



12	Compute Tax liability = Income-tax computed + Surcharge, if applicable, on income-tax (or) – Rebate u/s 87A, if applicable + HEC@4%
	
13	Compute Alternate Minimum Tax on Adjusted total income. Alternate Minimum Tax provisions would apply in case of an individual shifting out of the default tax regime and paying tax as per the normal provisions of the Act, if he is claiming certain deductions, like section 10AA, 35AD, 80JJAA, 80QQB and 80RRB. Tax liability would be the higher of tax computed under the regular provisions and alternate minimum tax.
	
14	Deduct TDS, TCS and advance tax from the tax liability to arrive at the tax payable by an individual.



Read the Scenario below containing the details of income of Mr. Raj and his brother Mr. Rahul, both of whom are resident and ordinarily resident in India for the P.Y.2024-25. Fill in the correct figures in the shaded boxes in the income computation sheets and tax computation sheets given and advise them whether to pay tax under the default tax regime under section 115BAC or not.

SCENARIO

Mr. Raj is an MBA employed with a multinational company in Mumbai. He is living in a rented house in Mumbai for which he pays rent of ₹ 70,000 p.m. He owns a house in Kolkata in which his parents are living. He purchased the house two years back by taking loan from Bank of India. Interest of ₹ 3,00,000 is due for P.Y.2024-25, out of which he paid ₹ 2,75,000 during the year. He made principal repayment of ₹ 1,50,000 to Bank of India during the year. In respect of this house, he paid municipal taxes of ₹ 5,000 this year. He sold a vacant land in Pune for ₹ 25,00,000. He had purchased the land last year for ₹ 20,00,000. He sold listed

equity shares of ABC Ltd. for ₹ 4 lakhs. He had purchased these shares in the year 2022 for ₹ 6.50 lakhs. Securities transaction tax has been paid both at the time of purchase and sale. During the year, he won ₹ 50,000 in a lottery. He has two daughters who are studying in class IX and XI in a reputed school in Mumbai. The tuition fee paid by him per month is ₹ 5,500 for each child. His elder daughter, aged 15 years, is a talented dancer. She earned ₹ 30,000 from dance shows performed by her during the year. She deposited the said amount in the bank and earned interest of ₹ 3,000. Mr. Raj's wife is a teacher in a private school whose monthly salary is ₹ 40,000. She has no other income.

Mr. Raj's brother Rahul is carrying on the business of manufacturing textiles. His turnover is around ₹ 4 crores this year and last year. 90% of his receipts are through permissible electronic modes and the remaining 10% is through cash. All payments are made through permissible electronic modes. He has installed new plant and machinery for ₹ 5 lakhs in May, 2024. His net profit as per the statement of profit and loss for the year 2024-25 is ₹ 40,50,000. Normal depreciation computed as per the Income-tax Rules, 1962 has been debited to the statement of profit and loss. However, additional depreciation, if any, available to him, is yet to be given effect to. This year, he incurred in-house scientific research expenditure of ₹ 2 lakhs related to his business. He also contributed ₹ 50,000 to IIT, Delhi for scientific research. The scientific research expenditure and contribution to scientific research have not been debited to the statement of profit and loss. He had employed 20 new employees from 1st June, 2024 at a salary of ₹ 20,000 p.m. Their salary has been debited to the statement of profit and loss. Rahul has let out his apartment in Bangalore from which he gets a rent of ₹ 30,000 p.m. He pays municipal taxes of ₹ 4,000 in respect of this apartment. He pays interest of ₹ 3,00,000 this year in respect of housing loan taken from Axis Bank for purchase of this house. The principal repayment made this year is ₹ 1,60,000. He has been complying with all the statutory requirements under the Income-tax Act, 1961, timely.

From the details given above and in columns (1) and (2) of the income computation sheets given below, find out the figures, if any, to be filled up in the shaded boxes in the income computation sheet given below –

- **in column (3) (both the inner and outer columns of column 3) under the default tax regime as per section 115BAC and**
- **in column (4) (both the inner and outer columns of column 4) under the optional tax regime as per the normal provisions of the Act.**

Remember, it is possible that you may not have to fill up anything at all in some of the shaded boxes. Also, remember that you have to consider facts given in the description above as well as the facts in column (1) and (2) of the income computation sheets below in making your computations. Some of the facts given in the description above are also repeated in column (2) below.

After determining the total income for A.Y.2025-26, fill up the tax computation sheets to find out the tax liability of Mr. Raj and Mr. Rahul under both tax regimes. Based on your computation, advise Raj and Rahul whether they should pay tax under the default tax regime or not in order to optimise their tax liability. Ignore interest, if any, u/s 234B and 234C.

Computation of total income of Mr. Raj for A.Y.2025-26

(1) Particulars	(2) Amount in ₹ [Actual amount]	(3) Under default tax regime as per section 115BAC		(4) Under optional tax regime as per the normal provisions of the Act	
		₹	₹	₹	₹
Salaries					
Basic Salary = ₹ 2,00,000 p.m.	24,00,000	24,00,000		24,00,000	
Dearness Allowance 40% of basic salary [DA forms part of pay for retirement benefits]	9,60,000	9,60,000		9,60,000	
House Rent allowance 30% of basic salary	7,20,000				
Children Education Allowance ₹ 3,000 p.m. for each child	72,000				
Transport allowance ₹ 4,000 p.m.	48,000				
Entertainment allowance ₹ 2,000 p.m.	24,000	24,000		24,000	
Professional tax paid by employer (50% of professional tax of ₹ 4,800. Balance 50% is paid by the Mr. Raj)	2,400				
		_____ 2,400		_____ 2,400	
Gross Salary					

(1) Particulars	(2) Amount in ₹ [Actual amount]	(3) Under default tax regime as per section 115BAC		(4) Under optional tax regime as per the normal provisions of the Act	
		₹	₹	₹	₹
Less: Deductions u/s 16					
Standard deduction					
Entertainment allowance					
Professional tax paid					
Net Salary					
Income from house property (in Kolkata)					
Gross Annual Value					
Less: Municipal taxes paid by Mr. Raj	5,000				
Net Annual Value					
Less: Deductions u/s 24					
30% of NAV					
Interest due on housing loan for purchase of flat					
Income/Loss under this head					

(1) Particulars	(2) Amount in ₹ [Actual amount]	(3) Under default tax regime as per section 115BAC		(4) Under optional tax regime as per the normal provisions of the Act	
		₹	₹	₹	₹
Capital Gains					
Capital Gains on sale of land – STCG/LTCG (Strikethrough whichever is incorrect)	5,00,000	5,00,000		5,00,000	
Capital loss on sale of shares – STCL/LTCL (Strikethrough whichever is incorrect)	(2,50,000)				
Can the capital loss on sale of shares be set-off against the capital gains on sale of land?	Yes/No				
If Yes, write the net figure in the inner column of column 3 and 4. Otherwise, write gross amount in the inner column of column 3 and 4					
Income under this head					
Income from Other sources					
Interest on savings bank account	11,000	11,000		11,000	

(1) Particulars	(2) Amount in ₹ [Actual amount]	(3) Under default tax regime as per section 115BAC		(4) Under optional tax regime as per the normal provisions of the Act	
		₹	₹	₹	₹
Interest on Fixed deposits	25,000	25,000		25,000	
Income from lotteries	50,000	50,000		50,000	
Income of minor child – whether includible in his income? If yes, which income and how much?					
Income from dance shows – Includible/Not includible (Strike through whichever is incorrect)	30,000				
Income from bank deposits – Includible/Not includible (Strike through whichever is incorrect)	3,000				
Income under this head					
Gross Total Income					
Less: Deductions under Chapter VI-A					
Under section 80C					

(1) Particulars	(2) Amount in ₹ [Actual amount]	(3) Under default tax regime as per section 115BAC		(4) Under optional tax regime as per the normal provisions of the Act	
		₹	₹	₹	₹
Under section 80TTA					
Total deductions under Chapter VI-A					
Total Income					
Loss, if any, to be carried forward to A.Y.2026-27 (Mention the nature of loss here and the amount in the outer columns of column 3 and 4)					

Computation of tax liability of Mr. Raj for A.Y.2025-26

Under default tax regime as per section 115BAC		Under optional tax regime as per the normal provisions of the Act	
Particulars	₹	Particulars	₹
<u>Tax on total income</u>		<u>Tax on total income</u>	
Tax on capital gains [u/s 112/112A/111A, if applicable]		Tax on capital gains [u/s 112/112A/111A, if applicable]	
Tax on lottery income of ₹ 50,000		Tax on lottery income of ₹ 50,000	
Tax on balance total income		Tax on balance total income	
Upto ₹ 3,00,000	Nil	Upto ₹ 2,50,000	Nil
> ₹ 3,00,000 ≤ ₹ 7,00,000@5%	20,000	> ₹ 2,50,000 ≤ ₹ 5,00,000@5%	12,500
> ₹ 7,00,000 ≤ ₹ 10,00,000@10%	30,000	> ₹ 5,00,000 ≤ ₹ 10,00,000@20%	1,00,000
> ₹ 10,00,000 ≤ ₹ 12,00,000@15%	30,000	> ₹ 10,00,000[.....@30%]	_____
> ₹ 12,00,000 ≤ ₹ 15,00,000@20%	60,000	Total tax liability (before cess)	_____
> ₹ 15,00,000 [.....@30%]	_____	Add: Health and education cess@4%	_____
Total tax liability (before cess)	_____	Total tax liability	_____
Add: Health and education cess@4%	_____	Total tax liability (Rounded off)	_____
Total tax liability	_____		
Total tax liability (Rounded off)	_____		

<p>Under which tax regime should Raj pay income-tax? Write your response here</p>

Computation of total income of Mr. Rahul for A.Y.2025-26

(1) Particulars	(2) Amount in ₹	(3) Under default tax regime as per section 115BAC		(4) Under optional tax regime as per the normal provisions of the Act	
		₹	₹	₹	₹
Income from house property (in Bangalore)					
Gross Annual Value [Rent received is taken as GAV in the absence of other information]	3,60,000	3,60,000		3,60,000	
Less: Municipal taxes paid by Mr. Rahul	4,000	4,000		4,000	
Net Annual Value		3,56,000		3,56,000	

Less: Deductions u/s 24							
30% of NAV		1,06,800				1,06,800	
Interest due on housing loan for purchase of apartment	3,00,000						
Loss under this head							
- to be set-off against PGBP; or							
- to be carried forward							
Profits and gains of business and profession (PGBP)							
Net profit as per statement of profit and loss	40,50,000	40,50,000				40,50,000	
Less: Deductions allowable but not debited to statement of profit and loss							
Additional depreciation							
In-house scientific research expenditure	2,00,000					2,00,000	
Contribution to IIT for scientific research	50,000					50,000	
Income under this head							

Gross Total Income						
Less: Deductions under Chapter VI-A						
Under section 80C						
Under Section 80JJAA						
Total Income						
Loss, if any, to be carried forward to A.Y.2026-27						

Computation of tax liability of Mr. Rahul for A.Y.2025-26

Under default tax regime as per section 115BAC		Under optional tax regime as per the normal provisions of the Act	
Particulars	₹	Particulars	₹
Tax on total income		(1) Tax on total income	
Upto ₹ 3,00,000	Nil	Upto ₹ 2,50,000	Nil
> ₹ 3,00,000 ≤ ₹ 7,00,000@5%	20,000	> ₹ 2,50,000 ≤ ₹ 5,00,000@5%	12,500
> ₹ 7,00,000 ≤ ₹ 10,00,000@10%	30,000	> ₹ 5,00,000 ≤ ₹ 10,00,000@20%	1,00,000
> ₹ 10,00,000 ≤ ₹ 12,00,000@15%	30,000	> ₹ 10,00,000[.....@30%]	

> ₹ 12,00,000 ≤ ₹ 15,00,000@20%	60,000	Tax liability (before cess)	
> ₹ 15,00,000 [.....@30%]	_____	Add: Health and education cess@4%	_____
Total tax liability (before cess)		Tax liability	_____
Add: Health and education cess@4%		Tax liability (Rounded off)	
Total tax liability	(2)	Compute Adjusted total income and Alternate Minimum Tax	
Total tax liability (Rounded off)		Total income as per the regular provisions of the Act	
		Add: Deduction u/s 80JJAA	_____
		Adjusted Total Income	_____
		Alternate Minimum Tax (AMT) – 18.5% of Adjusted total income	
		Add: Health and education cess@4%	_____
		AMT liability	_____
		AMT liability (Rounded off)	
	(3)	Tax liability of Rahul [Higher of (1) and (2) above]	

Under which tax regime should Rahul pay income-tax? Write your response here

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Find the answers to the Scenario at the end of Module 2.

