

Option 1: Taking Dividend tax at slab rate for surcharge

Computation of Tax Liability

Tax on Business Income 2,02,00,000 at 30%	60,60,000.00
Tax on Dividend Income 1,00,00,000 at slab rate	28,12,500.00
Tax Before Surcharge	88,72,500.00
Add: Surcharge on Dividend Income (28,12,500) X 15%	4,21,875.00
Add: Surcharge on PGBP Income (60,60,000) X 25%	15,15,000.00
Less: Marginal Relief	(4,75,000.00)

Working Note:

Tax + surcharge @ 25% on income of ₹202,00,000	75,75,000
Tax + surcharge @15% on income of ₹200,00,000	(69,00,000)
Increase in tax	6,75,000
Increase in income	2,00,000
Marginal Relief (6,75,000 – 2,00,000)	4,75,000

Tax Before cess	103,34,375.00
Add: Health and education cess @ 4%	4,13,375.00
Tax Liability	107,47,750.00

Option 2: Taking Dividend tax @ 30% for surcharge and PGBP income on slab rate

Computation of Tax Liability

Tax on Business Income 2,02,00,000 at slab rate	58,72,500.00
Tax on Dividend Income 1,00,00,000 at 30%	30,00,000.00
Tax Before Surcharge	88,72,500.00
Add: Surcharge on Dividend Income (30,00,000) X 15%	4,50,000.00
Add: Surcharge on PGBP Income at slab (58,72,500) X 25%	14,68,125.00
Less: Marginal Relief	(4,56,250.00)

Working Note:

Tax + surcharge @ 25% on income of ₹202,00,000	73,40,625
Tax + surcharge @15% on income of ₹200,00,000	(66,84,375)
Increase in tax	6,56,250
Increase in income	2,00,000
Marginal Relief (6,56,250 – 2,00,000)	4,56,250

Tax Before cess	103,34,375.00
Add: Health and education cess @ 4%	4,13,375.00
Tax Liability	107,47,750.00

Option 3: Taking Dividend tax on average basis for surcharge

Computation of Tax Liability

Tax on 3,02,00,000 at slab rate	88,72,500.00
Add: Surcharge on Dividend Income (88,72,500/3,02,00,000 x 1,00,00,000 = 29,37,913.91) X 15%	4,40,687.08
Add: Surcharge on PGBP Income (88,72,500/3,02,00,000 x 2,02,00,000 = 59,34,586.09) X 25%	14,83,646.52
Less: Marginal Relief	(4,61,030.63)

Working Note:

Tax + surcharge @ 25% on income of ₹202,00,000	74,18,232.61
Tax + surcharge @15% on income of ₹200,00,000	(67,57,201.98)
(88,72,500/302,00,000 x 2,00,00,000) x 115%	6,61,030.63
Increase in tax	6,61,030.63
Increase in income	2,00,000.00
Marginal Relief (6,61,030.63 – 2,00,000)	4,61,030.63

Tax Before cess	103,35,802.97
Add: Health and education cess @ 4%	4,13,432.11
Tax Liability	107,49,235.08
Rounded off u/s 288B	107,49,240.00

CORRECTION IN INCOME TAX VOLUME 1 (48th Edition) PAGE NO. 58
(CORRECTED PART IS GIVEN IN BOLD ITALICS AND COLOURED)

Example 8: Mr. X has income from business ₹ 550 lakhs and short term capital gain under section 111A ₹ 30 lakhs and long term capital gains under section 112A ₹ 41 lakhs, in this case tax liability shall be computed in the manner given below

Solution:

Income under the head business/profession from business	550,00,000
Income under the head capital gains	
Short term capital gains under section 111A	30,00,000
Long term capital gains under section 112A	41,00,000
Gross total income/total income	621,00,000
<i>Computation of Tax Liability</i>	
Total Income	550,00,000
Tax on ₹550,00,000 at slab rate	163,12,500
Add: Surcharge @ 37%	60,35,625
Tax on normal income	223,48,125
Tax on short term capital gain under section 111A 30,00,000 X 15%	4,50,000
Add: Surcharge @ 15%	67,500
Tax on long term capital gain under section 112A (41,00,000 – 1,00,000) X 10%	4,00,000
Add: Surcharge @ 15%	60,000
Tax liability before HEC	233,25,625
Add: HEC @ 4%	9,33,025
Tax Liability	242,58,650

Question 10: Write a note on taxability of income of Partnership Firm/Limited Liability Partnership Firm.

Answer: Partnership firm/LLP

Long term capital gains are taxable @ **20%**, STCG u/s 111A shall be taxable @ **15%**, LTCG u/s 112A shall be taxable in excess of 1,00,000 @ **10%** and casual income @ **30%** and other incomes are also taxable @ **30%**.

Surcharge shall be applicable @ **12%** provided total income is exceeding **₹ 1 crore**.

Marginal Relief

Marginal relief shall be allowed if income has exceeded ₹100 lakhs.

Health & education cess is applicable @ **4%**

Deductions under section 80C to 80U shall be allowed in the normal manner.

Partnership firm is regulated through Partnership Act, 1932 and Limited Liability Partnership firm is regulated through Limited Liability Partnership Act, 2008.

Question 11: Write a note on taxability of income of domestic company.

Answer: Domestic Company

Long term capital gains are taxable @ **20%**, STCG u/s 111A shall be taxable @ **15%**, LTCG u/s 112A shall be taxable in excess of 1,00,000 @ **10%** and casual income @ **30%** and other incomes are also taxable @ **30%**.

Surcharge shall be applicable

- @ **7%** provided total income is exceeding **₹100 lakhs but it is upto ₹1000 lakhs**
- @ **12%** provided total income is exceeding **₹1000 lakhs**.

Marginal relief shall be allowed if income has exceeded ₹100 lakhs / 1000 lakhs

Health & education cess is applicable @ **4%**

Deductions under section 80C to 80U shall be allowed in the normal manner.

(If total turnover or gross receipts in P.Y. **2020-21** does not exceed 400 crores, tax rate shall be 25% instead