

# 1. BASIC CONCEPTS OF INCOME TAX

## WHAT IS TAX ?

- Tax is “Compulsory Extortion of Money” by the government.
- It is the financial charge (fee) imposed by the Government on income, commodity or activity.

## WHY ARE TAXES LEVIED ?

- Taxes constitute the basic source of revenue to the Government which are utilized for meeting the expenses of Government like defence, provision of education, health-care, infrastructure facilities like roads, dams etc.

## TAXATION SYSTEM IN INDIA

- In India, Constitution (CoI) is the parent law. All other laws should be enacted (made) without exceeding the framework of CoI & subject to the norms (T&C) laid down in it.
- Article 265 of CoI provides that no tax shall be levied or collected except by authority of law. Further, the law imposing the tax must not violate any fundamental right.
- CoI empowers Central Government (CG) & State Government to levy & collect tax on Income.
- Parliament (Union) & SG are empowered to levy taxes by virtue of Article 246 of CoI.
- Entry 82 of Union List (List I to Seventh Schedule of CoI) gives power to Parliament to levy taxes on Income other than Agricultural Income.
- Seventh Schedule to Article 246 contains three lists which enumerate the matters under which the Union & SGs have the authority to make laws for the purpose of levy of taxes.

The following are the lists:

- Union List: CG has exclusive power to make laws on the matters contained in Union List.
- State List: SG has exclusive power to make laws on matters contained in the State List.
- Concurrent List: Both CG & SG have power to make laws on matters contained in this list.

## **TYPES OF TAXES**

Particulars	Direct Tax	Indirect Tax
Levied on	<ul style="list-style-type: none"> <li>▪ Income/wealth of the person.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Price of Goods or Services</li> </ul>
Shifting of burden	<ul style="list-style-type: none"> <li>▪ There is No Shifting of burden.</li> <li>▪ Direct Taxes are directly borne by the taxpayer</li> </ul>	<ul style="list-style-type: none"> <li>▪ Tax burden is shifted to subsequent buyer/user.</li> <li>▪ Thus whole burden falls on final consumer.</li> </ul>
Time of Collection	<ul style="list-style-type: none"> <li>▪ Collected on yearly basis.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Collected at the time of sale/purchase of goods or rendering of services.</li> </ul>
Examples	<ul style="list-style-type: none"> <li>▪ Income tax, Tax on undisclosed foreign Income or Assets.</li> </ul>	<ul style="list-style-type: none"> <li>▪ GST, Custom duty.</li> </ul>

## COMPONENTS OF INCOME TAX LAWS

### A. INCOME TAX ACT, 1961

- It came into force on **1<sup>st</sup> April, 1962**. The act contains **298 sections** & **XIV schedules**.
- A section may have **sub-sections, clauses & sub-clauses**.
  - **Ex:** Clause (1A) of Section 2 defines “agricultural income”, Clause (1B) defines “amalgamation”.
  - Section 5 defining the scope of total income has two sub-sections (1) & (2).
    - Sub-section (1) defines the scope of total income of a resident;
    - Sub-section (2) defines the scope of total income of a non-resident.
- A Section may also have **Provisos & Explanations**.
  - **Proviso** gives the **exceptions to the provision** contained in the respective section, sub-section/clause. (Proviso gives the cases where the provision contained in the respective section/sub-section/clause **would not apply** or where the provision would **apply with certain modification**).
  - **Explanation** gives **clarification** relating to the provision contained in that section, sub-section/clause.
- The Act (since it is **Revenue-based Act**) undergo changes every year with additions & deletions brought by the **Annual Finance Act** passed by the parliament.

### B. ANNUAL FINANCE ACT

- Every year, **Finance Minister Introduces the Finance Bill** in Parliament’s Budget session.
  - **Part A** of budget speech contains the **proposed policies of government in fiscal area**.
  - **Part B** of budget speech contains the **detailed tax proposals**.
- When the **Finance Bill** is **passed** by **both** the **houses of the Parliament** & gets the **assent** of the **President**, it becomes the **Finance Act** which is incorporated in the Income-Tax Act.
- Amendments are made every year to the Act & other tax laws by the Finance Act.
- The **First Schedule** to the Finance Act contains four parts which **specify the rates of tax**.
  - **Part I: Rate of Tax** applicable for the current Assessment Year.
  - **Part II: Rate of TDS** for the current Financial Year.
  - **Part III: Rate of Advance Tax** & Rate of tax to be deducted from income u/h ‘Salaries’.
  - **Part IV: Rules for computing Net Agricultural Income**.

### C. INCOME TAX RULES

- The CBDT is empowered to make rules for **proper administration** of the ACT.
  - **Ex:** Sec 32 states that depreciation will be allowed as deduction but the rates for computation of depreciation are given by Rule 5.
- Rules also have **sub-rules, provisos and Explanations**.

### D. NOTIFICATIONS

- Notifications are **subordinate legislation issued by CG** to give effect to the provisions of the Act.
- The CBDT is also empowered to **make & amend rules by issuing notifications**.
- They are **binding on everyone**. [Assessee + Income Tax department]

**E. CIRCULARS**

- Circulars are issued by the CBDT to deal with **certain specific problems & to clarify the doubts regarding the scope & meaning of the provisions** of the law.
- Circulars provide guidance to the Income Tax officers & Assesseees.
- These circulars are **binding on the department but not on the assessee.**
- However assessee can take advantage of beneficial circulars.

**F. CASE LAWS (JUDICIAL DECISIONS)**

- It is not possible for the parliament to provide for all possible issues that may arise in the implementation of any act. Hence the judiciary will hear the disputes between the assesseees & the Income tax Department & give its decisions.
- **Supreme Court Decisions** becomes Judicial Precedent (Law) & are **binding on all the courts, Appellate Tribunal, Income Tax Authorities & on Assesseees.**
- High Court decisions are binding on the Assesseees & Income Tax Authorities which come under its jurisdiction unless it is overruled by a higher authority (Supreme Court).
- **Decision of a High Court cannot bind other High Court.**

**SIGNIFICANCE OF SOME TERMS USED IN THE ACT [Not for Exams]****1. MEANS**

- When a definition uses a word “means”, the definition is **self-explanatory, restrictive & exhaustive.**
- It implies that the **term defined is limited only to the extent specified as & nothing else.**
- There is **no scope of assumption** in such definition.

**2. INCLUDES**

- When a definition uses a word “includes”, it provides an **illustrative meaning & not an exhaustive meaning.**
- It is used when an exhaustive definition cannot be given, or the government wants to keep the scope of the definition open.
- Such a definition does not confine the scope of income but leaves room for more inclusions within the ambit of the term.
- Such definition can include **“what is not specifically stated or mentioned in the definition” if the specified criteria are satisfied.**

**3. MEANS & INCLUDES**

- When a legislature intends to define a term or expression to mean something & also intends to specify certain items to be included.
- Such a definition is **Exhaustive AND also illustrative** in specifying what is intended to be included.
- **Generally used to avoid ambiguity & with a view to provide clarity.**



## LEVY/CHARGE OF INCOME TAX [SECTION 4]

➤ Income-tax is a tax levied on the **total income of the Previous Year** of every person (Section 4).

**Procedure for computation of TI of the person for levy of Income tax is as follows:**

Step 1 - Determination of Residential Status.
Step 2 - Classification of Income under 5 different heads.
Step 3 - Computation of Income under each head.
Step 4 - Clubbing of income of spouse, minor child etc.
Step 5 - Set-off or carry forward and set-off of losses.
Step 6 - Computation of Gross Total Income [Net Result of Step 1 – 5].
Step 7 - Deductions from Gross Total Income. [Payment based/Income Based deductions].
Step 8 - Total income [GTI – Deductions under Step 7].
Step 9 - Application of Rates of Tax on the total income.
Step 10 - Surcharge / Rebate u/s 87A.
Step 11 - Health & Education Cess on Income Tax.
Step 12 - Advance tax & TDS.
Step 13 - Tax Payable/Tax Refundable.

**We will study all the above steps in details in the respective chapters.**

### SOME IMPORTANT DEFINITIONS

- ❖ **Terms defined in the Act:** Section 2 gives definitions of various terms used in the Act. If a particular definition is given in the Act itself, we will have to use that definition only.
- ❖ **Terms not defined under the Act:** If a particular definition is not given in the Act, reference is to be made to the General Clauses Act or dictionaries, day to day meanings.

#### 1. INDIA [SECTION 2(25A)]

- The term 'India' means –
  - **Territory of India** as per Article 1 of the Constitution,
  - Territorial Waters of India (TWI), seabed and subsoil underlying such waters,
  - Continental Shelf,
  - Exclusive Economic Zone;
  - Any other specified maritime zone & air space above its territory & TWI.

Specified maritime zone means the maritime zone as referred to in Territorial Waters, Continental Shelf, Exclusive Economic Zone and other Maritime Zones Act, 1976.

## **2. ASSESSEE - [SECTION 2(7)]**

- Any person by whom **any tax or any other sum of money is payable** under this Act.
- It includes –
  - (a) **Tax Payable:** Every Person by whom any **tax** or **any other sum** of money **is payable** under this Act **whether or not any proceeding** under this act has started against him.
  - (b) **Proceeding started:** Any Person in respect of whom any **proceeding** under the act has been **taken whether or not any tax**, interest or penalty is **payable** by him under this act.  
Proceeding may be taken for/of -
    - **Assessment of his income (or loss)** sustained by him;
    - **Income (or loss) of any other person** in respect of whom he is assessable;
    - **Refund** due to him or to such other person.
    - **Assessment of Fringe Benefits.**
  - (c) **Deemed Assessee:** Sometimes, a person becomes **assessable** in respect of the **income of some other persons**. In such a case, he may be deemed as an assessee.
  - (d) **Representative Assessee:** Sometimes a person may be assessed for **Income of another person**. Such person is known as representative assessee.  
**Ex: Legal Heir** is assessable for the income of deceased person.
  - (e) **Assessee in default:** Any person who does **not deduct tax at source** or after deducting tax, **fails to pay** deducted tax to the **government** or who **fails to pay advance tax** is deemed to be assessee in default u/s [201(1)]/218.

### **Examples:**

1. Income of X (Age: 35 years) is Rs. 2,50,000 for AY 2019-20. He does not file his ROI since his income is below BEL. No action/proceeding is initiated by IT Department. He is not assessee because no tax/any other sum is due from X.
2. Income of Y (Age: 38 years) is Rs. 2,55,000 for AY 2019-20. He does not file his ROI. Since he is supposed to pay tax by filing ROI, (income being more than BEL of Rs. 2,50,000), he is an “assessee”.
3. Income of Z (age: 51 years) is Rs. 75,000 for AY 2019-20. He files his ROI (even if his taxable income is < BEL). Assessment order is passed by AO without any adjustment. Z is an “assessee” since he files his ROI.
4. Income of A for AY 2019-20 is (Rs. 60,000). He files his ROI to carry forward such loss. He is an “assessee”.
5. Income of B (Age: 28 years) is < BEL for AY 2019-20. He files his ROI to claim refund of TDS by X Ltd. on interest paid to him. B is an “assessee”.
6. Income of C (Age: 30 Years) is < BEL for AY 2019-20. He does not file his ROI. During PY 2018-19, he has paid salary of Rs. 2,90,000 to an employee. Though he was supposed to deduct tax at source, yet due to ignorance of law, no tax is deducted by him. C is an assessee as he has failed to deduct tax at source. [Assessee in Default].

## **3. ASSESSMENT [SECTION 2(8)]**

- This is the procedure by which the income of an assessee is determined by AO.
- It may be normal assessment or by way of reassessment of an income previously assessed.

**Note:** Students will study different types of Assessment in CA – FINAL.

**4. PERSON [SECTION 2(31)]**

**AN INDIVIDUAL**

➤ Individual means **only A Natural Human Being** (Male/Female/Minor/Unsound Mind).

**Note:** Income of Minor & Person of unsound Mind → Assessed in hands of Manager/Guardian u/s 161(1).

In the case of Deceased person, assessment would be made on the legal representative.

**HINDU UNDIVIDED FAMILY**

➤ HUF is **not defined** under IT Act. However, it is treated as **separate entity** under IT Act.

➤ As per **Hindu Law**, it consists of **all males lineally descended** from a common ancestor & includes their wives & **unmarried daughters**.

➤ The Status in HUF is received **by birth** & **not by operation of law**.

➤ Even a **single male** member **can have HUF** (w.e.f 6/9/2005).

➤ Only **Co-parceners** have the **right to Partition**.

➤ **Coparceners** → HUF may contain many members, but only members within **4 degrees** including KARTA are called **co-parceners** (including daughters w.e.f 6/9/2005).

**Note:** wife/ daughter-in-law cannot be co-parceners; however they can be members.

➤ **Jain & Sikh undivided families** would also be assessed as a HUF under IT Act.

**DIFFERENT OPINIONS OF SCHOOLS OF HINDU LAWS**

<b>Dayabaga school of Hindu law</b>	<b>Mitakshara school of Hindu law</b>
<ul style="list-style-type: none"> <li>▪ Prevalent in <b>West Bengal &amp; Assam</b></li> </ul>	<ul style="list-style-type: none"> <li>▪ Prevalent in the <b>Rest of India</b></li> </ul>
<ul style="list-style-type: none"> <li>▪ <b>Nobody acquires the right, share in the property by birth if karta is alive.</b></li> <li>▪ Thus, the children do not acquire any right, share in the family property, if his father is alive &amp; children will acquire right/share in the property only after the death of his father.</li> <li>▪ Hence, <b>father &amp; his brothers</b> would be the coparceners of the HUF.</li> </ul>	<ul style="list-style-type: none"> <li>▪ <b>One acquires the right to the family property by his birth &amp; not by succession irrespective of the fact that his elders are living.</b></li> <li>▪ Thus, every child born in the family acquires a right/share in the family property.</li> <li>▪ Hence, <b>every child</b> will also be co-parcener of the HUF.</li> </ul>

**COMPANY [SECTION 2(17)]**

➤ ‘Company’ has a much wider meaning under Income Tax Act than Companies Act.

➤ It means:

- Any **Indian Company** defined in section 2(26);
- Any Body Corporate incorporated under the foreign laws [**Foreign company**];
- Any institution, association or body (incorporated/not) whether Indian or non-Indian, which is **declared** by general or special order of **CBDT** to be a company.

**\* Classes of Companies is explained in detail in later part of the chapter.**



**A FIRM [SECTION 2(23)]**

- A firm includes a **partnership firm** (registered or not) & shall **include a LLP**.
- **“Partnership firm”** has same meanings as assigned to them in Indian Partnership Act.
- However, for IT purposes, a **minor** admitted to the benefits of existing partnership would also be **treated as partner**. This is specified u/s 2(23) of the Act.
- **Same Tax Treatment** would be applicable for both **General Partnerships & LLPs**.

**ASSOCIATION OF PERSONS (AOP)**

- When two or more persons combine together for **promotion of joint enterprise**, they are assessable as an AOP **when they do not constitute a partnership legally**.
- **Conditions to form AOP:** Persons must join in a **common purpose, common action** & their object must be to **produce Income**, but they should not form a partnership.
- **Co-heirs, co-donees** joining together for common purpose would be chargeable as AOP.

**BODY OF INDIVIDUALS (BOI)**

- Persons who merely **receive the income jointly** & who may be assessable in like manner & to the same extent as the beneficiaries individually. **(Ex: Executors/trustees)**.
- Co-Executors/Co-trustees are assessable as BOI since their title & interest are indivisible.

**Note:** Tax is **not** payable by the assessee on **share of Income received by him from BOI** on which the tax has already been paid by such BOI. **[To avoid Double Taxation]**

**LOCAL AUTHORITY**

- Municipal committee, district board, Municipality, body of port commissioners etc. legally entitled/entrusted by Government with control & management of Municipal/local fund.

**Note:** Income of LA is **taxable** only if it is derived from the business of **supply of commodity/service (other than water & electricity) outside its own jurisdictional area**. Income arising from **supply of water & electricity even** outside its own jurisdictional areas → **Exempt**.

**EVERY OTHER ARTIFICIAL JURIDICAL PERSON (not falling within above categories)**

- This is a **residuary clause**. If the assessee does not fall in any of the first six categories, he is assessed under this clause.
- **Ex:** An idol, or deity.

**Q. What is the difference between AOP & BOI ?**

**Answer:** The difference between AOP & BOI is that whereas an association implies a voluntary getting together for a definite purpose, a body of individuals would be just a body without an intention to get-together. Moreover, members of BOI can be individuals only but members of AOP can be individual or non-individuals (i.e. artificial persons).

**5. CLASSES OF COMPANIES**

**DOMESTIC COMPANY [SECTION 2(22A)]**

- An **Indian** company or
- **Any other company** which has made **prescribed arrangements for declaration & payment of dividends within India** payable out of the taxable Income in India.

**INDIAN COMPANY [SECTION 2(26)]** - If the company satisfy the following conditions:

- Company should have been **formed & registered** under any law **in India &**
- Registered office or Principal office of the company should be **in India.**

**‘Indian Company’ includes the following if their registered/principal office is in India:**

- (i) A corporation established by or under a Central, State or Provincial Act.  
**Ex:** Financial Corporation/State Road Transport Corporation.
- (ii) Institution/association/body → Declared by CDBT to be a company u/s 2(17)(iv).
- (iii) For J&K → Company formed & registered under any law in force in J&K.
- (iv) For Union territories of Dadra & Nagar Haveli, Goa, Daman & Diu, & Pondicherry → Company formed & registered under any law in force in that territory.

**FOREIGN COMPANY [SEC 2(23A)]** - A Company which is not a domestic company.

**COMPANY IN WHICH PUBLIC ARE SUBSTANTIALLY INTERESTED [SEC 2(18)]**

1. Company owned by **Indian Government/RBI.**
2. Company in which **≥ 40% shares are held by Indian Government/RBI.**
3. Company which is **registered u/s 8** of the Companies Act, 2013.
4. Company having **NO Share capital** which is **declared by CDBT** to be a company in which public is substantially interested **for specified No. of AYS.**
5. Company which is not a private company & which fulfill any of the following conditions:
  - (a) Equity shares should have been **listed in RSE** in India as on last day of relevant PY or
  - (b) Equity shares carrying at least **50%** (40% in case of industrial companies) voting power should have been unconditionally allotted to or acquired by & should have been **beneficially held** throughout the relevant PY by -
    - Government or
    - Statutory Corporation or
    - Company in which public are substantially interested or
    - Any wholly owned subsidiary of company mentioned in (c).
    - One or more co-operative societies.
  - (c) Company which carries on its **principal business of accepting deposits** from its members & which is **declared by CG u/s 620A** of the Companies Act to be **Nidhi/Mutual Benefit Society.**



**6. PERSON HAVING SUBSTANTIAL INTEREST IN THE COMPANY [Section 2(32)]**

- Any person who is the **beneficial owner of shares** (not being shares entitled to fixed rate of dividend), whether participating in profit or not, **carrying at least 20% of total voting power.**

**7. AVERAGE RATE OF TAX [SECTION 2(10)]**

- Average Rate of Tax =  $\frac{\text{Amount of Income Tax calculated on Total Income using applicable slab rate}}{\text{Total Income}}$

**8. MAXIMUM MARGINAL RATE OF TAX [SECTION 2(29C)]**

- Rate of Income Tax (including SC) applicable in relation to **Highest Slab of Income** specified in the Finance Act of the relevant Previous Year, in the case of  
(i) An Individual,      or      (ii) An AOP /BOI.



**CHARGE OF INCOME TAX & RATE OF TAX**

- Tax rates are fixed by the Annual Finance Act & not by the Income Tax Act.
- For the purpose of A, B, C, D, E, F below, Total income means total income from all sources after All Permissible Deduction **Except Incomes Taxable at Specified Rates.**

**A. INDIVIDUAL/ HUF/ AOP/ BOI/ AJP [Resident or Non- Resident]**

Total Income	Rate of Tax
Upto Rs. 2,50,000 [Basic Exemption Limit]	Nil
From Rs. 2,50,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

**B. Resident Senior Citizen (60 years or more but < 80 years at any time during PY)**

Total Income	Rate of Tax
Upto Rs. 3,00,000	Nil
From Rs. 3,00,001 to Rs. 5,00,000	5%
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

**C. For Resident Super Senior Citizen (80 years or above at any time during PY)**

Total Income	Rate of Tax
Upto Rs. 5,00,000	Nil
From Rs. 5,00,001 to Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

**Clarification regarding attaining prescribed age of 60 years/80 years on 31<sup>st</sup> March itself, in case of senior/very senior citizens whose date of birth falls on 1<sup>st</sup> April**

CBDT has clarified that a person born on 1st April would be considered to have attained a particular age on 31<sup>st</sup> March, the day before his birthday. Therefore, a resident individual whose 60th birthday falls on 1<sup>st</sup> April, 2019, would be treated as having attained the age of 60 years in the PY 2018-19, & would be eligible for higher BEL of Rs. 3 lacs in computing his tax liability for AY 2019-20.

**D. Firms/ LLP/ Local Authority:** Whole Income is taxable @ **Flat 30%** without any BEL.

**E. CO-OPERATIVE SOCIETIES**

Total Income	Rate of Tax
Upto Rs. 10,000	10%
From Rs. 10,001 to Rs. 20,000	20%
Above Rs. 20,000	30%

**F. COMPANY**

Nature of Company		Rate of Tax
<b>Domestic</b>	If Total Turnover/Gross Receipt in PY 2016-17 ≤ Rs. 250 Cr.	25%
	In other case	30%
<b>Foreign (Companies other than Domestic Company)</b>		40%

**Note:** Rate of Tax for **Foreign companies is 50%** in case of certain **Specific Incomes.**

Specified royalties & fees for rendering technical services (FTS) received from Government or an Indian concern in pursuance of an approved agreement made by the company with the Government or Indian concern between 1.4.1961 & 31.3.1976 (in case of royalties) & between 1.3.1964 & 31.3.1976 (in case of FTS) would be chargeable to tax @ **50%**.

**INCOMES WHICH ARE CHARGEABLE @ FLAT RATES**

Section	Income	Rate
112	Long term capital gains (other than LTCG u/s 112A)	20%
112A	LTCG on transfer of (i) Equity share (ii) Units of EOMF/Business trust. <b>Note:</b> LTCG upto Rs. 1 lac is exempt. LTCG > Rs. 1 lac is taxable @10%.	10% if > 1 Lacs.
111A	STCG u/s 111A [STT Paid]	15%
115BB	(i) Winning from Lotteries (ii) Crossword puzzles (iii) Race including horse races (iv) Card game & other game of any sort Gambling or betting	30%
115BBDA	Income by way of dividend exceeding Rs. 10 Lacs in aggregate	10%
115BBE	Income u/s 68/69/69A/69B/69C/69D.	60%

**SURCHARGE**

- Surcharge is an **additional tax** payable over & above the income-tax.
- Surcharge is **levied as a percentage of income-tax.**
- **Rate of Surcharge is given below in the table:**

Assessee	Rate of Surcharge if Total Income ↓		
	> 50 Lacs but ≤ 1 Cr	>1 Cr but ≤ 10 Cr	> 10 Cr
1. Individual/HUF/AOP/BOI/AJP	10 % of IT	15 % of IT	15 % of IT
2. Firms/LLP/Co-operative society/LA	-	12 % of IT	12 % of IT
3. Domestic Companies	-	7 % of IT	12 % of IT
4. Foreign Companies	-	2 % of IT	5 % of IT

**MARGINAL RELIEF (SECTION 89)**

- If surcharge is applicable on Total Income, Marginal relief is available to **ALL Assesseees.**

**Steps to calculate Marginal Relief:**

[Refer Q1 & Q2 for better understanding]

1. Calculate Tax (including surcharge) on Total Income of the Assessee.
2. Calculate Tax payable on Rs. 50 Lacs/1 Cr/10 Cr as the case may be.
3. Calculate **“Extra Tax Payable”** because of Income above Rs. 50 Lacs/1 Cr/10 Cr. **[Step 1 -2]**
4. Marginal Relief = Extra Tax Payable – Income above Rs. 50 Lacs/1 Crore/10 Crores.

**CRUX:** If Extra Tax > Extra Income, Difference between them is Marginal Relief.

**REBATE U/S 87A**

<b>Eligible Assessee</b>	<b>Resident Individuals</b> whose <b>Total Income ≤ Rs. 3,50,000.</b>
<b>Rebate</b>	<b>Lower of</b> (i) Income Tax payable on Total Income <b>OR</b> (ii) <b>Rs. 2,500.</b>

**Note:** Rebate u/s 87A shall be before adding 4% of Health & Education Cess.

**Note:** Rebate u/s 87A is not available in respect of tax payable @ 10% on LTCG u/s 112A.



**HEALTH & EDUCATION CESS**

- 
- Health & Education cess @ 4% is levied on **Total Income tax + SC - Rebate u/s 87A.**

**ROUNDING OF OF INCOME & TAX PAYABLE [SECTION 288A/B]**

- 
- Total income/Tax shall be rounded off to the **nearest multiple of 10 Rupees.**

