of income, which the company is required to furnish under the Act. This option should be exercised by electronically furnishing Form No. 10-IB (under digital signature). Once the company has exercised the option for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.
- ☐ However, a company (which has already opted for section 115BA) can switch over to section 115BAA.
- ☐ After such switchover, the assessee can claim the benefit of section 115BAA (and section 115BA will not be applicable). For the provisions of section 115BAA, not be applicable). For the provisions of section 115BAA,

**ALTERNATIVE TAX REGIME FOR DOMESTIC
COMPANIES UNDER SECTION 115BAA**
Tax on income of certain domestic companies

- ☐ Taxation Laws (Amendment) Act, 2019 has inserted section 115BAA with effect from the assessment year 2020-21. Conditions and restrictions
- ☐ The following conditions should be satisfied in order to avail the benefit of lower tax rate under section 115BAA –
- ☐ ■ **Domestic company** –
- ☐ The assessee is a domestic company.
- ☐ It may be a public limited company or private limited company or listed company or unlisted company.
- ☐ There is no restriction on the amount of annual turnover. Shareholders of the company may be resident or non-resident. Such company may be controlled by a domestic entity or a foreign entity.
- ☐ It may be a company newly incorporated or an existing domestic company. There is no restriction on formation of such company. For instance, if a sole proprietary concern is converted into a company (or a firm is converted into a company), the converted company will be qualified for the purpose of this section.

**ALTERNATIVE TAX REGIME FOR DOMESTIC
COMPANIES UNDER SECTION 115BAA**
Tax on income of certain domestic companies

- ❑ The following conditions should be satisfied in order to avail the benefit of lower tax rate under section 115BAA –
 - ❑ ■ **A few incentives - Not available** - Total income of the company is computed without claiming additional depreciation under section 32(1)(iia) and deduction under sections 10AA, 32AD, 33AB, 33ABA, 35(1)(ii)/(iia)/(iii)/35(2AA)/(2AB), 35AD, 35CCC, 35CCD, sections 80C to 80U (not being sections 80JJAA or 80LA or 80M)†.
 - ❑ ■ **Adjustment of losses** - The total income of the company is calculated without adjusting brought forward loss (and/or depreciation) from any earlier year (if such loss/depreciation pertains to any deduction under the aforesaid sections). If by virtue of deeming provisions of section 72A, the aforesaid company has any brought forward loss (and/or depreciation) pertaining to the aforesaid sections, such brought forward loss/depreciation cannot be set off.

**ALTERNATIVE TAX REGIME FOR DOMESTIC
COMPANIES UNDER SECTION 115BAA**
Tax on income of certain domestic companies

- ❑ The following conditions should be satisfied in order to avail the benefit of lower tax rate under section 115BAA –
- ❑ ■ **Adjustment of depreciated value of block of assets** - Brought forward loss/depreciation, as above, shall be deemed to have been given full effect to and no further deduction for such loss/depreciation shall be allowed for any subsequent year.
- ❑ Where, however, unadjusted additional depreciation in respect of a block of assets has not been given full effect to prior to the assessment year 2020-21, corresponding adjustment shall be made to the written down value of such block as on April 1, 2019 in the prescribed manner (if option is exercised for the lower tax regime under section 115BAA for the assessment year 2020-21).

**ALTERNATIVE TAX REGIME FOR DOMESTIC
COMPANIES UNDER SECTION 115BAA**
Tax on income of certain domestic companies

- ❑ ■ *Depreciation* - Total income of the company is calculated after claiming depreciation (other than additional depreciation) in such manner as may be prescribed.
- ❑ *Tax rate :*
- ❑ If the aforesaid conditions are satisfied, income of the company will be taxable at the rate of 22 per cent (+SC+HEC).
- ❑ If such company has other incomes which are taxable under other provisions of Chapter XII (*i.e.*, sections 110 to 115BBG but other than sections 115BA and 115BAB), then tax on such other incomes will be calculated as per the rate(s) specified by these sections and balance amount of income will be taxable under section 115BAA at the rate of 22 per cent.
- ❑ ■ *Surcharge and education cess* - In the case of a domestic company whose income is taxable under section 115BAB, income-tax computed at the rates given above shall be increased by surcharge at the rate of 10 per cent of income-tax (irrespective of quantum of income). Health and education cess is applicable at the rate of 4 per cent of income-tax and surcharge.

**ALTERNATIVE TAX REGIME FOR DOMESTIC
COMPANIES UNDER SECTION 115BAA**
Tax on income of certain domestic companies

- ❑ **Option:** The aforesaid lower rate is applicable if the option is exercised in **Form No. 10-IC on** or before the due date of submission of return of income as given under section 139(1). This option can be exercised for any previous year relevant to the assessment year 2020-21 (or any subsequent year). However, once the company has exercised the option for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.
- ❑ **The following points should be noted –** 1. If a company after opting for the concessional tax regime of section 115BAA, fails to satisfy the above conditions in a subsequent year, the option becomes invalid in respect of the year in which default is committed in subsequent years. Consequently, in such cases it will be assumed that the company has not exercised the option of lower tax regime under section 115BAA in the year in which default is committed and subsequent years.
- ❑ 2. A domestic company (which has exercised the option for lower tax regime under section 115BAB and the option has become invalid due the violation of conditions of that section) may exercise option under section 115BAA.
- ❑ **MAT not applicable:** If a domestic company has exercised the option under section 115BAA, the provisions of minimum alternate tax under section 115JB are not applicable. Moreover, the benefit of adjustment of brought forward tax credit (*i.e.*, MAT credit) under section 115JAA(2A)/(4) shall not be available

New Tax Regime

PART – 1 : <https://www.youtube.com/watch?v=wtxl5-Pt-Ko&t=23s>

PART-2 : <https://www.youtube.com/watch?v=-UQJAbrTup8>

PART – 3: <https://www.youtube.com/watch?v=dgoKGVneyr0>

[Old Vs New Tax Regime \(Part 3\) - YouTube](#)

Q&A





WORKING PPT

Particulars	Recognised PF	Unrecognised PF	Statutory PF	Public PF
Employer's Contribution	Contribution in excess of 12% of salary is taxable as "salary" u/s 17(1)	Not taxable at the time of contribution	Fully exempt	N.A. (as there is only assessee's own contribution)
Employee's Contribution	Eligible for deduction u/s 80C	Not eligible for deduction	Eligible for deduction u/s 80C	Eligible for deduction u/s 80C
Interest Credited on Employer's Contribution	Amount in excess of 9.5% p.a. is taxable as "salary" u/s 17(1)	Not taxable at the time of credit of interest	Fully exempt	N.A.
Interest Credited on Employee's Contribution	Amount in excess of 9.5% p.a. is taxable as "salary" u/s 17(1) [See Note below]	Not taxable at the time of credit of interest	Exempt upto certain limit of contribution [See Note below]	Fully exempt

Particulars	Recognised PF	Unrecognised PF	Statutory PF	Public PF
Amount withdrawn on retirement/ termination	Exempt u/s 10(12) subject to certain conditions detailed in the chart below	<ul style="list-style-type: none"> Employee's contribution is not taxable. Interest on Employee's contribution is taxable under 'Income 	Exempt u/s 10(11)	Fully exempt u/s 10(11)
		<p>from Other Sources'.</p> <ul style="list-style-type: none"> Employer's contribution and interest thereon is taxable as "Profit in lieu of salary" u/s 17(3). 		

Note - Interest credited on contribution by such person/employee

As per section 10(11), any payment from a Provident Fund (PF) to which Provident Fund Act, 1925, applies or from Public Provident Fund would be exempt.

Accumulated balance due and becoming payable to an employee participating in a Recognized Provident Fund (RPF) would be exempt under section 10(12).

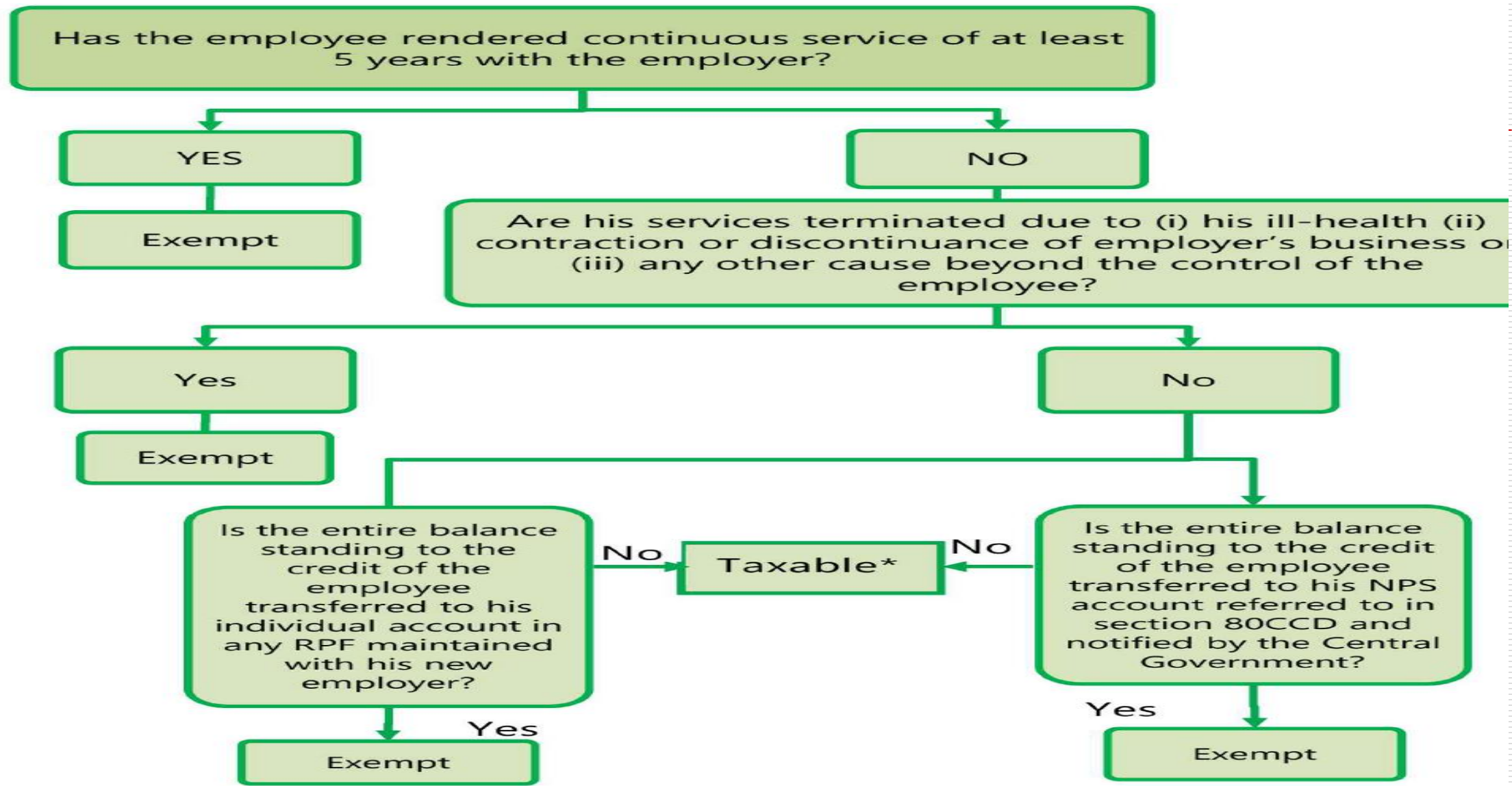
However, the exemption under section 10(11) or 10(12) would not be available in respect of income by way of interest accrued during the previous year to the extent it relates to the amount or the aggregate of amounts of contribution made by that person/employee exceeding ₹ 2,50,000 in any previous year in that fund, on or after 1st April, 2021.

If the contribution by such person/employee is in a fund in which there is no employer's contribution, then, a higher limit of ₹ 5,00,000 would be applicable for such contribution, and interest accrued in any previous year in that fund, on or after 1st April, 2021 would be exempt upto that limit.

It may be noted that interest accrued on contribution to such funds upto 31st March, 2021 would be exempt without any limit, even if the accrual of income is after that date.

The CBDT has, vide Rule 9D, notified the manner to calculate taxable interest relating to contribution in a provident fund or recognized provident fund, exceeding threshold limit.

Taxability of Accumulated balance from PF



Tax Free Perquisites

Telephone	Telephone provided by an employer to an employee at his residence
Transport Facility	Transport facility provided by an employer engaged in the business of carrying of passengers or goods to his employees either free of charge or at concessional rate;
Privilege passes and privilege ticket	Privilege passes and privilege ticket orders granted by Indian Railways to its employees;
Perquisites allowed outside India by the Government	Perquisites allowed outside India by the Government to a citizen of India for rendering services outside India;
Employer's contribution to staff group insurance scheme;	Employer's contribution to staff group insurance scheme;

Tax Free Perquisites

Annual premium by employer on personal accident policy	Payment of annual premium by employer on personal accident policy effected by him on the life of the employee;
Refreshment	Refreshment provided to all employees during working hours in office premises;
Subsidized lunch	Subsidized lunch provided to an employee during working hours at office or business premises provided the value of such meal is upto ₹ 50;
Recreational facilities	Recreational facilities, including club facilities, extended to employees in general <i>i.e.</i> , not restricted to a few select employees;
Amount spent on training of employees	Amount spent by the employer on training of employees or amount paid for refresher management course including expenses on boarding and lodging;
Sum payable by employer to a RPF or an approved superannuation fund	Sum payable by an employer to a RPF or an approved superannuation fund or deposit-linked insurance fund established under the Coal Mines Provident Fund and Miscellaneous provisions Act, 1948 or the Employees' Provident Fund and Miscellaneous Provisions Act, 1952 upto the limit prescribed;

Leave Travel Concession

S.No.	Journey performed by		Limit
1	Air		Amount not exceeding the air economy fare of the National Carrier by the shortest route to the place of destination
2	Any other mode:		
	(i)	Where rail service is available	Amount not exceeding the air-conditioned first class rail fare by the shortest route to the place of destination
	(ii)	Where rail service is not available	
		(a) a recognised public transport system exists	amount not exceeding the 1st class or deluxe class fare, as the case may be, on such transport by the shortest route to the place of destination
		(b) no recognised public transport system exists	amount equivalent to the air-conditioned first class rail fare, for the distance of the journey by the shortest route, as if the journey had been performed by rail

Medical facilities [Proviso to section 17(2)]

The following medical facilities **are exempt from tax:**

- (i) Value of medical treatment in any hospital maintained by the employer:** The value of any medical treatment provided to an employee or any member of his family in any hospital maintained by the employer;
- (ii) Reimbursement of expenditure actually incurred on medical treatment:**
Any sum paid by the employer in respect of any expenditure actually incurred by the employee on his medical treatment or treatment of any member of his family
 - **in any hospital** maintained by the Government/local authority/any other hospital approved by the Government for the purpose of medical treatment of its employees;
 - **in respect of the prescribed disease** or ailments in any hospital approved by the Principal Chief Commissioner or Chief Commissioner having regard to the prescribed guidelines.
 - ***in respect of any illness relating to COVID-19 subject to conditions notified by the Central Government***

Free Medical Facilities

Premium paid to effect an insurance on the health of employee: Any premium paid by an employer in relation to an employee to effect an insurance on the health of such employee. However, any such scheme should be approved by the Central Government or the Insurance Regulatory Development Authority (IRDA) for the purposes of section 36(1)(ib).

Reimbursement of premium paid to effect an insurance on the health of employee or for the family of an employee: Any sum paid by the employer in respect of any premium paid by the employee to effect an insurance on his health or the health of any member of his family under any scheme approved by the Central Government or the Insurance Regulatory Development Authority (IRDA) for the purposes of section 80D.

Accommodation Facility

Sl. No.	Circumstances	In case of unfurnished accommodation	In case of furnished accommodation
(1)	(2)	(3)	(4)
1.	Where the accommodation is provided by the Central Government or any State Government to the employees either holding office or post in connection with the affairs of the Union or of such State	<ul style="list-style-type: none"> License fee determined by the Central Government or any State Government in respect of accommodation in accordance with the rules framed by such Government as reduced by the rent actually paid by the employee. 	<ul style="list-style-type: none"> The value of perquisite as determined under column (3) should be increased by <ul style="list-style-type: none"> (i) If furniture is owned by employer, 10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment). (ii) If such furniture is hired from a third party, <ul style="list-style-type: none"> The actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year

Accommodation Facility

2.	Where the accommodation is provided by any other employer	(i) 15% of salary in cities having population > 25 lakhs as per 2001 census;	<ul style="list-style-type: none"> The value of perquisite as determined under column (3) should be
	(a) <u>where the accommodation is owned by the employer</u>	(ii) 10% of salary in cities having population > 10 lakhs ≤ 25 lakhs as per 2001 census; (iii) 7.5% of salary in other areas, in respect of the period during which the said accommodation was occupied by the employee during the previous year as reduced by the rent, if any, actually paid by the employee.	increased by (i) If furniture is owned by employer, 10% per annum of the cost of furniture (including television sets, refrigerators, other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets). (ii) If such furniture is hired from a third party, <ul style="list-style-type: none"> the actual hire charges payable for the same as reduced by any charges paid or payable for the same by the employee during the previous year

Accommodation Facility

	(b) <u>where the accommodation is taken on lease or rent by the employer</u>	<ul style="list-style-type: none"> • Actual amount of lease rental paid or payable by the employer or • 15% of salary whichever is lower, as reduced by • the rent, if any, actually paid by the employee. 	<ul style="list-style-type: none"> • The value of perquisite as determined under column (3) should be increased by <p>(i) If furniture is owned by employer,</p> <p>10% per annum of the cost of furniture (including television sets, radio sets, refrigerators, other household appliances, air-conditioning plant or equipment or other similar appliances or gadgets).</p>
			<p>(ii) If such furniture is hired from a third party,</p> <ul style="list-style-type: none"> • the actual hire charges payable for the same as reduced by • any charges paid or payable for the same by the employee during the previous year

In case of unfurnished accommodation provided to employees other than Government employees –

Type of accommodation	Deemed concession in the matter of rent
Accommodation owned by the employer	Specified rate minus rent recoverable from the employee
In cities having a population > 25 lakh	15% of salary minus rent recoverable from the employee.
In cities having a population > 10 lakh ≤ 25 lakh	10% of salary minus rent recoverable from the employee.
In other cities	7½% of salary minus rent recoverable from employee.
Accommodation taken on lease by the employer	Rent paid by the employer or 15% of salary, whichever is lower, minus rent recoverable from the employee.

In case of furnished accommodation provided to employees other than Government employees –

The difference between hire charges paid or 10% p.a. of cost of furniture, as the case may be, in respect of the period during which said accommodation was occupied by the assessee and the charges paid or payable by the employee would be added to the value determined in column (2) above for determining whether there is a concession in the matter of rent.

Motor car - Perquisites

Sl. No.	Circumstances	Where cubic capacity of engine does not exceed 1.6 litres	Where cubic capacity of engine exceeds 1.6 litres
(1)	(2)	(3)	(4)
(1)	<p>Where the motor car is owned or hired by the employer and –</p> <p>(a) <u>is used wholly and exclusively in the performance of his official duties</u></p>	Not a perquisite, provided the documents specified in Note (2) below the table are maintained by the employer.	Not a perquisite, provided the documents specified in Note (2) below the table are maintained by the employer.

Motor car - Perquisites

Sl. No.	Circumstances	Where cubic capacity of engine does not exceed 1.6 litres	Where cubic capacity of engine exceeds 1.6 litres
(1)	(2)	(3)	(4)
	(b) <u>is _____ used exclusively _____ for the private or personal purposes</u> of the employee or any member of his household and the running and maintenance expenses are met or reimbursed by the employer;	Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by any amount charged from the employee for such use.	Actual amount of expenditure incurred by the employer on the running and maintenance of motor car during the relevant previous year including remuneration, if any, paid by the employer to the chauffeur as increased by the amount representing normal wear and tear of the motor car and as reduced by any amount charged from the employee for such use.

Motor car - Perquisites

Sl. No.	Circumstances	Where cubic capacity of engine does not exceed 1.6 litres	Where cubic capacity of engine exceeds 1.6 litres
(1)	(2)	(3)	(4)
	(c) <u>is used partly in the performance of duties and partly for private or personal purposes</u> of his own or any member of his household and-		
	(i) the expenses on maintenance and running are met or reimbursed by the employer	₹1,800 (plus ₹ 900, if chauffeur is also provided to run the motor car)	₹ 2,400 (plus ₹ 900, if chauffeur is also provided to run the motor car)
	(ii) the expenses on running and maintenance for private or personal use are	₹ 600 (plus ₹ 900, if chauffeur is also provided by the employer to run the motor car)	₹ 900 (plus ₹ 900, if chauffeur is also provided by the employer to run the motor car)

Motor car - Perquisites

Sl. No.	Circumstances	Where cubic capacity of engine does not exceed 1.6 litres	Where cubic capacity of engine exceeds 1.6 litres
(1)	(2)	(3)	(4)
(2)	<p><u>Where the employee owns a motor car but the actual running and maintenance charges (including remuneration of the chauffeur, if any) are met or reimbursed to him by the employer and –</u></p> <p>(a) such reimbursement is <u>for the use of the vehicle wholly and exclusively for official purposes</u></p> <p>(b) such reimbursement is <u>for the use of the vehicle partly for official purposes and partly for personal or private purposes</u> of the employee or any member of his household.</p>	<p>Not a perquisite, provided the documents specified in Note (2) below the table are maintained by the employer.</p> <p>The actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(c)(i) above (Also see note (2) below this table).</p>	<p>Not a perquisite, provided the documents specified in Note (2) below the table are maintained by the employer.</p> <p>The actual amount of expenditure incurred by the employer as reduced by the amount specified in Sl. No. (1)(c)(i) above (Also see note (2) below this table).</p>

Motor car - Perquisites

Sl. No.	Circumstances	Where cubic capacity of engine does not exceed 1.6 litres	Where cubic capacity of engine exceeds 1.6 litres
(1)	(2)	(3)	(4)
(3)	<p>Where the employee owns any other automotive conveyance but the actual running and maintenance charges are met or reimbursed to him by the employer and</p> <p>(a) such reimbursement is <u>for the use of the vehicle wholly and exclusively for official purposes</u></p> <p>(b) such reimbursement is <u>for the use of vehicle partly for official purposes and partly for personal or private purposes of the employee</u></p>	<p>Not a perquisite, provided the documents specified in the note (2) below the table are maintained by the employer.</p> <p>The actual amount of expenditure incurred by the employer as reduced by the amount of ₹ 900. (Also see note (2) below the table)</p>	Not applicable.

Concessional Education Facilities

Circumstances	Value of benefit
If the educational institution is maintained and owned by the employer	cost of such education in a similar institution in or near the locality. However, there would be no perquisite if the cost of such education or the value of such benefit per child does not exceed ₹ 1,000 p.m.
If free educational facilities are allowed in any other educational institution by reason of his being in employment of that employer	
Others	amount of expenditure incurred by the employer in that behalf

) **Transfer of moveable assets [Sub-rule 7(viii) of Rule 3]**

Value of perquisite is determined as under:

Assets transferred	Value of perquisite
Computers and electronic items	Depreciated value of asset [depreciation is computed @50% on WDV for each completed year of usage]
Motor cars	Depreciated value of asset [depreciation is computed @20% on WDV for each completed year of usage]
Any other asset	Depreciated value of asset [depreciation is computed @10% on SLM for each completed year of usage]

Note: Where the employee is paying any amount in respect of such asset, the amount so paid shall be deducted from the value of perquisite determined above.

Computation of total income and tax liability for the year

- ❑ **Section 86(*)** Rebate under section 86 is available to a member of association of persons (AOP) or body of individuals (BOI) in respect of income received by such member from the AOP/BOI.
- ❑ **Section 90, 90A & 91:** Rebate under sections 90, 90A and 91 is available to a taxpayer in respect of double taxed income, i.e., income which is taxed in India as well as abroad.
- ❑ **Section 89:** Rebate (i.e., relief) under section 89 is available to a salaried employee in respect of sum received towards arrears of salary, gratuity, etc.
- ❑ **Note :** For provisions relating to Minimum Alternate Tax (MAT) in case of corporate taxpayers and Alternate Minimum Tax (AMT) in case of non-corporate taxpayers refer tutorial on "MAT/AMT".

Is there any limit of income below which I need not pay tax?

- ❑ At this moment Individual, HUF, AOP, and BOI having income below Rs. 2,50,000 need not pay any Income-tax.
- ❑ In respect of resident individuals of the age of 60 years and above but below 80 years, the basic exemption limit is Rs. 3,00,000 and in respect of resident individuals of 80 years and above, the limit is Rs. 5,00,000.
- ❑ For other categories of persons such as co-operative societies, firms, companies and local authorities, no basic exemption limit exists and, hence, they have to pay taxes on their entire income chargeable to tax.
- ❑ Further, if an individual, HUF, AOP, BOI, and AJP opted for new tax regime under section 115BAC, threshold limit of Rs. 3,00,000 shall be applicable to them. (applicable w.e.f. Assessment Year 2024-25)

What incomes are deemed to have accrue or arise in India?

Following incomes are treated as incomes deemed to have accrued or arisen in India:

- ☐ Capital gain arising on transfer of property situated in India.
- ☐ Income from business connection in India.
- ☐ Income from salary in respect of services rendered in India.
- ☐ Salary received by an Indian national from Government of India in respect of service rendered outside India. However, allowances and perquisites are exempt in this case.
- ☐ Income from any property, asset or other source of income located in India.
- ☐ Dividend paid by an Indian company.
- ☐ Interest received from Government of India.
- ☐ Interest received from a resident is treated as income deemed to have accrued or arisen in India in all cases, except where such interest is earned in respect of funds borrowed by the resident and used by resident for carrying on business/profession outside India or is in respect of funds borrowed by the resident and is used for earning income from any source outside India.

What incomes are deemed to have accrue or arise in India?

- ❑ Interest received from a non-resident is treated as income deemed to accrue or arise in India if such interest is in respect of funds borrowed by the non-resident for carrying on any business/profession in India.
- ❑ Royalty/fees for technical services received from Government of India.
- ❑ Royalty/fees for technical services received from resident is treated as income deemed to have accrued or arisen in India in all cases, except where such royalty/fees relates to business/profession/other source of income carried on by the payer outside India.
- ❑ Royalty/fees for technical services received from non-resident is treated as income deemed to have accrued or arisen in India if such royalty/fees is for business/profession/other source of income carried by the payer in India.
- ❑ Income arising outside India, being any sum of money referred to in sub-clause (xviiia) of clause (24) of [section 2](#), paid on or after 05-07-2019 by a person resident in India to a non-resident.
- ❑ **Section 2(24)(xviiia) any sum of money or value of property referred to in clause (x) of sub-section (2) of section 56; [(X) from an individual by a trust created or established solely for the benefit of relative of the individual]**

Which incomes are charged to tax in India in the hands of a taxpayer?

Nature of income	Residential status		
	ROR (*)	RNOR (*)	NR (*)
Income which accrues or arises in India	Taxed	Taxed	Taxed
Income which is deemed to accrue or arise in India	Taxed	Taxed	Taxed
Income which is received in India	Taxed	Taxed	Taxed
Income which is deemed to be received in India	Taxed	Taxed	Taxed
Income accruing outside India from a business controlled from India or from a profession set up in India	Taxed	Taxed	Not taxed
Income other than above (i.e., income which has no relation with India)	Taxed	Not taxed	N

- ☐ (*)ROR means resident and ordinarily resident.
- ☐ RNOR means resident but not ordinarily resident.
- ☐ NR means non-resident.

How to determine the residential status of a company?

- ❑ With effect from Assessment Year 2017-18, a company is said to be resident in India in any previous year, if:
 - (i) it is an Indian company; or
 - (ii) its place of effective management, at any time in that year, is in India.
- ❑ For this purpose, the “place of effective management” means a place where key management and commercial decisions that are necessary for the conduct of the business of an entity as a whole are, in substance made.
- ❑ The concept of POEM is effective from Assessment Year 2017-18. The CBDT has issued the final guidelines for determination of POEM of a foreign company.
- ❑ The final guidelines on POEM contain some unique features. One of the unique features is test of Active Business Outside India (ABOI). The guidelines prescribe that a company shall be said to engaged in 'active business outside India' if passive income is not more than 50% of its total income. Further, there are certain additional cumulative conditions to be satisfied regarding location of total assets, employees and payroll expenses.

How to determine the residential status of a company?

The place of effective management in case of a company engaged in active business outside India shall be presumed to be outside India if the majority meetings of the board of directors of the company are held outside India.

In cases of companies other than those that are engaged in active business outside India, the determination of POEM would be a two stage process, namely:—

First stage would be identification or ascertaining the person or persons who actually make the key management and commercial decision for conduct of the company's business as a whole.

- Second stage would be determination of place where these decisions are in fact being made.
- However, it has been provided that the POEM guidelines shall not apply to a company having turnover or gross receipts of INR 50 crores or less in a financial year vide CIRCULAR NO.8, DATED 23-2-2017.
- (To know more about POEM guidelines, read CIRCULAR NO.6, DATED 24-1-2017.)

How to determine the residential status of a HUF for the purpose of the Income-tax Law?

- ❑ To determine the residential status of a HUF, the first step is to ascertain whether the HUF is resident or a non-resident. If the HUF turns to be a resident, then the next step is to ascertain whether it is resident and ordinarily resident or is resident but not ordinarily resident.
- ❑ Step 1 given below will ascertain whether the HUF is resident or non-resident and step 2 will ascertain whether the HUF is ordinarily resident or not ordinarily resident. Step 2 is to be performed only if the HUF turns to be a resident.
- ❑ Step 1: Determining whether resident or non-resident
- ❑ For the purpose of Income-tax Law, a HUF will be treated as resident in India, if the control and management of the affairs of the HUF is located (partly or wholly) in India.
- ❑ Step 2: Determining whether resident and ordinarily resident or resident but not ordinarily resident

How to determine the residential status of a HUF for the purpose of the Income-tax Law?

- ❑ A resident HUF will be treated as resident and ordinarily resident in India during the year if its manager (i.e. karta or manager) satisfies both the following conditions :
 - ❖ (1) He is resident in India for at least 2 years out of 10 years immediately preceding the relevant year.
 - ❖ (2) His stay in India is for 730 days or more during 7 years immediately preceding the relevant year.
- ❑ A resident HUF whose manager (i.e. karta or manager) does not satisfy any of the aforesaid conditions or satisfies only one of the aforesaid conditions will be treated as resident but not ordinarily resident.
- ❑ In short, following test will determine the residential status of a HUF :
 - ❖ If the control and management of the affairs of the HUF is located (partly or wholly) in India and the manager (i.e. karta or manager) satisfies both the conditions specified at step 2, then the HUF will become resident and ordinarily resident in India.
 - ❖ If the control and management of the affairs of the HUF is located (partly or wholly) in India and the manager (i.e. karta or manager) satisfies none or only one condition specified at step 2, then the HUF will become resident but not ordinarily resident in India.
 - ❖ If the control and management of the affairs of the HUF is located wholly outside India, then the HUF will become non-resident.

How to determine the residential status of an Individual?

- ❑ To determine the residential status of an individual, the first step is to ascertain whether he is resident or non-resident. If he turns to be a resident, then the next step is to ascertain whether he is resident and ordinarily resident or is a resident but not ordinarily resident.
- ❑ Step 1 given below will ascertain whether the individual is resident or non-resident and step 2 will ascertain whether he is ordinarily resident or not ordinarily resident. Step 2 is to be performed only if the individual turns to be a resident.
- ❑ ***Step 1: Determining whether resident or non-resident***
- ❑ Under the Income-tax Law, an individual will be treated as a resident in India for a year if he satisfies any of the following conditions (*i.e.* may satisfy any one or may satisfy both the conditions):
 - ❑ (1) He is in India for a period of 182 days or more in that year; or
 - ❑ (2) He is in India for a period of 60 days or more in the year and for a period of 365 days or more in 4 years immediately preceding the relevant year.

How to determine the residential status of an Individual?

- ❑ **Step 1: Determining whether resident or non-resident**
- ❑ However, in respect of an Indian citizen and a person of Indian origin who visits India during the year, the period of 60 days as mentioned in (2) above shall be substituted with 182 days. The similar concession is provided to the Indian citizen who leaves India in any previous year as a crew member or for the purpose of employment outside India.
- ❑ The Finance Act, 2020, w.e.f., Assessment Year 2021-22 has amended the above exception to provide that the period of 60 days as mentioned in (2) above shall be substituted with 120 days, if an Indian citizen or a person of Indian origin whose total income, other than income from foreign sources, exceeds Rs. 15 lakhs during the previous year. Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).
- ❑ Note: The Finance Act, 2020 has introduced new [section 6\(1A\)](#) to the Income-tax Act, 1961. The new provision provides that an Indian citizen shall be deemed to be resident in India only if his total income, other than income from foreign sources, exceeds Rs. 15 lakhs during the previous year. For this provision, income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).

How to determine the residential status of an Individual?

- However, such individual shall be deemed to be Indian resident only when he is not liable to tax in any country or jurisdiction by reason of his domicile or residence or any other criteria of similar nature.
- Thus, from Assessment Year 2021-22, an Indian Citizen earning total income in excess of Rs. 15 lakhs (other than from foreign sources) shall be deemed to be resident in India if he is not liable to pay tax in any country.
- The Finance Act, 2020, w.e.f., Assessment Year 2021-22 has amended the above exception to provide that the period of 60 days as mentioned in (2) above shall be substituted with 120 days, if an Indian citizen or a person of Indian origin whose total income, other than income from foreign sources, exceeds Rs. 15 lakhs during the previous year. Income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).
- Note: The Finance Act, 2020 has introduced new [section 6\(1A\)](#) to the Income-tax Act, 1961. The new provision provides that an Indian citizen shall be deemed to be resident in India only if his total income, other than income from foreign sources, exceeds Rs. 15 lakhs during the previous year. For this provision, income from foreign sources means income which accrues or arises outside India (except income derived from a business controlled in or a profession set up in India).

□ **Step 2: Determining whether resident and ordinarily resident or**

□ CMA Niranian Swain, Bcom, CS, FCMA, LLB,
Advocate & Tax Consultant

However, such individual shall be deemed to be Indian resident only when he is not liable to tax in any country or jurisdiction by reason of