

INCOME TAX

AMENDMENTS FOR MAY – 2024 EXAMINATION

Computation of Total Income and Tax Liability

1. Earlier Section 115BAC was optional but now Section 115BAC shall be applicable as default regime and the old system shall be called optional regime. Slab rates under default regime shall be as given below:

If total Income upto ₹3,00,000	Nil
On next ₹3,00,000	5%
On next ₹3,00,000	10%
On next ₹3,00,000	15%
On next ₹3,00,000	20%
On Balance amount	30%

2. Rate of surcharge shall be as given below:

- @ **10%** provided total income is exceeding **₹ 50 lakhs but it is upto ₹ 100 lakhs.**
- @ **15%** provided total income is exceeding **₹ 100 lakhs but it is upto ₹ 200 lakh.**
- @ **25%** provided total income is exceeding **₹ 200 lakhs.**

3. Rebate shall be as given below:

- ❖ Rebate i.e. concession from income tax shall be allowed only to **RESIDENT INDIVIDUAL** (not to non-resident individual or any other person).
- ❖ Rebate shall be allowed only if total income is upto **₹7,00,000**
- ❖ Rebate shall be allowed upto **₹25,000**.
- ❖ Health & education cess shall be applied only after permitting rebate under section 87A.
- ❖ Rebate shall be allowed even from LTCG, STCG u/s 111A and casual income but no rebate shall be allowed from LTCG u/s 112A
- ❖ Also marginal relief shall be allowed if there is marginal increase over ₹7,00,000

e.g. Mr. X has income of ₹7,05,000, in this case his tax liability shall be

Tax on ₹7,05,000	25,500
Less : Marginal relief	20,500

Working Note:	
Tax on ₹7,05,000	25,500
Tax on ₹7,00,000	Nil
Increase in tax	25,500
Increase in income	5,000
Marginal Relief (25,500 – 5,000)	20,500

Tax after marginal relief	5,000
Add: HEC @ 4%	200
Tax Liability	5,200

e.g. Mr. X has income of ₹7,10,000, in this case his tax liability shall be

Tax on ₹7,10,000	26,000
Less : Marginal relief	16,000

Working Note:	
Tax on ₹7,10,000	26,000
Tax on ₹7,00,000	Nil
Increase in tax	26,000
Increase in income	10,000
Marginal Relief (26,000 – 10,000)	16,000

Tax after marginal relief	10,000
Add: HEC @ 4%	400
Tax Liability	10,400

4. Provisions under Old regime i.e. optional regime shall be same.

Optional Tax Regime

(i) Income shall be taxable at the slab rates given below:

If total Income upto ₹2,50,000	NIL
On next ₹2,50,000	5%
On next ₹5,00,000	20%
On Balance amount	30%

(ii) Senior Citizen (60 and above)

If total income is upto ₹3,00,000	NIL
On next ₹2,00,000	5%
On next ₹5,00,000	20%
On Balance amount	30%

(iii) Very Senior Citizen (80 and above)

If total income is upto ₹5,00,000	NIL
On next ₹5,00,000	20%
On Balance amount	30%

Rebate u/s 87A

Rebate shall be allowed if total income is upto ₹5,00,000 (instead of ₹7,00,000). Maximum amount of rebate shall be ₹ 12,500 (instead of ₹25,000)

Surcharge

- @ **10%** provided total income is exceeding **₹ 50 lakhs but it is upto ₹ 100 lakhs.**
- @ **15%** provided total income is exceeding **₹ 100 lakhs but it is upto ₹ 200 lakh.**
- @ **25%** provided total income is exceeding **₹ 200 lakhs but it is upto ₹ 500 lakh.**
- @ **37%** provided total income is exceeding **₹ 500 Lakhs.**

Residential Status

5. Income arising outside India shall be taxable if it is a gift of sum of money covered u/s 56(2)(x) and it is given by a person resident in India to any person who is NOR or non-resident.

Deductions from Gross Total Income

6. Deduction in respect of contribution to *Agnipath* Scheme Section 80CCH (New Section)

(1) Where an assessee, being an individual enrolled in the *Agnipath* Scheme and subscribing to the *Agniveer* Corpus Fund on or after the 1st day of November, 2022, has in the previous year paid or deposited any amount in his account in the said Fund, he shall be allowed a deduction in the computation of his total income, of the whole of the amount so paid or deposited.

(2) Where the Central Government makes any contribution to the account of an assessee in the Agniveer Corpus Fund referred to in sub-section (1), the assessee shall be allowed a deduction in the computation of his total income of the whole of the amount so contributed.

Explanation.—For the purposes of this section,—

- (a) "Agnipath Scheme" means the scheme for enrolment in Indian Armed Forces introduced vide letter No.1(23)2022/D(Pay/Services), dated the 29th December, 2022 of the Government of India in the Ministry of Defence;
- (b) "Agniveer Corpus Fund" means a fund in which consolidated contributions of all the Agniveers and matching contributions of the Central Government along with interest on both these contributions are held.

7. Section 80G

No deduction shall be allowed in case of donation to the following institutions:

- (i) Jawaharlal Nehru Memorial Fund
- (ii) Indira Gandhi Memorial Trust
- (iii) Rajiv Gandhi Foundation

8. Section 10AA

Foreign exchange should be brought in India within 6 months from the end of the relevant previous year or within the time permitted by RBI.

TDS/TCS

9. TDS in case of Winnings from Online Games Section 194BA (New Section)

Every person responsible for making payment of any income from online game shall deduct tax at source @ 30% and tax shall be deducted at the end of the year but if winning are withdrawn during the year, tax shall be deducted at the time of withdrawal of such income. Also tax shall be deducted at source on the remaining amount of net winnings.

10. Tax on winnings from online games Section 115BBJ

Such income shall be taxable @ 30%.

11. TDS in case of Winnings from Lottery or Crossword Puzzle etc. Section 194B

Every person (including individual and HUF) responsible for paying to any resident or non-resident, any income by way of **winnings from any lottery** or **crossword puzzle** or **card game** and **other game of any sort or from gambling or betting of any form or nature whatsoever** shall deduct tax at source @ 30% provided the **amount or aggregate of amounts being paid or payable during a particular to a particular person is exceeding ₹10,000**

12. TDS in case of Winnings from Horse Race Section 194BB

Every person (including individual and HUF), responsible for paying to any resident or non-resident, shall be required to deduct tax at source @ 30% in case of payment of winning from horse races but tax shall be deducted at source only if amount **or aggregate of amounts** paid or payable during a particular year to a particular person is exceeding ₹10,000.

Example

ABC Ltd. has to pay winnings of horse race ₹3,00,000 to Mr. X, amount of TDS shall be ₹90,000 but if the

amount to be paid is ₹2,000, amount of TDS shall be Nil.

13. Section 194D

If commission has been paid to the domestic company, rate of TDS shall be 10%.

14. Some of the section of TDS have been deleted: 194E, 194EE, 194-IC, 194-O

15. **As per section 206C(1G)**, tax shall be collected at source in the following cases:

1. In case of remittance out of India, authorized dealer shall collect tax at source on the amount exceeding ₹7 lakh at the rates given below:

(i) 20% on the amount exceeding 7 lakh

(ii) 5% on the amount exceeding 7 lakh if remittance is for the purpose of education or for medical treatment.

(iii) 0.5% on the amount exceeding 7 lakh if remittance is for the purpose of making repayment of education loan.

(iv) TCS shall be applicable in case of overseas tour programme and for this purpose every seller who is selling overseas tour program package shall collect at source at a rate of 5% upto 7,00,000 and 20% on the amount exceeding 7,00,000

16. Under section 206CC and 206CCA, highest rate of TCS shall be 20%

Capital Gains

17. Section 45(5A) relating to specified agreement has been deleted from syllabus

18. Cost Inflation Index Financial Year 2023-24 348

19. Special provision for computation of capital gains in case of Market Linked Debenture Section 50AA

Market Linked Debenture means such debentures where returns are linked to market returns on the other similar securities.

Specified Mutual Fund means a mutual fund where not more than 35% of the amount is invested in equity shares of domestic companies.

Capital gains on transfer of such securities shall always be short term. Also amount received on redemption or maturity shall be short term capital gains.

20. Under section 54 maximum investment allowed shall be ₹10 crores.

21. Under section 54F maximum investment allowed shall be ₹10 crores.

22. Now section 55(1)/55(2) are applicable to all intangible assets.

Business/Profession

23. One more expenditure has been added in section 43B

Any sum payable by the assessee to a micro or small enterprise beyond the time limit specified in section 15 of the Micro, Small and Medium Enterprises Development Act, 2006 e.g. Mr. A has purchased goods of ₹10,000 from A & Co., a micro enterprise on 1.3.2024. As per the written agreement between them, the payment has to be made by 5.4.2024. Mr. A follows mercantile method of accounting.

(i) If Mr. A paid the sum on 2.4.2024

Since Mr. A paid the sum on or before 5.4.2024, the deduction would be allowed in P.Y. 2023-24.

(ii) If Mr. A paid the sum on 20.4.2024

Since Mr. A paid the sum beyond the time limit, the deduction would be allowed in the year of actual payment i.e., P.Y. 2024-25.

24. Under Section 44AD, limit of 2 crore shall be taken as 3 crore provided the amount received during the year in cash does not exceed 5% of the total turnover. For this purpose payment received by cheque or draft

which is not account payee, shall be considered to be payment in cash.

25. Under Section 44ADA, limit of 50 lakh shall be taken as 75 lakh provided the amount received during the year in cash does not exceed 5% of the total receipt. For this purpose payment received by cheque or draft which is not account payee, shall be considered to be payment in cash.

Salary

26. Change in Rent Free Accommodation Section 17(2)(i)/Rule 3(1)

(i) Instead of 15%, now it will be 10% of salary in case of rented accommodation

(ii) In case of accommodation owned by the employer, perquisite value shall be computed in the manner given below:

- | | |
|---|--|
| (a) If the population is upto 15 lakhs | 5% of rent free accommodation salary |
| (b) If the population is more than 15 lakhs but upto 40 lakhs | 7.5% of rent free accommodation salary |
| (c) If the population is more than 40 lakhs | 10% of rent free accommodation salary |

27. Standard deduction u/s 16(ia) shall be allowed under default regime also.

28. Limit for leave salary has been increased to ₹25 lakh