Tax Rates as per Finance Act, 2024 (AY 2025-26)

1. Income **Tax Rates for Individuals**

Students appearing in June, 2025 Examination shall note the following:

1. For Direct taxes, Finance Act, 2024 is applicable.
2. Applicable Assessment year is 2025-26 (Previous Year 2024-25).

a. New Tax Regime (**Section 115BAC – Default)**

The following tax slabs apply for individuals under the default new tax regime:

Income Slab (₹)	Tax Rate
Up to 4,00,000	Nil
4,00,001 – 8,00,000	5%
8,00,001 – 12,00,000	10%
12,00,001 – 16,00,000	15%
16,00,001 – 20,00,000	20%
20,00,001 – 24,00,000	25%
Above 24,00,000	30%

Standard Deduction: ₹75,000 for salaried/pensioners.

Section 87A Rebate: Up to ₹60,000 for total income up to ₹12,00,000.

Surcharge: 10% (₹50L–1Cr), 15% (₹1Cr–2Cr), 25% (₹2Cr–5Cr), 37% (above ₹5Cr).

Health and Education Cess: 4% on tax + surcharge.

b. Old Tax Regime

Applicable for those who opt out of the new regime.

For Individuals below 60 years:

Income Slab (₹)	Tax Rate
Up to 2,50,000	Nil
2,50,001 – 5,00,000	5%
5,00,001 – 10,00,000	20%
Above 10,00,000	30%

2. **Tax Rates for Companies**

Company Type	**Tax Rate**
Domestic Co. (Turnover ≤ ₹400 Cr in FY 2022-23)	25%
Domestic Co. (Others)	30%
Section 115BAA (No exemption route)	22% + 10% surcharge + 4% cess
Section 115BAB (New Mfg. Co.)	15% + 10% surcharge + 4% cess
Foreign Company	40% + surcharge + 4% cess

3. **Partnership Firms and LLPs**

Tax Rate: 30%

Surcharge: 12% if income > ₹1 crore

Cess: 4% on income tax + surcharge

4. **Co-operative Societies**

Category	**Tax Rate**
Up to ₹10,000	10%
₹10,001 – ₹20,000	20%
Above ₹20,000	30%
Section 115BAD (optional)	22% + 10% surcharge + 4% cess
Section 115BAE (New Mfg. Societies)	15% + 10% surcharge + 4% cess

5. **Local Authorities and Other Entities**

Entity	Tax Rate
Local Authorities	30%
AOP/BOI/Artificial Juridical Person	30% + applicable surcharge & cess
Public Trusts (Sec 12AA/12AB)	Exempt, subject to compliance
Private Discretionary Trusts	Maximum marginal rate (30% + surcharge + cess)

Residential Status and Scope of Total Income

Scope of Total Income Based on Residential Status

Category	Income Received in India	Income Deemed to be Received in India	Income Accrued or Arising in India	Income Accrued or Arising Outside India
Resident and Ordinarily Resident (ROR)	Taxable	Taxable	Taxable	Taxable
Resident but Not Ordinarily Resident (RNOR)	Taxable	Taxable	Taxable	Taxable only if from a business controlled or profession set up in India
Non-Resident (NR)	Taxable	Taxable	Taxable	Not Taxable

Residential Status – Section 6 of the Income-tax Act, 1961

1. Residential Status of an Individual (Section 6(1))

An individual is considered Resident in India if any one of the following conditions is satisfied:

- Condition A: Stay in India for 182 days or more in the relevant previous year.
- Condition B: Stay in India for 60 days or more in the relevant previous year AND 365 days or more during the 4 preceding previous years.
- → For Indian citizens or Persons of Indian Origin (PIOs) visiting India: Condition B threshold of 60 days is extended to 182 days.
- → For Indian citizens leaving India for employment or as crew on Indian ships, only Condition A applies.

2. Latest Amendments – Finance Act, 2020 (Applicable from AY 2021-22 onwards)

1. A**. Deemed Residency – Section 6(1A)**

- • Indian citizen having total income (excluding foreign income) exceeding ₹15 lakhs during the previous year, and who is not liable to tax in any other country, shall be deemed to be Resident but Not Ordinarily Resident (RNOR) in India.

2. B**. Reduced Stay Threshold – Proviso to Section 6(1)(b)**

- • For Indian citizens / PIOs visiting India, the 182-day threshold is reduced to 120 days if total income (excluding foreign income) exceeds ₹15 lakhs and the person stays in India for 120 days or more (but less than 182 days).
- • Such person shall be treated as Resident but Not Ordinarily Resident (RNOR).

3. Categories of Resident Individual

Category	Condition
Resident and Ordinarily Resident (ROR)	Resident in 2 out of 10 preceding PYs and stay of 730 days in 7 PYs.
Resident but Not Ordinarily Resident (RNOR)	Resident but fails to satisfy either or both of the above conditions.
Non-Resident (NR)	Fails to satisfy both basic conditions in Section 6(1).

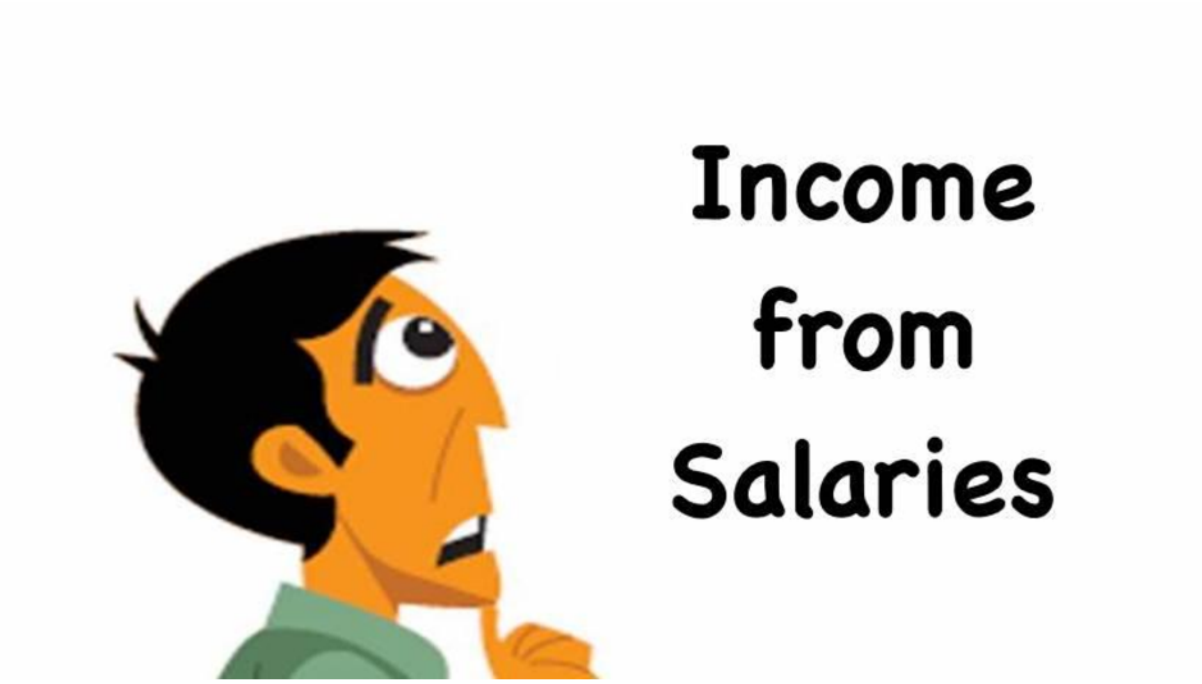
Distinction between Capital Receipt and Revenue Receipt

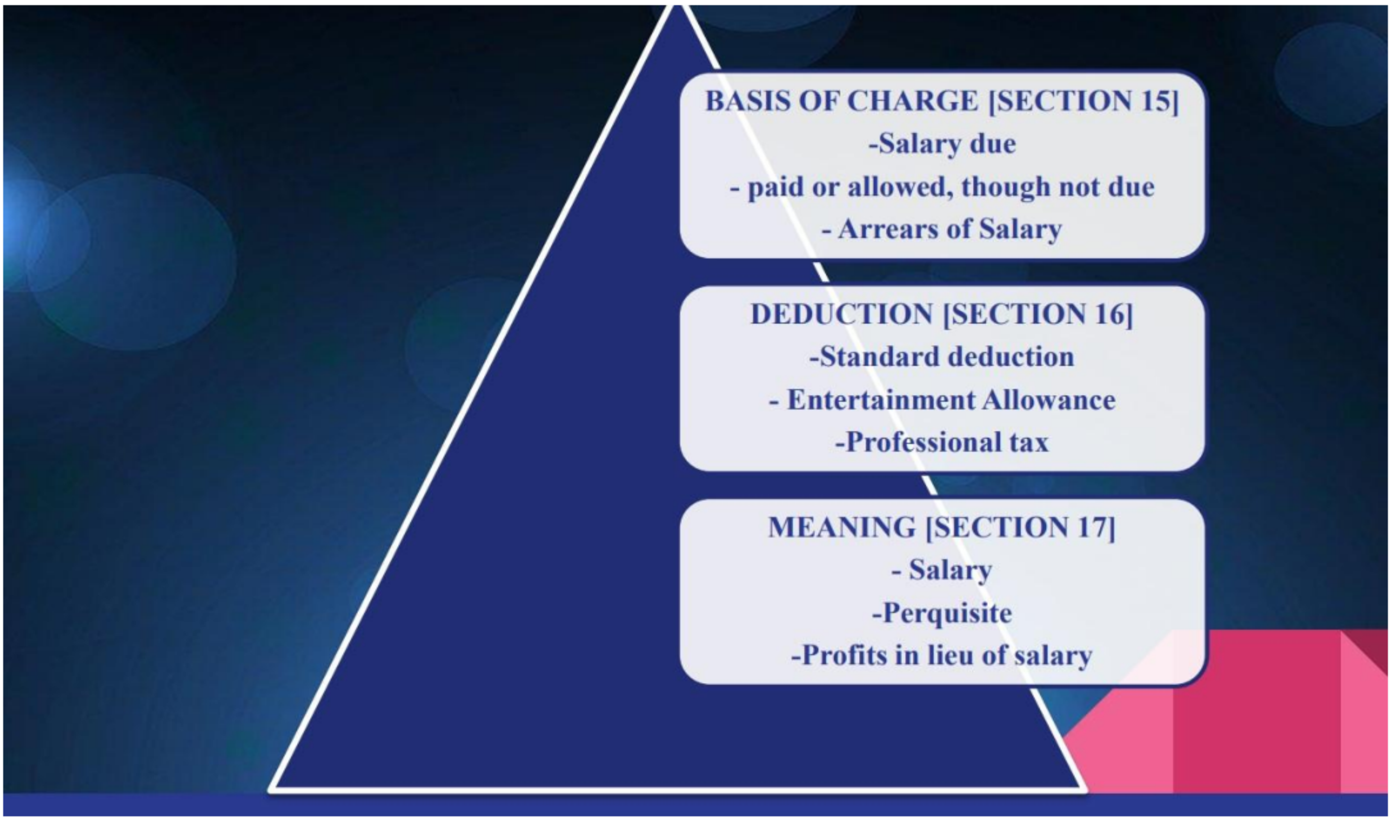
Capital Receipt	Revenue Receipt
1. It is the amount received by sale of fixed assets or receipt from loan taken.	1. It is the amount realised by sale of goods or rendering of services.
2. It is shown in the Balance Sheet.	2. It is shown in Trading or Profit and Loss Account.
3. Capital receipts are usually of non-recurring nature.	3. Revenue receipts are usually of recurring nature.
4. It is not received in the course of normal business activities.	4. It is received in the course of normal trading operations.
5. It is not available as payment of profit to the owner of the business.	5. It is available as payment of profit to the owner of the business after deduction of all revenue expenses.

GROSS TOTAL INCOME

Income From Salary	xx
Add: Income Under the Head House Property	xx
Add: Profits and Gains of Business and Profession	xx
Add: capital gains Income	xx
Add: Income from Other Sources	xx
Gross Total Income	**xxx**
Less: Deductions under Section 80C to 80U	xx
Total Income	**XXX**

(*a*)	**Income from Salaries**			
	Salary/Bonus/Commission, etc.	—		
	Taxable Allowance	—		
	Value of Taxable perquisites	—		
	Gross Salary		—	
	Less: Deductions under section 16		—	
	Net taxable income from Salary			—
(*b*)	**Income from House Property**			
	Net annual value of House Property		—	
	Less: Deductions under section 24		—	
	Income from House Property			—
(*c*)	**Profit and Gains of Business and Profession**			
	Net profit as per P & L Account		—	
	Less/Add: Adjustments required to be made to the profit as per provisions of Income-tax Act.		—	
	Net Profit and Gains of Business and Profession			—
(*d*)	**Capital Gains**			
	Capital Gains as computed		—	
	Less: exemptions under section 54/54B/54D, etc.		—	
	Income from Capital Gains			—
(*e*)	**Income from Other Sources**			
	Gross Income		—	
	Less: Deductions		—	
	Net Income from Other Sources			—
	Gross Total Income [(*a*) + (*b*) + (*c*) + (*d*) + (*e*)]			—
	Less: Deduction available under Chapter VIA (Sections 80C to 80U)			—
	Total Income			—


Income
from
Salaries

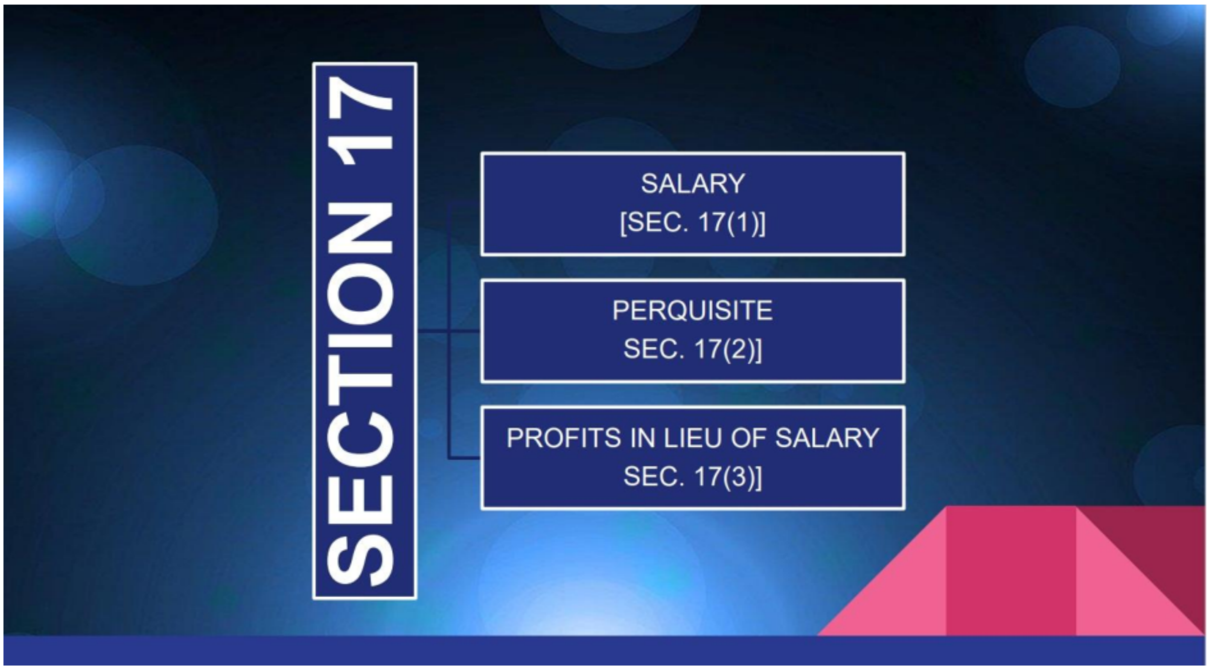

BASIS OF CHARGE [SECTION 15]
-Salary due
- paid or allowed, though not due
- Arrears of Salary
DEDUCTION [SECTION 16]
-Standard deduction
- Entertainment Allowance
-Professional tax
MEANING [SECTION 17]
- Salary
-Perquisite
-Profits in lieu of salary

IMPORTANT CONCEPTS

- **Employer-Employee relationship** must exist between payer and payee

  For example: - Mr. X is an employee of Deloitte, lecturer working in college etc.

- Member of Parliament or State Legislature are not a Govt. Employee and therefore remuneration received by them is not taxable as salary income but as income from other sources
- Salary received by Ministers working in Govt. Dept. is taxable under head Salary
- Salary, bonus, commission or remuneration by whatever name called due to/received by partner of a firm shall not be regarded as Salary



SALARY [SETION 17 (1)]

It is an inclusive definition and includes monetary payments as well as non-monetary facilities.

(i) wages;

(ii) any annuity or pension;

(iii) any gratuity;

(iv) any fees, commissions, perquisites or profits in lieu of or in addition to any salary or wages;

(v) any advance of salary;

(va) any payment received by an employee in respect of any period of leave not availed of by him;

Salary

Allowance

They are a **fixed or flat amount** given to employee

Example

Transport Allowance

Lunch Allowance

Perquisites *(Benefits)*

Monetary Perquisites

They are in **nature of reimbursement** or claim

Example

Reimbursement of taxi bill

Reimbursement of Restaurant Bills

Non Monetary Perquisites

They are in form of **free facility** or benefit

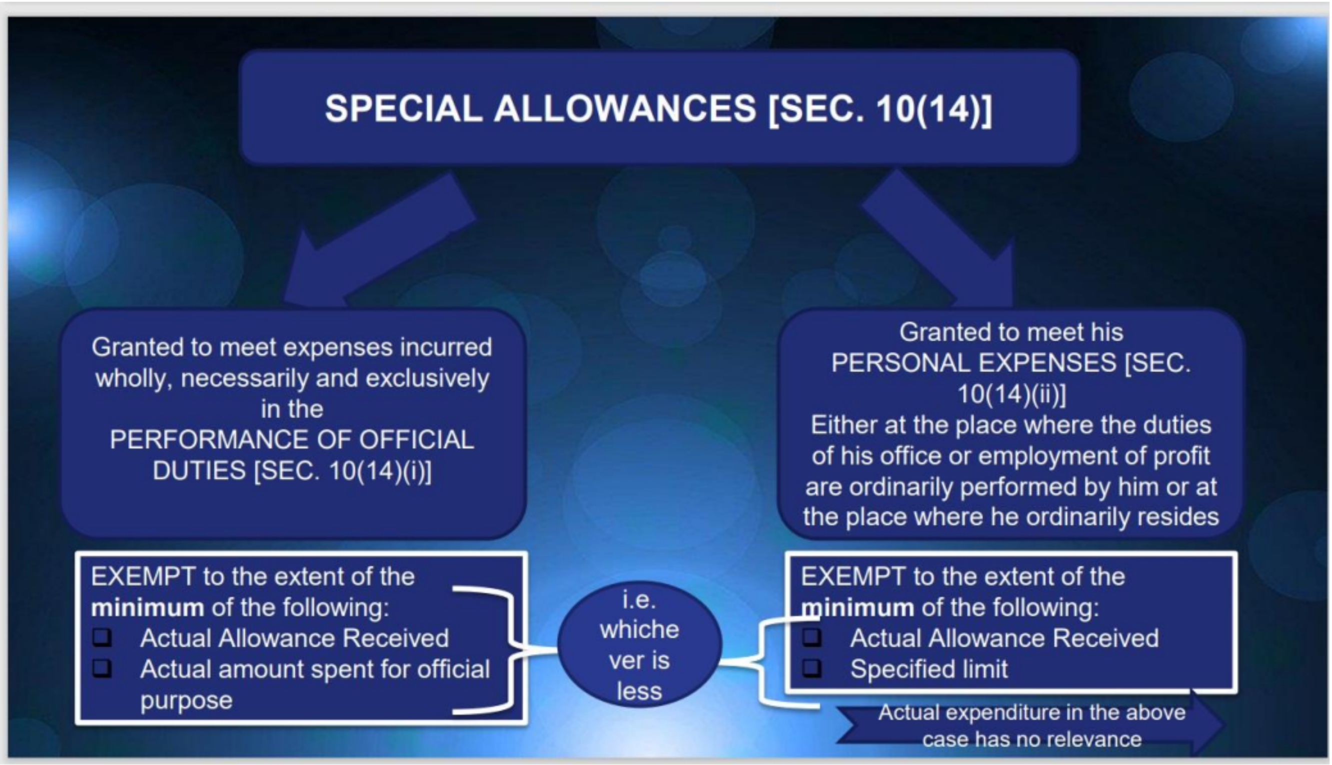
Example

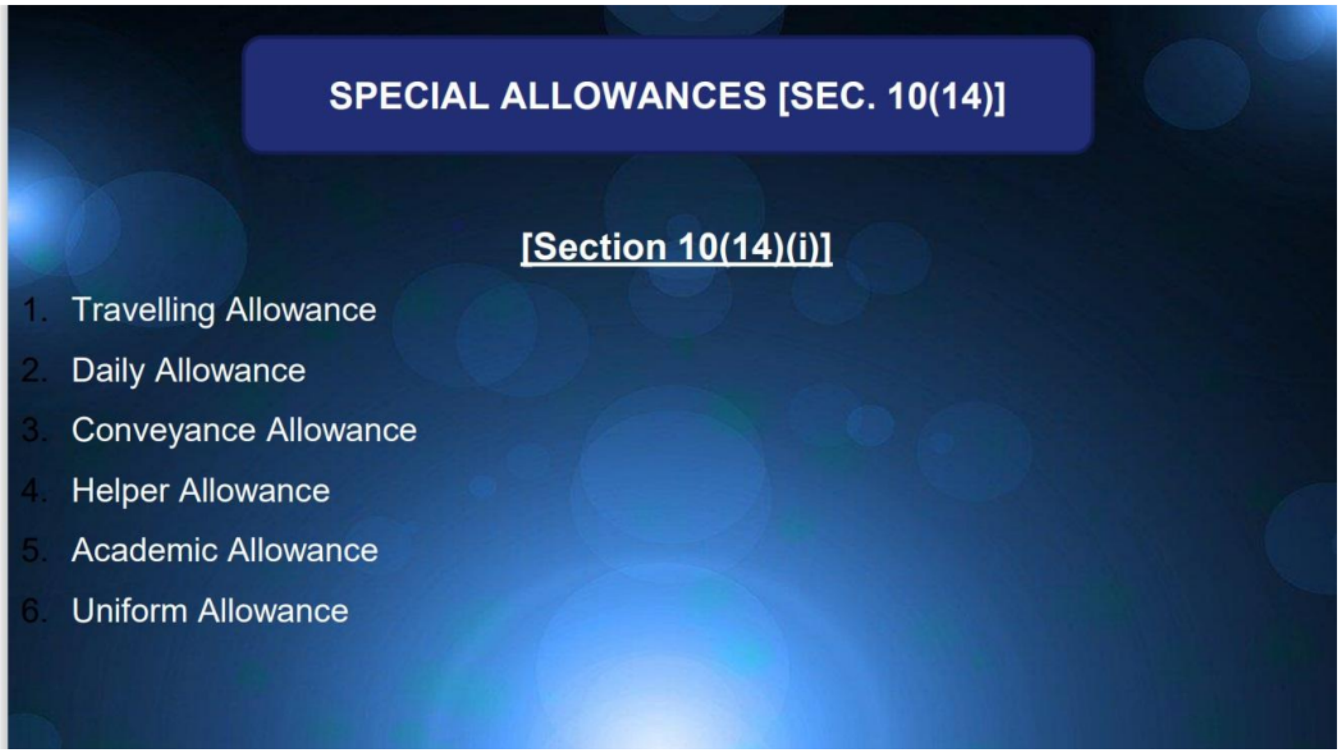
Free Cab or bus for employees

Free Canteen for employees

ALLOWANCES

It is fixed monetary amount paid by employer to the employee in addition to salary for meeting some particular expenses whether personal or for performance of his duties. They are generally taxable on receipt or due basis whichever is earlier unless specific exemption is provided.




SPECIAL ALLOWANCES [SEC. 10(14)]
[Section 10(14)(i)]
1. Travelling Allowance
2. Daily Allowance
3. Conveyance Allowance
4. Helper Allowance
5. Academic Allowance
6. Uniform Allowance

HOUSE RENT ALLOWANCE [SEC 10(13A)]

HRA is given by employer to employee to meet the expenses in connection with rent of the accommodation which the employee might have to take for his/her residence.

HRA given to an employee is **exempt** to the extent of **minimum** of the following:

Metro Cities (i.e. Delhi, Mumbai, Chennai, Kolkata)	Other Cities
1. HRA actually received	1. HRA actually received
2. Excess of Rent paid over 10% of salary i.e. (Rent paid – 10% of salary for relevant period)	2. Excess of Rent paid over 10% of salary i.e. (Rent paid – 10% of salary for relevant period)
3. 50% of the salary for the relevant period	3. 40% of the salary for the relevant period

Important Allowances

Fully Exempt Allowances

1. **Uniform Allowance**
2. **Daily Allowance**
3. **Conveyance Allowance**
4. **Helper Allowance**
5. **Travelling Allowance**
6. **Academic and Research Allowance**

↓

Amount should be actually used, if not used, then unused amount taxable (Bills/ Declaration required)

Exempt up to Some Limits

1. **Children Education Allowance**
   100 per month per child
   for 2 children max
2. **Children Hostel Allowance**
   300 per month per child
   for 2 children max
3. ~~**Transport Allowance**~~
   ~~1600 per month~~ *(Now it is taxable)*
4. **House Rent Allowance (HRA)**
   50%*(Basic + Da) in metro cities
   (Delhi, Mumbai, Kolkata, Chennai)
   or
   40%*(Basic + Da) in non metro cities
   (All other cities)

Taxable Allowances

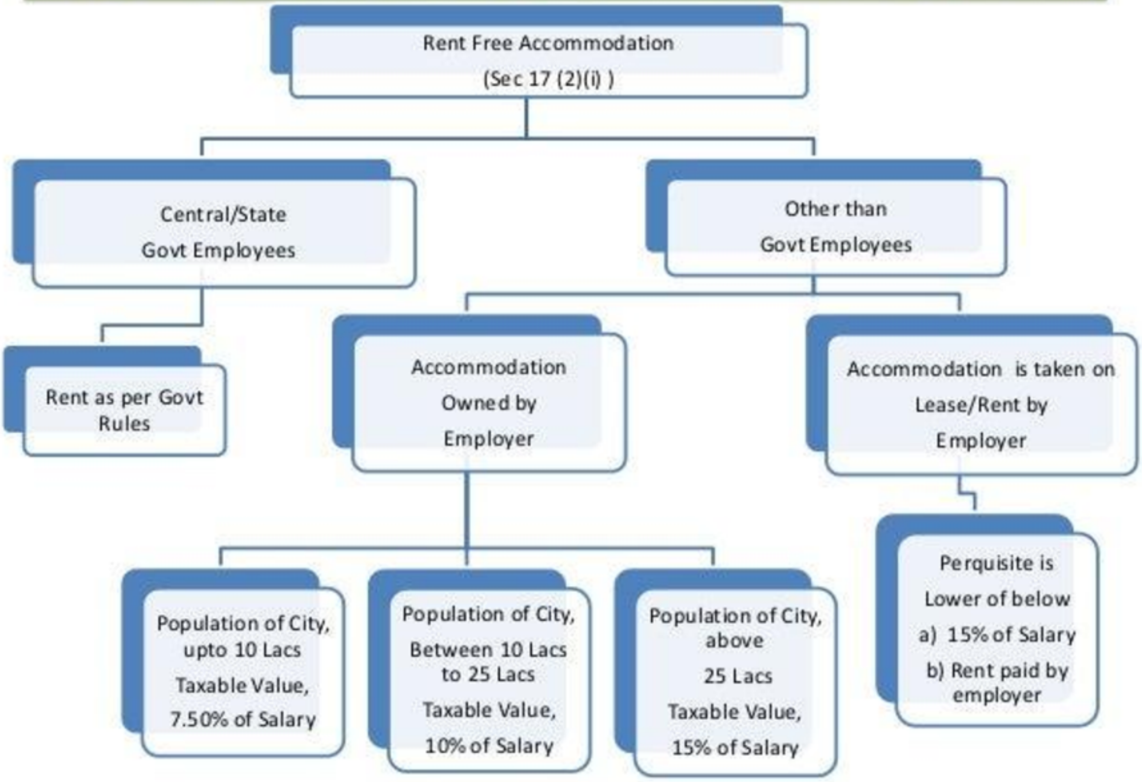
All Others Allowances

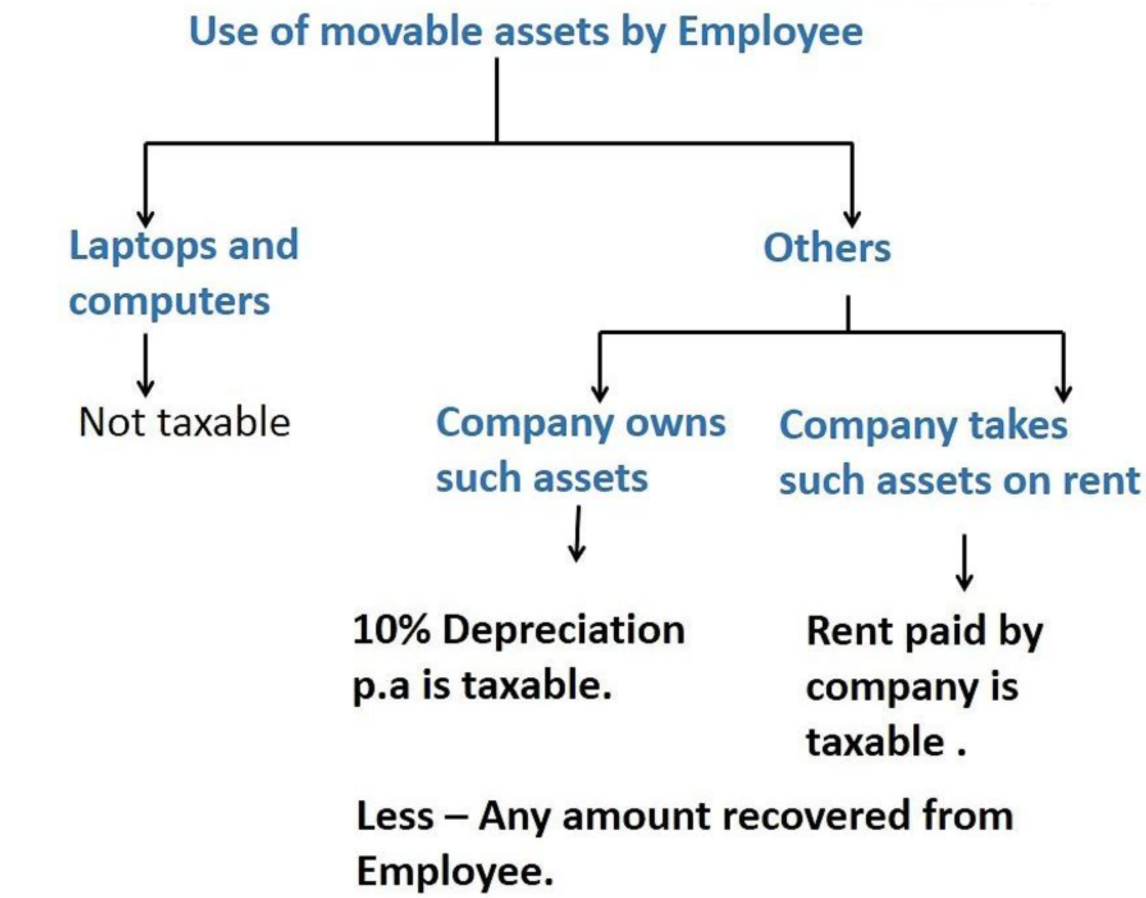
like

- Dearness Allowance
- Special Allowance
- Bonus
- Incentive
- Variable Pay
- Lunch Allowances
- Transport Allowance

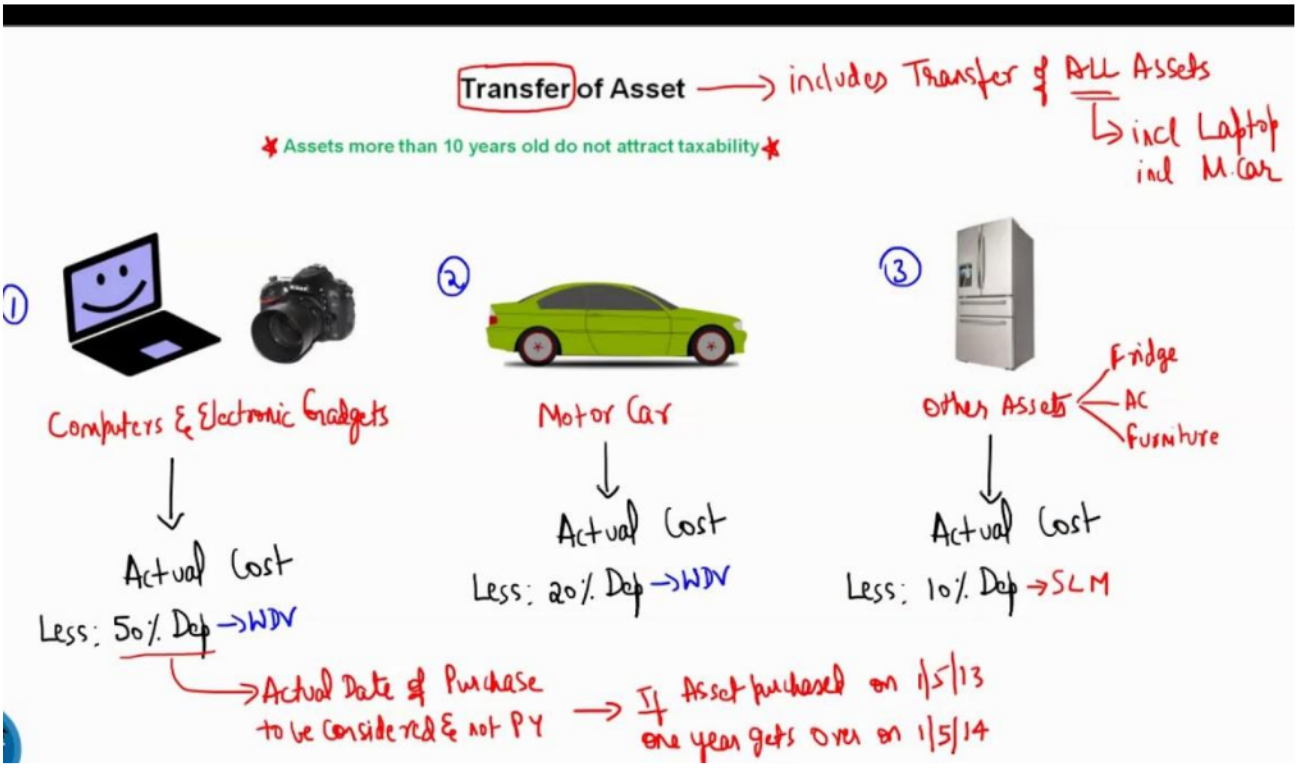
(Any Allowance not heard of)

1) Valuation Unfurnished Rent Free Accommodation :





Note :- *Only moveable assets covered here, separate section for Immovable property like house which are covered in RFA(Rent free Accomodation)*


Transfer of Asset → includes Transfer of ALL Assets
↳ incl Laptop
incl M.Car
Assets more than 10 years old do not attract taxability
1
Computers & Electronic Gadgets
Actual Cost
Less: 50% Dep → WDV
→ Actual Date of Purchase to be considered & not PY
→ If Asset purchased on 1/5/13
one year gets over on 1/5/14
2
Motor Car
Actual Cost
Less: 20% Dep → WDV
3
Other Assets
Fridge
AC
Furniture
Actual Cost
Less: 10% Dep → SLM

- **Transfer of Moveable Assets**

Computer and electronic Items	Motors cars	Other assets
Cost price ***Less*** **50% depreciation** *for each completed year is taxable.*	**Cost price** ***Less*** **20% depreciation** *for each completed year is taxable.*	**Cost price** ***Less*** **10% depreciation** *for each completed year is taxable.*
WDV Method	WDV Method	SLM Method

Motor car given by company to Employee

For Official purpose

Not taxable

If this case **Register to be maintained** mentioning km travelled /Purpose of travel

+

Certifcate from the Employer required that expenses Is incurred for official purpose.

Personal purpose

Fully taxable

All the expenses of car like petrol diesel, driver salary and 10% depreciation on car fully taxable .

If more than 1 car given then second car deemed to used for Private purpose

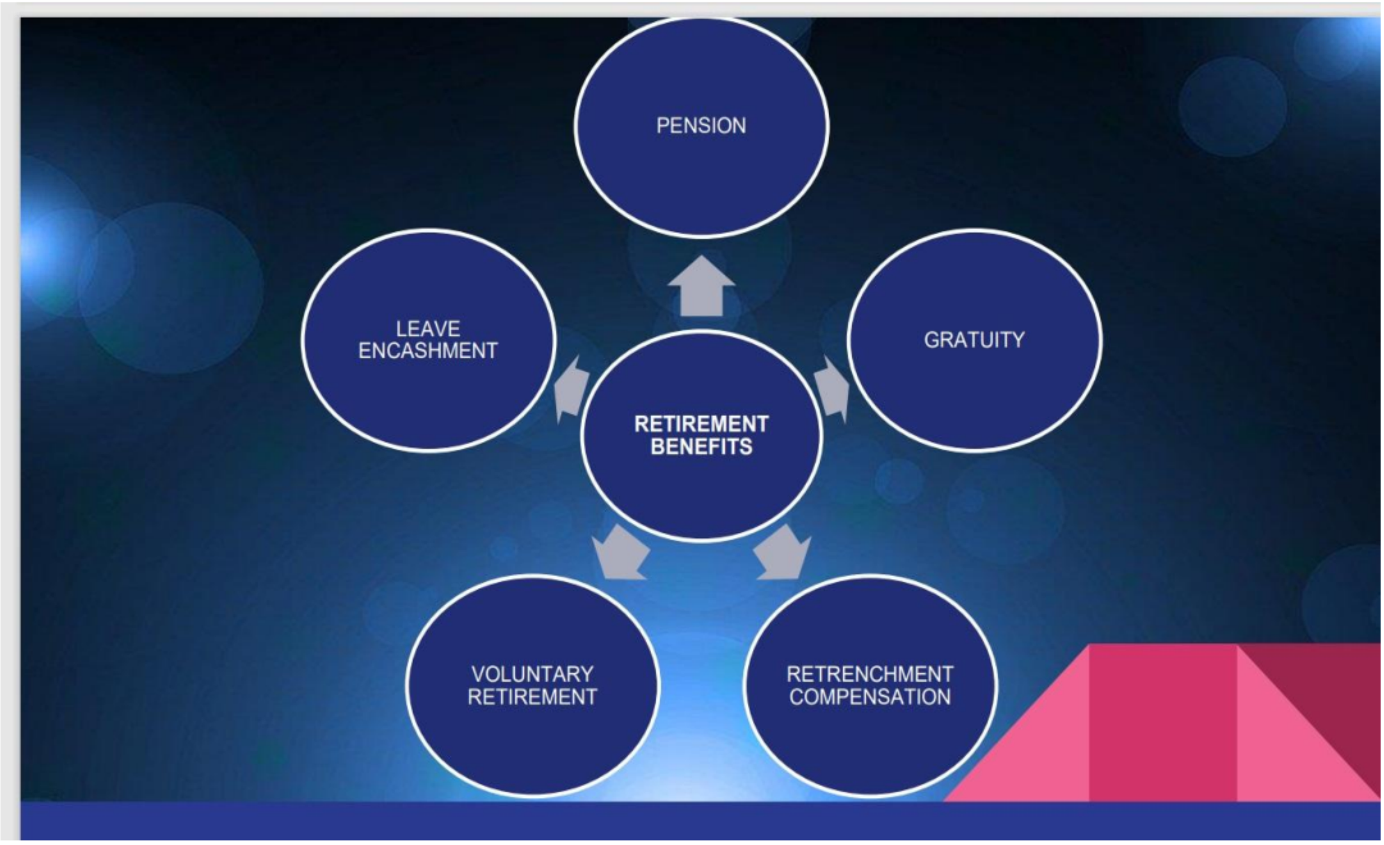
Partly Official Partly Personal purpose

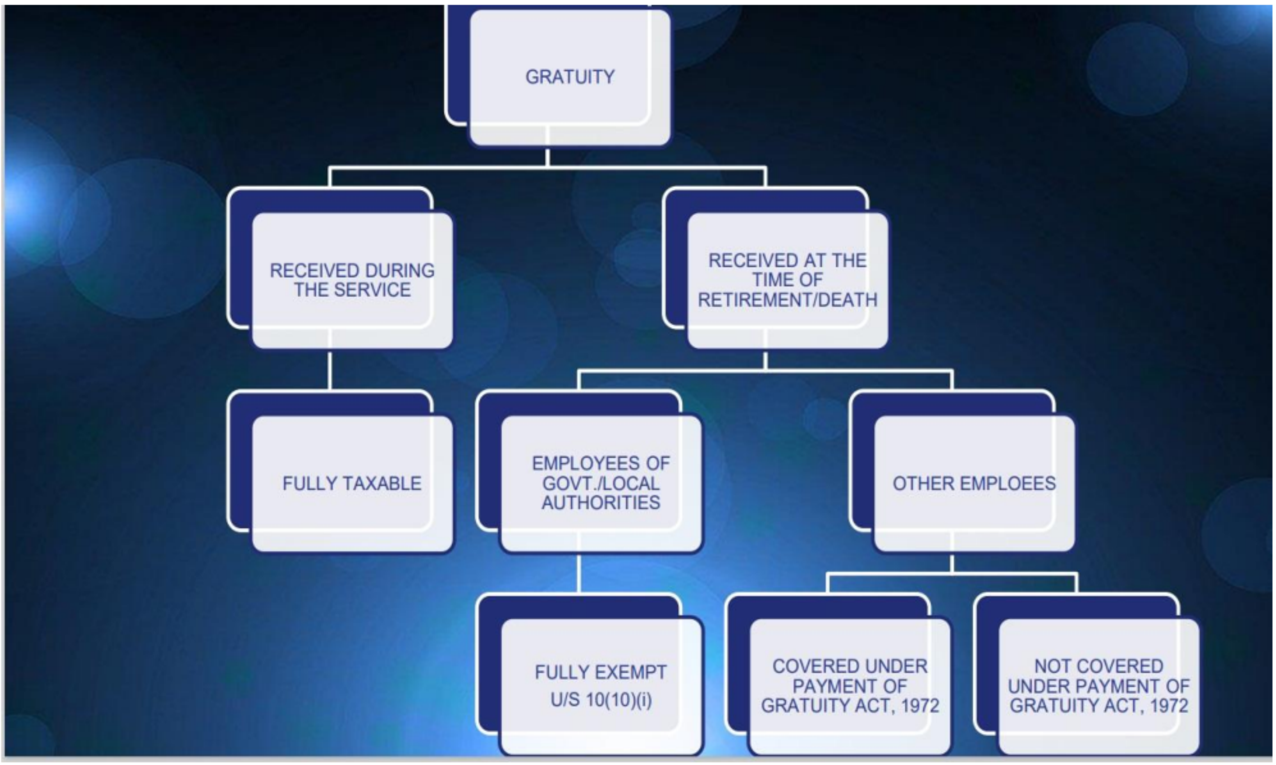
Some amount taxable

- **Only car given** → **600*/900** p.m taxable**
- **Car + Expenses given** → **1800*/2400** p.m taxable**

+

900 p.m. if Driver also provided


PENSION
LEAVE ENCASHMENT
GRATUITY
RETIREMENT BENEFITS
VOLUNTARY RETIREMENT
RETRENCHMENT COMPENSATION


GRATUITY
RECEIVED DURING THE SERVICE
RECEIVED AT THE TIME OF RETIREMENT/DEATH
FULLY TAXABLE
EMPLOYEES OF GOVT./LOCAL AUTHORITIES
OTHER EMPLOEES
FULLY EXEMPT U/S 10(10)(i)
COVERED UNDER PAYMENT OF GRATUITY ACT, 1972
NOT COVERED UNDER PAYMENT OF GRATUITY ACT, 1972

Income Tax Exemption on Gratuity

Calculation of the amount of gratuity exempted from tax

Employees Covered Under the Payment of Gratuity Act

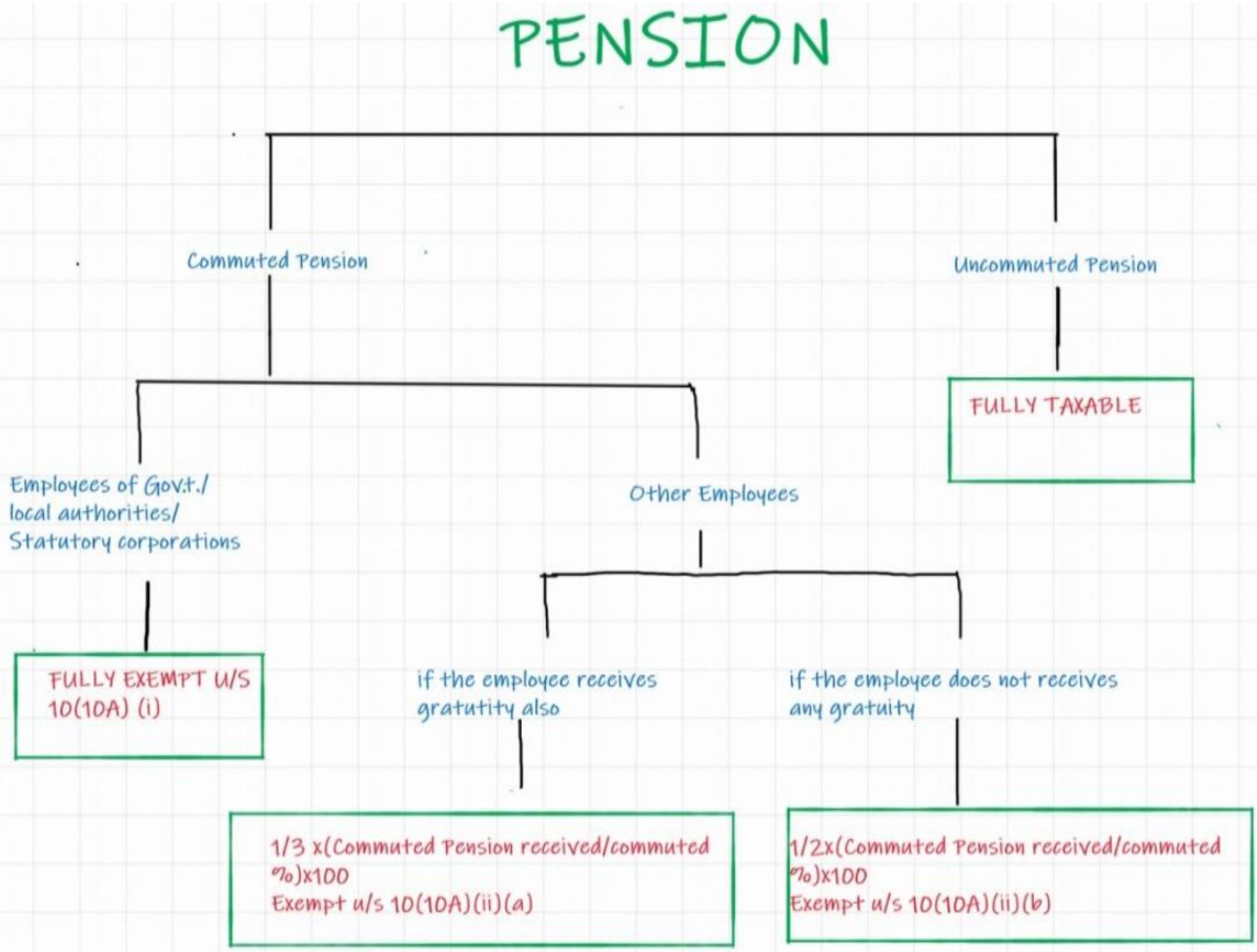
The least of the following is exempt from tax:

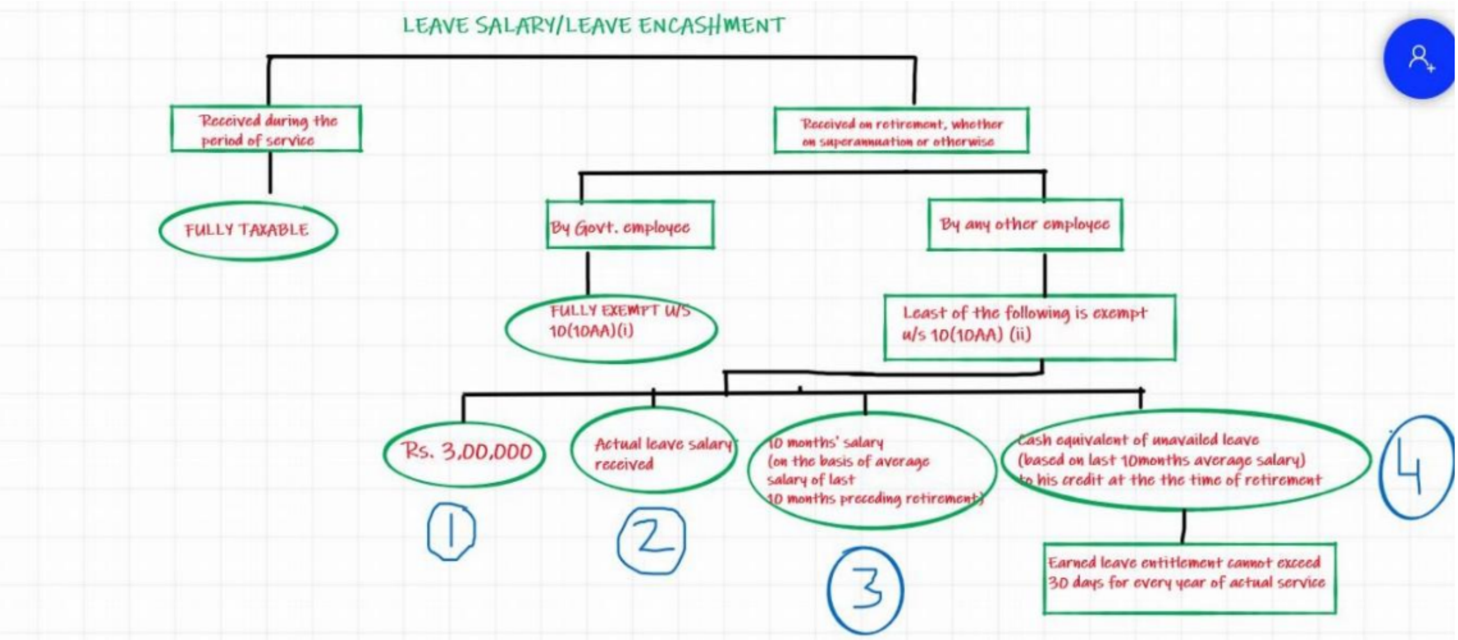
- Last salary (basic + DA) x number of years of employment x 15/26;
- Rs. 20,00,000
- Gratuity actually received

Employees Not Covered Under the Payment of Gratuity Act

The least of the following are exempt from tax:

- Last 10 month's average salary (basic + DA) x number of years of employment x 1/2;
- Rs. 20,00,000
- Gratuity actually received


PENSION
Commuted Pension
Uncommuted Pension
FULLY TAXABLE
Employees of Gov.t./
local authorities/
Statutory corporations
Other Employees
FULLY EXEMPT U/S
10(10A) (i)
if the employee receives
gratutity also
if the employee does not receives
any gratuity
1/3 x(Commuted Pension received/commuted
%)x100
Exempt u/s 10(10A)(ii)(a)
1/2x(Commuted Pension received/commuted
%)x100
Exempt u/s 10(10A)(ii)(b)



NOTES:

LEAVES UNAVAILED= LEAVE ALLOWED -LEAVES AVAILED

Leaves allowed= No. of completed years of service x (30 days per year/1 month)*

* Actual allowed by the employer or 30days/1month, whichever is less.

Voluntary Retirement Scheme

- Tax treatment under sec 10C
- Exemption is to the extent of least of following

1) Compensation actually received
2) Limit 500000
3) Formula – Last drawn Salary * 3 * completed yrs of service
4) Formula – Last drawn Salary * remaining months of service

Guidelines

- It applies to an employee of the company who has completed ten years of service or completed 40 years of age
- It applies to all employees (by whatever name called), including workers and executives of the company excepting Directors of the company
- The scheme of voluntary retirement has been drawn to result in overall reduction in the existing strength of the employees of the company
- The vacancy caused by voluntary retirement is not to be filled up, nor the retiring employee is to be employed in another company or concern belonging to the same management
- The employee has not availed in the past the benefit of any other voluntary retirement scheme.

Computation of Income from Salary

Assessment Year: 2025–26
Name of the Assessee:
PAN:
Employer's Name:

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1. Gross Salary ***(Section 17(1))***

Particulars	**Amount (₹)**
Basic Salary	
Dearness Allowance (DA)	
House Rent Allowance (HRA) -Exemptions	
Gross Salary	**XXXXX**

Less: Deductions under Section 16

Standard Deduction (old Regime)	Sec 16(ia) 75,000
Professional Tax (if any)	Sec 16(iii) XXXX
Education allowance (5000) Govt employee	

Income Chargeable under the Head "Salaries"---------XX

INCOME FROM HOUSE PROPERTY

Sections (Income Tax Act, 1961)	Details
Section 22	Basis of Charge
Section 23(1)	Annual Value of House Property
Section 23(2)	Annual Value where property is self-occupied / unoccupied (Max 2 houses in aggregate)
Section 23(3)	Annual Value where the property is partly let out and partly self-occupied
Section 23(4)	Deemed to be let-out property (Max 2 houses in aggregate to be considered as SOP)
Section 23(5)	Notional income from house property held as stock in trade (upto 2 years from end of FY in which CoCC is obtained)
Section 24	Deduction from Net Annual Value
Section 24(a)	Standard Deduction
Section 24(b)	Interest on borrowed capital
Section 25	Inadmissible Deductions

Section 25A	Treatment of Unrealized Rent / Arrear of Rent
Section 26	Income from Co-Owned Property
Section 27	Deemed Ownership

COMPUTATION OF INCOME UNDER HOUSE PROPERTY

↑Municipal value	------
Fair rent	
↓ Higher	
Standard rent	
↑ Expected rent	
Actual received**	
Gross Annual Value (GAV)	
Less: Municipal Taxes (Paid by owner)	-----
Less: Amount of Rent could not be realized	-----
Net Annual Value (NAV)	-----
Less: Section 24 Deduction Standard Deduction (30% of NAV) Interest on Loan on Borrowed Capital	 ----- -----
Income chargeable for Tax under House Property	-----

Points to be noted

* It is immaterial whether interest has been paid or not during p/y.

* Interest on interest and brokerage or commission paid for arrangement of loan is not deductable.

* Ceiling of Rs 200000/Rs 30000 is not applicable on deemed let out property.

* If assessee let out his house to his employer, which in turn allots the same to him as rent free accommodation, such house will not be treated as self-occupied for the above purpose, because he is not occupied his own house in capacity of owner.

* Interest payable on fresh loans to repay the original loan is also deductable.

* Unrealized rent would be taxable on receipt (Arrear of Rent) , only if it was earlier allowed as deduction.

Unrealised rent received subsequently to be charged to income-tax (Section 25AA)
Where the assessee cannot realise rent from a property let to a tenant and subsequently realised any amount in respect of such rent, the amount so realised charged as "Income from house property as the income of that previous year in which such rent is realised whether or not the assessee is the owner of that property in the previous year.

Taxation of arrears of rent in the year of receipt (Section 25B)
Section 25B inserted in the Income-tax Act w.e.f. assessment year 2001-2002 provides that if any arrears of rent, other than what has already been taxed under Section 23, are received in a subsequent year, the arrears will be taxed in the year of receipt whether the property is owned by the assessee in the year of receipt or not. A deduction of sum equal to 30% of such amount of rent shall be allowed towards repairs and collection of rent.

Co-owners of the property (Section 26)
Where the property is owned jointly by two or more persons and their respective shares are definite and ascertainable, they shall be assessed individually on their shares in the income from the property

Loss from House Property
When the amount of permissible deduction exceeds the NAV of the property, there will be a loss from that property.
This loss can be set-off against the income from any other house property and under any other head in the same year and the balance unabsorbed part of the loss can be carried forward in terms of Section 71B for set off within 8 subsequent assessment years against income from house property.

After the amendment in Budget 2019, An Assessee can claim two property as self-occupied properties with annual value as Nil. Previous to 2019, only one property was claimed as self-occupied, the notional rent of the 2nd property was taxable.

Deductions under section 80 EE is available in relation to loan taken from financial institution for purchase of residential house property s.t. maximum amount of Rs 1,00,000/-.

Impact of Section 115BAC under the head House Property [Amendment vide Finance Act, 2020]

Finance Act, 2020 has introduced a New Optional Tax System for Individuals and HUFs u/s 115BAC of the Income Tax Act, 1961 w.e.f. A/Y 21-22 to provide for concessional rate of Slab Rates to be applied on Total Income calculated without claiming specified deductions and exemptions.

Hence, from AY 2021-22 or FY 2020-21, there are two operative tax system –

1. One is the Existing tax system where all the applicable deductions and exemptions are allowed and the tax rates are as per the Slab rates of tax specified in the Finance Act, 2020.
2. The second one is section 115BAC which is a Optional Tax System and under which many deductions and exemptions have not been allowed but lower slab tax rates are provided in the section 115BAC itself.

Mr Raman is the owner of a big house. Municipal valuation of his house is Rs. 1, 00,000. He has let out 1/3rd portion of the house on a monthly rent of Rs 8,000 and occupies remaining 2/3rd portion for his own residence. Municipal taxes in respect of the whole house were Rs 15,000.He paid Rs 12,000 on insurance of the house. The house is constructed on leased land. He paid Rs 2,000 as its rent. He had constructed the house with a loan of Rs 15, 00,000 taken on 1st April, 2020, which was completed on 31st March, 2023 on which he pays 12% p.a. interest. Compute his income from 'House property' for the AY 2024-25

Income from House property of Mr Raman for AY 24-25

Self-occupied Portion (2/3rd)

Loss from house

Annual Value	Nil
Less: Interest on loan (2/3rd of Rs 1,80,000)	1,20,000
Loss from Self-Occupied house	(-)1,20,000
Let-Out portion (1/3rd) Rental value of (1/3rd portion) being more	
than municipal value	96,000
Less: Municipal taxes paid (for 1/3rd portion)	5,000
Net Annual Value	**91,000**
Less: Deductions:	
i) Statutory Deductions @ 30% of NAV	27,300
ii) Interest on loan (1/3rd of Rs 1,80,000 60,000 iii) Preacquisition Period interest (1/5th) 72,000	**159,300**
Income from let-out portion	**(68,300)**

losserty = Rs 68300 +Rs 1, 20,000= Rs 1,88,300

Note:

Interest of pre-construction period shall be deducted because its within maximum period of 5 years will expire on 31/03/2027.

Loan has been taken on 1/04/2020 (after 01/04/1999) for construction of house and construction of the house has been completed within 5 years from the year of taking loan. The maximum limit of deduction of interest is Rs 2, 00,000. Therefore, deduction Rs 1, 20,000 shall be allowed.

PAPI Instalmnet= 1.4.2020-31.3.2022= 2 years =15 l *12% =1.8lakhs *2=3.6 lakhs= 3.6/5=72000

22-23, 23-24, 24-25,25-26,26-27=5 years

Capital Gains Format

Short term Capital gains	**INR**	**Long term Capital Gains**	**INR**
FVOC	xx	FVOC	xx
(-) Expenses for transfer	xx	(-) Expenses for transfer	xx
Net Consideration	**xx**	**Net Consideration**	**xx**
(-) cost of acquisition	xx	(-) Indexed cost of acquisition	xx
(-) cost of improvement	xx	(-) indexed cost of improvement	xx
Short term Capital Gains	**xx**	**Long term Capital Gains**	**xx**
Less: Ex u/s 54 D, 54 G, 54GA	xx	Less: Ex u/s 54, 54 B, 54 D,54EC, 54F, 54 G, 54GA, 54GB	xx
Total taxable STCG	**xx**	**Total taxable LTCG**	**xx**

1. Definition and Scope

Capital Asset: As per Section 2(14) of the Income-tax Act, 1961, a capital asset includes property of any kind held by an assessee, whether or not connected with their business or profession.

Transfer: Defined under Section 2(47), it encompasses sale, exchange, relinquishment, extinguishment of rights, compulsory acquisition, conversion into stock-in-trade, and other specified transactions.

2. Recent Amendments Effective from 23rd July 2024

2.1 Holding Period Rationalization (Section 2(42A))

• Listed Securities: Holding period reduced to 12 months.

• Other Assets: Holding period standardized to 24 months.

• This amendment simplifies the classification of capital gains into short-term and long-term.

2.2 Tax Rates Adjustment

• Short-Term Capital Gains (STCG):

- Under Section 111A: Tax rate increased from 15% to 20%.

- Other STCG: Taxed at applicable slab rates.

• Long-Term Capital Gains (LTCG):

- Uniform tax rate of 12.5% introduced for all assets.

- For LTCG under Section 112A, gains up to ₹1.25 lakh are exempt.

2.3 Indexation Benefit

• Indexation benefit is withdrawn for LTCG.

• Exception: For resident individuals and HUFs transferring land or building acquired before 23rd July 2024, the assessee can opt for:

- Tax at 12.5% without indexation, or

- Tax at 20% with indexation.

2.4 Section 47 Amendments

• Transfers under gift, will, or irrevocable trust by individuals or HUFs are not regarded as transfers for capital gains purposes.

2.5 Withholding Tax Provisions

• Sections 196B and 196C amended to align TDS rates with the new capital gains tax rates.

3. Additional Noteworthy Points

3.1 Buy-Back of Shares

• Sum received by shareholders from buy-back of shares is treated as dividend under Section 2(22).

• Such income is taxable in the hands of shareholders; the company is not liable to pay dividend distribution tax under Section 115QA.

3.2 Omission of Section 56(2)(viib)

• Section dealing with taxation of share premium received by closely held companies is omitted from AY 2025-26 onwards.

Assets in Block		No Assets in Block	
Sale Cond/FVOC (-) transfer exp (-) COA (-)WDV	Sale Cond/FVOC (-) transfer exp (-) COA (-)WDV	Sale Cond/FVOC (-)transfer exp (-) COA (-)WDV	Sale Cond/FVOC (-) transfer exp (-) COA (-)WDV
+ve	-ve	WDV +ve	WDV -ve
Depreciation	No Depreciation STCG	No Depreciation STCG	No Depreciation STCL

CAPITAL GAINS - VARIOUS EXEMPTIONS DETAILS

Section	**54**	**54B**	**54D**	**54EC**	**54F**	**54G**	**54GA**
Kind of assets transferred / sold	LTCA being House Property used for residential purpose	Land used for agricultural purposes	Land and Building or any right therein used by an industrial undertaking compulsorily acquired under any law	Any LTCA	LTCA other than residential house	Land or Building or any right therein or Plant or Machinery in Urban Area used for the business	Land or Building or any right therein or Plant or Machinery in Urban Area used for the business
Eligible Assessees	Individual & HUF	Individual & HUF	All	All	Individual & HUF	Industrial undertakings in urban area shifting to an area other than urban area	Industrial undertakings in urban area shifting to any Special Economic Zone
Condition of period of holding	3 years	3 years	3 years	1 year for Shares, Listed Securities, Units of UTI/ Mutual Fund specified u/s 10(23D), Zero coupon bonds, 3 years for any other capital assets	1 year for Shares, Listed Securities, Units of UTI/ Mutual Fund specified u/s 10(23D), Zero-coupon bonds, 3 years for other capital assets	No period specified	No period specified
Condition of utilization of consideration	Purchase of Residential House within 2 years after or 1 year prior to date of	Purchase of Agricultural Land within 2 years from the date of transfer	Purchase/construction of land, building, or any right therein within 3 years from	Investment of whole or any Part of Capital Gain in 'specified assets' as	Purchase of Residential House within 2 years after or 1 year prior to date of transfer; or construction of	Acquire similar assets & incur expenses on shifting original asset, within 1 year before, or 3 years from the	Acquire similar assets & incur expenses on shifting original asset, within 1 year before, or 3

	transfer: or construction of residential house within 3 years from the date of transfer **Maximum Deduction allowed w.e.f 1st April , 2023** (i.e. A.Y. 2024-25) maximum deduction allowed under Sec 54 will be capped to Rs. 10 crore and consequently the cost of the new asset will be limited to Rs. 10 Crore.		the date of transfer by way of compulsory acquisition for the purpose of shifting/ re-establishing / setting up another industrial undertaking	stipulated in the section. Investment should be made within 6 months from the date of transfer	residential house within 3 years from date of transfer **w.e.f 1st April , 2023** (i.e. A.Y. 2024-25) maximum deduction allowed under Sec 54 will be capped to Rs. 10 crore and consequently the cost of the new asset will be limited to Rs. 10 Crore.	date of transfer	years from the date of transfer
Exempt Amount	The amount of gain or, the cost of new asset, whichever is less • An individual or HUF can claim a maximum exemption of Rs. 10	Lower of the Capital Gain or the Cost of acquisition of new agricultural land	Lower of the Capital Gain or the Cost of acquisition of new land and building	Lower of the Capital Gain or the investment in specified assets subject to a maximum of INR 50 lakhs.	Refer Note No. 5 • An individual or HUF can claim a maximum exemption of Rs. 10 crores under Sections 54 and 54F	The amount of gain or the aggregate cost of new asset, and shifting expenses, whichever is lower	The amount of gain or the aggregate cost of new asset, and shifting expenses, whichever is lower

	crores under Sections 54 and 54F						
Other requirements	See notes 1, 2 & 4 w.e.f 1st April, 2020 , proviso has been inserted that " where the amount of capital gain does not exceed Rs. 2 crore ,then the assesse has the option to purchase or construct Two Residential houses" Provided further that where during any assessment year, the assessee has exercised the option referred to in the first proviso, he shall not be subsequently entitled to exercise the option for the same or any other	Assessee or his parents must have used the land for agricultural purpose for preceding two years	See notes 1, 2 & 4 Must have been used for business of industrial undertaking for preceding 2 years	See notes 1, 2 & 4 Rebate u/s 88 or deduction u/s 80C not to be granted for the same investment. New Asset must be retained for a period of 3 years	Must not own more than 1 residential house other than the new asset on the date of transfer of original asset 3 years after the date of transfer *Net sale consideration should be invested in New asset else proportionate exemption will be available.*	Must have been shifted to non-urban area. See Notes 1 & 2	See Notes 1, 2, 3 and 4

	assessment year.						

NOTE

Exemption under section 54 can be claimed in respect of capital gains arising on transfer of capital asset, being long-term residential house property. With effect from Assessment Year 2020-21, an assessee has an option to make investment in **2 residential house properties** in India to claim section 54 exemption. This option can be exercised by the **assessee only once in his lifetime** provided the amount of LTCG **does not exceed Rs. 2 crores.** If, the gain is more than Rs. 2 crores, he cannot claim the benefit of section 54 by making investment in 2 the house properties**. However, assessee can claim the benefit only in respect of one residential property invested**.

Capital Gain on Transfer of Residential Property (a house or a plot of land) [Section 54GB]

Who can claim exemption	An individual or a Hindu undivided family.
Which specified asset is eligible	On transfer of a long term residential property (a house or a plot of land) if transfer takes place during april 1, 2012 and March 31, 2017. (in case of eligible start up, residential property can be transferred up to March 31, 2021.
Which asset the taxpayer should acquire to get benefit of Exemption	Equity shares of 25% of share capital or voting rights in an “eligible company
What is the time-limit for acquiring the new asst.	Equity shares in an “eligible company” should be acquired on or before the due date of furnishing of return of income under section 139(1). the “eligible company” should utilize this amount for the purchase of a “new asset” within one year from the date of subscription in equity shares.
How much is exempt	Investment in “new asset” by the eligible company net sale consideration x capital gain. exemption cannot exceed capital gain.

It is possible to revoke the exemption	In the following cases, exemption will be taken back and the amount of exemption (or proportionate exemption) given earlier under section 54 GB will become long-term capital gain of the assessee (i.e. transferor of residential property). it shall be taxable in the year in which the assessee or the eligible company commits the following defaults-
	1. if the equity shares in the eligible company are sold or otherwise transferred by the assessee within 5 years from the date of acquisition. 2. If the "new asset" is sold or otherwise transferred by the eligible company within 5 years from the date of acquisition. 3. If the deposit account is not utilized fully or partly by the eligible company for purchasing the new asset within 1 year from the date of subscription in equity shares (by the assessee)

Extension of Time for Acquiring New Asset or Depositing or Investing Amount of Capital Gain (Section 54H)

This section states that where the transfer of the original asset is by way of compulsory acquisition under any law and the amount of compensation awarded for such acquisition is not received by the assessee on the date of such transfer, the period of acquiring the new asset by the assessee referred to in Sections 54, 54B, 54d, 54eC and 54F or for depositing or investing the amount of capital gain shall be extended. this extended period shall be reckoned from the date of receipt of such compensation.

INSERTION OF NEW SEC 50AA FOR TAXATION OF MARKET LINKED DEBENTURE

From 1st April 2023 onwards, any revenues (gains) earned from transferring or redeeming MLDs would be classified as short-term capital gains (STCG) and taxed at the rate applicable for the investor (also known as the marginal rate or slab rate) instead of being treated as long-term capital gains (LTCG) and taxed at long term capital gain tax rate of 10%.

Mr. Arjun purchased a plot of residential land on 15th June 2012 for ₹10,00,000. He sold the land on 10th August 2024 for ₹65,00,000. The Fair Market Value (FMV) as on 1st April 2001 was ₹12,00,000. The expenses on transfer were ₹1,00,000.

CII for FY 2001-02 = 100
CII for FY 2012-13 = 200
CII for FY 2024-25 = 360

As per the July 2024 amendment, he can opt to pay:
- 12.5% tax without indexation
- 20% tax with indexation (for land acquired before 23rd July 2024)

Solution:

Step 1: Indexed Cost of Acquisition (using FMV as on 01.04.2001)

= ₹12,00,000 × (360 / 100) = ₹43,20,000

Step 2: Capital Gain Computation

Without Indexation:

• Sale Consideration = ₹65,00,000
• Less: Cost of Acquisition = ₹12,00,000
• Less: Transfer Expenses = ₹1,00,000
• LTCG (Without Indexation) = ₹65,00,000 – ₹13,00,000 = ₹52,00,000
• Tax at 12.5% = ₹6,50,000

With Indexation:

• Indexed Cost = ₹43,20,000
• LTCG (With Indexation) = ₹65,00,000 – ₹43,20,000 – ₹1,00,000 = ₹20,80,000
• Tax at 20% = ₹4,16,000

Conclusion:
Mr. Arjun should opt for indexation as it results in a lower tax liability (₹4,16,000) compared to ₹6,50,000 without indexation.

Sum 2: Sale of Equity Shares (Listed, STT Paid)

Ms. Divya bought 1,000 shares of a listed company on 15th July 2022 at ₹450 per share (STT paid). She sold the shares on 5th August 2024 at ₹780 per share (STT paid). Brokerage and other selling costs were ₹5,000.

As per Section 112A, LTCG on listed equity shares is taxable at 10% on gains exceeding ₹1,25,000 (amendment effective July 2024).

Solution:

Step 1: Basic Computation

- Purchase Price = 1,000 × ₹450 = ₹4,50,000
- Sale Price = 1,000 × ₹780 = ₹7,80,000
- Less: Expenses = ₹5,000
- Net Sale Consideration = ₹7,75,000

Step 2: Long-Term Capital Gain

- LTCG = ₹7,75,000 – ₹4,50,000 = ₹3,25,000

Step 3: Exemption and Tax

- Exempt LTCG = ₹1,25,000
- Taxable LTCG = ₹2,00,000
- Tax @10% (Section 112A) = ₹20,000

Certificate
of
Signature Completion

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