

HOW TO CALCULATE YOUR INCOME-TAX on SALARY

**FIN. YEAR : 2025-26
(Asst. Year 2026-27)**

There must be 'Employer-Employee' or 'Master-Servant' relationship to charge the income to tax under the head "Salary".

In the case of Government Employees, Salary is chargeable to tax from the months of March to February when it becomes due or payable.

Salary is chargeable to income-tax on due or paid basis.

"Pension" is chargeable to tax under the head "Salary"

"Family Pension" is chargeable to tax under the head "Income from Other Sources"

"Salary received in Advance" is taxable in the year in which received.

"Arrears of salary received in Advance" is taxable in the year in which received.

"Encashment of Leave" (not at the time of retirement) is totally taxable in the year in which it is received.

Transport Allowance for a Person With Disability (P.W.D.) is exempted upto Rs.3,200/- p.m. This is for an employee who is blind, deaf and dumb, or orthopedically handicapped with a disability of the lower extremities.

T.D.S. be made on Salary and Pension.

No T.D.S. be made on disability pension to Ex-service man.

For Sr. Citizens aged 75 years or more, having income from Pension and interest on Pension Account, there is no need to file the Return of Income. The Pensioner has to make a declaration in Form 12BBA to the Bank for deduction of T.D.S. if any..

There are Two Tax Regimes for paying Tax under the head Salary.

1. New Tax Regime (Default System)
2. Old Tax Regime

NEW TAX REGIME :: SIMPLE WITH LIMITED DEDUCTIONS

The New Tax Regime is a very simplified way of paying taxes. However one has to forego deductions/exemptions. Levy of tax is at concessional rates.

Section 115BAC : New Tax Regime came into effect w.e.f. 01.04.2021. It has become the Default Tax System from the F.Y. 2023-24 (A.Y.2024-25) onwards. That means this New Tax Regime is applicable for any Individual/HUF/AOP(other than Coop Societies)/Body of Individual (BOI whether incorporated or not), automatically, if the assessee donot opt for Old Tax Regime. If any assessee wants to opt Old Tax Regime, he is required to opt it electronically in Form No.10-IEA before the due date for filing the Return of Income. Option once exercised is valid for the next year also.

Option to choose the New Tax Regime or the Old Tax Regime is available only if the Return of Income is filed before the due date.

If any Individual has business income, then he must file Form 10-IEA before the due date of filing the ITR.

NEW TAX REGIME : For Individuals and H.U.F.

Annual Income	% of tax	Tax applicable
Upto Rs. 4 lakh of income	Nil	Rs. Nil
Above Rs. 4 lakh to Rs. 8 lakh	5%	Rs.20,000
Above Rs. 8 lakh to Rs. 12 lakh	10%	Rs.20,000 + 10% of the amount
Above Rs. 12 lakh to Rs. 16 lakh	15%	Rs.60000 + 15% of the amount
Above Rs. 16 lakh to Rs. 20 lakh	20%	Rs.1,20,000 + 20% of the amount
Above Rs. 20 lakh to Rs. 24 lakh	25%	Rs.2,00,000 + 25% of the amount
Rs.24 lakh and above	30%	Rs.2,01,000 plus as per income

Health &Edn. Cell @ 4% applicable on total tax payable.

If the total taxable income is Rs.12,00,000/- or less, a tax rebate upto Rs.60,000/- u/s 87A is available for the total tax payable. The maximum tax rebate available u/s 87A is Rs.60,000/-.

Tota taxable income means = Gross total Income minus Standard Deduction Rs.75,000/-

Hence there is no need to pay tax upto if the taxable income is upto Rs.12,00,000/-.

However one has to file the Return of Income to avail the benefit of rebate u/s 87A.

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**K.V. RAMANA RAO
Mobile : 9966060232**

EXAMPLE ... 1

For example for an employee total income is Rs.12,95,000
 Less : Standard Deduction Rs. 75,000
 Rs.12,20,000

Tax on Rs.12,20,000 is Rs.63,000/-
 The total tax of Rs.63,000/- is payable.

EXAMPLE ... 2

For example for an employee total income isRs.12,75,000
 Less :Standard Deduction Rs. 75,000
 Rs.12,00,000
 Tax on Rs.12,00,000 is Rs.60,000/- Rs. 60,000/-
 Less : Rebate available u/s 87A upto Rs.12,00,000/-Rs. 60,000/-
 Hence the tax payable is Rs. NIL

In the 1st Example the assessee is paying Rs.63,000/- tax as his taxable income exceeds Rs.12,00,000/- even after Standard Deduction.

In the 2nd Example the assessee is paying Rs.NIL/- just because of his taxable income is at Rs.12,00,000/- he got relief u/s 87A.

Marginal Relief u/s 115 BAC (1A)

Just because the income exceeds Rs.12,00,000/- one has to pay more tax. To give the benefit Government allows marginal relief.

Marginal relief can be claimed if the income is between Rs.12,00,000/- and Rs.12,75,000/-

Marginal relief can be claimed by resident individual.

Not available to NRIs and HUF.

Both salaried and Non-salaried can claim it.

If income exceeds ₹12.75 lakh, marginal relief does not apply, and regular tax rates will be charged.

MARGINAL RELIEF = YOUR TAX LIABILITY – INCOME OVER Rs.12,00,000/-

EXAMPLE

Total taxable Income as per 1stExample is Rs.12,20,000/-

Tax Liability is Rs.63,000/-

MARGINAL RELIEF =Rs.63,000 - Rs.20,000 - = (-) Rs.43,000/-

the assessee can pay Rs.63,000 – Rs.43,000 = Rs.20,000/- tax liability after Marginal Relief

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Allowed Deductions under New Tax Regime :

S. No	Allowable deduction	Amount	Under Section
1	Standard Deduction – for salaried employees/Pensioners	Rs.75,000/-	16 (ia)
2	Standard Deduction for Family pensioners (Family Pension)- Pension paid to the wife or family member after the death of the pensioner	Rs.25,000/- or 33 1/3 % of the pension received Whichever is less	57(ia)
3	Employer contribution to National Pension System - NPS	14% for Central & State Govt. employees 10% for Other employees	80 CCD (2)
4	Amount deposited under Agniveer Corpus Fund	100% of the amount	80CCH
5	Interest on Home Loan for Let out property	Loss from House Property against Salary upto Rs.2,00,000/-	24(b)
6	Transport Allowance for Person with Disability (PWD)	Rs.3,200/- pm	10(14)(ii)
7	Tour/Transfer TA – Allowance	Amount received	10(14)(i)
8	Gifts	Rs.5,000/-	Rule 3(7)(iv)
9	Gratuity Amount Death Cum Retirement Gratuity	Employees of Central /State Govt. and Local Authorities – Total Amount Non-Govt. Employees – 15 days ages for every completed year of service subject to a maximum of Rs.20,00,000/- (w.e.f 29.03.2018)	10 (10)
10	Leave Encashment	Employees of Central /State Govt. and Local Authorities – Total Amount Non-Govt. Employees – 30 days per year/ten months average salary/ subject to a maximum of Rs.25,00,000/- (w.e.f 24.05.2023)	10(10AA)

Deductions not available under New TaxRegime:-

- i) Leave Travel Concession [u/s 10(5)]
- ii) House Rent Allowance [u/s 10(13A)]
- iii) Entertainment Allowance Deduction [u/s 16(ii)]
- iv) Professional Tax Deduction [u/s 16(iii)]
- v) Interest paid on Home Loan (Self Occupied) [u/s 24(b)].
- vi) Children Education Allowance

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that is to say the deductions previously available under Section 80C to 80U are not available now except Employer's Contribution to NPS u/s 80CCD(2) and Agniveer Corpus Fund u/s 80CCH etc.

Interest on House Property :- Interest paid on Housing Loan is available when the House is let out. If the owner is staying in that house (self occupied), no interest can be claimed. Interest on Let out property (Loss from House Property) can be claimed upto Rs.2 Lakhs.

Section 194Pw.e.f. 01.04.2021 -----Who is Sr.Citizen/Super Sr.Citizen

If a citizen attains 60th year during the Financial Year. He is a Senior Citizen for that Financial Year.

If a citizen attains 80th year during the Financial Year .. He is a Super Senior Citizen for that Financial Year.

Sr. Citizen who is not required to file the Return of Income ?

Those attained 75 years of age, resident in India and their source of income is Pension and interest only ---- No need to file "Income-tax Return"

The Senior Citizen of 75 years of age must submit the fact to the concerned Bank and such Bank is responsible for deduction of T.D.S. Once, the required T.D.S. is made, there is no need to file the Return of Income.

INCOMETAX RETURN FORMS

I.T.R. – 1(SAHAJ)Resident individual having total income upto Rs.50 Lakh.

Having income under :-

Salary/Pension/Income from One House Property/Interest income/Agriculture income upto Rs.5,000/-/Capital gains u/s112A upto Rs.1,25,000/-.

I.T.R. – 2.....Resident individual (not eligible for ITR 1)/H.U.F.

Having income under :-

Salary/Pension/Income from **two** House Property/Interest income/Agriculture income upto Rs.5,000/-/Capital gains u/s112A upto Rs.1,25,000/-.

H.U.Fs not having any income under the head business/Profession.

I.T.R. – 3.....Resident individual (not eligible for ITR 1,2 and 4)/H.U.F.

Having income under the head Income from Business or Profession

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I.T.R. – 4 (Sugam)Resident Individual/HUF/Resident Firm(not LLP) having income upto 50 Lakhs

Income from Business or Profession calculated on presumptive basis under Section 44AD/Section ADA/Section AE or under any of the following.

Salary/Pension/Income from One House Property/Interest income/Dividend/Agriculture income upto Rs.5,000/-/Capital gains u/s112A upto Rs.1,25,000/-.

I.T.R. – 5Firms/AOP/BOI

I.T.R. – 6Companies

I.T.R. – 7Charitable Trusts/Political parties

Tax on Interest earned on GPF in excess of Rs.5,00,000/-

TAX on GPF interest..... Section 10(11) and 10(12) of IT. Act, 1961
Rule 9D of Income-tax Rules, 1962.

The maximum non-taxable limit is Rs.5,00,000/- for Government Employees and Rs.2,50,000/- for Non-Government employees.

For example if a Government employee, for the F.Y. 2025-26, is contributing Rs.55,000/- per month, the total contributions for that year is Rs.6,60,000/- (Rs.55,000/- x 12 Months).

The non-taxable limit is Rs.5,00,000/-. The interest earned on Rs.1,60,000/- is taxable.

***** SSSSS *****

OLD TAX REGIME**OLD TAX REGIME – Optional - can be opted for the F.Y.2025-26****INCOME-TAX RATE CHART FOR THE F.Y. 2025-26 (Asst. Year 2026-2027)****For Individuals & Women**

TOTAL INCOME SLAB	RATE OF INCOME-TAX	SUR-CHARGE	Health & Edn. Cess
Upto Rs.2,50,000	Nil	Nil	Nil
Rs.2,50,001 to Rs.5,00,000	5%	Nil	4%
Rs.5,00,000 to Rs.10,00,000	Rs.12500 + 20%	Nil	4%
Rs.10,00,001 to Rs.50,00,000	Rs.1,12,500 + 30%	Nil	4%
Rs.50 Lakhs to Rs. 1 Crore	Rs.13,12,500 + 30%	10%	4%
Rs.1 Crore to Rs.2 Crore	Rs.28,12,500 + 30%	15%	4%
Rs.2 Crore to Rs.5 Crore	Rs.58,12,500/- + 30%	25%	4%
Exceeding Rs.5 Crore	Rs.1,48,12,500/-+ 30%	37%	4%

If the total taxable income does not exceed Rs.5,00,000/- (i.e. after claiming allowable deductions including Section 80), 100% tax or Rs.12,500/- whichever is less can be claimed as rebate u/s 87A. (No tax payable on a total income upto Rs.5,00,000/- provided the Return of Income is filed.)

For resident Senior Citizens (60 Years and above)

If a citizen attains 60th year during the Financial Year. He is a Senior Citizen for that Financial Year.

TOTAL INCOME SLAB	RATE OF INCOME TAX	SUR-CHARGE	Health & Edn. Cess
Upto Rs.3,00,000	Nil	Nil	Nil
Rs.3,00,001 to Rs.5,00,000	5%	Nil	4%
Rs.5,00,000 to Rs.10,00,000	Rs.10000 + 20%	Nil	4%
Rs.10,00,001 and above	Rs.1,10,000 + 30%	Nil	4%

For Sr. Citizens..... for Income upto Rs.3,00,000/- There is no tax

If the total taxable income does not exceed Rs.5,00,000/- (i.e. after claiming allowable deductions including Section 80), 100% tax or Rs.12,500/- whichever is less can be claimed as rebate u/s 87A. (No tax payable on a total income upto Rs.5,00,000/- provided the Return of Income is filed.)

For resident Super Senior Citizens (80 Years and above) If a citizen attains 80th year during the Financial Year ... He is a Super Senior Citizen for that Financial Year.

TOTAL INCOME SLAB	RATE OF INCOME TAX	SURCHARGE	Health & Edn. Cess
Upto Rs.5,00,000	Nil	Nil	Nil
Rs.5,00,000 to Rs.10,00,000	20%	Nil	4%
Rs.10,00,001 and above	Rs.1,00,000 + 30%	Nil	4%

For Super Senior Citizen -- for Income upto Rs.5,00,000/- There is no tax.

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Allowable deductions from Gross Salary under OLD TAX REGIME :

- 1. Under Section 16 (ia) of I.T.Act, 1961 ... Standard Deduction of Rs.50,000/-**
- 2. Under Section 16 (iii) of I.T. Act, 1961 Professional Tax paid**
- 3. House Rent Allowance (H.R.A.)as per calculation under Section 10(13A)-**

Section 10 (13A).....House Rent Allowance

Least of the following is exempted.

- 1. Actual House Rent Allowance received**
- 2. Rent paid in excess of 1/10th of salary**
- 3. 50 % of Salary...for cities Delhi/Mumbai/Kolkata/Chennai
40% of salary ...for any other place**

Those who are not in receipt of H.R.A. can claim deduction upto Rs.5,000/-p.m. for rent paid u/s 80 GG.

Salary means Pay + D.A.

For claiming H.R.A., one has to produce the rent receipt.

Employees drawing H.R.A. upto Rs.3,000/- are exempted from producing rent receipts.

If the rent paid exceeds Rs.1 Lakh per annum, for claiming H.R.A. deduction, one has to produce the PAN number and address of the Owner of the house.

If any one is paying rent, more than Rs.50,000/- p.m., has to deduct income-tax @ 2% (w.e.f. 01.10.2024) from the rent and to pay the remaining to the owner of the house. The amount so deducted must be paid into the Central Government A/c immediately. No need to obtain TAN Number for rent purpose. (Section...194IB). TDS made can be remitted into Government Account with PAN Number of the Owner of the Property by filling a challan available in IT Portal.

If the Government Employee is staying in the city where his own house is situated, the total HRA drawn is taxable. It is immaterial whether he is staying in that house or not.

DEDUCTIONS UNDER SECTION 80

Deduction u/s 80C An individual can save upto Rs.1,50,000/- in any of the plans mentioned viz..deposits in GPF/LIC/Housing Loan Principle/Tuition fee paid/Fee paid for Registration

Deduction u/s 80CCC - upto Rs.1,50,000/-...contribution to Annuity Plan of LIC(Jeevan Suraksha)or any other Insurance Company to receive Pension.

New Pension Scheme

I. Deduction u/s 80 CCD(1).... 10% ...i.e. Employee's contribution
(20% in case of other employees)

contribution by the employee to N.P.S. Scheme... upto Rs.1,50,000/-

The total deduction allowable is Rs.1,50,000/-(u/s 80 C or 80 CCC or 80 CCD(1))

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II. Deduction u/s 80CCD(1B) - Notified Pension Scheme
Allowable deduction Rs.50,000/-

This is an additional contribution towards any Notified Pension Scheme. If any Officer/Official opts to the Notified Pension Scheme, the contribution made towards it can be deducted upto Rs.50,000/-.

Note : Contribution made to the NPS Scheme u/s 80 CCD(1) is not eligible for deduction for Notified Pension Scheme.

Hence Total Deduction u/s 80C + 80 CCC + 80 CCD (1) is Rs.1,50,000/-
 Deduction u/s 80CCD(1B) is Rs.50,000/-Rs. 50,000/-..Total..Rs.2,00,000/-

III. Deduction u/s 80 CCD(2).... 14% ...i.e. Employer's contribution

Deduction available under New Tax Regime only.

Withdrawal from NPS Account

Sec.10(12A).. Final withdrawal - upto 60% of accumulation is exempted.

Sec.10(12B).. Partial withdrawal - upto 25% of amount of contribution, is exempted.

Deduction u/s 80D – For Individual/HUF..... contribution towards Medical Insurance Premiums –

Self plus family...Rs.25,000 :: Self plus family plus parents...Rs.50,000/- :: (Rs.50,000/- for Sr.Citizens)

Preventive Health Check up for self/family restricted to Rs.5,000/-p.a.

Deduction u/s 80DD – Medical Treatment/maintenance of handicapped dependents

For Individual/HUF - upto Rs.75,000/-- (Certificate from Medical Authority be produced)
 (Rs.1,25,000/- for severe disability i.e. if the disability is 80% or more)

Deduction u/s 80DDB– Medical Treatment of specified disease of him self or dependent or member of a family

For Individual/HUF - Amount actually paid or Rs.40,000/- whichever is less.(Rs.1,00,000/- for Sr.Citizens)

Deduction u/s 80E – interest paid on Education Loan availed from a Financial Institution or an approved Charitable Institutions – No Limit (Only for 8 Years)

The loan should be taken **for the higher education of Self, Spouse or Children or for a student for whom the individual is a legal guardian. It does not matter whether such education loan is taken for higher studies in India or Outside India.**

Deduction u/s 80EEA –Maximum of Rs.1,50,000/- interest paid on loan taken for a residential house property Loan availed during the period 01.04.19 to 31.03.22. Allowed, where assessee does not own a house, and Stamp duty not to exceed Rs.45 Lakhs.

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Deduction u/s 80EEB –Maximum of Rs.1,50,000/- interest paid on loan taken for purchase of a Electric Vehicle purchased during the period 01.04.2019 to 31.03.2023.

Deduction u/s 80G – Donation, if exceeding Rs.2,000/- must be made in cheque only (80G.5D).

100% exemption >>>>Donations made to PM/CM relief fund, National Defence Fund, PM Cares Fund

50 % exemption >>>>Donations made to approved charitable institutions
Donation made upto 10% of Gross total income is allowed as exemption.

Deduction u/s 80GG – U/s10 (13A) --- for an individual/self employed person, who is not in receipt of H.R.A.

House Rent paid by the employee for his residential accommodation –Rs.5,000/- p.m.However if the employee has a house in his own name, the deduction can not be claimed.

Deduction u/s 80TTA –Only for individual and HUF.....Exempted upto Rs.10,000/-

interest received on Savings Bank A/cs of Bank/Post Office/Coop Societies

Deduction u/s 80TTB –Only for Sr.Citizens.....Exempted upto Rs.50,000/-.

Interest received on Bank/Post Office deposits.

Deduction u/s 80 U – A resident individual suffering from disability – Amount of deduction Rs.75,000/- (Rs.1,25,000/- for severe disability). The assessee shall furnish a certificate from Neurologist or a from a Civil Surgeon or from Chief Medical Officer in a Government Hospital.

Disability means ... 40% or more... Severe disability means80% or more

If any one owns a house and gave it on rent, the rent received must be shown as "Income from House Property".

If any loan availed for construction of that house, then the interest paid on that loan upto a maximum of Rs.2,00,000/- is allowed as deduction. (Section 24(b))

NOTE :

1. Employee must furnish a statement in Form 12BB providing details of other income viz.. house property or claims of deduction under Chapter VIA to the employer
2. No TDS is to be deducted on disability pension to ex-servicemen.
3. Interest on borrowed capital for construction of a house under House Property Income is Rs.2,00,000/- p.a.
4. Salary for Income-tax purpose means Salary received or accrued. In case any Salary is drawn in advance, the same is taxable in the year of receipt.
5. While in service, the total E.L. Encashment and Tution Reimbursement Fee for children are totally taxable for that year.

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AT THE TIME OF RETIREMENT

For Govt. Employees all the benefits received at the time of retirement are tax free.

1. **Death cum Retirement Gratuity** **Section 10(10)**
2. **Commutation of Pension** **Section 10(10A)**
3. **Encashment of Earned Leave at credit etc.** **Section 10(10AA)**
4. **Payment from Provident Fund Account** **Section 10(11)**

FOR EMPLOYEES OF PSU & PRIVATE SECTOR EMPLOYEES

1. **Death cum Retirement Gratuity upto Rs.20,00,000/-** **Section 10(10)**
2. **Commutation of Pension** **Section 10(10A)**
3. **Encashment of Earned Leave at credit Rs.25,00,000/-** **Section 10(10AA)**
4. **Payment from Provident Fund Account** **Section 10(11)**

Form No.15H :By submitting it in any Bank one can stop deducting tax on interest earned.

However, any one submitting Form 15H in any Bank for not deducting tax on the interest earned must have income below taxable limit. Any one having taxable income can not claim such benefit.

CAPITAL GAIN TAX----- Section 45 of IT Tax, 1961

What are Capital Assets ?

Open Plots/Land/Houses/Flats/Shares, Vehicles, Patent rights, Trade Mark etc. are called Capital Assets.

Usually we purchase them at one rate and sell them for a higher rate. The price you are receiving on selling the asset is called "Sale Consideration".

If the Sale Consideration is more than the purchase price, the difference of amount is your profit or gain.

One has to pay tax on the profit or gain. Whatever the tax the assessee is paying on selling these assets is called "Capital Gain". The rate of tax is different for this. That is why this is called "Special Rate".

There are

1. Short Term Capital Gains
2. Long Term Capital Gains

Property held for 12 months or less and sold....Short Term Capital Gains.

Property held for 24 months or more and sold....Long Term Capital Gains.
(From the F.Y.2017-18)

In case of Equity Shares..... held for 12 months Short Term Capital Gains
held for more than 12 months Long Term Capital Gains

What is the date for tax purpose

The date of "sale" is the date of "execution of Sale Deed". So, the date of sale is the date on which the total "Sale Consideration" is received by the purchaser.

Registration of "executed Sale Deed" is different. The registration date is irrelevant for the purpose of taxation.

Sale of Property-Exchange of Property

Sale of property is different and Exchange of Property is different.

In case of Sale of Property, Seller will receive "sale consideration".

In case of Exchange of Property, One property will be transferred in exchange of another Property.

Any "gain", on account of Sale or Exchange etc. is chargeable to tax in that year only.

Compulsory Acquisition of assets

Usually State Government or Central Government will acquire land for construction of Roads/Bridges/Dams. Then the concerned Government will pay Compensation to the owner of the land. On the Compensation received, one has to pay Capital Gain Tax.

Tax must be paid in the year in which transfer took place.

For example

For sale one apartment the advance was taken on 12.12.2024 (F.Y.2024-25) and the total amount was paid on 10.04.2025 (F.Y.2025-26) then tax is to be paid during the F.Y. 2025-26 only. Because the sale process is complete during the F.Y. 2025-26. In other words total "Sale Consideration" is received during the F.Y.2025-26.

In the case of compulsory acquisition of any land by State Government or Central Government, tax must be paid in the year in which the compensation was received.

For calculating the Gain, the purchase price is re-calculated by using "Cost of Index Price" to know the present price. The purchase price is called "Cost of Acquisition". After re-calculation this is called "Indexed Cost of Acquisition".

For Example....

The Purchase Price in the year 2015 is Rs.3,00,000/-
Indexed cost of Acquisitionis Rs.10,50,000/-

Sale price is Rs.15,00,000/-

What is the gain means ... $\text{Rs.15,00,000} - \text{Rs.10,50,000} = \text{Rs.4,50,000/-}$

On Rs.4,50,000/- one has to pay tax @ 20%

Some times any expenditure incurred on transfer of property can also be deducted.

Rate of tax is different for "Short Term Capital Gain" and "Long Term Capital Gain".

For Long Term Capital Gains 20% of tax on the gain

For Short Term Capital Gains treated as normal income and normal tax rates are applicable.

CAPITAL GAIN TAX FROM 23.07.2024..... NEW REGIME

Long term Capital Gain tax from the sale of immovable property sold on or after 23.07.2024 is subject to 12.5% Flat rate. No indexation available from this date. No expenditure is allowed.

The Purchase Price in the year 2015 is Rs.3,00,000/-

Sale price is Rs.15,00,000/-

One has to pay tax @ 12.5% on Rs.12,00,000/-

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However, any one sold the property before 23.07.2024, can pay the Capital Gain Tax as per Old regime by utilizing the indexation benefit. If the property is purchased before 23.07.2024 and sold after 23.07.2024, the assessee has an option to pay tax under old regime or under new regime by paying Flat rate of 12.5%.

HOW TO CALCULATE upto 23.07.2024

Sale Price	Rs.xxxxxxx
Less : Indexed purchase price	Rs.xxxxxxx
Less : Indexed improvement price.....	Rs.xxxxxxx
Less : Transfer expenses like	
Brokerage/Commission	Rs.xxxxxxx
Capital Gain on which tax @ 20% payable	Rs.xxxxxxx

No Deduction under Chapter VIA will be allowed for Long Term Capital Gains.

Basic Exemption Limit will be available while calculating Capital Gains.

Short Term Capital gain will be charged by including the same in the gross total income of the assessee for that year. However in the case of shares they will be charged as per Section 111A.

Long Term Capital Gains will be charged at a flat rate of 20%.

Exempted from Tax :

1. Agricultural land in rural areas. That is to say the agricultural land situated within the municipal limits is not treated as agricultural land for the purpose of taxation.
2. Transfer of assets on account of total or partial partition of H.U.F.
3. Transfer of assets under a gift.
4. Transfer of assets under a "WILL".
5. Any Capital gain on Sale or Transfer of a Residential House is exempted from tax if the same is invested in "**construction**" of another residential house within 3 years or

On "**Purchase of another house**". New house purchased one year before the sale of old house or purchased a new house within 2 years after the sale of that house the entire Capital Gain is exempted. (Section 54)

In case the amount of Capital Gain is Rs.2 Crore, the assessee may at his option purchase or construct 2 houses in India. This option can be exercised only once during the life time of the assessee.

Investment in a flat under the Self-financing scheme of the Delhi Development Authority (DDA) shall be treated as cases of construction of a house for this purpose. Flats/Houses allotted by Co-operative societies and other institutions, under schemes similar to the self-financing scheme of DDA, shall also be treated as case of construction for this purpose.

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Construction of HouseIf the assessee invests the Capital Gain money by purchasing a land and constructs a house on it within 3 years of sale of property, can get relief u/s 54, that is to say, there is no need to pay tax on the Capital Gain.

LOCK IN PERIOD : assessee, who availed relief u/s 54 can not transfer the new house within a period of 3 years.

6. **Sale of Open Plots** :- On sale of open plots the "net consideration" must be utilized for the purchase of a residential house. New house purchased one year before the sale of plot or purchased a new house within 2 years after the sale of that plot the entire Capital Gain is exempted. Capital Gain exemption can also be claimed by constructing a new residential house within 3 years of sale of open plot. If the total amount received on sale is not utilized, the exemption will be limited to :-

Capital Gains X Cost of New Residential House

Amount of Net consideration

7. Transfer of Agricultural Land : Transfer of any land used for agricultural purposes for the past 2 years shall be exempt from tax if the assessee purchases another agricultural land within 2 years from the date of transfer. (Section 54B)

NOTE : The sale consideration must be received by Cheque/D.D./Online transfer only. Cash can be received upto Rs.20,000/- only.

There is no Cost of Improvement for intangible assets like "Good Will" and "right to manufacture" etc.

If the assessee is unable to utilize the Capital Gain amount within a period of 6 months from the sale of property, the amount of Capital Gain may be deposited in the Capital Gain Accounts Scheme, 1988 before filing the Return of Income for that year. The assessee can not keep the amount of Capital Gain in an ordinary Savings Bank Account.

WHAT IS THE PURCHASE PRICE IF THE PROPERTY IS RECEIVED FROM HEREDITARY OR BY GIFT

For example

1. By distribution of assets in the Joint Family
2. Transfer of property under a gift/will or by succession, inheritance.

The cost of acquisition of the property is the value for which the previous owner has paid. If the property has been acquired by the previous owner on or before 01.04.2001, the purchase value of the property is the Stamp Value as on 01.04.2001.

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K.V. RAMANA RAO
Mobile : 9966060232

Note : Purchasing of Property from N.R.Is

If any one is purchasing any property of an NRI, it is the duty of the purchaser to deduct Capital Gain Tax before making payment. From the total Sale consideration (Sale Price) payable, the purchaser has to deduct 12.5% plus applicable Surcharge and Education cess of it as T.D.S. and remit it into the Central Government Account in the name of the Seller who is an N.R.I. If the T.D.S. is not made and the full amount on Sale is paid to the Seller (N.R.I.), if the NRI fails to pay the Capital Gain Tax, the purchaser will become responsible for the same.

Please note TDS provisions are applicable on the Purchaser. Purchaser is responsible if TDS is not made from an N.R.I.(Seller).

N.R.I. - Seller can make an application to the Income-tax Department for deducting the tax at a lower rate or NIL.

Benefit of Indexation of Cost of Acquisition is not available to an NRI.

Deduction under Chapter VIA is not available to an NR.

LOCK IN PERIOD : In case, Capital Gain used to purchase or construct another property to get exemption of Capital Gain Tax, the purchased or constructed property can not be sold within 3 years of such purchase or construction.

I&CI

In the Income-tax Department, there is one division called Intelligence & Criminal Investigation (I&CI). If any one receives any notice from this Section, one must submit reply within the time given. In the Return of Income filed, if the department observes that the assessee has not admitted some of the items of income or some discrepancies are there with regard to the income admitted in the Return of Income filed, it will be intimated to the assessee to rectify the same by filing an updated Return of Income or the assessee can give justification of the objection raised with supporting documents. This is a very good opportunity being provided by the department before converting the ROI filed for re-opening u/s 148. One can utilize this by promptly responding to the notices issued.

Updated return ---- (ITR-U)

Section 139(8A) of the Income Tax Act, 1961 allows taxpayers to file an **Updated Return (ITR-U)** to disclose previously omitted income or correct errors in their tax returns, even after the original and belated filing deadlines have passed. This provision promotes voluntary compliance and helps taxpayers avoid stricter penalties or prosecution.

This is applicable from the A.Y. 2020-21 (F.Y.2019-20). Updated Returns can be filed from the A.Y. 2020-21 and subsequent years.

Updated Return of Income can be filed within 48 months from the end of relevant Assessment Year.

- Any taxpayer (individual, HUF, company, etc.) who needs to declare additional income or correct errors.
- Updated Return of Income is to rectify omissions, report additional income, or correct errors for the Return of Income already filed (original, belated, or revised).
- Updated Return cannot be used to admit loss
- Updated Return cannot be used to claim a refund.
- Updated Return cannot be used to reduce the total tax liability.
- The return must be filed using the specific **Form ITR-U**.
- Only one updated return can be filed per assessment year.
- Assessee must pay the full amount of tax due on the additional income, along with applicable interest and an additional tax/penalty, before filing the ITR-U.

T.D.S. (Tax Deducted at Source)

The concept of TDS is to collect tax from the very source of income. As per this concept, a person (deductor) who is liable to make payment of specified nature to any other person (deductee) shall deduct tax at source and remit the same into the account of the Central Government. The deductee from whose income tax has been deducted at source would be entitled to get credit of the amount so deducted on the basis of Form 26AS or TDS certificate issued by the deductor.

- Tax will be deducted at the time of making payment.
 - PAN must be produced to the deductor.
 - The deductor must pay the tax deducted into the Central Government Account specifying the PAN of the deductee.
-
- T.D.S. without PAN is @ 20% or applicable rate whichever is higher.
 - TDS deducted is a Government Money. Hence be remitted into Govt. A/c within the time. Otherwise interest will be levied. In some cases prosecution will be launched.
 - If House Rent paid per month is Rs.50,000/- or more, T.D.S. be made on it @ 5%. Section 194I. In case PAN of the Land Lord is not available it must be @ 20%.
 - Individuals/HUF/Sole Proprietary Concern are not liable to deduct tax during the relevant Financial Year if the income is from Profession and total income does not exceed Rs.50 Lakh. In the case of business if the total turnover doesnot exceed Rs.1 Crore.
 - Individuals/HUF/Sole Proprietary Concern are not liable to deduct tax during the relevant Financial Year if the any payment is made to a Contractor or Sub-contractor exclusively for personal purposes. Section 194C
 - Individuals/HUF/Sole Proprietary Concern are not liable to deduct tax during the relevant Financial Year if the any fee is made for professional services exclusively for personal purposes. Section 194J
 - A Cooperative bank is liable to deduct TDS from interest on deposits made by its members.
 - A Cooperative Society is liable to deduct TDS if the total sale/gross receipts/turnover exceed Rs.50 Crore during the relevant Financial Year. (w.e.f. 01.04.2020)

T.D.S. RATE CHART

Section	Nature of payment	Threshold limit	Individual/H.U.F.	Others
192	Salary	As per the basic limits	As per existing tax rates	As per existing tax rates
192A	Premature withdrawal from EPF	50,000	10%	Not applicable
193	Interest on securities/Gold Bonds	10,000	10%	10%
194	Dividends	10,000	10%	10%
194A	Interest on time deposits made Bank/Coop.Bank	50,000 For Senior Citizens Rs.1 Lakh	10%	10%
194A	Interest (Others)	10,000	10%	10%
194A	Int. on compensation awarded by Motor Accident Claim	50,000	10%	10%
194B	Winning from lotteries	10,000	30%	30%
194BB	Winning from Horse Race	10,000 Aggregate winnings during the Fin. Year	30%	30%
194C	Contractor-Single Transaction	30,000	1%	2%
194C	Contractor-during the F.Y.	1,00,000	1%	2%
194C	Transporter (44AE) With PAN Owning 10 or less vehicles	No T.D.S.	No T.D.S.	No T.D.S.
194D	Insurance Commission	20,000	2%	10%
194DA	Life Insurance Policy	1,00,000	2%	2%
194EE	(NSS) National Savings Scheme	2,500	10%	10%
194G	Commission – on sale of Lottery tickets	20,000	2%	2%
194H	Commission/ Brokerage	20,000	2%	2%

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K.V. RAMANA RAO
Mobile : 9966060232

Section	Nature of payment	Threshold limit	Individual/H.U.F.	Others
194I(a)	Rent for Plant & Machinery	50,000	2%	2%
194I(b)	Rent of Land/Building/ Furniture	50,000	10%	10%
194IB	On paying rent to the owner of the house/apartment by Individual/HUF	50,000 p.m.	2%	Not applicable
194IA	Transfer of immovable property except Agril. Land (Sale of Land/ Apartment/House etc.)	50,00,000	1%	1%
194J(a)	Fee for Technical Services, /Call Centre, Royalty, Distribution/ Exhibition of Cinematography Films etc.	50,000	2%	2%
194J(b)	Fees for all other Professional Services	50,000	10%	10%
194LA	Compensation on Compulsory acquisition of land/building except agri.land	5,00,000	10%	10%
194IC	Payment under Specified Joint Dev. Agreement	-----	10%	10%
194M	Payment made for Contracts, Brokerage or Professional Fees etc. by Individual and HUF	50,00,000	2%	-----
194N	Cash withdrawal in excess of 1 crore during the previous year from 1 or more accounts with a bank or co-operative society	1 Crore (Rs. 3 Crores, if withdrawal is by co-op. society) 20 Lakh (if ITR not filed for previous 3 years)	2% 5% if exceeds Rs.1 Crore	2% 5% if exceeds Rs.1 Crore

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T.C.S. RATE CHART

When to collect tax ... At the time of receiving payment.
PAN must be produced.

Without PAN the rate of TCS will be double the applicable rate or 5% whichever is higher.

Section	Nature of receipt	Threshold Limit	Rate of TCS	NO PAN
206C (1)	Scrap	No limit	1%	5%
206C	Tendu Leaves	No limit	5%	5%
206C	Timber obtained under a forest lease or other mode	No limit	2%	5%
206C	Any other forest produce not being a timber or tendu leave	No limit	2%	5%
206C	Alcoholic Liquor for human consumption	No limit	1%	5%
206C	Parking Lot, Toll Plaza, Mining and Quarrying	No limit	2%	5%
206C	Minerals, being coal or lignite or iron ore	No limit	1%	5%
206C(1F)	Sale of Motor Vehicle (except Govt. Vehicles/ Embassy Vehicles)	10,00,000	1%	5%
206C(1F)	Sale of Luxury Goods	10,00,000	1%	5%
206(1G)	Foreign remittance for Education-out of Education Loan	No TCS	No TCS	No TCS
206(1G)	Oversea Tour Package/Foreign remittance other than above	No limit	20	20

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Mobile : 9966060232**

HOW TO TREAT A GIFT

Cash gift : Aggregation in a Financial Year.

Aggregate total cash gifts received from different persons. If the aggregate cash gift exceeds Rs.50,000/-, then all the Cash gifts are taxable.

GIFTS NOT TAXABLE :-

1. Gifts received from any relative
2. Gifts received on the occasion of marriage of an individual from any one
3. Gifts received under a Will or by way of inheritance
4. Gifts received in contemplation of death of payer
5. from local authority as defined in Explanation to section 10(20)
6. Gifts received from employer below Rs. 5,000 in aggregate during the financial year are exempt from tax. These gifts are taxable as perquisites under the head Income from Salary.
7. Scholarship received from educational or medical institution or fund etc. referred to u/s. 10(23C)
8. Scholarship received from a trust or institution registered u/s. 12AA
9. any compensation received by any person, in connection with the termination of his employment.

"RELATIVE" under Income-tax Act.

1. Spouse of the individual
2. Brother or sister of the individual
3. Brother or sister of the spouse of the individual
4. Brother or sister of either of the parents of the individual
5. Any lineal ascendant or descendant of the individual
6. Any lineal ascendant or descendant of the spouse of the individual
7. Spouse of the person referred to in clauses 2 to 4
8. In case of a Hindu undivided family, any member there of
9. Any Lineal ascendants or descendants of the individual
10. Any Lineal ascendants or descendants of the spouse of the individual.

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Mobile : 9966060232**

Comprehensive list of Donors

List of Male Donors	List of Female Donors
Father (Papa or Pitaji)	Mother (Maa or Mummy)
Brother (Bhai)	Sister (Bahin)
Son (Beta or Putra)	Daughter (Beti or Putri)
Grand Son (Pota or Potra)	Grand Daughter (Poti or Potri)
Husband (Pati)	Wife (Patni)
Sister's Husband (Jija)	Brother's Wife (Bhabhi)
Wife's Brother (Sala)	Wife's Sister (Sali)
Husband's Brother (Dewar)	Husband's Sister (Nanad)
Mother's Brother (Mama)	Mother's Sister (Mausi)
Mother's Sister Husband (Mausa)	Wife's brother's wife (Sala Heli)
Father's Brother (Chacha or Tau)	Father's Brother's Wife (Chachi or Tai)
Father's Sister's Husband(Fufa)	Father's Sister (Bua)
Grand Father (Dada, Pardada)	Grand Mother (Dadi, Pardadi)
Daughter's Husband (Jawai)	Son's Wife (Bahu or Putra Vadhu)
Spouse Father (Sasur)	Spouse Mother (Sas)
Spouse Grand Father (Dada Sasur)	Spouse Grand Mother (DadiSas)
Brother's Wife (Bhabhi)	Mother's Brother's Wife (Mami)
	Husband's Brother's Wife (Devrani or Jithani)

EXAMPLE :

Ms. T. drawing Salary of Rs.20,000/- p.m.

Previous year 2024-25

Received the following gifts

1. Gift of Rs.5,00,000/- in April, 2024 from friend.
2. Gift of jewellery ... FMV Rs.3,00,000/- ... from her fiancée.
3. Gift of Rs.51,000/- each from 4 frineds ... on marriage.
4. Gift of Rs.1,00,000/- in November, 2024....from mother's sister
5. Gift of Rs.60,000/- in November, 2024...from her father's brother

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6. Gift of Rs.50,000/- from her husband's friend...Dec.,2024
7. Gift of Rs.21,000/- from her mother's friend...Dec.2024
8. Gift of Rs.26,000/- from her brother's farther in law...Dec.2024
9. Gift of Rs.1,21,000/- from her husband's brother...Dec.2024
10. Gift of Rs.26,000/- from her employer
11. Scholarship of Rs.1,20,000/- from a Charitable Trust u/s 12AA
12. She has purchased an immovable property from B who is not his relative for a sum of Rs.24,50,000/-. The Stamp Duty of the property is Rs.26,00,000/-.
13. She purchased Bullion of Rs.4,40,000/- whose FMV is Rs.4,85,000/-.
14. Gift of immovable property from her friend whose Stamp Duty value is Rs.5,00,000/-

Working Notes :

Total amount of Cash Gifts received during the Financial Year 2024-25

1. Gift of 50,000/- from her husband's friend... Dec.,2024...	.Rs.50,000
2. Gift of Rs.21,000/- from her mother's friend...Dec.2024...	Rs.21,000
3. Gift of Rs.26,000/- from her brother's farther in law...	<u>Rs.26,000</u>
	Rs.97,000

The total cash gift during the Financial Year exceeds Rs.50,000/-

Hence all the three cash gifts received are taxable

ANSWER

Name of the assessee Ms. T
Financial Year 2024-25
Asst. Year 2025-26
Status Individual

Salary	Rs.20,000/- p.m. x 12 Months		2,40,000
ADD			
1	Gift of Rs.5,00,000/- in April, 2024....from friend	Taxable	5,00,000
2	Gift of jewellery...FMV Rs.3,00,000/- ... from her fiancée.	Taxable	3,00,000
3	Gift of Rs.51,000/- each from 4 frineds ... on marriage	Not taxable	---
4	Gift of Rs.1,00,000/- in November, 2024....frommother's sister	Not taxable	---
5	Gift of Rs.60,000/- in November, 2024...from her father's brother	Not taxable	---
6	Gift of 50,000/- from her husband's friend...Dec.,2024	Taxable	50,000
7	Gift of Rs.21,000/- from her mother's friend...Dec.2024	Taxable	21,000
8	Gift of Rs.26,000/- from her brother's farther in law...Dec.2024	Taxable	26,000
9	Gift of Rs.1,21,000/- from her husband's brother...Dec.2024	Not taxable	---
10	Gift of Rs.26,000/- from her employer	Taxable	26,000
11	Scholarship of Rs.1,20,000/- from a Charitable Trust u/s 12AA	Not taxable	---
12	She has purchased an immovable property from B who is not his relative for a sum of Rs.24,50,000/-. The Stamp Duty of the property is Rs.26,00,000/-	Taxable	1,50,000
13	She purchased Bullion of Rs.4,40,000/- whose FMV is Rs.4,85,000/-	Taxable	45,000
14	Gift of immovable property from her friend whose Stamp Duty value is Rs.5,00,000/-	Taxable	5,00,000
	TOTAL INCOME		18,58,000

THANK YOU

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