

Taxation II

As per new B Com CBCS syllabus 2017 for CU

Assessment Year 2019-20

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Foreword

Indirect tax system in India has undergone a sea change with the introduction of GST from July 1, 2017. The book titled *Taxation II*, authored by Palash Bandyopadhyay, Chiranjib Das, and Soummya Banerjee, has included GST & Customs Duty of Indirect Tax, and application part of Direct Tax covering computation of tax liability, filing of tax return, etc. The lucid presentation of the conceptual aspects and the graded illustrations are expected to fulfil the need of the student community and also will be of great interest to the academicians associated with this discipline.

I take this opportunity to congratulate the authors for their sincere efforts in preparing the book and I hope that such endeavour of the authors will be successful in serving the purpose for which it has been written.

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Preface

Tax is closely related to the economic development of any country and is its main source of revenue. Tax collected by the government is used for different services and infrastructural development of any country. There are different sources from which income can be generated. It is often believed that a strong and sound tax structure acts as a catalyst for economic development.

In the year 2017, India witnessed a long awaited change in its indirect tax structure with the introduction of GST. The introduction of GST has given India's indirect tax structure a different shape. All the indirect taxes except customs duty are subsumed. It will be having a long lasting impact on the Indian economy.

ABOUT THE BOOK

It gives us great pleasure to present *Taxation II* to the B. Com (Honours and General) students of Semester V, under the new CBCS syllabus of the University of Calcutta. Despite having a good number of books on the subject, we felt the absence of a student friendly and authentic book, which actually motivated us to write the present volume. Moreover, the introduction of GST in Indian economy has changed the dimension of indirect taxation in India. This change also motivated us to write this book to present a new area of indirect taxation to our students. Provisions of income tax have been properly explained in a lucid manner with the help of flow charts, tables, and examples. We have also incorporated the past questions of the Calcutta University wherever applicable, but while doing this we have tried to avoid repetitions of the same type of problem to the extent possible. Chapter summary and self-assessment questions are incorporated at the end of each chapter for quick recapitulation and practice. We have tried our best to provide a comprehensive and easy-to-understand textbook for the student in this new era of Indian taxation system.

KEY FEATURES

- The book clearly mentions the learning objectives at the beginning of the chapters which will enable the students to be focused.
- The contents are prepared with the objective of providing conceptual understanding and lucid, logical explanations to the students.
- One of the most important features of the book is the simple diagrammatic representation of most of the topics through figures and flow charts.
- Provisions of income tax regarding filing of return, assessment of returns, have been properly explained in a lucid manner.
- Provisions of calculation of tax liability of assessee and charging of interests, penalties, and fees have been explained with numerical examples.
- All chapters are followed by theoretical and practical problems.
- The detailed summary at the end of every chapter will help the students to get a quick understanding of the contents and subject matter.
- The important and extremely relevant portions of the respective topics have been highlighted.
- The book also comprises a large number of solved problems, including past questions of CU with two model question papers, which will benefit the students immensely.

CONTENTS AND CHAPTERS:

This book contains ten chapters which are:

- Chapter 1* deals with rate of tax.
- Chapter 2* deals with computation of tax liability of individual.
- Chapter 3* deals with computation of tax liability of firm.
- Chapter 4* deals with provisions of filing of returns. When the assessee is required to submit the return of income or loss is being discussed in this chapter.
- Chapter 5* deals with different types of assessment of returns.
- Chapter 6* deals with advance tax. Dates and amount of advance tax payments are being discussed in this chapter.
- Chapter 7* deals with interest and fees. In case of defaults in submitting return or payment of tax, assessee is required to pay interest and fees, these are being discussed in this chapter.
- Chapter 8* deals with the concept of tax deducted at source. Who is required to deduct tax and how much tax to deduct and when to deduct tax from source of income are discussed in this chapter.
- Chapter 9* deals with Goods and Services Tax. Different provisions of GST regarding timing of supply, value of supply, input tax credit, etc., are being discussed in this chapter.
- Chapter 10* deals with Customs duty. Different types of customs duty and valuation methods for customs duty in post-GST era are discussed in this chapter.

ACKNOWLEDGEMENT

It is our duty to acknowledge the contributions of different persons who have helped us to complete this book.

We sincerely acknowledge the contributions of our respected teachers since childhood, without their education and blessings it would not have been possible.

We convey our gratitude to our parents and family members for their active support during the making of this book.

We shall be failing in our duty if we do not acknowledge the editorial team members of Oxford University Press.

Despite our best efforts, some areas of improvement may remain in the future editions of this title. We welcome constructive criticism and suggestions from our esteemed colleagues and beloved students. We will consider our labour suitably rewarded if the book proves useful to the students.

Palash Bandyopadhyay
Chiranjib Das
Soumya Banerjee

Oxford University Press

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1 Rates of Tax

LEARNING OBJECTIVES:

After reading this chapter, you should be able to:

- Understand the genesis of taxation structure as per the Constitution and know the taxation policy
- Recognize the canons of taxation
- Understand the judicial and administrative structure of taxation authorities and their power to levy tax
- Study the rates of tax under the Income Tax Act, 1961
- Interpret the rules for levy and application of tax rates
- Apply the tax rates on income earned by a person and compute tax liability for the assessment year 2019–20 and marginal relief
- Apply the tax rates under the following situations

Case A	In case of an individual (resident or non-resident) or Hindu Undivided Family (HUF) or association of persons (AOP) or body of individuals (BOI) or any other artificial juridical person (AJP)
Case B	In case of every individual, resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)
Case C	In case of every individual, resident super senior citizen (who is 80 years or more at any time during the previous year)
Case D	On total income, computation of tax liability with surcharge and cess
Case E	On tax computation of partnership firm (without AMT adjustments)
Case F	On tax computation of a company (without MAT adjustments)
Case G	On tax computation of a co-operative society

1.1 INTRODUCTION—GENESIS OF TAXATION STRUCTURE AS PER THE CONSTITUTION

Entry 82 of the Union List of Schedule VII of the Constitution of India has given the power to the Central Government to levy a tax on any income other than agricultural income, which is defined in Section 10(1) of the Income Tax Act, 1961. The Income Tax Law consists of Income Tax Act, 1961, Income Tax Rules, 1962, Notifications and Circulars issued by Central Board of Direct Taxes (CBDT), Annual Finance Acts, and judicial pronouncements by the Supreme Court and High Courts (Refer to Figure 1.1).

The government imposes a tax on taxable income of all persons who are individuals, HUFs, companies, firms, limited liability partnership (LLP), AOP, BOI, local authority, and any other AJP. Levy of tax on a person depends upon his residential status. The CBDT administers the Income Tax Department, which is a part of the Department of Revenue under the Ministry of Finance, Government of India. Income tax is a key source of funds that the government uses to finance its activities and serve the public.

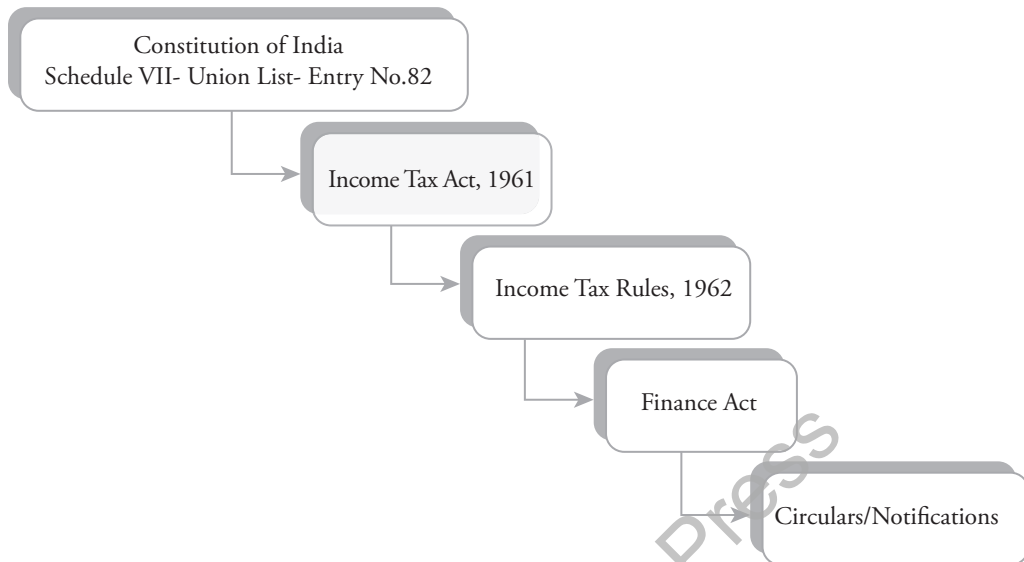


Figure 1.1 Hierarchy of the guiding provisions applied for levy and collection of tax

1.2 CANONS OF TAXATION

Canons of taxation are the main basic set of principles or rules used to build a good tax system. A good tax system is the one which is designed on the basis of an appropriate set of principles and strikes a balance between the interest of the taxpayer and that of the tax authorities. Adam Smith was the first economist to develop a list of canons of taxation, which he laid down in his famous book *The Wealth of Nations*. These canons are still regarded as characteristics or features of a good tax system (Refer to Figure 1.2).

Equity	<ul style="list-style-type: none"> • To provide economic and social justice to the people • Every person should pay tax depending upon his ability to pay
Certainty	<ul style="list-style-type: none"> • What tax to be paid, how much tax to be paid • When should the tax be paid and the mode of payment of tax
Convenience	<ul style="list-style-type: none"> • Mode of payment should be as easy as possible • Time of tax payment should also be as far as possible
Economy	<ul style="list-style-type: none"> • Cost of tax collection should be lower than the amount of tax collected • Tax administration should be widespread

Figure 1.2 Adam Smith's canons of taxation

In his book, Adam Smith gave only four canons of taxation, which are now known as the *original or main canons of taxation*. As time changed, governance expanded and became much more complex. Soon a need

was felt by modern economists to expand Smith's principles of taxation and as a response they put forward some additional modern canons of taxation.

1.2.1 Additional Canons of Taxation

Activities and functions of the government have increased significantly since Adam Smith's time. Governments are expected to maintain economic stability, full employment, reduce income inequality, and promote growth and development. Tax system should be such that it meets the requirements of the growing state activities. Accordingly, modern economists gave the following additional canons of taxation.

Productivity	<ul style="list-style-type: none"> • Tax system should be able to earn enough revenue for the treasury to avoid dependence on deficit financing
Elasticity	<ul style="list-style-type: none"> • Elasticity in the tax system • Rates of tax may be increased or decreased according to the need of the economy
Flexibility	<ul style="list-style-type: none"> • Easy revision of tax structure on both coverage and rates of tax • Tax system must be flexible and not rigid
Simplicity	<ul style="list-style-type: none"> • Simple structure and system instead to mitigate the risks of complexity • Easy dispute identification and resolution
Diversity	<ul style="list-style-type: none"> • Inbuilt capacity, simplicity, and possibility for taxing multiple sources of revenue

Figure 1.3 Additional canons of taxation

1.2.2 Requirements of A Good Tax Structure/System

A good tax system or structure should fit in the overall economic environment of a society. The state should structure its tax system on the basis of the following principles.

1. The primary aim of the tax should be *to raise revenue* for public services.
2. People should be asked to *pay taxes according to their ability to pay* and *assessment of their taxable capacity should be made primarily on the basis of income and property*.
3. Tax should *not be discriminatory* in any aspect between individuals and also between various groups.

1.2.3 Factors Determining the Income Tax and Stages of its Imposition

Levy and collection of tax depends on the following major pillars.

1. **Residential status of the assessee:** For declaration of tax liability
2. **Place of accrual or receipt of income:** For assessment of income
3. **Time of accrual or receipt of such income during the previous year:** For determining the process of collection and recovery of tax

1.3 DETERMINING THE RATES OF TAX UNDER THE INCOME TAX ACT, 1961

Income tax shall be charged at the rates fixed for the year by the Annual Finance Act. The schedule to the Finance Act consists of the following (Refer to Figure 1.4).

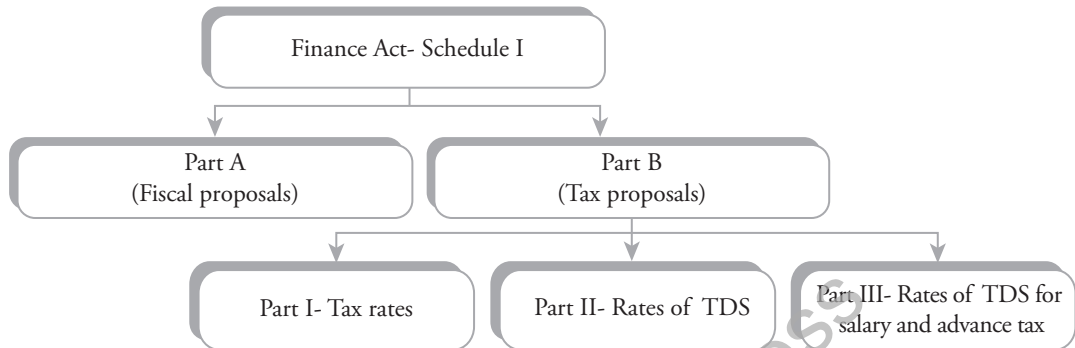


Figure 1.4 Classification of Finance Act, Schedule I—related to tax proposals and rates of tax

1.3.1 Rates of Income Tax for Assessment Year 2019–20 (Previous Year 2018–19)

Tax rates are to be applied on total income of the assessee for determining the tax liability for that particular assessment year/previous year. Application of tax rates also depends upon the type of assessee (Refer to Figure 1.5).

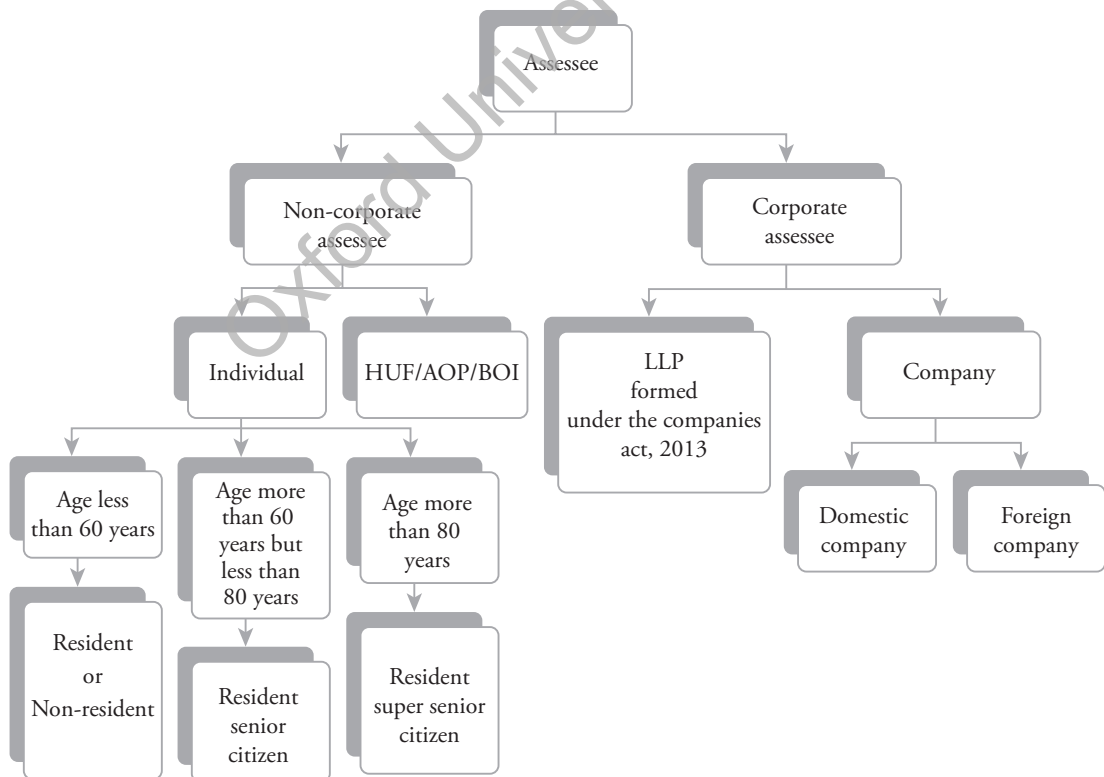


Figure 1.5 Classification of assessee for levy of tax and application of tax rates

1.3.2 Rates of Tax—As Applicable for the Assessment Year 2019–20 (Previous Year 2018–19)

The following are the tax rates applicable for the assessment year 2019–20 relating to the previous year 2018–19.

In case of an individual (resident or non-resident) or HUF or AOP or BOI or any other artificial juridical person

Total Income	Rate of Tax
Where the total income does not exceed ₹2,50,000	Nil
Where the total income exceeds ₹2,50,000 but does not exceed ₹5,00,000	5 per cent of the amount by which the total income exceeds ₹2,50,000
Where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	₹12,500 plus 20 per cent of the amount by which the total income exceeds ₹5,00,000
Where the total income exceeds ₹10,00,000	₹1,12,500 plus 30 per cent of the amount by which the total income exceeds ₹10,00,000

NOTE

The rebate u/s 87A is available to a resident individual if his total income does not exceed ₹3,50,000. The amount of rebate shall be 100 per cent of the income tax or ₹2,500, whichever is less.

In case of every individual, resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)

Total Income	Rate of Tax
Where the total income does not exceed ₹3,00,000	Nil
Where the total income exceeds ₹3,00,000 but does not exceed ₹5,00,000	5 per cent of the amount by which the total income exceeds ₹3,00,000
Where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	₹10,000 plus 20 per cent of the amount by which the total income exceeds ₹5,00,000
Where the total income exceeds ₹10,00,000	₹1,10,000 plus 30 per cent of the amount by which the total income exceeds ₹10,00,000

NOTE

The rebate u/s 87A is available to a resident individual if his total income does not exceed ₹3,50,000. The amount of rebate shall be 100 per cent of the income tax or ₹2,500, whichever is less.

In case of every individual, resident super senior citizen (who is 80 years or more at any time during the previous year)

Total Income	Rate of Tax
Where the total income does not exceed ₹5,00,000	Nil
Where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	20 per cent of the amount by which the total income exceeds ₹5,00,000
Where the total income exceeds ₹10,00,000	₹1,00,000 plus 30 per cent of the amount by which the total income exceeds ₹10,00,000

Individual and HUF: Surcharge, Cess, and Marginal Relief

Total Income	Surcharge	Health & Education Cess	Marginal Relief
Exceeds ₹50 lakhs but does not exceed ₹1 crore	10% of tax	4% of (Tax + Surcharge)	Eligible
Exceeds ₹1 crore	15% of tax	4% of (Tax + Surcharge)	Eligible

In case of *partnership firms* (including LLP) and a *local authority*, income is taxable at 30%.

Domestic Companies in India

Turnover or Gross Receipt (GR)	Tax Rate
Exceeding ₹250 crores (During the previous year 2016–17)	30%
Not exceeding ₹250 crores (During the previous year 2016–17)	25%

Foreign Company

Nature of Income	Tax Rate
Royalty received from the Government of India or an Indian concern in pursuance of an agreement made with the Indian concern after March 31, 1961 but before April 1, 1976, or fees for rendering technical services in pursuance of an agreement made after February 29, 1964 but before April 1, 1976 and where such agreement has, in either case, been approved by the Central Government	50%
Any other income	40%

Co-operative Society

Taxable Income	Tax Rate
Up to ₹10,000	10%
Between ₹10,000 to ₹20,000	20%
Above ₹20,000	30%

Surcharge and Cess

Assessee	Applicable Surcharge			Rate of Cess
	Total Income (TI) < ₹1 Crore	TI > ₹1 Crore but TI ≤ ₹10 Crores	TI > ₹10 Crores	
Domestic companies				
• TI/GR ≤ ₹250 crores in FY 2016–17	—	7%	12%	4%
• TI/GR > ₹250 crores in FY 2016–17	—	7%	12%	4%
Foreign companies	—	2%	5%	4%
Firms and LLP	—	12%	12%	4%
Local authorities	—	12%	12%	4%
Co-operative societies	—	12%	12%	4%

NOTE

Surcharge is levied on tax therefore, it is a tax on tax. Health and education cess is levied for specific purpose and is calculated on the total of tax and surcharge.

**Marginal relief**

Marginal relief is a reduction or relief from the tax payable by an assessee. It is given where the additional tax payable together with surcharge exceeds the income earned by the assessee in excess of ₹50 lakhs or ₹1 crore.

The principle in marginal relief is that the additional amount of income tax payable with surcharge in excess of income over ₹50 lakhs or ₹1 crore, should not be more than the amount in excess of ₹50 lakhs or ₹1 crore.

Computation of marginal relief

	Total Income exceeds ₹50 Lakhs	Total Income exceeds ₹1 Crore
Marginal Relief =	Tax on total income including surcharge Less: (Total income – ₹50 lakhs) + (Tax on ₹50 lakhs)	Tax on total income including surcharge Less: (Total income – ₹1 crore) + (Tax on ₹1 crore)

Tax payable by the assessee who is eligible for availing the benefit of marginal relief

Particulars	Amount (₹)
Tax on total income including surcharge	***
Less: Marginal relief as per eligibility	(**)
Tax Payable	***

Computation of tax liability

Tax is computed on the basis of heads of income of an assessee (including his residential status/domicile). A structure is presented below for ease of reference in computing tax liability.

Particulars	Amount (₹)
Step (1) Tax on heads of income at special rates (such as income from lottery, crossword puzzles, card games, long-term capital gains, and winnings from horse races)	***
Step (2) Tax on heads of income at normal rates (after availing the benefit of basic exemption limit not chargeable to tax in case of specified assessee)	***
Step (3) Total tax payable before surcharge [Step 1 + Step 2]	***
Step (4) Add surcharge, if applicable	***
Step (5) Ascertain the benefit of marginal relief, if eligible	***
Step (6) Ascertain net tax payable after adjusting marginal relief [Step 5 – Step 6]	***
Step (7) Add: Health and Education Cess	***
Step (8) Ascertain tax payable [Step 6 + Step 7]	***

Case A: Illustrations- In case of an individual (resident or non-resident) or HUF or AOP or BOI or any other AJP

Let us recapitulate the tax rates, which for this class of assessee are as follows:

Total Income	Rate of Tax
Where the total income does not exceed ₹2,50,000	Nil
Where the total income exceeds ₹2,50,000 but does not exceed ₹5,00,000	5 per cent of the amount by which the total income exceeds ₹2,50,000
Where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	₹12,500 plus 20 per cent of the amount by which the total income exceeds ₹5,00,000
Where the total income exceeds ₹10,00,000	₹1,12,500 plus 30 per cent of the amount by which the total income exceeds ₹10,00,000

NOTE

The rebate under Section 87A is available to a resident individual if his total income does not exceed ₹3,50,000. The amount of rebate shall be 100% of income tax or ₹2,500, whichever is less.

Illustration 1 (Tax rates for an individual of less than 60 years)

Ms Subhadittya Roy, a resident individual aged 21 years, earned a gross total income of ₹3,00,000. She is eligible for a deduction of ₹70,000 during the year under Chapter VIA. Compute her income tax liability.

Solution

Computation of total income of Ms Roy, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	3,00,000
Less: Deductions under Chapter VIA	70,000
Total Income	2,30,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹2,50,000	Nil	Nil	Total income is less than the basic exemption limit

Illustration 2 (Tax rates for an individual of less than 60 years)

Anjali is below the age of 60 and has a gross salary of ₹3,40,000. She has made no tax saving investments during the year. Compute her income tax liability.

Solution

Computation of total income of Anjali, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	3,40,000
Less: Deduction under Chapter VIA	Nil
Total Income	3,40,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹2,50,000	Nil	Nil	Basic exemption limit
Tax on the remaining ₹90,000	5%	4,500	Remaining income = ₹3,40,000 – ₹2,50,000
Total income tax before cess	–	4,500	= 5% of ₹90,000
Add: Health and Education Cess	4%	180	= 4% of ₹4,500
Total Tax and Cess	–	4,680	= Total (Tax + Cess)
Less: Rebate u/s 87A	–	2,500	Since the total income is less than ₹3,50,000
Total Tax Payable	–	2,180	Total tax and cess – Rebate

NOTE

We can see that the total income (₹3,40,000) of Ms Anjali is more than the basic exemption limit of ₹2,50,000, thus, tax is computed in accordance and tax payable is ₹2,180 for the assessment year 2019–20 relating to the previous year 2018–19.

**Illustration 3 (Tax rates for an individual of less than 60 years)**

Ms Chandrima, aged 34 years has a gross total income of ₹3,90,000. She has paid medical insurance premium by cheque and is eligible to claim a benefit of ₹25,000 for the previous year. Compute her income tax liability.

Solution

Computation of total income of Ms Chandrima, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	3,90,000
Less: Deductions under Chapter VIA (u/s 80D for medical insurance premium paid)	25,000
Total Income	3,65,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹2,50,000	—	Nil	Basic exemption limit
Tax on the remaining ₹1,15,000	5%	5,750	Remaining income = ₹3,65,000 – ₹2,50,000
Total income tax before cess	—	5,750	= 5% of ₹1,15,000
Add: Health and Education Cess	4%	230	= 4% of ₹5,750
Total Tax and Cess	—	5,980	= Total (Tax + Cess)
Less: Rebate u/s 87A	—	Nil	Since the total income is more than ₹3,50,000
Total Tax Payable		5,980	Total (Tax + Cess) – Rebate

Case B: Illustrations- In case of every individual, resident senior citizen (who is 60 years or more at any time during the previous year but less than 80 years on the last day of the previous year)

Let us recapitulate the tax rates, which for this class of assessee are as follows:

Total Income	Rate of Tax
Where the total income does not exceed ₹3,00,000	Nil
Where the total income exceeds ₹3,00,000 but does not exceed ₹5,00,000	5 per cent of the amount by which the total income exceeds ₹3,00,000
Where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	₹10,000 plus 20 per cent of the amount by which the total income exceeds ₹5,00,000
Where the total income exceeds ₹10,00,000	₹1,10,000 plus 30 per cent of the amount by which the total income exceeds ₹10,00,000

Illustration 4 (Tax rates for an individual of more than 60 years but less than 80 years)

Mr Ram, aged 62 years has a gross salary of ₹4,90,000. He has made tax saving investments of ₹1,10,000 during the year. Compute his income tax liability.

Solution

Computation of total income of Mr Ram, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	4,90,000
Less: Deductions under Chapter VIA	1,10,000
Total Income	3,80,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹3,00,000	—	Nil	Basic exemption limit is ₹3,00,000, since age is more than 60 years but less than 80 years

(Continued)

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on the remaining ₹80,000	5%	4,000	Remaining income = ₹3,80,000 – ₹3,00,000
Total Income Tax before Cess	–	4,000	= 5% of ₹80,000
Add: Health and Education Cess	4%	160	= 4% of ₹4,000
Total Tax and Cess	–	4,160	= Total (Tax + Cess)
Less: Rebate u/s 87A	–	Not eligible	Since total income is > ₹3,50,000
Total Tax Payable	–	4,160	Total (Tax + Cess) – Rebate

Illustration 5 (Tax rates for an individual of more than 60 years but less than 80 years)

Mr Nityananda Kanthal, aged 62 years has a gross salary of ₹3,90,000. He has made tax saving investments of ₹1,10,000 during the year. Compute his income tax liability.

Solution

Computation of total income of Mr Kanthal, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	3,90,000
Less: Deductions under Chapter VIA	1,10,000
Total Income	2,80,000

Since Mr Kanthal's *total income* (₹2,80,000) is *less than the basic exemption limit* of ₹3,00,000, he is exempted from payment of tax for the assessment year 2019–20.

Illustration 6 (Tax rates for an individual of more than 60 years but less than 80 years)

Mr Amal Sarkar, aged 67 years has a gross total income of ₹4,90,000. He has made tax saving investments of ₹1,50,000 during the year. Compute his income tax liability.

Solution

Computation of total income of Mr Sarkar, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	4,90,000
Less: Deductions under Chapter VIA	1,50,000
Total Income	3,40,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹3,00,000	—	Nil	Basic exemption limit is ₹3,00,000 since age is more than 60 years but less than 80 years
Tax on the remaining ₹40,000	5%	2,000	Remaining income = ₹3,40,000 – ₹3,00,000
Total Income Tax before Cess	—	2,000	= 5% of ₹40,000
Add: Health and Education Cess	4%	80	= 4% of ₹2,000
Total Tax and Cess	—	2,080	= Total (Tax + Cess)
Less: Rebate u/s 87A (100 % of tax payable or ₹2,500, whichever is less)	—	2,080	Since total income < ₹3,50,000, he is eligible for rebate u/s 87A
Total Tax Payable	—	Nil	Total (Tax and Cess) – Rebate

Case C: Illustrations- In case of every individual, resident super senior citizen (who is 80 years or more at any time during the previous year)

Let us recapitulate the tax rates, which for this class of assessee are as follows:

Total Income	Rate of Tax
Where the total income does not exceed ₹5,00,000	Nil
Where the total income exceeds ₹5,00,000 but does not exceed ₹10,00,000	20 per cent of the amount by which the total income exceeds ₹5,00,000
Where the total income exceeds ₹10,00,000	₹1,00,000 plus 30 per cent of the amount by which the total income exceeds ₹10,00,000

Illustration 7 (Tax rates for an individual of more than 80 years)

Mr Rohan, aged 81 years has a gross total income of ₹5,24,000 including ₹14,000 from a savings bank account deposit. He has made tax saving investments of ₹1,00,000 during the year. Compute his income tax liability.

Solution

Computation of total income of Mr Rohan, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Income from heads other than Income from Other Sources	5,10,000
Income from Other Sources (Interest from savings bank account deposit)	14,000
Gross total income	5,24,000
Less: Deductions under Chapter VIA	
Under Section 80C (Against tax saving investments)	1,00,000
Under Section 80TTA (Against interest on savings bank deposit)	10,000
Total Income	4,14,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)
Tax on income up to ₹5,00,000	—	Nil

Since Mr Rohan's *total income* (₹4,14,000) is *less than the basic exemption limit* of ₹5,00,000, he is exempted from payment of tax for the assessment year 2019–20.

Illustration 8 (Tax rates for an individual of more than 80 years)

Mr Surya, aged 84 years has a gross total income of ₹6,50,000 from all heads, other than income received of ₹12,500 from savings bank account deposit. He has made tax saving investments of ₹90,000 during the year. Calculate his income tax liability.

Solution

Computation of total income of Mr Surya, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income (From all heads other than Income from Other Sources)	6,50,000
Income from Other Sources (Interest from savings bank account deposit)	12,500
Gross total income	6,62,500
Less: Deductions under Chapter VIA	
Under Section 80C (Against tax saving investments)	90,000
Under Section 80TTA (Against income from interest on savings bank account deposit)	10,000
Total Income	5,62,500

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹5,00,000	—	Nil	Basic exemption limit is not chargeable to tax
Tax on the remaining ₹62,500	20%	12,500	Remaining income = ₹5,62,500 – ₹5,00,000
Total Income Tax before Cess	—	12,500	= 20% of ₹62,500
Add: Health and Education Cess	4%	500	= 4% of ₹12,500
Total Tax	—	13,000	= Total (Tax + Cess)
Less: Rebate u/s 87A	—	Not eligible	Not eligible since total income > ₹3,50,000
Total Tax Payable	—	13,000	Total (Tax + Cess) – Rebate

Illustration 9 (Tax rates for an individual of more than 80 years)

Mr Murmu, aged 81 years has a gross total income of ₹6,50,000. He has made tax saving investments u/s 80C of ₹1,50,000 during the year. Compute his income tax liability.

Solution

Computation of total income of Mr Murmu, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Gross total income	6,50,000
Less: Deductions under Chapter VIA	
Under Section 80C (Against tax saving investments)	1,50,000
Total Income	5,00,000

Computation of tax liability

Particulars	Rate of Tax	Tax (₹)	Remarks
Tax on income up to ₹5,00,000	—	Nil	Basic exemption limit is not chargeable to tax

Since Mr Murmu's *total income* (₹5,00,000) is equal to the *basic exemption limit* of ₹5,00,000, the tax payable is ascertained as *nil* for the assessment year 2019–20.

Illustration 10 (Tax rates for an individual having total income of more than ₹50 lakhs but less than ₹1 crore)

Mr Chandan a resident assessee, aged 49 years has a total income of ₹72,00,000. Compute his tax liability after considering marginal relief.

Solution

Computation of tax liability of Mr Chandan, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Rate of Tax	Tax (₹)
Step (1) Tax on ₹72,00,000		
Tax on income up to ₹2,50,000	—	Nil
Tax on the income exceeding ₹2,50,000 but not exceeding ₹5,00,000 [5% of (₹5,00,000 – ₹2,50,000)]	5%	12,500
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000 [20% of (₹10,00,000 – ₹5,00,000)]	20%	1,00,000
Tax on the income exceeding ₹10,00,000 [30% of (₹72,00,000 – ₹10,00,000)]	30%	18,60,000
Total income tax before surcharge [12,500 + 1,00,000 + 18,60,000]	—	19,72,500

(Continued)

Particulars	Rate of Tax	Tax (₹)
Add: Surcharge	10%	1,97,250
Total Tax on ₹72,00,000	—	21,69,750
Step (2) Tax if income = ₹50,00,000		
(a) Tax on income up to ₹2,50,000	—	Nil
Tax on the income exceeding ₹2,50,000 but not exceeding ₹5,00,000	5%	12,500
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000	20%	1,00,000
Tax on the income exceeding ₹10,00,000	30%	12,00,000
Total Income Tax Due	—	13,12,500
(b) Amount of income exceeding ₹50,00,000 [₹72,00,000 – ₹50,00,000]	—	22,00,000
Total Tax on ₹50,00,000 + [Total income – ₹50,00,000]	—	35,12,500
Step (3) Marginal relief [Since Step (2) is more than Step (1)]	—	Not eligible
Tax computed as per Step (1) (No marginal relief)	—	21,69,750
Add: Health and Education Cess @ 4% on ₹21,69,750	—	86,790
Total Tax Payable [Tax + Surcharge + Cess]	—	22,56,540

Since Mr Chandan's *total income* (₹72,00,000) is more than ₹50 lakhs but less than ₹1 crore, he is eligible for marginal relief. However, after computation it is ascertained that in this case, Mr Chandan is *not eligible for claiming marginal relief*. Hence, *tax payable* is ₹22,56,540.

Illustration 11 (Tax rates for an individual having total income of more than ₹50 lakhs but less than ₹1 crore)

Mr Shayam, aged 54 years has a total income of ₹55,00,000, but does not have any deduction to be claimed under Chapter VIA. Compute his income tax liability after considering marginal relief.

Solution

Computation of tax liability of Mr Shayam, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Rate of Tax	Tax (₹)
Step (1) Tax on ₹55,00,000		
Tax on income up to ₹2,50,000	—	Nil
Tax on the income exceeding ₹2,50,000 but not exceeding ₹5,00,000	5%	12,500
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000 [20% of (₹10,00,000 – ₹5,00,000)]	20%	1,00,000
Tax on the income exceeding ₹10,00,000 [₹55,00,000 – ₹10,00,000]	30%	13,50,000
Total income tax before surcharge	—	14,62,500

(Continued)

Particulars	Rate of Tax	Tax (₹)
Add: Surcharge	10%	1,46,250
Total Tax on ₹55,00,000	–	16,08,750
Step (2) Tax if income = ₹50,00,000		
(a) Tax on income up to ₹2,50,000	–	Nil
Tax on the income exceeding ₹2,50,000 but not exceeding ₹5,00,000	5%	12,500
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000	20%	1,00,000
Tax on the income exceeding ₹10,00,000	30%	12,00,000
Total Income Tax Due	–	13,12,500
(b) Amount of income exceeding ₹50,00,000 [₹55,00,000 – ₹50,00,000]	–	5,00,000
Total Tax on ₹50,00,000 + [Total income – ₹50,00,000]	–	18,12,500
Step (3) Marginal relief [Since Step (2) is more than Step (1)]	–	Not eligible
Tax computed as per Step (1) (No marginal relief)	–	16,08,750
Add: Health and Education Cess @ 4% on ₹16,08,750	–	64,350
Total Tax Payable [Tax + Surcharge + Cess]	–	16,73,100

Since Mr Shayam's *total income* (₹55,00,000) is more than ₹50 lakhs but less than ₹1 crore, he is eligible for marginal relief. However, after computation it is ascertained that in this case, Mr Shayam is *not eligible for claiming marginal relief*. Hence, *tax payable* is ₹16,73,100.

Illustration 12 (Tax rates for an individual having total income of more than ₹50 lakhs but less than ₹1 crore)

Mr Rhitam, aged 18 years has a total income of ₹51,00,000, but does not have any deduction to be claimed under Chapter VIA. Compute his income tax liability after considering marginal relief.

Solution

Computation of tax liability of Mr Rhitam, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Rate of Tax	Tax (₹)
Step (1) Tax on ₹51,00,000		
Tax on income up to ₹2,50,000	–	Nil
Tax on the income exceeding ₹2,50,000 but not exceeding ₹5,00,000	5%	12,500
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000	20%	1,00,000
Tax on the income exceeding ₹10,00,000 [₹51,00,000 – ₹10,00,000]	30%	12,30,000
Total income tax before surcharge	–	13,42,500

(Continued)

Particulars	Rate of Tax	Tax (₹)
Add: Surcharge	10%	1,34,250
Total Tax on ₹51,00,000		14,76,750
Step (2) Tax if income = ₹50,00,000		
(a) Tax on income up to ₹2,50,000	—	Nil
Tax on the income exceeding ₹2,50,000 but not exceeding ₹5,00,000	5%	12,500
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000	20%	1,00,000
Tax on the income exceeding ₹10,00,000	30%	12,00,000
Total Income Tax excluding Surcharge	—	13,12,500
(b) Amount of income exceeding ₹50,00,000 [₹51,00,000 – ₹50,00,000]	—	1,00,000
Total Tax on ₹50,00,000 + [Total income – ₹50,00,000]	—	14,12,500
Step (3) Marginal relief [Since Step (2) is less than Step (1)]	Eligible	64,250
Tax computed as per Step (1) (Eligible for marginal relief)	—	14,76,750
Less: Marginal relief as per Step (3)	—	64,250
Net tax payable before cess [Step (1) – Step (3) = Step (2)]	—	14,12,500
Add: Health and Education Cess @ 4% on ₹14,12,500	—	56,500
Total Tax Payable [Tax + Surcharge + Cess]	—	14,69,000

Illustration 13 (Total income of the assessee is more than ₹1 crore)

Mr Jojo, a resident individual, aged 26 years, has a total income of ₹1,01,00,000. Compute his tax liability and marginal relief.

Solution

Computation of tax liability of Mr Jojo, resident individual, for AY 2019–20 related to PY 2018–19

Particulars	Rate of Tax	Tax (₹)
Step (1) Tax on ₹1,01,00,000		
Tax on income up to ₹5,00,000	—	Nil
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000	20%	1,00,000
Tax on the income exceeding ₹10,00,000	30%	27,30,000
Total income tax before surcharge	—	28,30,000
Add: Surcharge	15%	4,24,500
Total Tax and Surcharge on ₹1,01,00,000	—	32,54,500

(Continued)

Particulars	Rate of Tax	Tax (₹)
Step (2) Tax if income = ₹1,00,00,000		
(a) Tax on income up to ₹5,00,000	—	Nil
Tax on the income exceeding ₹5,00,000 but not exceeding ₹10,00,000	20%	1,00,000
Tax on the income exceeding ₹10,00,000	30%	27,00,000
Total income tax excluding surcharge	—	28,00,000
Add: Surcharge	10%	2,80,000
Total Tax and Surcharge on ₹1,00,00,000	—	30,80,000
(b) Amount of income exceeding ₹1,00,00,000	—	1,00,000
Total Tax on ₹1,00,00,000 + [Total income – ₹1,00,00,000]	—	31,80,000
Step (3) Marginal relief = Step (1) – Step (2)	Eligible	74,500
Tax computed as per Step (1) (Eligible for marginal relief)	—	32,54,500
Less: Marginal relief as per Step (3)	—	74,500
Net tax payable before cess [Step (1) – Step (3) = Step (2)]	—	31,80,000
Add: Health and Education Cess @ 4% on ₹31,80,000	—	1,27,800
Total Tax Payable [Tax + Surcharge + Cess]	—	33,07,200

Illustration 14 (Tax computation for partnership firm without AMT adjustments)

For financial year 2018–19, the profit and loss account of M/s XYZ Enterprises (a partnership firm) shows net profit of ₹1,00,000 after charging/debiting the salary to partners for ₹5,00,000. The firm also paid interest on capital in excess of 12%—₹50,000. Calculate the firm's net taxable income and the tax payable by it without AMT (Alternate Minimum Tax) adjustments.

Solution

Computation of total income of XYZ Enterprises for AY 2019–20 related to PY 2018–19

Step (1) Calculation of book profit

Particulars	Amount (₹)
Net profit of firm after booking the remuneration of partners	1,00,000
Add: Remuneration to partners	5,00,000
Add: Interest on capital paid in excess of 12%	50,000
Book Profit	6,50,000

Step (2) Calculation of remuneration allowed to partners

Particulars	Amount (₹)
Remuneration allowed on first ₹3,00,000 @ 90% or ₹1,50,000, whichever is higher	2,70,000
Remuneration allowed on balance ₹3,50,000 @ 60%	2,10,000
Total Remuneration Allowed as per Section 40(b)	4,80,000

Step (3) Calculation of taxable income and tax payable

Particulars	Amount (₹)
Book profit of the firm as per Step (1)	6,50,000
Less: Remuneration allowed to partners as per Step (2)	4,80,000
Taxable Income of the Firm	1,70,000
Income tax payable by the firm @ 30% on ₹1,70,000	51,000
Add: Health and Education Cess @ 4% on ₹51,000	2,040
Total Tax Payable by the Firm	53,040

NOTE

Surcharge is not levied since the total income of the firm does not exceed ₹1 crore.

**Illustration 15 (Tax computation for a company without MAT adjustments)**

Sun & Moon Ltd. is a domestic company and for the previous year 2018–19, its total income was ₹98 lakhs. Compute the company's tax liability without MAT (Minimum Alternate Tax) adjustments.

Solution**Computation of total income of Sun & Moon Ltd. for AY 2019–20 related to PY 2018–19**

Particulars	Amount (₹)
Tax payable by the company @ 25% on ₹98,00,000	24,50,000
Add: Health and Education Cess @ 4% on ₹24,50,000	98,000
Total Tax Payable by the Company	25,48,000

NOTES

1. Surcharge is not applicable as the total income of the corporate assessee is less than ₹1 crore.
2. Tax rate is applied @ 25% assuming that the total income for the previous year 2016–17 was less than ₹250 crores.

**Illustration 16 (Tax computation for a company without MAT adjustments)**

Roy Chowdhury Ltd. is an Indian company with a taxable income of ₹1.02 crores during the assessment year 2019–20. MAT is not applicable for the company as its book profits are much less than its total income. Compute the tax liability and the marginal relief of the company.

Solution**Computation of marginal relief and tax payable for Roy Chowdhury Ltd. for AY 2019–20 related to PY 2018–19**

Particulars	Amount (₹ Lakhs)	Amount (₹ Lakhs)
Step (1) Tax on total income including surcharge		
Tax on ₹1.02 crores @ 25%	25,50,000	—

(Continued)

Particulars	Amount (₹ Lakhs)	Amount (₹ Lakhs)
(b) Surcharge @ 7% on ₹25,50,000 (Since total income is greater than ₹1 crore but less than ₹10 crores)	1,78,500	—
Total tax and surcharge on ₹1.02 crores	—	27,28,500
Step (2) (a) Tax on ₹1 crore excluding surcharge	25,50,000	—
(b) Total income exceeding ₹1 crore [₹1,02,00,000 – ₹1,00,00,000]	2,00,000	—
Total Tax on ₹1,00,00,000 + [₹1,02,00,000 – ₹1,00,00,000]	—	27,50,000
Step (3) Marginal relief (Since Step 2 > Step 1)	—	Not eligible
Tax payable as per Step (1)	—	27,28,500
Add: Health and Education Cess @ 4% on ₹27,28,500	—	1,09,140
Total Tax Payable including Cess	—	28,37,640

NOTES

1. Surcharge is applicable @ 7% as the total income of the corporate assessee is more than ₹1 crore but less than ₹10 crores.
2. Tax rate is applied @ 25% assuming that the total income for the previous year 2016–17 was less than ₹250 crores.

Illustration 17 (Tax computation for a company without MAT adjustments)

Gesture Technologies Private Ltd. is an Indian company with a taxable income of ₹21.02 crores during the assessment year 2019–20. MAT is not applicable for the company as its book profits are much less than its total income. Compute the tax liability and the marginal relief of the company.

Solution

Computation of marginal relief and tax payable for Gesture Technologies Private Ltd. for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹ Lakhs)	Amount (₹ Lakhs)
Step (1) Tax on total income including surcharge		
Tax on ₹21.02 crores @ 25%	5,25,50,000	—
(b) Surcharge @ 12% on ₹5,25,50,000 (Since total income is greater than ₹10 crores)	63,06,000	—
Total tax and surcharge on ₹21.02 crores	—	5,88,56,000
Step (2) (a) Tax on ₹1 crore excluding surcharge	5,25,50,000	—
Total income exceeding ₹1 crore [₹21,02,00,000 – ₹1,00,00,000]	20,02,00,000	—
Total Tax on ₹1,00,00,000 + [₹1,02,00,000 – ₹1,00,00,000]	—	25,27,50,000

(Continued)

Particulars	Amount (₹ Lakhs)	Amount (₹ Lakhs)
Step (3) Marginal relief (Since Step 2 > Step 1)	—	Not eligible
Tax payable as per Step (1)	—	5,88,56,000
Add: Health and Education Cess @ 4% on ₹5,88,56,000	—	23,54,240
Total Tax Payable including Cess	—	6,12,10,240

NOTES

1. Surcharge is applicable @ 12% as the total income of the corporate assessee is more than ₹10 crores.
2. Tax rate is applied @ 25% assuming that the total income for the previous year 2016–17 was less than ₹250 crores.

**Illustration 18 (Tax computation for a co-operative society)**

Compute tax payable by a co-operative society having a total income of ₹15,000.

Solution

A co-operative society shall have to pay tax as follows:

Taxable Income	Tax Rate
Up to ₹10,000	10%
Between ₹10,000 to ₹20,000	20%
Above ₹20,000	30%

Computation of tax payable for a co-operative society for AY 2019–20 related to PY 2018–19

Particulars	Amount (₹)
Tax on first ₹10,000 of the total income @ 10%	1,000
Tax on the balance of total income [₹15,000 – ₹10,000] @ 20%	1,000
Total tax payable	2,000
Add: Health and Education Cess @ 4% on ₹2,000	80
Total Tax Payable	2,080

Let Us Recapitulate

- Entry 82 of the Union List of Schedule VII of the Constitution of India has given the power to the Central Government to levy a tax on any income other than agricultural income, which is defined in Section 10(1) of the Income Tax Act, 1961.
- Canons of taxation are the main basic principles or rules which help in establishing a good tax system. They were first originally introduced by the famous economist Adam Smith and included equity, certainty,

convenience, and economy. Later the modern economists added productivity, elasticity, flexibility, simplicity, and diversity to these original canons of taxation.

- Levy and collection of tax depends on the major pillars of residential status of the assessee, place of accrual or receipt of income, and time of accrual or receipt of such income during the previous year.
- Application of rates for computation of income tax for any assessment year depends on the following classification of an assessee.
 - o Assessee can be classified as non-corporate and corporate
 - o Non-corporate assessee can be further classified as individual, HUF, AOP, and BOI
 - o Corporate assessee can be classified as LLPs and company (either domestic or foreign company)
- The rebate u/s 87A is available to a resident individual if his total income does not exceed ₹3,50,000. The amount of rebate shall be 100 per cent of the income tax or ₹2,500, whichever is less.
- Marginal relief is a reduction or relief from the tax payable by an assessee and is given, where the additional tax payable together with surcharge exceeds the income earned by the assessee in excess of ₹50 lakhs or ₹1 crore.
- The principle in marginal relief is that the additional amount of income tax payable with surcharge in excess of income over ₹50 lakhs or ₹1 crore, should not be more than the amount in excess of ₹50 lakhs or ₹1 crore.
- Tax is computed on the basis of heads of income of an assessee (including his residential status/domicile). Following are the steps involved in computing tax liability.

Particulars	Amount (₹)
Step (1) Tax on heads of income at special rates (such as income from lottery, crossword puzzles, card games, long-term capital gains, and winnings from horse races)	***
Step (2) Tax on heads of income at normal rates (after availing the benefit of basic exemption limit not chargeable to tax in case of specified assessee)	***
Step (3) Total tax payable before surcharge [Step 1 + Step 2]	***
Step (4) Add surcharge, if applicable	***
Step (5) Ascertain the benefit of marginal relief, if eligible	***
Step (6) Ascertain net tax payable after adjusting marginal relief [Step 5 – Step 6]	***
Step (7) Add: Health and Education Cess	***
Step (8) Ascertain tax payable [Step 6 + Step 7]	***

SELF-ASSESSMENT QUESTIONS

1. State the canons of taxation.
2. Briefly explain surcharge.
3. State the heads of income.
4. Discuss gross total income and total income.
5. Discuss the rates of tax payable by an AOP having a total income of ₹5,00,000.
6. Define cess.
7. Mr B, resident in India, aged 48 years, had a total income of ₹4,00,000. Compute tax payable by him and the amount of relief u/s 87A.
8. Mr C, a non-resident Indian, for the previous year earned a total income of ₹3,00,000. Compute tax payable by him and the amount of relief u/s 87A.

9. Total income of a firm is ₹50 lakhs. State the rate of surcharge and cess payable.
10. Total income of a firm is ₹2 crores. State the rate of surcharge and cess payable.
11. Total income of a firm is ₹1.02 crores. Calculate the surcharge and cess payable.
12. Total income of Mr A is ₹50,01,000. Discuss his eligibility to claim marginal relief.
13. Total income of a foreign company from India is ₹50 lakhs and its income from outside India is ₹2 crores. What is the company's total income for levy of tax on it in India?
14. Co-operative society has a total income of ₹2 crores. State the rate of surcharge to be levied.
15. A LLP has a total income of ₹10 lakhs. Calculate the amount of tax and cess.
16. Ms Susmita Roy, a resident individual and aged 43 years, earned a gross total income of ₹13,00,000. She is eligible for deduction of ₹70,000 during the year under Chapter VIA. Compute her income tax liability.
17. Ms Debjani, who is below 60 years of age has a gross salary income of ₹8,40,000. She has made tax saving investments of ₹90,000 during the year. Compute her income tax liability.
18. Ms Tinku of age less than 60 years, has a gross total income of ₹10,90,000. She has paid medical insurance premium by cheque and is eligible to claim a benefit of ₹25,000 for the previous year. Compute her income tax liability.
19. Mr Pal, aged 64 years has a gross total income of ₹6,90,000. He has made tax saving investments of ₹1,10,000 during the year. Compute his income tax liability.
20. Mr Aditya, aged 50 years has a gross total income of ₹15,90,000. His eligible deductions under Chapter VIA are of ₹2,60,000 during the year. Compute his income tax liability.
21. Mr Norman, aged 81 years has a gross total income of ₹6,24,000 including ₹14,000 from savings bank account deposit. He has made tax saving investments of ₹1,00,000 during the year. Compute his income tax liability.
22. Mr Sampat, aged 84 years, has a gross total income of ₹5,50,000 from all heads, other than income of ₹12,500 received from savings bank account deposit. He has made tax saving investments of ₹90,000 during the year. Calculate his income tax liability.
23. Mr Dhruv, aged 84 years has a gross total income of ₹8,50,000. He has made tax saving investments under Chapter VIA of ₹2,00,000 during the year. Compute his income tax liability.
24. For financial year 2018–19, the profit and loss account of M/s ABC & Co. (a partnership firm) shows net profit of ₹3,00,000 after charging/debiting the salary to partners for ₹5,00,000. The firm also paid interest on capital in excess of 12% of ₹90,000. Calculate net taxable income of the firm and the tax payable by it without AMT adjustments.
25. Compute tax payable by a co-operative society having a total income of ₹35,000.