



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



STUDY MATERIAL FOR B.COM. AND BANKING & FINANCE

INCOME TAX LAW & PRACTICES - II

SEMESTER – VI



ACADEMIC YEAR 2025-26

PREPARED BY

COMMERCE DEPARTMENT



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



INDEX

UNIT	CONTENT	PAGE NO
I	CAPITAL GAINS	04-18
II	INCOME FROM OTHER SOURCES	19-28
III	SET OFF AND CARRY FORWARD OF LOSSES	29-35
IV	CLASSIFICATION OF INCOME	36-50
V	INCOME TAX AUTHORITIES	51-75

KAMARAJ WOMENS COLLEGE



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Income Tax Law & Practices – II

Unit - I

Capital Gains Capital Assets – Transfer – Short term vs Long term capital assets - Computation of Capital Gains – Exemption under Section 54, 54B, 54D, 54EC, 54F, 54GA.

Unit – II

Income from Other Sources & Clubbing of Income Chargeability- Computation of Income from Other Sources–Deductions Allowed – Clubbing of Income– Concept

Unit – III

Set Off and Carry Forward of Losses and Deductions From Gross Total Income Gross Total Income Vs Total Income - Provisions for Set-off and Carry Forward of Losses (Simple Problems). Deductions U/S 80C, 80CC, 80CCB, 80CCC, 80CCD, 80CCE, 80D, 80DD, 80DDB, 80E, 80EE, 80EEA, 80EEB, 80G, 80GG, 80GGA, 80TTA, 80TTB, and 80U only.

Unit – IV

Computation of Total Income –Individual Computation of Total Income - Tax Liability of an Individuals (Old regime vs New regime)

Unit – V

Income Tax Authorities Administration of Income Tax Act – Income Tax Authorities – Powers of CBDT–Powers of Income Tax Officer –Procedure for Assessment – Filing of Return–Due Dates of Filing–Voluntary Filing–Return of Loss–Belated Return–Defective Return–Signing of Return–Permanent Account Number (PAN) ,e-PAN–Tax credit statement(26AS)and Annual Information Statement(AIS)



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



UNIT – I

Capital Gains

Simply put, any profit or gain that arises from the sale of a 'capital asset' is a capital gain. This gain or profit comes under the category 'income', and hence you will need to pay tax for that amount in the year in which the transfer of the capital asset takes place. This is called capital gains tax, which can be short-term or long-term. Capital gains are not applicable to an inherited property as there is no sale, but only a transfer of ownership. The Income Tax Act has specifically exempted assets received as gifts by way of an inheritance or will. However, if the person who inherited the asset decides to sell it, capital gains tax will be applicable.

Defining Capital Assets

Land, building, house property, vehicles, patents, trademarks, leasehold rights, machinery, and jewellery are a few examples of capital assets. This includes having rights in or in relation to an Indian company. It also includes the rights of management or control or any other legal right. The following do not come under the category of capital asset:

- (i) Any stock, consumables or raw material, held for the purpose of business or profession
- (ii) Personal goods such as clothes and furniture held for personal use
- (iii) Agricultural land in rural (*) India
 - a. 6½% gold bonds (1977) or 7% gold bonds (1980) or National Defence gold bonds (1980) issued by the central government
- (iv) Special bearer bonds (1991)
 - b. Gold deposit bond issued under the gold deposit scheme (1999) or deposit certificates issued under the Gold Monetisation Scheme, 2015

Types of Capital Assets

1. Short-term capital asset:

An asset held for a period of 36 months or less is a short-term capital asset.

The criteria is 24 months for immovable properties such as land, building and house property. For instance, if you sell house property after holding it for a period of 24 months, any income arising will be treated as a long-term capital gain, provided that property is sold after 31st March 2017.

The reduced period of the aforementioned 24 months is not applicable to movable property such as jewellery, debt-oriented mutual funds etc.

Some assets are considered short-term capital assets when these are held for 12 months or less. This rule is applicable if the date of transfer is after 10th July 2014 (irrespective of what the date of purchase is). These assets are:



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Equity or preference shares in a company listed on a recognized stock exchange in India
- Securities (like debentures, bonds, govt securities etc.) listed on a recognized stock exchange in India
- Units of UTI, whether quoted or not
- Units of equity oriented mutual fund, whether quoted or not
- Zero coupon bonds, whether quoted or not

2. Long-term capital asset:

An asset held for more than 36 months is a long-term capital asset. They will be classified as a long-term capital asset if held for more than 36 months as earlier.

Capital assets such as land, building and house property shall be considered as long-term capital asset if the owner holds it for a period of 24 months or more (from FY 2017-18).

Whereas, below-listed assets if held for a period of more than 12 months, shall be considered as long-term capital asset.

- Equity or preference shares in a company listed on a recognized stock exchange in India
- Securities (like debentures, bonds, govt securities etc.) listed on a recognized stock exchange in India
- Units of UTI, whether quoted or not
- Units of equity oriented mutual fund, whether quoted or not
- Zero coupon bonds, whether quoted or not.

Classification of Inherited Capital Asset

In case an asset is acquired by gift, will, succession or inheritance, the period for which the asset was held by the previous owner is also included when determining whether it's a short term or a long-term capital asset. In the case of bonus shares or rights shares, the period of holding is counted from the date of allotment of bonus shares or rights shares respectively.

Tax Rates – Long-Term Capital Gains and Short-Term Capital Gains

Tax Type	Condition	Applicable Tax
Long-term capital gains tax (LTCG)	On sale of Equity shares/ units of equity oriented fund	10% over and above Rs 1 lakh
Long-term capital gains tax (LTCG)	Except on sale of equity shares/ units of equity	20%



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



	oriented fund	
Short-term capital gains tax (STCG)	When Securities Transaction Tax (STT) is not applicable	The short-term capital gain is added to your income tax return and the taxpayer is taxed according to income tax slab rates.
Short-term capital gains tax (STCG)	When STT is applicable	15%.

Tax on Equity and Debt Mutual Funds

Funds	Effective 11 July 2014		On or before 10 July 2014	
	Short-Term Gains	Long-Term Gains	Short-Term Gains	Long-Term Gains
Debt Funds	At tax slab rates of the individual	At 20% with indexation	At tax slab rates of the individual	10% without indexation or 20% with indexation whichever is lower
Equity Funds	15%	10% over and above ₹ 1 lakh without indexation.	15%	Nil

Tax Rules for Debt Mutual Funds

Debt mutual funds have to be held for more than 36 months to qualify as a long-term capital asset. It means you need to remain invested in these funds for at least three years to get the benefit of long-term capital gains tax. If redeemed within three years, the capital gains will be added to your income and will be taxed as per your income tax slab rate.

Calculating Capital Gains

Capital gains are calculated differently for assets held for a longer period and for those held over a shorter period.

Important terms:

1. Full value consideration: The consideration received or to be received by the seller as a result of transfer of his capital assets. Capital gains are chargeable to tax in the year of transfer, even if no consideration has been received.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



2. Cost of acquisition: The value for which the capital asset was acquired by the seller.

Cost of improvement: Expenses of a capital nature incurred in making any additions or alterations to the capital asset by the seller.

Note:

i) In certain cases where the capital asset becomes the property of the taxpayer otherwise than by an outright purchase by the taxpayer, the cost of acquisition and cost of improvement incurred by the previous owner would also be included.

ii) Improvements made before April 1, 2001, is never taken into consideration.

Calculation of Short-Term Capital Gains

Step 1: Start with the full value of consideration

Step 2: Deduct the following:

- Expenditure incurred wholly and exclusively in connection with such transfer
- Cost of acquisition
- Cost of improvement

Step 3: This amount is a short-term capital gain

Calculation of Long-Term Capital Gains

Step 1: Start with the full value of consideration

Step 2: Deduct the following:

- Expenditure incurred wholly and exclusively in connection with such transfer
- Indexed cost of acquisition
- Indexed cost of improvement

Step 3: This amount is a long-term capital gain

Deductible Expenses

Sale of house property: These expenses are deductible from the total sale price:

- Brokerage or commission paid for securing a purchaser
- Cost of stamp papers
- Travelling expenses in connection with the transfer – these may be incurred after the transfer has been affected



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Where property has been inherited, expenditure incurred with respect to procedures associated with the will and inheritance, obtaining succession certificate, costs of the executor, may also be allowed in some cases

Sale of shares: These expenses are deductible from the total sale price:

- Broker's commission related to the shares sold
- STT or securities transaction tax is not allowed as a deductible expense

Sale of Jewellery: In case of sale of broker's jewellery and where a broker's services were involved in securing a buyer, the cost of these services can be deducted. Note, that expenses deducted from the sale price of assets for calculating capital gains are not allowed as a deduction under any other head of income, and you can claim them only once.

Indexed Cost of Acquisition/Improvement

The cost of acquisition and improvement is indexed by applying CII (cost inflation index). It is done to adjust for inflation over the years of holding the asset. This increases one's cost base and lowers the capital gains.

Exemption on Capital Gains

Example: Many a bought a house in July 2004 for Rs. 50 lakhs, and the full value of consideration received in FY 2016- 17 is Rs. 1.8 crores.

Capital asset type: Since this property has been held for over 3 years, this would be a long-term capital asset.

Cost of acquisition: The cost price is adjusted for inflation and indexed cost of acquisition is taken. Using the indexed cost of acquisition formula, the adjusted cost of the house is ₹ 1.17 crores.

Capital gain: Hence, the net capital gain is Rs. 63, 00,000.

Tax: Long-term capital gains on sale of house property are taxed at 20%. For a net capital gain of Rs. 63, 00,000, the total tax outgo will be Rs. 12,97,800.

This is a significant amount of money to be paid out in taxes. This can be lowered by taking benefit of exemptions provided by the Income Tax Act on capital gains when profit from the sale is reinvested into buying another asset.

Section 54: Exemption on Sale of House Property on Purchase of another House Property
Capital gains exemption under Section 54:

Taxpayers can get an exemption from long-term capital gain from the sale of house property by investing in up to two house properties against the earlier provision of one house



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



property with same conditions. However, the capital gain on the sale of house property must not exceed Rs. 2 crores.

The exemption under Section 54 is available when the capital gains from the sale of house property are reinvested into buying or constructing two another house properties (prior to Budget 2019, the exemption of the capital gains was limited to only 1 house property).

The exemption on two house properties will be allowed once in the lifetime of a taxpayer, provided the capital gains do not exceed ₹. 2 crores. The taxpayer has to invest the amount of capital gains and not the entire sale proceeds. If the purchase price of the new property is higher than the amount of capital gains, the exemption shall be limited to the total capital gain on sale.

Conditions for availing this benefit:

- The new property can be purchased either 1 year before the sale or 2 years after the sale of the property.
- The gains can also be invested in the construction of a property, but construction must be completed within three years from the date of sale.
- In the Budget for 2014-15, it has been clarified that only 1 house property can be purchased or constructed from the capital gains to claim this exemption.
- Please note that this exemption can be taken back if this new property is sold within 3 years of its purchase/completion of construction.

Section 54F: Exemption on capital gains on sale of any asset other than a house property

Exemption under Section 54F is available when there are capital gains from the sale of a long-term asset other than a house property. You must invest the entire sale consideration and not only capital gain to buy a new residential house property to claim this exemption. Purchase the new property either one year before the sale or 2 years after the sale of the property. You can also use the gains to invest in the construction of a property. However, the construction must be completed within 3 years from the date of sale.

In Budget 2014-15, it has been clarified that only 1 house property can be purchased or constructed from the sale consideration to claim this exemption. This exemption can be taken back, if this new property is sold within 3 years of its purchase. If the entire sale proceeds are invested towards the new house, the entire capital gain will be exempt from taxes if you meet the above-said conditions.

However, if you invest a portion of the sale proceeds, the capital gains exemption will be in the proportion of the invested amount to the sale price $LTCG \text{ exemption} = \frac{\text{Capital gains} \times \text{Cost of new house}}{\text{Net consideration}}$.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Section 54EC: Exemption on Sale of House Property on Reinvesting in specific bonds

Exemption is available under Section 54EC when capital gains from sale of the first property are reinvested into specific bonds.

- If you are not keen to reinvest your profit from the sale of your first property into another one, then you can invest them in bonds for up to ₹. 50 lakhs issued by National Highway Authority of India (NHAI) or Rural Electrification Corporation (REC).
- The money invested can be redeemed after 5 years, but they cannot be sold before the lapse of 5 years from the date of sale.
- The homeowner has six month's time to invest the profit in these bonds. But to be able to claim this
- Exemption, you will have to invest before the tax filing deadline.

Time to invest in Capital Gains Account Scheme:

Finding a suitable seller, arranging the requisite funds and getting the paperwork in place for a new property is one time-consuming process. Fortunately, the Income Tax Department agrees with these limitations. If capital gains have not been invested until the due date of filing of return (usually 31 July) of the financial year in which the property is sold, the gains can be deposited in a PSU bank or other banks as per the Capital Gains Account Scheme, 1988.

This deposit can then be claimed as an exemption from capital gains, and no tax has to be paid on it. However, if the money is not invested, the deposit shall be treated as a short-term capital gain in the year in which the specified period lapses.

Saving Tax on Sale of Agricultural Land

In some cases, capital gains made from the sale of agricultural land may be entirely exempt from income tax or it may not be taxed under the head capital gains. See below:

Agricultural land in a rural area in India is not considered a capital asset and therefore any gains from its sale are not chargeable to tax. For details on what defines an agricultural land in a rural area, see above. Do you hold agricultural land as stock-in-trade? If you are into buying and selling land regularly or in the course of your business, in such a case, any gains from its sale are taxable under the head Business and Profession. Capital gains on compensation received for compulsory acquisition of urban agricultural land are tax exempt under Section 10(37) of the Income Tax Act.

Illustration: 1

How will you calculate the period of holding in case of the following assets?

1. Shares held in a company in liquidation
2. Bonus shares



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



3. Flat in a co-operative society

Solution:

1. Shares held in a company in liquidation - The period after the date on which the company goes into liquidation shall be excluded while calculating the period of holding. Therefore, the period of holding shall commence from the date of acquisition and end with the date on which the company goes into liquidation.
2. Bonus shares - The period of holding shall be reckoned from the date of allotment of bonus shares and will end with the date of transfer.
3. Flat in a co-operative society - The period of holding shall be reckoned from the date of allotment of shares in the society and will end with the date of transfer.

Note – Any transaction whether by way of becoming a member of, or acquiring shares in, a co-operative society or by way of any agreement or any arrangement or in any other manner whatsoever which has the effect of transferring, or enabling enjoyment of, any immovable property is a transfer as per section 2(47)(vi).

Hence, it is possible to take a view that any date from which such right is obtained may be taken as the date of acquisition.

Illustration: 2

A is the owner of a car. On 1-4-2021, he starts a business of purchase and sale of motor car. He treats the above car as part of the stock-in-trade of his new business. He sells the same on 31-3-2022 and gets a profit of Rs. 1 lakh. Discuss the tax implication in his hands under the head "Capital gains".

Solution:

Since car is a personal asset, conversion or treatment of the same as the stock-in-trade of his business will not be trapped by the provisions of section 45(2). Hence, A is not liable to capital gains tax.

Illustration: 3

X converts his capital asset (acquired on June 10, 2003 for Rs. 60,000) into stock-in-trade on March 10, 2021. The fair market value on the date of the above conversion was Rs. 5,50,000. He subsequently sells the stock-in-trade so converted for Rs. 6,00,000 on June 10, 2021. Discuss the year of chargeability of capital gain and business income.

Solution:

Since the capital asset is converted into stock-in-trade during the previous year 2020-21 relevant to the A.Y. 2021-22, it will be a transfer under section 2(47) during the P.Y. 2020-21. However, the profits or gains arising from the above conversion will be chargeable to tax during the A.Y. 2022-



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



23, since the stock-in-trade has been sold only on June 10, 2021. For this purpose, the fair market value on the date of such conversion (i.e. 10th March, 2021) will be the full value of consideration for computation of capital gains. The business income of Rs. 50,000 (i.e.,Rs. 6,00,000

Illustration: 4

M held 2000 shares in a company ABC Ltd., an Indian company. This company amalgamated with another Indian company XYZ Ltd. during the previous year ending 31-3-2022. Under the scheme of amalgamation, M was allotted 1000 shares in the new company. The market value of shares allotted is higher by Rs. 50,000 than the value of holding in ABC Ltd. The Assessing Officer proposes to treat the transaction as an exchange and to tax Rs. 50,000 as capital gain. Is he justified?

Solution:

In the above example, the transaction is squarely covered by the exemption explained above and the proposal of the Assessing Officer to treat the transaction as a transfer is not justified.

Illustration: 5

In which of the following situations capital gains tax liability does not arise?

- (i) Mr. A purchased gold in 1970 for Rs. 25,000. In the P.Y. 2021-22, he gifted it to his son at the time of marriage. Fair market value (FMV) of the gold on the day the gift was made was Rs. 1,00,000.
- (ii) A house property is purchased by a Hindu undivided family in 1945 for Rs. 20,000. It is given to one of the family members in the P.Y. 2021-22 at the time of partition of the family. FMV on the date of partition was Rs. 12,00,000.
- (iii) Mr. B purchased 50 convertible debentures for Rs. 40,000 in 1995 which are converted into 500 shares worth Rs. 85,000 in November 2021 by the company.

Solution:

We know that capital gains arise only when we transfer a capital asset. The liability of capital gains tax in the situations given above is discussed as follows:

- (i) As per the provisions of section 47(iii), transfer of a capital asset under a gift is not regarded as transfer for the purpose of capital gains. Therefore, capital gains tax liability does not arise in the given situation.
- (ii) As per the provisions of section 47(i), transfer of a capital asset (being in kind) on the total or partial partition of Hindu undivided family is not regarded as transfer for the purpose of capital gains. Therefore, capital gains tax liability does not arise in the given situation.
- (iii) As per the provisions of section 47(x), transfer by way of conversion of bonds or debentures, debenture stock or deposit certificates in any form of a company into shares or debentures of that



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



company is not regarded as transfer for the purpose of capital gains. Therefore, capital gains tax liability does not arise in the given situation.

Illustration: 6

Mr. Abhishek a senior citizen, mortgaged his residential house with a bank, under a notified reverse mortgage scheme. He was getting loan from bank in monthly installments. Mr. Abhishek did not repay the loan on maturity and hence gave possession of the house to the bank, to discharge his loan. How will the treatment of long-term capital gain be on such reverse mortgage transaction?

Solution:

Section 47(xvi) provides that any transfer of a capital asset in a transaction of reverse mortgage under a scheme made and notified by the Central Government shall not be considered as a transfer for the purpose of capital gain. Accordingly, the mortgaging of residential house with bank by Mr. Abhishek will not be regarded as a transfer. Therefore, no capital gain will be charged on such transaction.

Further, section 10(43) provides that the amount received by the senior citizen as a loan, either in lump sum or in installment, in a transaction of reverse mortgage would be exempt from income-tax. Therefore, the monthly installment amounts received by Mr. Abhishek would not be taxable.

Problem 7

Singhania & Co., a sole proprietorship owns six machines, put in use for business in March, 2021. The depreciation on these machines is charged @15%. The opening balance of these machines after providing depreciation for P.Y. 2021-22 was Rs.8,50,000. Three of the old machines were sold on 10th June, 2022 for Rs.11,00,000. A second hand plant was bought for Rs.8,50,000 on 30th November, 2022. You are required to:

- (i) determine the claim of depreciation for Assessment Year 2023-24.
- (ii) compute the capital gains liable to tax for Assessment Year 2023-24.
- (iii) If Singhania & Co. had sold the three machines in June, 2021 for Rs. 21,00,000, will there be any difference in your above workings? Explain.

Solution:

- (i) Computation of depreciation for A.Y.2023-24

Particulars	Rs.
Opening balance of the block as on 1.4.2021 [i.e., W.D.V. as on 31.3.2021 after providing depreciation for P.Y. 2020-21]	8,50,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Add: Purchase of second hand plant during the year	8,50,000
	17,00,000
Less: Sale consideration of old machinery during the year	11,00,000
W.D.V of the block as on 31.03.2022	6,00,000

Problems in Exemptions U/s 54

Problem 1

Mr. A sold a residential house on 1-6-2023 for Rs.40,00,000.

The cost of acquisition was Rs.25,00,000.

He purchased a new residential house for Rs.10,00,000.

Solution:

Capital Gain = 40,00,000 – 25,00,000 = Rs.15,00,000

Exemption u/s 54 = Lower of

- Capital Gain = Rs.15,00,000
- Cost of new house = Rs.10,00,000

Exemption = Rs.10,00,000

Taxable Capital Gain = Rs.5,00,000

Problem 2

Mrs. B sold her residential house and earned a long-term capital gain of Rs.8,00,000.

She invested Rs.9,00,000 in a new residential house within the prescribed time.

Solution:

Exemption u/s 54 = Lower of

- Capital Gain = Rs.8,00,000
- Cost of new house = Rs.9,00,000

Exemption = Rs.8,00,000

Taxable Capital Gain = Nil



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Problems in Exemptions U/s 54B

Problem 1

Mrs. Lakshmi sold agricultural land used by her for farming for the last 3 years.

Capital Gain arising is Rs 3,50,000.

She purchased new agricultural land for Rs 5,00,000 within one year.

Find exemption u/s 54B.

Solution:

Exemption = Lower of:

- Capital Gain = Rs 3,50,000
- Cost of new land = Rs 5,00,000

Exemption = Rs 3,50,000

Problem 2

Mr. Arun sold agricultural land on 01-07-2023 and earned Capital Gain of Rs 6,00,000.

He purchased new agricultural land after 3 years.

Is he eligible for exemption u/s 54B?

Solution:

No exemption

Reason: New agricultural land must be purchased within 2 years from the date of transfer.

Problems in Exemptions U/s 54D

Problem 1: Full Exemption

A factory building was compulsorily acquired by the government in April 2022.

- Compensation received: Rs 20,00,000
- Indexed cost of acquisition: Rs 12,00,000
- Amount invested in new industrial building: Rs 8,00,000

Solution:

Capital Gain = 20,00,000 – 12,00,000 = Rs 8,00,000

Exemption u/s 54D = Rs 8,00,000

Taxable Capital Gain = NIL



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Problem 2: Partial Exemption

Industrial land was compulsorily acquired.

- Compensation received: Rs 25,00,000
- Indexed cost: Rs 15,00,000
- Amount invested in new industrial land: Rs 6,00,000

Solution:

Capital Gain = 25,00,000 – 15,00,000 = Rs 10,00,000

Exemption u/s 54D = Rs 6,00,000

Taxable Capital Gain = Rs 4,00,000

Problem 3: No Exemption (Wrong Asset Purchased)

A factory building was compulsorily acquired.

The assessee invested the capital gain in a residential house.

Solution:

Exemption u/s 54D NOT allowed

(Only industrial land/building qualifies)

Entire capital gain is taxable

Problem 4: Investment Made After Time Limit

Industrial land was acquired in 2018.

New industrial land was purchased in 2023.

Solution:

Rs Investment made after 3 years

No exemption u/s 54D allowed

Problem 5: Capital Gain Less than Investment

Capital gain on compulsory acquisition: Rs 5,00,000

Investment in new industrial building: Rs 7,00,000

Solution:

Exemption = Capital Gain or Investment, whichever is lower

Exemption = Rs. 5,00,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Taxable Capital Gain = NIL

Problems in Exemptions U/s 54EC

Problem 1

Mr. A sold a piece of land on 1 June 2023 for a long-term capital gain of Rs. 8,00,000. He invested Rs. 6,00,000 in NHAI bonds within 6 months.

Solution:

Exemption u/s 54EC = Amount invested in specified bonds = Rs. 6,00,000

Taxable Long-Term Capital Gain = Rs. 8,00,000 – Rs. 6,00,000 = Rs. 2,00,000

Problem 2

Ms. D sold land on 1 January 2023 and earned a capital gain of Rs.7,00,000. She invested Rs.7,00,000 in specified bonds on 10 August 2023.

Solution:

Investment must be made within 6 months from date of transfer.

Here, 6 months period expired → 30 June 2023

Investment made on 10 August 2023 → Not eligible

Exemption u/s 54EC = Nil

Taxable Capital Gain = Rs.7,00,000

Problems in Exemptions U/s 54F

Problem 1

Mr. A sells a plot of land on 1-6-2024 for Rs.10,00,000.

Cost of acquisition is Rs.4,00,000.

He invests Rs.6,00,000 in purchasing a residential house.

Solution:

- Sale consideration = Rs.10,00,000
- Capital gain = Rs.10,00,000 – Rs.4,00,000 = Rs.6,00,000
- Investment in house = Rs.6,00,000

Since entire capital gain is invested,

Exemption u/s 54F = Rs.6,00,000

Taxable capital gain = NIL



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Problems in Exemptions U/s 54GA

Problem 1

Mr. A shifts his factory from Chennai to an SEZ.

- Capital Gain on sale of old machinery: Rs.4,00,000
- Amount invested in new machinery in SEZ: Rs.3,00,000

Solution:

Exemption = Lower of:

- Capital Gain = Rs.4,00,000
- Investment = Rs.3,00,000

Exemption u/s 54GA = Rs.3,00,000

Taxable Capital Gain = Rs.1,00,000

KAMARAJ WOMENS COLLEGE



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



UNIT – II

INCOME FROM OTHER SOURCES:

Heads of Income

The Income Tax Department breaks down income into five heads of income for the purpose of income tax reporting:

- Income from Salary
- Income from House Property
- Income from Capital Gains/Loss
- Income from Business and Profession
- Income from Other Sources
- Income from Other Sources covers income that does not fall under any of the other heads of income.

Savings Bank Account – Interest Income

Interest that gets accumulated in your savings bank account must be declared in your tax return under income from other sources. Do note that bank does not deduct TDS on savings bank interest. Interest from both fixed deposit and recurring deposits is taxable while interest from savings bank account and post office deposits are tax-deductible to a certain extent. But they are shown under income from other sources. Interest income from a savings bank account or a fixed deposit or from a post office savings account are all shown under this head.

Deduction on Interest Income Under Section 80TTA

- For a residential individual (age of 60 years or less) or HUF, interest earned upto ₹ 10,000 in a financial year is exempt from tax. The deduction is allowed on interest income earned from:
 - savings account with a bank;
 - savings account with a co-operative society carrying on the business banking or
 - savings account with a post office
- Senior citizens are not entitled to benefits under section 80TTA.

Tax on Fixed Deposits

Fixed deposit interest that you receive is added along with other income that you have such as salary or professional income, and you'll have to pay tax on that income at a tax rate that's applicable to you. TDS is deducted on interest income when it is earned, though it may not have been paid.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Example: The bank will deduct TDS on interest accrued each year on a FD for 5 years. Therefore, it is advisable to pay your taxes on an annual basis instead of doing it only when the FD matures. Senior citizens, with effect from 1 April 2018, will enjoy an income tax exemption upto Rs. 50,000 on the interest income they receive from fixed deposits with banks, post offices etc under Section 80 TTB.

Avoiding TDS on Fixed Deposits

Banks are required to deduct tax when interest income from deposits held in all the bank branches put together is more than ₹ 40,000 in a year (Prior to FY 2019-20, it was ₹ 10,000). A 10% TDS is deducted if PAN details are available. It is 20% if the bank does not have your PAN details. The details of TDS deducted on Fixed Deposit Interest is in the Form 26AS. If your total income is below the taxable limit, you can avoid tax deduction on fixed deposits by submitting Form 15G and Form 15H to the bank requesting them not to deduct any TDS. Form 15H is for senior citizens (60 years or older); Form 15G is for everybody else. These forms are for residents only and for those whose taxes add up to zero. These forms must be submitted at the start of the financial year. If you missed submitting them, then you can claim a refund by filing an income tax return. These forms are valid for one year only. Therefore, they must be submitted each year to keep banks from deducting tax.

Reporting Fixed Deposit and Recurring Deposits in Your Tax Return Reporting Fixed Deposits

If you have three FDs open, then add up all the interest income and enter it under 'Other interest income'.

Reporting recurring deposit

Starting June 2015, when interest income from all the branches of the bank including from recurring deposits, exceeds Rs. 10,000 in a financial year, a 10% tax on interest earned will be deducted. The interest earned should be shown in 'income from other sources'.

Exempt Income

The PPF and EPF amount you withdraw after maturity is exempt from tax and must be declared as exempt income from income from other sources. Note that: The EPF is only tax exempt after five years of continuous service. Read in detail the rules of EPF withdrawal and taxability thereof.

Family Pension

If you are collecting pension on behalf of someone who is deceased, then you must show this income under income from other sources. There is a deduction of Rs. 15,000 or one-third of the family pension received whichever is lower from the Family Pension Income. This will be added to the taxpayer's income and tax must be paid at the tax rate that is applicable.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Taxation of Winnings from Lottery, Game Shows, Puzzles

If you receive money from winning the lottery, Online/TV game shows etc., it will be taxable under the head Income from other Sources. The income will be taxable at the flat rate of 30% which after adding cess will amount to 31.2%

Expenses allowed to be deducted from certain income sources

Similar to freelancers and business who can deduct certain expenses from their income, a taxpayer earning income from other sources can claim deductions for expenses as given below:

- Commission or remuneration for realising dividends (if not covered under Section 115-O which is exempt) or interest on securities. If any money or commission has been paid for realising a dividend, such expenses are allowed to be deducted from the dividend income which is taxed as income from other sources.
- Expenses (not capital expenses) such as repairs, insurance premium, and depreciation in respect of plant, machinery, furniture and buildings are deductible from rental income earned by letting out of plant, machinery, furniture and building.
- The rental income from the plant and machinery is chargeable to tax under income from other sources. The expenses incurred in respect of such plant and machinery are allowed to be deducted.
- A standard deduction is allowed on family pension, i.e. a deduction which is the lower of ₹.15,000 and one- third of such income is available in case of income in the nature of family pension which is paid monthly to the family members of a deceased employee.
- In case, interest on compensation or enhanced compensation is received, 50% of the interest is allowed to be deducted (applicable starting from the assessment year 2010-11).
- As per Section 57(iii), a deduction is allowed for any other expense (which is not a capital expense) which has been spent wholly and exclusively for making or earning such income.

Problem: 1

Rahul, a resident Indian, holding 28% of equity shares in a company, took a loan of Rs. 5,00,000 from the same company. On the date of granting the loan, the company had accumulated profit of Rs. 4,00,000. The company is engaged in some manufacturing activity.

- (i) Is the amount of loan taxable as deemed dividend, if the company is a company in which the public are substantially interested?
- (ii) What would be your answer, if the lending company is a private limited company (i.e. which is not a company in which the public are substantially interested)?



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Solution:

Any payment by a company, other than a company in which the public are substantially interested, of any sum by way of advance or loan to an equity shareholder, being a person who is the beneficial owner of shares holding not less than 10% of the voting power, is deemed as dividend under section 2(22)(e), to the extent the company possesses accumulated profits.

- (i) The provisions of section 2(22)(e), however, will not apply where the loan is given by a company in which public are substantially interested. In such a case, the loan would not be taxable as deemed dividend.
- (ii) However, if the loan is taken from a private company (i.e. a company in which the public are not substantially interested), which is a manufacturing company and not a company where lending of money is a substantial part of the business of the company, then, the provisions of section 2(22)(e) would be attracted, since Rahul holds more than 10% of the equity shares in the company. The amount chargeable as deemed dividend cannot, however, exceed the accumulated profits held by the company on the date of giving the loan. Therefore, the amount taxable as deemed dividend would be limited to the accumulated profit i.e., Rs. 4,00,000 and not the amount of loan which is Rs. 5,00,000.

Problem: 2

Mr. A, a dealer in shares, received the following without consideration during the P.Y. 2024-25 from his friend Mr. B,

1. Cash gift of Rs. 75,000 on his anniversary, 15th April, 20224
2. Bullion, the fair market value of which was Rs. 60,000, on his birthday, 19th June, 2024
3. A plot of land at Faridabad on 1st July, 2024, the stamp value of which is Rs. 5 lakh on that date. Mr. B had purchased the land in April, 2012

Mr. A purchased from his friend Mr. C, who is also a dealer in shares, 1000 shares of X Ltd. @ Rs. 400 each on 19th June, 2022, the fair market value of which was Rs.600 each on that date. Mr. A sold these shares in the course of his business on 23rd June, 2024

Further, on 1st November, 2024, Mr. A took possession of property (office building) booked by him two years back at Rs. 20 lakh. The stamp duty value of the property as on 1st November, 2024 was Rs. 32 lakh and on the date of booking was Rs. 23 lakh. He had paid Rs. 1 lakh by account payee cheque as down payment on the date of booking.

On 1st March, 2023, he sold the plot of land at Faridabad for Rs. 7 lakh. Compute the income of Mr. A chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2025-26.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Solution:

Computation of “Income from other sources” of Mr. A for the A.Y. 2025-26

S.No	Particulars	Rs.
1	Cash gift is taxable under section 56(2)(x), since it exceeds Rs. 50,000	75,000
2	Since bullion is included in the definition of property, therefore, when bullion is received without consideration, the same is taxable, since the aggregate fair market value exceeds Rs. 50,000	60,000
3	Stamp value of plot of land at Faridabad, received without consideration, is taxable under section 56(2)(x)	
	Difference of Rs. 2 lakh in the value of shares of X Ltd. purchased from Mr.	5,00,000
4	C, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr.	
	A. Since Mr. A is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. A.	
5	Difference between the stamp duty value of Rs. 23 lakh on the date of booking and the actual consideration of Rs. 20 lakh paid is taxable under section 56(2)(x) since the difference exceeds Rs. 2,00,000, being the higher of Rs.50,000 and 10% of consideration	3,00,000
Income from Other Sources		9,35,000

Computation of “Capital Gains” of Mr. A for the A.Y.2025-26

Particulars	Rs.
Sale Consideration	7,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x) as per section 49(4)]	5,00,000
Short-term capital gains	2,00,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Problem: 3

Discuss the taxability or otherwise of the following in the hands of the recipient under section 56(2)(x) the Income-tax Act, 1961 -

- (i) Akhil HUF received Rs. 75,000 in cash from niece of Akhil (i.e., daughter of Akhil's sister). Akhil is the Karta of the HUF.
- (ii) Nitisha, a member of her father's HUF, transferred a house property to the HUF without consideration. The stamp duty value of the house property is Rs. 9,00,000.
- (iii) Mr. Akshat received 100 shares of A Ltd. from his friend as a gift on occasion of his 25th marriage anniversary. The fair market value on that date was Rs. 100 per share. He also received jewellery worth Rs. 45,000 (FMV) from his nephew on the same day.

Solution:

S.No	Taxable/Non-taxable	Amount liable to tax (Rs.)	Reason
i	Taxable	75,000	Sum of money exceeding Rs. 50,000 received without consideration from a non-relative is taxable under section 56(2)(x). Daughter of Mr. Akhil's sister is not a relative of Akhil HUF, since she is not a member of Akhil HUF.
ii	Non-taxable	Nil	Immovable property received without consideration by a HUF from its relative is not taxable under section 56(2)(x). Since Nitisha is a member of the HUF, she is a relative of the HUF. However, income from such asset would be included in the hands of Nitisha under 64(2).
iii	Taxable	55,000	As per provisions of section 56(2)(x), in case the aggregate fair market value of property, other than immovable property, received without consideration exceeds Rs. 50,000, the whole of the aggregate value shall be taxable. In this case, the aggregate fair market value of shares (Rs. 10,000) and jewellery (Rs. 45,000) exceeds Rs.50,000. Hence, the entire amount of Rs. 55,000 shall be taxable.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



iv	Non-taxable	Nil	Car is not included in the definition of property for the purpose of section 56(2)(x), therefore, the same shall not be taxable.
----	-------------	-----	--

Problem: 4

Examine under which heads the following incomes are taxable:

- (i) Rental income in case property held as stock-in-trade for 3 years
- (ii) Dividend on shares in case of a dealer in shares
- (iii) Salary received by a partner from his partnership firm
- (iv) Rental income of machinery Winnings from lotteries by a person having the same as business activity
- (v) Salaries payable to a Member of Parliament
- (vi) Receipts without consideration
- (vii) In case of retirement, interest on employee's contribution if provident fund is unrecognized.
- (viii) Rental income in case of a person engaged in the business of letting out of properties.

Solution:

S.No	Particulars	Head of Income
1	Rental income in case property held as stock-in trade for 3 years	Income from house property
2	Dividend on shares in case of a dealer in shares	Income from other sources
3	Salary by partner from his partnership firm	Profits and gains of business or Profession
4	Rental income of machinery (See Note below)	Profits and gains of business or profession/Income from other sources
5	Winnings from lotteries by a person having the same as business activity	Income from other sources



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



6	Salaries payable to a Member of Parliament	Income from other sources
7	Receipts without consideration	Income from other sources
8	In case of retirement, interest on employee's contribution if provident fund is unrecognized	Income from other sources
9	Rental income in case of a person engaged in the business of letting out of properties	Profits and gains from business or profession

Problem: 5

Examine whether the following are chargeable to tax and the amount liable to tax :

- (i) A sum of Rs. 1,20,000 was received as gift from non-relatives by Raj on the occasion of the marriage of his son Pravin.
- (ii) Interest on enhanced compensation of Rs. 96,000 received on 12-3-2025 for acquisition of urban land, of which 40% relates to P.Y.2023-24.

Solution:

S.No	Taxable/Not Taxable	Amount liable to tax (Rs.)	Reason
1	Taxable	1,20,000	The exemption from applicability of section 56(2)(x) would be available if, inter alia, gift is received from a relative or gift is received on the occasion of marriage of the individual himself. In this case, since gift is received by Mr. Raj from a non-relative on the occasion of marriage of his son, it would be taxable in his hands under section 56(2)(x).
2	Taxable	48,000	As per section 145B(1), interest received by the assessee on enhanced compensation shall be deemed to be the income of the



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



			year in which it is received, irrespective of the method of accounting followed by the assessee. Interest of Rs. 96,000 on enhanced compensation is chargeable to tax in the year of receipt i.e. P.Y. 2023-24 under section 56(2) (viii) after providing deduction of 50% under section 57(iv). Therefore, Rs. 48,000 is chargeable to tax under the head "Income from other sources".
--	--	--	---

Problem: 6

On 10.10.2024, Mr. Govind (a bank employee) received Rs. 5,00,000 towards interest on enhanced compensation from State Government in respect of compulsory acquisition of his land effected during the financial year 2017-18.

Out of this interest, Rs. 1,50,000 relates to the financial year 2018-19; Rs. 1,65,000 to the financial year 2019-20; and Rs. 1,85,000 to the financial year 2018-19. He incurred Rs. 50,000 by way of legal expenses to receive the interest on such enhanced compensation.

How much of interest on enhanced compensation would be chargeable to tax for the assessment year 2025-26

Solution:

Section 145B provides that interest received by the assessee on enhanced compensation shall be deemed to be the income of the assessee of the year in which it is received, irrespective of the method of accounting followed by the assessee and irrespective of the financial year to which it relates.

Section 56(2)(viii) states that such income shall be taxable as 'Income from other sources'. 50% of such income shall be allowed as deduction by virtue of section 57(iv) and no other deduction shall be permissible from such Income.

Therefore, legal expenses incurred to receive the interest on enhanced compensation would not be allowed as deduction from such income.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Computation of interest on enhanced compensation taxable as “Income from other sources” for the P.Y 2024-25:

Particulars	Rs.
Interest on enhanced compensation taxable u/s 56(2)(viii)	5,00,000
Less: Deduction under section 57(iv) (50% x Rs. 5,00,000)	2,50,000
Taxable interest on enhanced compensation	2,50,000

KAMARAJ WOMENS COLLEGE



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



UNIT – III

SET OFF AND CARRY FORWARD OF LOSSES

Set off of losses

Set off of losses means adjusting the losses against the profit or income of that particular year. Losses that are not set off against income in the same year can be carried forward to the subsequent years for set off against income of those years. A set-off could be an intra-head set-off or an inter-head set-off.

Intra-head Set Off

The losses from one source of income can be set off against income from another source under the same head of income.

For eg: Loss from Business A can be set off against profit from Business B, where Business A is one source and Business B is another source and the common head of income is “Business”.

Exceptions to an intra-head set off:

- Losses from a Speculative business will only be set off against the profit of the speculative business. One cannot adjust the losses of speculative business with the income from any other business or profession.
- Loss from an activity of owning and maintaining race-horses will be set off only against the profit from an activity of owning and maintaining race-horses.
- Long-term capital loss will only be adjusted towards long-term capital gains. However, a short-term capital loss can be set off against both long-term capital gains and short-term capital gain.
- Losses from a specified business will be set off only against profit of specified businesses. But the losses from any other businesses or profession can be set off against profits from the specified businesses.

Inter-head Set Off

After the intra-head adjustments, the taxpayers can set off remaining losses against income from other heads. Eg. Loss from house property can be set off against salary income.

Given below are few more such instances of an inter-head set off of losses:

- Loss from House property can be set off against income under any head
- Business loss other than speculative business can be set off against any head of income except income from salary.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- One needs to also note that the following losses can't be set off against any other head of income:
 - Speculative Business loss
 - Specified business loss
 - Capital Losses
 - Losses from an activity of owning and maintaining race-horses
 - Carry forward of losses

After making the appropriate and permissible intra-head and inter-head adjustments, there could still be unadjusted losses. These unadjusted losses can be carried forward to future years for adjustments against income of these years. The rules as regards carry forward differ slightly for different heads of income.

Losses from House Property:

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Can be adjusted only against Income from house property
- Can be carried forward even if the return of income for the loss year is belatedly filed.

Losses from Non-speculative Business (Regular Business) Loss

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Can be adjusted only against Income from business or profession
- Not necessary to continue the business at the time of set off in future years
- Cannot be carried forward if the return is not filed within the original due date.

Speculative Business Loss

- Can be carry forward up to next 4 assessment years from the assessment year in which the loss was incurred
- Can be adjusted only against Income from speculative business
- Cannot be carried forward if the return is not filed within the original due date.
- Not necessary to continue the business at the time of set off in future years

Specified Business Loss under 35AD

- No time limit to carry forward the losses from the specified business under 35AD



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Not necessary to continue the business at the time of set off in future years
- Cannot be carried forward if the return is not filed within the original due date
- Can be adjusted only against Income from specified business under 35AD

Capital Losses

- Can be carry forward up to next 8 assessment years from the assessment year in which the loss was incurred
- Long-term capital losses can be adjusted only against long-term capital gains.
- Short-term capital losses can be set off against long-term capital gains as well as short-term capital gains
- Cannot be carried forward if the return is not filed within the original due date

Let us understand with an example-

Mr P has invested in equity shares. Below are the details related to his capital gain/loss transactions for different years.

A.Y	STCL during the year	LTCL during the year	STCG during the year	LTCG during the year	STCG taxable	LTCG taxable	Balance STCL and LTCL to be c/f
2016	3,000	1,000	-	-	-	-	STCL-3,000 LTCL-1,000
2017	-	1,300	5,600	-	2,600 (5,600-3,000) Set-off against LTCL	-	STCL- Nil LTCL- 2,300
2018	800	-	-	7,000	-	4,700 (7,000-2,300-800) Set-off against STCL and LTCL	STCL- Nil LTCL- Nil



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



2019	1,200	4,000	3,000	9,000	3,000*	3,800* (9,000- 4,000- 1,200) Set-off against STCL and LTCL	STCL- Nil LTCL- Nil
------	-------	-------	-------	-------	--------	---	------------------------------

Losses from owning and maintaining race-horses

- Can be carry forward up to next 4 assessment years from the assessment year in which the loss was incurred
- Cannot be carried forward if the return is not filed within the original due date
- Can only be set off against income from owning and maintaining race-horses only

Section	Losses to be carried forward	Can set off against Income	Time upto which losses can be carried forward	Mandatory to file return in the year of loss
32(2)	Unabsorbed depreciation	Any income (other than salary)	No time limit	No
71B	Loss from House property	Income from house property	8 years	No
72	Loss from Normal business	Income from business	8 years	Yes
73	Loss from speculative business	Income from speculative business	4 years	Yes
73A	Loss from specified business	Income from specified business	No time limit	Yes
74	Short term capital loss (STCL)	Short term capital gain (STCG) and long term capital gain (LTCG)	8 years	Yes
	Long term capital loss (LTCL)	LTCG	8 years	Yes
74A	Loss from owning and maintaining horse races	Income from owning and maintaining horse races	4 years	Yes



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Points to note:

- A taxpayer incurring a loss from a source, income from which is otherwise exempt from tax, cannot set off these losses against profit from any taxable source of Income
- Losses cannot be set off against casual income i.e. crossword puzzles, winning from lotteries, races, card games, betting etc.

Deduction from Gross Total Income [Section 80c To 80u]

Introduction

The aggregate of income computed under each head, after giving effect to the provisions for clubbing of income and set off of losses, is known as “Gross Total Income”. In computing the total income of an assessee, certain deductions are permissible under sections 80C to 80U from Gross Total income.

DEDUCTION UNDER CHAPTER VI-A IN RESPECT OF 'PAYMENTS'		
Section	Nature of Payment	Who can Claim
80C	Life Insurance Premium, Provident Fund Contribution (Maximum : Rs. 1,50,000)	Individuals
80CCC	Pension Fund [Maximum : Rs. 1,50,000	Individuals
80CCD(1)	Deduction available in respect of Employee's / Assesses Contribution to National Pension Scheme (NPS) [Section 80CCD(1)]	Individuals
80CCD(1B)	Additional Deduction of Rs. 50,000 is available in respect of Employee's / Assesses Contribution to National Pension Scheme (NPS) [Section 80CCD(1B)]	Individuals
80CCD(2)	Deduction available in respect of Employer's Contribution to National Pension Scheme (NPS) [Section 80CCD(2)]	Employees
80D	Deduction in respect of Health or Medical Insurance Premium	Individual/HUF
80DD	Deduction in respect of Maintenance Including Medical Treatment of a Dependent who is a Person with Disability	Resident Individual/ Resident HUF
80DDB	Deduction in respect of Medical Treatment , etc.	Resident Individual Resident HUF
80E	Payment of interest of Loan taken for higher studies	Individual
80EE	Deduction in respect of Interest on Loan taken for Residential House Property	Individual



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



80G	Deduction in respect of Donations to certain Funds, Charitable Institutions , etc. [Section 80G]	All Assessee
80GG	Deduction in respect of Rents Paid [Section 80GG]	Individual
80GGA	Deduction in respect of certain Donations for Scientific Research or Rural Development [Section 80GGA]	All assesses not having any income chargeable under the head 'Profits and gains of business or profession'
80GGB/GGC	Contribution to Political Parties	

Problem: 1

Mr. Vasanth previous year's gross total income is Rs. 5, 00,000. He has made the following donations. Calculate the net income.

- National foundation for communal harmony Rs. 10,000
- National children's fund Rs. 20,000
- National defence fund Rs. 25,000

Solution

Date	Particulars	Amount	Amount
	Gross Total Income		5,00,000
	Less: deduction u/s 80G	10,000	
	NFGH-100%-No limit	20,000	
	NCF-100%-No limit	25,000	55,000
	NDF-100%-No limit		
	Net income		4,45,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Problem: 2

Calculate the deduction allowable under section 80GG to an Assessee having the following incomes for the assessment year 2025-26:

Particulars	Amount
Business income	55,000
Interest from bank	5,000
Total income	60,000

Rent paid by him for a house occupied by him for the purpose of his residence is Rs. 1,250 per month

Solution

Computation of taxable income

Particulars	Amount	Amount
Less: standard deduction u/s: 16(i)	40,000	90,000
Capital gain:		
Long-term capital gain		
Short-term capital gain	40,000	50,000
Income from other sources:	10,000	
Interest on bank savings		
Interest on Govt. securities		
Winning from lotteries	15,000	
Less: deductions:	4,000	39,000
(i) U/S 80C: PPF	20,000	
NSC		1,79,000
(ii) U/S 80U in respect of handicapped assessee		
(iii) U/S 80TTA: savings bank deposits interest(least of Rs. 10,000 or 15,000)	40,000 20,000 60,000 75,000 10,000	
Taxable income		1,45,000 34,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



UNIT – IV

Classification of Income

For the purpose of computation, income is classified under the following five heads:

1. Income from Salaries
2. Income from House Property
3. Profits and Gains of Business or Profession
4. Capital Gains
5. Income from Other Sources

Each head of income is computed separately according to prescribed rules.

Steps in Computation of Total Income

1. Computation of Income under Each Head

Income earned by an assessee is first classified and computed under the relevant head after allowing admissible expenses and exemptions.

2. Aggregation of Income (Gross Total Income)

The income computed under all five heads is added together to arrive at Gross Total Income (GTI).

Gross Total Income = Aggregate of income under all heads

3. Set-off and Carry Forward of Losses

Losses under one head of income may be set-off against income of another head as per provisions of the Act. Unadjusted losses may be carried forward to future years.

4. Deductions under Chapter VI-A

From Gross Total Income, certain deductions are allowed under Chapter VI-A, such as:

- Section 80C – Savings and investments
- Section 80D – Medical insurance
- Section 80G – Donations
- Section 80E – Education loan interest

5. Computation of Total Income

After deducting eligible deductions from Gross Total Income, the balance is called Total Income.

Total Income = Gross Total Income – Deductions



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Total Income is rounded off to the nearest Rs. 10 as per the Income Tax Act.

Importance of Computation of Total Income

- Determines tax liability of the assessee
- Ensures uniformity in taxation
- Helps in proper assessment of income
- Avoids double taxation

The computation of total income is a systematic process involving classification, aggregation, and deduction of income. It forms the basis for levy of income tax and ensures fair taxation according to law.

Computation of Total Income of an Individual

An Individual refers to a natural person liable to pay income tax under the Income Tax Act, 1961. The individual may be resident or non-resident, and income tax is charged on the total income earned during the previous year.

Total Income means the aggregate income of an individual from all sources, computed according to the provisions of the Income Tax Act, after allowing exemptions, set-off of losses and deductions under Chapter VI-A.

Tax is levied on Total Income, not on Gross Receipts.

Basis of Computation of Total Income

The computation of total income of an individual is based on:

- Residential status
- Nature of income
- Classification under heads of income
- Allowable exemptions and deductions

Heads of Income

For the purpose of computation, income of an individual is classified under the following five heads:

1. Income from Salaries

Includes:

- Wages, pension, bonus, commission
- Allowances and perquisites



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Exemptions such as HRA, LTC, gratuity etc., are allowed as per rules.

2. Income from House Property

Income earned from:

- Self-occupied house
- Let-out house

Deductions like:

- Standard deduction (30%)
- Interest on housing loan are allowed while computing income.

3. Profits and Gains of Business or Profession

Includes:

- Business income
- Professional income

Allowable business expenses are deducted to arrive at taxable income.

4. Capital Gains

Income arising from transfer of:

- Land
- Building
- Shares
- Other capital assets

Capital gains are classified into:

- Short-term capital gain
- Long-term capital gain

Exemptions under sections 54, 54F, 54EC, 54GA etc., may be claimed.

5. Income from Other Sources

Includes:

- Interest on bank deposits
- Dividend income



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Lottery winnings
- Gifts (taxable portion)

Aggregation of Income – Gross Total Income

Income under all five heads is added together to arrive at Gross Total Income (GTI).

Gross Total Income = Income under all five heads

Set-off and Carry Forward of Losses

Losses incurred by an individual:

- Can be set-off against income of another head (subject to rules)
- Unadjusted losses can be carried forward to future years

This ensures fair computation of income.

Deductions under Chapter VI-A

From Gross Total Income, an individual is allowed deductions under Chapter VI-A, such as:

- Section 80C – LIC, PPF, EPF, Tuition fees
- Section 80D – Medical insurance premium
- Section 80G – Donations
- Section 80E – Interest on education loan
- Section 80TTA / 80TTB – Savings bank interest

These deductions reduce taxable income.

Computation of Total Income

After deducting eligible deductions from Gross Total Income, the balance is known as Total Income.

Total Income = Gross Total Income – Deductions

Total income is rounded off to the nearest Rs. 10 as per the Income Tax Act.

The computation of total income of an individual is a systematic process involving classification of income, aggregation, adjustment of losses and deduction of eligible amounts. It forms the foundation for levy of income tax and ensures equitable taxation. The total income of an individual is computed by aggregating income under five heads and deducting allowable deductions under Chapter VI-A in accordance with the Income Tax Act, 1961.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Tax Liability of an Individual (Old Tax Regime Vs. New Tax Regime)

Tax liability refers to the total amount of income tax payable by an individual to the Government after computing total income and applying applicable tax rates, surcharge, rebate, and cess.

Tax Regimes Available to Individuals

The Income Tax Act provides two alternative tax regimes for individuals:

1. Old Tax Regime (with exemptions and deductions)
2. New Tax Regime (lower tax rates with limited exemptions)

An individual can choose either regime while filing the return, subject to conditions.

Old Tax Regime

The Old Tax Regime allows individuals to claim various exemptions and deductions under the Income Tax Act and pay tax at higher slab rates.

Tax Slab Rates – Old Regime

Total Income	Tax Rate
Up to Rs. 2,50,000	Nil
Rs. 2,50,001 – Rs. 5,00,000	5%
Rs. 5,00,001 – Rs. 10,00,000	20%
Above Rs. 10,00,000	30%

Rebate u/s 87A available if total income \leq Rs.5,00,000.

Exemptions and Deductions Allowed

Major benefits under the old regime include:

- HRA (House Rent Allowance)
- LTA (Leave Travel Allowance)
- Standard Deduction (Rs. 50,000)
- Section 80C – LIC, PPF, EPF (up to Rs. 1.5 lakh)
- Section 80D – Medical insurance
- Section 80G – Donations
- Section 24(b) – Interest on housing loan



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Advantages

- Suitable for individuals with high investments and savings
- Encourages long-term savings
- Lower tax liability when deductions are high

Disadvantages

- Complex calculations
- Requires tax planning and documentation

New Tax Regime

The New Tax Regime offers lower tax rates but removes most exemptions and deductions. It aims to simplify tax computation.

Tax Slab Rates – New Regime

Total Income	Tax Rate
Up to Rs. 3,00,000	Nil
Rs.3,00,001 – Rs. 6,00,000	5%
Rs. 6,00,001 – Rs. 9,00,000	10%
Rs. 9,00,001 – Rs. 12,00,000	15%
Rs.12,00,001 – Rs.15,00,000	20%
Above Rs.15,00,000	30%

Rebate u/s 87A available if income \leq Rs. 7,00,000.

Deductions Not Allowed (Major Ones)

- HRA
- LTA
- Standard Deduction (limited exceptions may apply)
- Section 80C, 80D, 80G
- Interest on housing loan (self-occupied)

Advantages

- Simple tax structure



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- No need for investment proofs
- Beneficial for individuals with low or no deductions

Disadvantages

- No incentive for savings
- Higher tax if deductions are significant

Surcharge and Health & Education Cess

Surcharge

Applicable if total income exceeds prescribed limits (₹50 lakh and above).

Health and Education Cess

- 4% on income tax plus surcharge
- Applicable under both regimes

Comparison between Old and New Tax Regime

Basis	Old Regime	New Regime
Tax rates	Higher	Lower
Deductions	Allowed	Mostly not allowed
Complexity	High	Simple
Tax planning	Required	Not required
Suitable for	High savings	Low savings

Choice of Tax Regime

- Salaried individuals can choose every year
- Business/professional income taxpayers can switch only once
- Choice must be exercised while filing return

Both tax regimes have their own merits. The old regime benefits individuals who invest and claim deductions, while the new regime is ideal for those seeking simplicity and lower compliance. The choice should be made after comparing tax liability under both regimes.

The old tax regime allows exemptions and deductions with higher rates, whereas the new regime offers lower rates with fewer deductions. Individuals should choose the regime that result in lower tax liability.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Simple Problems

Problem 1: Salary Income Only

Mr. Arun has the following income:

- Basic Salary: Rs. 3,00,000
- Dearness Allowance: Rs.50,000
- Deduction u/s 80C: Rs.1,00,000

Solution

$$= 3,00,000 + 50,000$$

$$= \text{Rs.}3,50,000$$

Gross Total Income (GTI) = Rs.3,50,000

Less: Deduction u/s 80C = Rs.1,00,000

Total Income = Rs. 2,50,000

Problem 2: Salary + House Property

Mrs. Rani has the following details:

- Salary Income: Rs. 4,50,000
- Income from House Property: Rs. 60,000
- Deduction u/s 80C: Rs. 1,20,000

Solution

Gross Total Income

$$= 4,50,000 + 60,000$$

$$= \text{Rs.} 5,10,000$$

Less: Deduction u/s 80C = Rs. 1,20,000

Total Income = Rs. 3,90,000

Problem 3: Salary + Other Sources

Mr. Kumar earns:

- Salary Income: Rs. 5,00,000
- Interest from Bank: Rs. 30,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Deduction u/s 80C: Rs. 1,50,000

Solution

Gross Total Income

= 5,00,000 + 30,000

= Rs. 5,30,000

Less: Deduction u/s 80C = Rs. 1,50,000

Total Income = Rs. 3,80,000

Problem 4: All Simple Heads

Ms. Priya has the following income:

- Salary Income: Rs. 4,00,000
- Income from House Property: Rs. 50,000
- Income from Other Sources: Rs. 20,000
- Deduction u/s 80C: Rs. 1,00,000

Solution

Gross Total Income

= 4,00,000 + 50,000 + 20,000

= Rs. 4,70,000

Less: Deduction u/s 80C = Rs. 1,00,000

Total Income = Rs. 3,70,000

Complex Problems

Problem 1: Salary + House Property + Other Sources

Mr. Ramesh (age 40) provides the following details for the previous year:

Salary Details

- Basic Salary: Rs. 40,000 p.m.
- DA (50% forms part of salary): Rs. 10,000 p.m.
- HRA received: Rs. 15,000 p.m.
- Rent paid: Rs. 18,000 p.m.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Professional Tax paid: Rs. 2,500

House Property

- Net Annual Value of house property: Rs. 2,40,000
- Interest on housing loan: Rs. 1,80,000

Other Income

- Bank interest: Rs. 20,000

Deductions

- LIC premium u/s 80C: Rs. 1,20,000
- Medical insurance u/s 80D: Rs. 25,000

Solution

Income from Salary

Basic (40,000 × 12) = Rs. 4,80,000

DA (10,000 × 12) = Rs. 1,20,000

HRA received (15,000 × 12) = Rs. 1,80,000

HRA Exemption (least of):

Actual HRA = Rs. 1,80,000

- Rent paid – 10% salary
- = (18,000 × 12) – 10% of (Basic + DA)
- = 2,16,000 – 60,000 = Rs. 1,56,000
- 40% of salary = 40% of 6,00,000 = Rs. 2,40,000

Exempt HRA = Rs. 1,56,000

Taxable HRA = Rs. 24,000

Gross Salary = Rs. 6,24,000

Less: Standard deduction = Rs. 50,000

Less: Professional tax = Rs. 2,500

Income from Salary = Rs. 5,71,500



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Income from House Property

NAV = Rs. 2,40,000

Less: 30% standard deduction = Rs. 72,000

Less: Interest on loan = Rs. 1,80,000

Loss from House Property = (Rs. 12,000)

Income from Other Sources

Bank Interest = Rs. 20,000

Gross Total Income (GTI)

Particulars	Amount (Rs)
Income from Salary	5,71,500
House Property (Loss) (12,000)	
Other Sources	20,000
Gross Total Income	5,79,500

Deductions

- 80C = Rs. 1,20,000
- 80D = Rs. 25,000

Total Deductions = Rs. 1,45,000

Total Income

5,79,500 – 1,45,000 = Rs. 4,34,500

Problem 2: Business Income + Capital Gains + Set-off

Mr. Anand provides the following information:

- Profit from business: Rs. 3,20,000
- Short-term capital gain: Rs. 1,50,000
- Long-term capital gain: Rs. 2,00,000
- Loss from house property: Rs. 1,80,000
- Interest on savings account: Rs. 15,000
- Deduction u/s 80C: Rs. 1,00,000
- Deduction u/s 80TTA: Rs. 10,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Solution

Set-off of Loss

House property loss adjustable against other income (max Rs. 2,00,000).

Gross Total Income

Income	Amount (Rs)
Business Income	3,20,000
STCG	1,50,000
LTCG	2,00,000
Other Sources	15,000
Less: House Property Loss (1,80,000)	
GTI	5,05,000

Deductions

- 80C = Rs. 1,00,000
- 80TTA = Rs. 10,000

Total Deductions = Rs. 1,10,000

Total Income

5,05,000 – 1,10,000 = Rs. 3,95,000

Problem 3: Mixed Income + Agricultural Income (Rate Purpose)

Mr. Kumar has the following income:

- Salary income: Rs. 6,50,000
- Agricultural income: Rs. 1,20,000
- Income from other sources: Rs. 40,000
- Deduction u/s 80C: Rs. 1,50,000

Solution

Agricultural income is exempt, but considered for rate purposes if non-agricultural income exceeds basic exemption limit.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Gross Total Income

Salary + Other Sources

= Rs. 6,90,000

Less: 80C = Rs. 1,50,000

Total Income (Non-agricultural) = Rs. 5,40,000

Agricultural income = Rs. 1,20,000 (for rate purpose only)

Computation of taxable income of an individual

Problem 1: Salaried Individual with House Property & Other Income

Mr. Raj (age 35) provides the following details for the previous year:

Salary Details:

- Basic Salary: Rs. 40,000 per month
- DA (forms part of salary): Rs. 10,000 per month
- HRA received: Rs. 15,000 per month
- Rent paid: Rs. 18,000 per month
- Professional Tax paid: Rs. 2,400

House Property:

- Net Annual Value: Rs. 1,20,000
- Municipal taxes paid: Nil

Other Income:

- Interest on bank deposits: Rs. 25,000

Deductions:

- LIC premium u/s 80C: Rs. 1,20,000
- Medical insurance premium u/s 80D: Rs. 20,000

Solution

Income from Salary

Basic Salary = $40,000 \times 12 = \text{Rs. } 4,80,000$



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



DA = 10,000 × 12 = Rs. 1,20,000

Gross Salary = Rs. 6,00,000

HRA Exemption (Least of):

1. Actual HRA = 15,000 × 12 = Rs. 1,80,000
2. Rent paid – 10% of salary
= (18,000 × 12) – 10% of 6,00,000
= 2,16,000 – 60,000 = Rs. 1,56,000
3. 40% of salary = Rs. 2,40,000

Exempt HRA = Rs. 1,56,000

Taxable HRA = 1,80,000 – 1,56,000 = Rs. 24,000

Income from Salary = Rs. 6,00,000 + 24,000 – 2,400 = Rs. 6,21,600

Income from House Property

Net Annual Value = Rs. 1,20,000

Less: Standard Deduction @30% = Rs. 36,000

Income from House Property = Rs. 84,000

Income from Other Sources

Interest income = Rs. 25,000

Gross Total Income (GTI)

Particulars	Amount (Rs)
Income from Salary	6,21,600
Income from House Property	84,000
Income from Other Sources	25,000
Gross Total Income	7,30,600

Deductions (Chapter VI-A)

- Section 80C = Rs. 1,20,000
- Section 80D = Rs. 20,000

Total Deductions = Rs. 1,40,000



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Taxable Income

7,30,600–1,40,000= Rs. 5,90,600

Taxable Income = Rs. 5,90,600

KAMARAJ WOMENS COLLEGE



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



UNIT – V

Income Tax Authorities

Administration of the Income Tax Act, 1961

Introduction

The Income Tax Act, 1961 is administered by a well-organized hierarchy of Income Tax Authorities. These authorities are responsible for assessment, collection, recovery, and administration of income tax in India. The efficient functioning of these authorities ensures proper implementation of tax laws.

Meaning of Income Tax Authorities

Income Tax Authorities are officials appointed under the Income Tax Act to administer, enforce, and regulate tax provisions. Their powers and functions are defined under Sections 116 to 138 of the Act.

Structure of Income Tax Administration

The administration of income tax in India functions under the Central Board of Direct Taxes (CBDT), which operates under the Department of Revenue, Ministry of Finance.

Classification of Income Tax Authorities (Section 116)

1. Central Board of Direct Taxes (CBDT)

- Apex body for direct tax administration
- Frames policies, rules, and procedures
- Issues circulars and instructions
- Supervises income tax authorities

2. Principal Chief Commissioners of Income Tax (PCCIT)

- Head of income tax administration in a region
- Supervise Chief Commissioners
- Ensure effective tax collection

3. Chief Commissioners of Income Tax (CCIT)

- Control and supervise Principal Commissioners
- Implement policies of CBDT



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



4. Principal Commissioners / Commissioners of Income Tax (PCIT / CIT)

- Administrative and quasi-judicial authority
- Powers of revision (Section 263)
- Ensure correctness of assessments

5. Additional / Joint Commissioners of Income Tax

- Assist Commissioners
- Handle complex assessments
- Exercise supervisory powers

6. Deputy Commissioners / Assistant Commissioners of Income Tax

- Perform assessment functions
- Conduct inquiries and investigations
- Issue notices and pass assessment orders

7. Income Tax Officers (ITO)

- Frontline assessing officers
- Issue notices under Sections 142(1), 143(2)
- Complete regular assessments

8. Tax Recovery Officers (TRO)

- Responsible for recovery of tax dues
- Attachment and sale of property
- Arrest and detention in default cases

9. Inspectors of Income Tax

- Assist Assessing Officers
- Conduct field inquiries
- Verify records and information

Powers and Functions of Income Tax Authorities

A. Assessment Powers

- Assess income



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Reassess escaped income
- Rectify mistakes

B. Search and Seizure

- Conduct search operations under Section 132
- Survey under Section 133A

C. Recovery of Tax

- Issue demand notices
- Recover arrears through attachment

D. Appellate and Revision Powers

- Revision by Commissioner (Section 263 & 264)
- Appeals before Commissioner (Appeals)

Administration of Income Tax Act

Key Administrative Functions

- Collection of taxes
- Grant of refunds
- Handling appeals and rectifications
- Enforcement of compliance
- Taxpayer education and grievance redressal

Importance of Income Tax Authorities

- Ensure effective tax governance
- Prevent tax evasion
- Promote voluntary compliance
- Safeguard government revenue

The Income Tax Authorities play a vital role in the administration of the Income Tax Act. Their systematic hierarchy ensures smooth functioning, fair assessment, and efficient collection of income tax, thereby strengthening the country's financial system.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Powers of CBDT (Central Board of Direct Taxes)

The Central Board of Direct Taxes (CBDT) is the apex administrative authority for direct taxes in India. It functions under the Department of Revenue, Ministry of Finance and is responsible for the administration and enforcement of direct tax laws, particularly the Income Tax Act, 1961.

Legal Status of CBDT

CBDT derives its powers from:

- Central Boards of Revenue Act, 1963
- Income Tax Act, 1961

Under these Acts, CBDT is empowered to issue orders, instructions, and directions for the proper administration of direct tax laws.

Powers of CBDT

1. Power to Issue Circulars, Orders and Instructions

CBDT can issue circulars, notifications, and instructions to income tax authorities to ensure uniform application of tax laws across the country.

- Such circulars are binding on income tax authorities
- They are not binding on taxpayers or courts

2. Power to Relax Provisions (Section 119)

Under Section 119 of the Income Tax Act, CBDT has the power to:

- Relax or waive procedural requirements
- Grant relief to taxpayers in genuine hardship cases

This includes:

- Extension of time limits
- Acceptance of delayed returns or claims

3. Power to Issue Clarifications

CBDT can issue clarificatory circulars to remove:

- Doubts in interpretation of law
- Ambiguities in tax provisions

These clarifications help taxpayers and officials understand tax laws clearly.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



4. Power to Grant Exemptions

CBDT is empowered to:

- Grant exemptions, relaxations, or concessions
- Approve institutions for tax benefits (e.g., charitable trusts, educational institutions)

5. Power of Administration and Control

CBDT exercises administrative control over:

- Income Tax Department
- Appointment, transfer, and disciplinary control of officers
- It ensures efficient functioning of the tax machinery.

6. Power to Collect and Enforce Taxes

CBDT oversees:

- Assessment procedures
- Recovery of tax dues
- Enforcement of penalties and prosecutions

7. Power to Prescribe Forms and Procedures

CBDT can:

- Prescribe income tax return forms
- Define procedures for filing returns, appeals, and refunds

8. Power to Issue Instructions for Efficient Management

CBDT may issue instructions relating to:

- Faceless assessment and appeals
- E-filing systems
- Taxpayer services and grievance redressal

The powers of CBDT play a crucial role in the effective administration of direct taxes in India. By issuing circulars, granting relief, and supervising tax authorities, CBDT ensures fair, transparent, and consistent implementation of tax laws.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Powers of Income Tax Officer (ITO)

An Income Tax Officer (ITO) is an authority appointed under the Income Tax Act, 1961, responsible for assessment, collection, and recovery of income tax. To effectively discharge these duties, the Act confers various statutory powers on the ITO.

Need for Granting Powers

The powers are granted to the Income Tax Officer in order to:

- Ensure proper assessment of income
- Prevent tax evasion
- Enforce compliance with tax laws
- Protect revenue of the Government
- Major Powers of Income Tax Officer

1. Power to Call for Information (Section 133)

The Income Tax Officer has the power to:

- Call for books of accounts, documents, and statements
- Seek information from banks, financial institutions, and other persons
- Require production of records relevant for assessment

This power helps in verification of income and expenditure.

2. Power to Issue Summons (Section 131)

The ITO has powers similar to a civil court to:

- Enforce attendance of any person
- Examine persons on oath
- Compel production of documents

This power is used during inquiries and investigations.

3. Power of Assessment (Sections 143 & 144)

The Income Tax Officer can:

- Make summary assessment (Section 143(1))
- Conduct scrutiny assessment (Section 143(3))
- Make best judgment assessment if the assessee fails to comply (Section 144)



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



4. Power of Rectification (Section 154)

The ITO can rectify mistakes apparent on the face of the record, such as:

- Clerical errors
- Arithmetical mistakes
- Incorrect application of law

5. Power of Reassessment (Section 147)

If the ITO has reason to believe that:

- Income has escaped assessment

He may:

- Reopen completed assessments
- Issue notice under Section 148

6. Power of Search and Seizure (Section 132)

The Income Tax Officer has the power to:

- Conduct search of premises
- Seize undisclosed assets, documents, or cash

This power is exercised in cases of serious tax evasion, subject to legal safeguards.

7. Power of Survey (Section 133A)

The ITO may enter business premises during working hours to:

- Verify cash, stock, and books of accounts
- Collect information relating to business activities

8. Power to Impose Penalties (Section 270A)

The ITO can levy penalties for:

- Under-reporting of income
- Misreporting of income
- Failure to comply with notices

9. Power of Recovery of Tax (Section 222)

The Income Tax Officer has the authority to:



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Initiate recovery proceedings
- Attach property
- Recover tax arrears through a Tax Recovery Officer

Procedure for Assessment

Meaning of Assessment

Assessment refers to the process of determining the taxable income and tax liability of an assessee under the Income Tax Act, 1961. It involves examination of return of income, verification of facts, and computation of tax payable.

Types of Assessment

The Income Tax Act provides for the following types of assessments:

1. Self-Assessment
2. Summary Assessment
3. Scrutiny Assessment
4. Best Judgment Assessment
5. Re-assessment

Procedure for Assessment

1. Filing of Return of Income (Section 139)

The assessment procedure begins with the filing of return of income by the assessee:

- Return must be filed within the prescribed due date
- It contains details of income, deductions, and tax paid

2. Self-Assessment (Section 140A)

The assessee:

- Calculates tax payable on total income
- Pays self-assessment tax (if any)
- Files the return along with proof of tax payment

3. Processing of Return – Summary Assessment (Section 143(1))

After filing the return:

- The Assessing Officer processes the return



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



-
- Arithmetic errors, incorrect claims, or mismatches are adjusted
 - Intimation is sent to the assessee showing:
 - Refund payable, or
 - Additional tax payable

4. Issue of Notice for Scrutiny (Section 143(2))

If the return is selected for detailed examination:

- Notice under Section 143(2) is issued
- The assessee is required to produce documents and explanations

5. Scrutiny Assessment (Section 143(3))

The Assessing Officer:

- Examines books of accounts, documents, and evidence
- Verifies correctness of income and deductions
- Passes an assessment order determining taxable income and tax payable

6. Best Judgment Assessment (Section 144)

If the assessee:

- Fails to file return, or
- Does not comply with notices, or
- Does not produce required information

The Assessing Officer may make a best judgment assessment based on available information.

7. Re-assessment (Sections 147 & 148)

If the Assessing Officer has reason to believe that:

- Income has escaped assessment

He may:

- Reopen the assessment
- Issue notice under Section 148
- Complete reassessment after inquiry



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



8. Rectification of Mistakes (Section 154)

The Assessing Officer can:

- Rectify mistakes apparent on the record
- Correct clerical or arithmetical errors

9. Demand Notice and Collection of Tax (Section 156)

After completion of assessment:

- A notice of demand is issued
- Assessee must pay tax within specified time

Rights of Assessee

- Right to receive notice
- Right to be heard
- Right to produce evidence
- Right to appeal against assessment order

The procedure for assessment under the Income Tax Act is a systematic process beginning with filing of return and ending with determination and collection of tax. It ensures fairness, transparency, and effective tax administration.

Filing of Return of Income

A Return of Income is a prescribed form submitted by an assessee to the Income Tax Department, declaring details of:

- Total income earned during the previous year
- Deductions claimed
- Tax paid or tax payable

It forms the basis for assessment of income tax.

Who is required to File Return? (Section 139)

The following persons are required to file a return of income:

- Individuals whose total income exceeds the basic exemption limit
- Companies and firms (whether profit or loss)
- Persons claiming refund



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



-
- Persons carrying forward losses
 - Persons owning foreign assets or earning foreign income

Types of Returns

1 Voluntary Return (Section 139(1))

Filed voluntarily by the assessee before the due date.

2 Belated Return (Section 139(4))

Filed after the due date but before the end of the assessment year.

3 Revised Return (Section 139(5))

Filed to correct errors or omissions in the original return.

4 Defective Return (Section 139(9))

If the return is incomplete or incorrect, the Assessing Officer may treat it as defective.

Due Dates for Filing Return

- Individuals (non-audit cases): 31st July
- Audit cases: 31st October
- Transfer pricing cases: 30th November

Forms of Return

The return must be filed in the prescribed form such as:

- ITR-1 (Sahaj) – Salaried individuals
- ITR-2 – Individuals with capital gains
- ITR-3 – Business/profession income
- ITR-4 – Presumptive taxation

Mode of Filing Return

- Electronic filing (e-filing) through Income Tax portal
- Manual filing (limited cases such as super senior citizens)

Procedure for Filing Return

1. Collection of income details
2. Computation of total income



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



3. Calculation of tax liability
4. Payment of tax (if any)
5. Filing and submitting return
6. Verification of return

Consequences of Non-Filing or Late Filing

- Penalty and late fees
- Loss of carry forward of losses
- Interest on tax payable
- Notice from Income Tax Department

Filing of return of income is a statutory obligation and an important step in the tax administration process. Timely filing ensures compliance with law and avoids legal consequences.

Return of Loss

Meaning of Return of Loss

A Return of Loss is a return filed by an assessee showing a loss under any head of income. Filing such a return enables the assessee to carry forward the loss and set it off against future income as per the Income Tax Act, 1961.

Purpose of Filing Return of Loss

The main objectives are:

- To carry forward losses to future years
- To set off losses against future taxable income
- To comply with statutory requirements
- To reduce future tax liability

Legal Provision (Section 139(3))

According to Section 139(3) of the Income Tax Act:

- If an assessee has sustained a loss under:
 - Profits and Gains of Business or Profession
 - Capital Gains

He must file a return of loss within the due date prescribed under Section 139(1) to carry forward such loss.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Losses Eligible for Carry Forward

Losses that can be carried forward only if return is filed on time:

- Business Loss
- Speculation Loss
- Capital Loss (Short-term and Long-term)

Losses Not Requiring Timely Filing

The following losses can be carried forward even if the return is filed late:

- Loss from House Property

Time Limit for Filing Return of Loss

- The return of loss must be filed on or before the due date under Section 139(1)
- Filing a belated return disqualifies carry forward (except house property loss)

Period of Carry Forward of Losses

Type of Loss	Years Allowed
Business Loss	8 years
Speculation Loss	4 years
Short-term Capital Loss	8 years
Long-term Capital Loss	8 years
House Property Loss	8 years

Set-off Rules (Brief)

- Loss must first be set off in the same year
- Unadjusted loss is carried forward
- Loss can be set off only against specified heads of income

Filing a return of loss is essential for an assessee who wishes to carry forward losses and reduce future tax liability. Timely filing within the due date is mandatory, except in the case of house property loss.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Types of Return

I. Voluntary Return

A Voluntary Return is a return of income filed by an assessee within the due date prescribed under Section 139(1) of the Income Tax Act, 1961.

- It is filed voluntarily by the taxpayer to declare his income and pay taxes due, without any notice from the Income Tax Department.
- Filing a voluntary return initiates the process of self-assessment and compliance with tax laws.

Legal Provision

- Governed by Section 139(1) of the Income Tax Act, 1961.
- Applies to individuals, companies, firms, HUFs, LLPs, and other assesseees.

Due Date for Filing Voluntary Return

- Individuals (non-audit cases): 31st July of the assessment year
- Assesseees required to get accounts audited: 31st October
- Transfer pricing cases: 30th November

Persons Required to File Voluntary Return

- Individuals with income exceeding the basic exemption limit
- Companies and firms (even if no profit/loss)
- Persons claiming refund of taxes
- Persons carrying forward losses
- Persons holding foreign assets or earning foreign income

Contents of a Voluntary Return

The voluntary return contains the following details:

1. Personal information – Name, PAN, address, status of the assessee
2. Income details – Income from salary, house property, business, capital gains, other sources
3. Deductions claimed – Under Chapter VI-A (like 80C, 80D, 80G)
4. Tax paid – Advance tax, self-assessment tax
5. Bank account details – For refund
6. Verification and signature



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Advantages

- Prevents legal complications
- Facilitates smooth assessment
- Allows self-assessment and payment of correct tax
- Protects taxpayer from prosecution under non-compliance

II. Belated Return

A Belated Return is a return of income filed by an assessee after the due date prescribed under Section 139(1) of the Income Tax Act, 1961.

Legal Provision (Section 139(4))

According to Section 139(4), if an assessee fails to file the return within the due date, he may file a belated return:

- At any time before the end of the relevant assessment year, or
- Before completion of assessment, whichever is earlier.

Who Can File a Belated Return?

- Individuals, firms, companies, or other assesseees
- Persons who missed filing return within the due date
- Both taxable income and loss cases (with restrictions)

Due Date for Filing Belated Return

- Belated return can be filed up to 31st March of the assessment year
- Subject to completion of assessment by the Assessing Officer

Consequences of Filing Belated Return

1. Late Filing Fee (Section 234F)

- Rs. 5,000 if return filed after due date
- Rs. 1,000 if total income does not exceed ₹5 lakh

2. Interest (Section 234A)

- Interest @ 1% per month or part thereof
- Calculated on tax payable from due date till date of filing



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



3. Loss of Certain Benefits

- Business loss and capital loss cannot be carried forward
- Only house property loss can be carried forward

4. Delay in Refund

- Refund processing may be delayed
- Interest on refund may be reduced

Difference between Voluntary and Belated Return

Basis	Original Return	Belated Return
Filing time	Within due date	After due date
Section	139(1)	139(4)
Late fee	Not applicable	Applicable
Carry forward of losses	Allowed	Restricted

III. Revised Return

A Revised Return is a return of income filed by an assessee to correct mistakes or omissions in the original return of income.

- It is filed after submitting the original return but before the completion of assessment.
- It allows the assessee to update income, deductions, or tax payments to ensure correct tax liability.

Legal Provision

- Governed by Section 139(5) of the Income Tax Act, 1961.
- Applies to all types of assessee – individuals, companies, HUFs, firms, LLPs, trusts, etc.

Conditions for Filing Revised Return

The assessee can file a revised return if:

1. He discovers any omission or incorrect statement in the original return.
2. The revised return is filed before the end of the relevant assessment year, or
3. Before the completion of assessment, whichever is earlier.

Note: Filing a revised return is permitted even if the original return was belated.



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Time Limit for Filing Revised Return

- Before end of the assessment year (i.e., 31st March of AY)
- Or before completion of assessment by the Assessing Officer

Reasons to File Revised Return

- Omission of income in the original return
- Claiming deductions that were left out
- Incorrect calculation of tax liability
- Reporting tax payments or TDS credits incorrectly

Procedure for Filing Revised Return

1. File return in the relevant ITR form
2. Mention Acknowledgment Number (ARN) of the original return
3. Rectify errors or add omitted information
4. Submit online via Income Tax e-filing portal
5. Verify the revised return via e-verification or physical verification

Importance of Revised Return

- Ensures correct assessment of income tax
- Avoids penalty and interest due to mistakes in the original return
- Maintains compliance with tax laws
- Helps in accurate tax credit and refunds

Difference between Revised Return and Belated Return

Basis	Revised Return	Belated Return
Purpose	Correct mistakes or omissions in original return	File return after due date
Section	139(5)	139(4)
Filing time	After original return, before assessment completion	After due date of original return
Penalty	No late fee if original return was on time	Late fee applicable under Section 234F
Loss	Carry Allowed	Limited to certain losses



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



Basis	Revised Return	Belated Return
-------	----------------	----------------

Forward

IV. Defective Return

A Defective Return is a return of income that is incomplete or incorrect in certain material respects as prescribed under the Income Tax Act, 1961. Such a return is treated as defective until the defect is rectified by the assessee.

Legal Provision (Section 139(9))

According to Section 139(9) of the Income Tax Act:

- If the Assessing Officer considers the return filed by an assessee to be defective,
- He shall intimate the defect to the assessee and give an opportunity to rectify the defect within 15 days (or extended period).

Situations When a Return Is Considered Defective

A return may be treated as defective in the following cases:

- Failure to attach computation of income
- Non-payment of self-assessment tax before filing return
- Missing balance sheet or profit and loss account (where required)
- Incomplete personal or financial details
- Incorrect or missing mandatory schedules
- Failure to file audit report when required

Procedure for Rectification of Defective Return

1. Assessing Officer sends intimation of defect
2. Assessee must:
 - Rectify the defect
 - File corrected return within 15 days
3. Time limit may be extended on request

Consequences of Non-Rectification

If the assessee fails to rectify the defect within the allowed time:

- The return shall be treated as an invalid return
- It is deemed that no return was filed



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Penalties and interest may be levied
- Carry forward of losses may be denied

Rights of the Assessee

- Right to receive intimation of defect
- Right to sufficient time to rectify
- Right to request extension of time
- Right to file corrected return

Signing of Return of Income

Signing of Return refers to the authentication or verification of the return of income by the assessee or an authorized person, declaring that the information furnished in the return is true, correct, and complete to the best of his knowledge.

Legal Provision

The provisions relating to signing and verification of return are contained in Section 140 of the Income Tax Act, 1961.

Persons Authorized to Sign the Return

1. Individual

- The individual himself
- If absent from India → Authorized person
- If mentally incapacitated → Guardian
- If minor → Legal guardian

2. Hindu Undivided Family (HUF)

- Karta
- If Karta is unavailable → Any adult member

3. Company

- Managing Director
- If MD is not available → Any Director
- In case of liquidation → Liquidator

4. Firm

- Managing Partner



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- If not available → Any partner

5. Limited Liability Partnership (LLP)

- Designated Partner

6. Local Authority

- Principal officer

7. Any Other Association

- Principal officer or any member

Time Limit for Verification

- Return must be verified within 30 days of filing (as prescribed)
- Failure results in return being treated as invalid

Consequences of Not Signing the Return

- Return becomes invalid
- Treated as not filed
- Penalty and interest may apply
- Loss of carry forward of losses

Signing of return is a mandatory legal requirement that authenticates the return of income. Proper signing or verification ensures validity of the return and smooth processing by the Income Tax Department

Permanent Account Number (PAN)

Meaning

Permanent Account Number (PAN) is a unique 10-character alphanumeric identifier issued by the Income Tax Department of India to all taxpayers.

- It is used to track all financial transactions and ensure proper tax compliance.
- PAN is valid for the lifetime of the holder.

Legal Provision

- PAN is issued under Section 139A of the Income Tax Act, 1961.
- It is mandatory for all taxpayers and certain specified transactions.

Structure of PAN



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



PAN is a 10-character alphanumeric code. Example: ABCDE1234F

Position	Meaning
1–5	Alphabet series representing the name of the assessee
6–9	Numeric series unique to the assessee
10	Alphabet check character

PAN is required by:

1. Individuals, HUFs, Companies, Firms, LLPs
2. Trusts, Associations, Local Authorities
3. Foreign citizens/entities earning taxable income in India
4. For specified financial transactions, such as:
 - Sale/purchase of property > ₹10 lakh
 - Opening a bank account
 - Deposits > ₹50,000
 - Investment in shares, mutual funds, or bonds
 - Tax payment above ₹50,000

Objectives of PAN

- To link all financial transactions to a single identifier
- To prevent tax evasion and duplication of PAN
- To facilitate easy tracking of income and tax liability
- To simplify tax administration

Procedure to Obtain PAN

1. Application: Submit Form 49A (Indian citizens) or 49AA (foreign citizens)
2. Documents: Provide proof of identity, address, and date of birth
3. Processing: Income Tax Department verifies and issues PAN
4. Mode of Application: Online or offline

Linking PAN with Other Schemes

- PAN is mandatory for Income Tax Returns



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Linked with Aadhaar under government regulations
- Required for financial institutions, banks, and stock market transactions

Importance of PAN

- Proof of identity for tax purposes
- Mandatory for filing Income Tax Returns
- Helps in tracking high-value transactions
- Prevents black money circulation

Penalty for Non-Obtaining PAN

- As per Section 272B, failure to apply for PAN when required can lead to penalty of Rs. 10,000
- Transactions without PAN may be subject to higher TDS (Tax Deducted at Source)

PAN is a unique and essential identifier for all taxpayers in India. It ensures proper tracking of income, promotes transparency, and helps in preventing tax evasion.

e-PAN (Electronic Permanent Account Number)

e-PAN is a digitally issued Permanent Account Number (PAN) provided by the Income Tax Department of India.

- It is a valid PAN issued in electronic format (PDF)
- e-PAN is legally equivalent to the physical PAN card.

Legal Provision

- Issued under Section 139A of the Income Tax Act, 1961
- Recognized as a valid proof of PAN for all financial and tax-related transactions

Features of e-PAN

1. Digitally signed by the Income Tax Department – ensures authenticity
2. PDF format – can be downloaded and printed
3. Quick issuance – often within 15–20 minutes of verification
4. Same validity as physical PAN – lifelong use
5. QR code embedded – to verify details digitally

Who Can Apply for e-PAN

- New applicants for PAN



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



- Existing PAN holders needing a reprint
- Individuals, HUFs, Companies, Firms, Trusts, LLPs, etc.

Procedure to Obtain e-PAN

1. Visit NSDL or UTIITSL e-PAN portal
2. Provide Aadhaar number and validate using OTP
3. Verify personal details as per Aadhaar
4. Download digitally signed e-PAN in PDF format

Note: e-PAN can be obtained free of cost for new PAN applications linked to Aadhaar.

Difference between Physical PAN and e-PAN

	Basis	Physical PAN	e-PAN
Format		Plastic card	PDF (digital format)
Issuance time		15–20 days	15–20 minutes
Verification		Manual	Digital QR code verification
Cost		Rs. 107 approx.	Free (for Aadhaar linked)
Legal Validity		Yes	Yes, same as physical PAN

Advantages of e-PAN

- Immediate availability
- Eco-friendly – reduces use of plastic
- Easy storage and retrieval – digital copy on mobile or computer
- Authentic – digitally signed and verifiable

Tax Credit Statement (Form 26AS) and Annual Information Statement (AIS)

Tax Credit Statement (Form 26AS)

Form 26AS is a consolidated tax credit statement issued under the Income Tax Act, showing:

- Tax deducted at source (TDS)
- Tax collected at source (TCS)
- Advance tax paid
- Self-assessment tax paid



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



It acts as a proof of taxes paid/credited to the government on behalf of the taxpayer.

Legal Provision

- Section 203A & Rule 31AB of the Income Tax Act
- Issued by the Income Tax Department in association with deductors like banks and employers

Contents of Form 26AS

Form 26AS contains the following details:

1. Part A – TDS on salary
2. Part B – TDS on non-salary income (interest, rent, professional fees, etc.)
3. Part C – TCS (Tax Collected at Source)
4. Part D – Advance tax and self-assessment tax
5. Part E – Refunds received during the financial year
6. Part F – Details of AIR (Annual Information Return) transactions

Importance of Form 26AS

- Acts as proof of tax credit while filing return
- Helps avoid mismatch of TDS claims
- Used for verification of income and taxes paid
- Mandatory for bank loan applications and other financial transactions

Accessing Form 26AS

- Available on the Income Tax e-filing portal
- Can also be viewed through net banking of authorized banks

Annual Information Statement (AIS)

Annual Information Statement (AIS) is a new consolidated statement introduced by the Income Tax Department to provide:

- A comprehensive view of financial transactions of a taxpayer
- Detailed taxable and exempt financial information, including TDS/TCS, advance tax, mutual funds, property transactions, and more



ACADEMIC YEAR 2025-2026, SEMESTER – VI
STUDY MATERIAL FOR B.Com.
INCOME TAX LAW & PRACTICES - II



It replaces the limited information available in Form 26AS Part F (AIR).

Features of AIS

1. Contains data from multiple sources – banks, employers, mutual funds, property, etc.
2. Covers financial transactions including:
 - Bank deposits/withdrawals > ₹50,000
 - Purchase/sale of property
 - Mutual fund investments
 - Insurance premium
3. Helps in pre-filling of ITR
4. Updated periodically and accessible online

Importance of AIS

- Provides taxpayers with a complete view of their financial transactions
- Ensures transparency and avoids discrepancies in ITR
- Assists in preparing accurate tax returns
- Used by Assessing Officer for compliance checks

Difference between Form 26AS and AIS

Basis	Form 26AS	Annual Information Statement (AIS)
Purpose	Shows tax credits (TDS/TCS, advance tax, self-assessment tax)	Comprehensive financial transaction data
Scope	Limited to tax paid/credited	Wide coverage: TDS, TCS, mutual funds, property, insurance, bank transactions
Frequency	Annual	Periodic updates (quarterly or monthly)
Accessibility	e-Filing portal / Net Banking	e-Filing portal
Use	Proof of tax paid, TDS/TCS reconciliation	Pre-filling ITR, compliance, verification