

EFFECTED BY THE FINANCE BILL, 2025¹**Tax rates**

R2.1 Tax rates under the old tax regime for the assessment years 2025-26 and 2026-27 are given in

Referencer 1. Tax rates under the new tax regime under section 115BA/115BAA/115BAB/115BAC/115BAD/115BAE are given in Referencer 3. New tax regime is optional [one has to exercise the option under section 115BA(4)/115BAA(5)/115BAB(7)/115BAD(5)/115BAE(5) to avail the benefit of new tax regime]. However, in the case of an individual/HUF/AOP/BOI/artificial juridical person, the new tax regime is the default tax regime [one has to exercise the option under section 115BAC(6) to avail the benefit of the old tax regime].

R2.1-1 Income-tax - The following are income-tax rates for the assessment years 2025-26 and 2026-27 –

R2.1-1a INDIVIDUAL/HUF/AOP/BOI/ARTIFICIAL JURIDICAL PERSON - Tax rates pertaining to these assesseees are as follows –

• **OLD TAX REGIME** - Exemption limit is Rs. 2,50,000². A higher exemption limit is applicable in the case of a senior citizen or super senior citizen.

◊ **Senior citizen** - Senior citizen is a resident individual who is at least 60 years of age at any time during the previous year but less than 80 years on the last day of previous year [assessment year 2025-26 (date of birth: on or after April 2, 1945, but before April 2, 1965) or assessment year 2026-27 (date of birth: on or after April 2, 1946 but before April 2, 1966)].

In the case of a senior citizen, exemption limit is Rs. 3,00,000². Net income in the range of Rs. 3,00,000 to Rs. 5,00,000 is taxable at the rate of 5 per cent. Between Rs. 5,00,000 and Rs. 10,00,000, the slab rate is 20 per cent and the income exceeding Rs. 10,00,000 is taxable at the rate of 30 per cent. These rates are applicable only in the case of a resident (ordinarily or otherwise) senior citizen. In the case of a non-resident senior citizen, the exemption limit is Rs. 2,50,000 as given below.

◊ **Super senior citizen** - A super senior citizen is a resident individual who is at least 80 years of age at any time during the previous year [assessment year 2025-26 (date of birth: before April 2, 1945) or assessment year 2026-27 (date of birth: before April 2, 1946)].

In the case of super senior citizen, first Rs. 5,00,000 of net income is exempt from tax. Net income in the range of Rs. 5,00,000 to Rs. 10,00,000 is taxable at the rate of 20 per cent. Net income exceeding Rs. 10,00,000 is taxable at the rate of 30 per cent. These rates are applicable only in the case of a resident (ordinarily or otherwise) super senior citizen. In the case of a non-resident, the exemption limit will be Rs. 2,50,000 as given below.

◊ **Any other individual, any HUF/AOP/BOI** - This category includes the following taxpayers –

1. Any other resident individual [assessment year 2025-26 (date of birth: on or after April 2, 1965) or assessment year 2026-27 (date of birth: on or after April 2, 1966)].

2. Any non-resident individual irrespective of age.

3. Any HUF, AOP, BOI, artificial juridical person.

In the case of any of these assesseees, first Rs. 2,50,000² of net income is exempt from tax. Net income in the range of Rs. 2,50,000 to Rs. 5,00,000 is taxable at the rate of 5 per cent. On net income between Rs. 5,00,000 and Rs. 10,00,000, the slab rate is 20 per cent and income exceeding Rs. 10,00,000 is taxable at the rate of 30 per cent.

1. As passed by Lok Sabha.

2. Rebate under section 87A is available in the case of a resident individual if his/her taxable income does not exceed Rs. 5,00,000. The rebate has been discussed in para 111.

● **NEW TAX REGIME** - For an individual/HUF/AOP/BOI/artificial juridical person, the new tax regime is the default tax regime. One can exercise the option under section 115BAC(6) to avail of the benefit of old tax regime [these provisions are discussed in paras R3.16 to R3.21, Referencer 3]. Tax rates under the new tax regime are as follows –

Section 115BAC(1A) - For the assessment year 2025-26		Section 115BAC(1A) - From the assessment year 2026-27	
Total income	Rate of tax	Total income	Rate of tax
Up to Rs. 3,00,000	Nil	Up to Rs. 4,00,000	Nil
From Rs. 3,00,001 to Rs. 7,00,000	5% ³	From Rs. 4,00,001 to Rs. 8,00,000	5% ³
From Rs. 7,00,001 to Rs. 10,00,000	10%	From Rs. 8,00,001 to Rs. 12,00,000	10% ³
From Rs. 10,00,001 to Rs. 12,00,000	15%	From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 12,00,001 to Rs. 15,00,000	20%	From Rs. 16,00,001 to Rs. 20,00,000	20%
Above Rs. 15,00,000	30%	From Rs. 20,00,001 to Rs. 24,00,000	25%
		Above Rs. 24,00,000	30%

R2.1-1b FIRM - There is no change in the tax rate. A partnership firm (including a limited liability partnership firm) is taxable at the rate of 30 per cent.

R2.1-1c COMPANY - A domestic company is taxable at the rate of 30 per cent. However, tax rate is 25 per cent in the following cases –

1. A domestic company (where its total turnover or gross receipt in the previous year 2022-23 does not exceed Rs. 400 crore) is taxable at the rate of 25 per cent (not 30 per cent) for the assessment year 2025-26.

2. A domestic company (where its total turnover or gross receipt in the previous year 2023-24 does not exceed Rs. 400 crore) is taxable at the rate of 25 per cent (not 30 per cent) for the assessment year 2026-27.

A non-domestic company is taxable at the rate of 35 per cent.

● **New tax regime for a domestic company** - A domestic company can opt for the new tax regime provided under section 115BA or section 115BAA or section 115BAB [these provisions are discussed in paras R3.1 to R3.15, Referencer 3].

R2.1-1d CO-OPERATIVE SOCIETY AND LOCAL AUTHORITY - In the case of a co-operative society/local authority, there is no change in the income-tax rates. These rates are given in para R1.1-4, Referencer 1.

● **New tax regime for a resident co-operative society** - A resident co-operative society can opt for the new tax regime provided under section 115BAD or section 115BAE [these provisions are discussed in paras R3.22 to R3.30, Referencer 3].

R2.1-2 Surcharge on income-tax - Applicable surcharge (as a percentage of income-tax) for the assessment years 2025-26 and 2026-27 is as follows^{3a} –

	Net income range	Surcharge as a % of income-tax
Individuals/HUF/AOP/BOI/artificial juridical person	0 – Rs. 50 lakh	Nil
	Rs. 50 lakh – Rs. 1 crore	10%
	Rs. 1 crore – Rs. 2 crore	15%
	Rs. 2 crore – Rs. 5 crore	25% [see para R2.1-2a]
	Above Rs. 5 crore	37% [see para R2.1-2a]
Firm/local authority	0 – Rs. 1 crore	Nil
	Above Rs. 1 crore	12%
Co-operative society	0 – Rs. 1 crore	Nil [see para R2.1-2c]
	Rs. 1 crore – Rs. 10 crore	7% [see para R2.1-2c]
	Above Rs. 10 crore	12% [see para R2.1-2c]
Domestic company	0 – Rs. 1 crore	Nil [see para R2.1-2b]
	Rs. 1 crore – Rs. 10 crore	7% [see para R2.1-2b]
	Above Rs. 10 crore	12% [see para R2.1-2b]

3. Rebate under section 87A is available in the case of a resident individual if his/her taxable income does not exceed Rs. 7,00,000 (for the assessment year 2025-26) or Rs. 12,00,000 (for the assessment year 2026-27). The rebate has been discussed in para 111.

3a. Where the total income of a "specified fund" [as referred to section 10(4D)] includes any income in respect of securities [as given under section 115AD(1)(a)], the rate of surcharge/health and education cess is *nil*.

	Net income range	Surcharge as a % of income-tax
Foreign company	0 – Rs. 1 crore	Nil
	Rs. 1 crore – Rs. 10 crore	2%
	Above Rs. 10 crore	5%

Note - The above surcharge is subject to a marginal relief [see para R2.1-5].

R2.1-2a *SURCHARGE WHEN INDIVIDUAL/HUF/AOP, ETC., HAS DIVIDEND INCOME OR INCOME TAXABLE UNDER SECTION 111A/112/112A* - Surcharge for the assessment years 2025-26 and 2026-27 is as follows^{3a} –

Different situations	Nature and quantum of income of the assessee (i.e., individual, HUF, AOP, BOI or an artificial juridical person)	Surcharge on amount of income-tax computed on dividend income and income which is taxable under section 111A/112/112A	Surcharge on amount of income-tax computed on other incomes
<i>Situation 1</i>	Total income (including dividend income and income under section 111A/112/112A) does not exceed Rs. 50 lakh	Nil	Nil
<i>Situation 2</i>	Total income (including dividend income and income under section 111A/112/112A) exceeds Rs. 50 lakh but does not exceed Rs. 1 crore	10%	10%
<i>Situation 3</i>	Total income (including dividend income and income under section 111A/112/112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crore	15%	15%
<i>Situation 4</i>	Total income (excluding dividend income and income under section 111A/112/112A) exceeds Rs. 2 crore but does not exceed Rs. 5 crore	15%	25%
<i>Situation 5</i>	Total income (excluding dividend income and income under section 111A/112/112A) exceeds Rs. 5 crore	15%	37%
<i>Situation 6</i>	Total income (including dividend income and income under section 111A/112/112A) exceeds Rs. 2 crore (but it is not covered by <i>Situation 4</i> and <i>Situation 5</i>)	15%	15%

Where the total income includes any dividend income and/or income chargeable under section 111A/112/112A, the rate of surcharge on the amount of income-tax computed on that part of income, shall not exceed 15 per cent. Moreover, in the case of an AOP (consisting of only companies as its members), the rate of surcharge on the amount of income-tax shall not exceed 15 per cent. Further, in the case of an individual/HUF/AOP/BOI/artificial juridical person, surcharge (if tax is payable under the new tax regime) cannot exceed 25 per cent.

It has been clarified by CBDT that the derivatives (future and options) are not treated as capital assets and the income arising from the transfer of the derivatives is treated as business income and is liable for normal rate of tax (and such case will fall in the 4th column of the above table). However, in the case of Foreign Institutional Investors (FPI), the derivatives are treated as capital assets and the gains arising from the transfer of the same are treated as capital gains and are subject to a special rate of tax as per the provisions of section 115AD. Consequently, surcharge on income-tax payable on gains arising from the transfer of derivatives (future and options) by FPI which are liable to special rate of tax under section 115AD, cannot exceed 15 per cent (it will fall under 3rd column of the aforesaid table).

R2.1-2b *SURCHARGE WHEN A DOMESTIC COMPANY PAYS TAX UNDER SECTION 115BAA OR SECTION 115BAB* - In the case of a domestic company which has opted for the new tax regime under section 115BAA or 115BAB, surcharge is 10 per cent of income-tax (regardless of quantum of income).

R2.1-2c *SURCHARGE WHEN A RESIDENT CO-OPERATIVE SOCIETY PAYS TAX UNDER SECTION 115BAD/115BAE* - In the case of a resident co-operative society which has opted for the new tax regime under section 115BAD or section 115BAE, surcharge is 10 per cent of income-tax (regardless of quantum of income).

R2.1-3 *Health and education cess on income-tax* - For the assessment years 2025-26 and 2026-27, health and education cess (HEC) is 4 per cent of income-tax and surcharge^{3a}.

3a. Where the total income of a "specified fund" [as referred to section 10(4D)] includes any income in respect of securities [as given under section 115AD(1)(a)], the rate of surcharge/health and education cess is *nil*.

R2.1-4 Minimum alternate tax/alternate minimum tax - A corporate-assessee is covered by minimum alternate tax under section 115JB. A non-corporate assessee is covered by alternate minimum tax under section 115JC. However, minimum alternate tax/alternate minimum tax is not applicable if tax is payable under the new tax regime under section 115BAA/115BAB/115BAC/115BAD/115BAE.

- **Tax rate** - The basic rate for minimum alternate tax is 15 per cent and alternate minimum tax is 18.5 per cent (15 per cent for co-operative society) for the assessment years 2025-26 and 2026-27. If a unit is in International Financial Services Centre⁴ and derives its income solely in convertible foreign exchange, the minimum alternate tax/alternate minimum tax is 9 per cent of book profit.

- **Surcharge** - Surcharge on minimum alternate tax/alternate minimum tax is as follows –

Adjusted total income/book profit range	Individuals/HUF/AOP/BOI/artificial juridical person	Firm/local authority	Co-operative society	Domestic company	Foreign company
0 – Rs. 50 lakh	Nil	Nil	Nil	Nil	Nil
Rs. 50 lakh – Rs. 1 crore	10%	Nil	Nil	Nil	Nil
Rs. 1 crore – Rs. 2 crore	15%	12%	7%	7%	2%
Rs. 2 crore – Rs. 5 crore	25%	12%	7%	7%	2%
Rs. 5 crore – Rs. 10 crore	37%	12%	7%	7%	2%
Above Rs. 10 crore	37%	12%	12%	12%	5%

Notes –

1. Surcharge (given above) is subject to marginal relief [see para R2.1-5].

2. In the case of an AOP (having only companies as its members), surcharge cannot exceed 15%.

- **HEC** - HEC is 4 per cent of minimum alternate tax/alternate minimum tax and surcharge.

R2.1-5 Marginal relief - The provisions pertaining to marginal relief are given below –

- **Individual/HUF/AOP/artificial juridical person having income above Rs. 50 lakh** - In the case of these taxpayers, if the income is slightly higher than Rs. 50 lakh, a provision has been made to provide relief in marginal cases. The said relief is as follows –

If the net income exceeds Rs. 50 lakh, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a net income of Rs. 50 lakh by more than the amount of income that exceeds Rs. 50 lakh.

- **Individual/HUF/AOP/artificial juridical person having income between Rs. 1 crore and Rs. 2 crore** - In the case of these taxpayers, if income exceeds Rs. 1 crore but does not exceed Rs. 2 crore, the applicable surcharge will increase from 10 per cent to 15 per cent. Marginal relief is provided when net income is slightly higher than Rs. 1 crore which is as given below –

If the net income of these taxpayers exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on net income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

- **Individual/HUF/AOP/artificial juridical person having income between Rs. 2 crore and Rs. 5 crore** - In the case of these taxpayers, if income exceeds Rs. 2 crore but does not exceed Rs. 5 crore, the applicable surcharge will increase from 15 per cent to 25 per cent. Marginal relief is provided when net income is slightly higher than Rs. 2 crore which is as given below –

If the net income of these taxpayers exceeds Rs. 2 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on net income of Rs. 2 crore by more than the amount of income that exceeds Rs. 2 crore.

- **Individual/HUF/AOP/artificial juridical person having income exceeding Rs. 5 crore** - In the case of these taxpayers, if income is more than Rs. 5 crore, the applicable surcharge will increase from 25 per cent to 37 per cent which is subject to marginal relief as follows –

If the net income of these taxpayers exceeds Rs. 5 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on net income of Rs. 5 crore by more than the amount of income that exceeds Rs. 5 crore.

4. "International Financial Services Centre" means an International Financial Services Centre which is set-up in a special economic zone and approved by the Central Government under section 18(1) of Special Economic Zones Act, 2005.

• *Firms/local authorities having income above Rs. 1 crore* - To avoid hardship, in the case of these taxpayers (having income of above Rs. 1 crore), a provision has been made to provide relief in marginal cases. The said relief is as follows –

If the net income exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a net income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

• *Domestic company/foreign company/co-operative society having income above Rs. 1 crore* - In the case of a company/co-operative society, surcharge is not applicable if net income does not exceed Rs. 1 crore. If net income exceeds Rs. 1 crore, surcharge is applicable.

To avoid hardship, in the case of a company/co-operative society whose income is slightly higher than Rs. 1 crore, a provision has been made to provide relief in marginal cases. The said relief is as follows –

If the net income exceeds Rs. 1 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax on a net income of Rs. 1 crore by more than the amount of income that exceeds Rs. 1 crore.

• *Domestic company/foreign company/co-operative society having income above Rs. 10 crore* - In the case of a company/co-operative society, if net income is more than Rs. 10 crore, the applicable surcharge will increase from 7 per cent to 12 per cent (in the case of foreign company, it increases from 2 per cent to 5 per cent). Consequently, another marginal relief is provided when net income is slightly higher than Rs. 10 crore which is as given below –

If the net income of a company/co-operative society exceeds Rs. 10 crore, the total amount payable as income-tax and surcharge on such income shall not exceed the total amount payable as income-tax and surcharge on net income of Rs. 10 crore by more than the amount of income that exceeds Rs. 10 crore.

R2.1-5a *INCOME RANGE WHEN MARGINAL RELIEF IS APPLICABLE* - Marginal relief will be applicable in case net income falls in the following range for the assessment years 2025-26 and 2026-27 –

• OLD TAX REGIME -		
	Income range to attract marginal relief	Page No. of tax table
Resident senior citizen	Rs. 50 lakh – Rs. 51.9552 lakh	B-6
	Rs. 100 lakh – Rs. 102.145 lakh	B-8
	Rs. 200 lakh – Rs. 209.296 lakh	B-10
	Rs. 500 lakh – Rs. 530.173 lakh	–
Resident super senior citizen	Rs. 50 lakh – Rs. 51.9402 lakh	B-6
	Rs. 100 lakh – Rs. 102.1374 lakh	B-8
	Rs. 200 lakh – Rs. 209.28 lakh	B-10
	Rs. 500 lakh – Rs. 530.1528 lakh	–
Any other resident individual, any non-resident individual, any HUF or any AOP/BOI/artificial juridical person	Rs. 50 lakh – Rs. 51.9589 lakh	B-6
	Rs. 100 lakh – Rs. 102.1469 lakh	B-8
	Rs. 200 lakh – Rs. 209.30 lakh	B-10
	Rs. 500 lakh – Rs. 530.1782 lakh	–
Firm	Rs. 100 lakh – Rs. 105.4216 Lakh	B-34
Domestic company (tax rate : 25%)	Rs. 100 lakh – Rs. 102.389 lakh	B-37
	Rs. 1000 lakh – Rs. 1017.3611 lakh	B-39
Domestic company (tax rate : 30%)	Rs. 100 lakh – Rs. 103.0927 lakh	B-37
	Rs. 1000 lakh – Rs. 1022.59030 lakh	B-39
• NEW TAX REGIME -		
Individual, HUF, AOP, BOI or artificial juridical person (assessment year 2025-26)	Rs. 50 lakh – Rs. 51.776 lakh	B-17
	Rs. 100 lakh – Rs. 102.05 lakh	B-19
	Rs. 200 lakh – Rs. 209.10 lakh	B-21
Individual, HUF, AOP, BOI or artificial juridical person (assessment year 2026-27)	Rs. 50 lakh – Rs. 51.61 lakh	B-27
	Rs. 100 lakh – Rs. 101.969 lakh	B-29
	Rs. 200 lakh – Rs. 208.93 lakh	B-31

Note: The above net income ranges will remain valid only if the assessee does not have any income which is chargeable to tax at special rate(s) of tax (e.g., long-term capital gains under section 112/112A, short-term capital gains under section 111A, lottery income, etc.).

In the case of alternate minimum tax/minimum alternate tax, the marginal relief will be applicable in case adjusted total income/book profit falls in the following range for the assessment years 2025-26 and 2026-27 –

	<i>Income range</i>
Individual/HUF/AOP/BOI/artificial juridical person	Rs. 50 lakh – Rs. 51.16133 lakh
	Rs. 100 lakh – Rs. 101.174976 lakh
	Rs. 200 lakh – Rs. 204.813 lakh
	Rs. 500 lakh – Rs. 514.8684 lakh
Co-operative society/firm/local authority	Rs. 100 lakh – Rs. 102.8002 lakh
Domestic company	Rs. 100 lakh – Rs. 101.2507 lakh
	Rs. 1000 lakh – Rs. 1009.0144 lakh
Foreign company	Rs. 100 lakh – Rs. 100.35419 lakh
	Rs. 1000 lakh – Rs. 1005.3412 lakh

R2.1-6 Maximum marginal tax rates - Maximum marginal tax rates (at highest level) for the assessment years 2025-26 and 2026-27 are given in the table below –

Individual/HUF/BOI/AOP/artificial juridical person (new tax regime)	39%
Individual/HUF/BOI/AOP/artificial juridical person (old tax regime)	42.744%
Firm (including limited liability partnership)	34.944%
Co-operative society	34.944%
Domestic company	29.12%, 34.944%
Foreign company	38.22%

R2.1-7 Rates for tax deduction/collection at source - During the financial year 2025-26, tax will be deducted at source under section 192/194P at the rate given in para R1.1-1. TDS rates for payments other than salary are given in para R1.6 of Referencer 1. TCS rates are given in para R1.7 of Referencer 1.

R2.1-7a SURCHARGE, EDUCATION CESS, ETC., IN THE CASE OF TDS/TCS - For the financial year 2025-26, these rates are as follows –

<i>TDS/ TCS</i>	<i>Nature of payment</i>	<i>Recipient/collectee</i>	<i>Whether health and education cess @ 4% applicable</i>	<i>Whether surcharge applicable</i>	
TDS	Salary (or payment covered by section 194P)	Resident/non-resident	Yes	Yes	Note 1
TDS	Other than above	Resident	No	No	
TDS	Other than above	Non-resident/foreign company	Yes	Yes	Note 2
TCS	Any	Resident	No	No	
TCS	Any	Non-resident/foreign company	Yes	Yes	Note 3

Notes –

1. If the amount subject to TDS exceeds Rs. 50 lakh but does not exceed Rs. 1 crore, surcharge is 10 per cent of TDS. If it exceeds Rs. 1 crore but does not exceed Rs. 2 crore, surcharge is 15 per cent of TDS. If it exceeds Rs. 2 crore but does not exceed Rs. 5 crore, surcharge is 25 per cent of TDS. If it exceeds Rs. 5 crore, surcharge is 37 per cent (25 per cent under new tax regime) of TDS.

2. If the recipient is a non-resident (individual/HUF/AOP/artificial juridical person) and the payment/credit subject to TDS exceeds Rs. 50 lakh but does not exceed Rs. 1 crore, surcharge is 10 per cent of TDS. If it exceeds Rs. 1 crore but does not exceed Rs. 2 crore, surcharge is 15 per cent of TDS. If it exceeds Rs. 2 crore but does not exceed Rs. 5 crore, surcharge is 25 per cent of TDS. If it exceeds Rs. 5 crore, surcharge is 37 per cent (25 per cent under new tax regime) of TDS. If the recipient is a non-resident firm and the payment/credit subject to TDS exceeds Rs. 1 crore, surcharge is 12 per cent of TDS. If the recipient is a non-resident co-operative society and the payment subject to TDS exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is 7 per cent of TDS (it is 12 per cent of TDS if the payment/credit exceeds Rs. 10 crore). If the recipient is a foreign company and the payment subject to TDS exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is 2 per cent of TDS (it is 5 per cent of TDS if the payment/credit exceeds Rs. 10 crore).

3. If the purchaser/licensee/lessee is a non-resident (individual/HUF/AOP/artificial juridical person) and the amount subject to TCS exceeds Rs. 50 lakh but does not exceed Rs. 1 crore, surcharge is 10 per cent of TCS. If it exceeds Rs. 1 crore but does not exceed Rs. 2 crore, surcharge is 15 per cent of TCS. If it exceeds Rs. 2 crore but does not exceed Rs. 5 crore, surcharge is 25 per cent of TCS. If it exceeds Rs. 5 crore, surcharge is 37 per cent (25 per cent under new tax regime) of TCS. If the purchaser/licensee/lessee is a non-resident firm and the amount subject to TCS exceeds Rs. 1 crore, surcharge is 12 per cent of TCS. If the purchaser/licensee/lessee is a non-resident co-operative society and the amount subject to TCS exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is 7 per cent of TCS (it is 12 per cent of TCS if the amounts subject to TCS exceeds Rs. 10 crore). If the purchaser/licensee/lessee is a foreign company and the amount subject to TCS exceeds Rs. 1 crore but does not exceed Rs. 10 crore, surcharge is 2 per cent of TCS (it is 5 per cent of TCS if the amounts subject to TCS exceeds Rs. 10 crore).

4. If deductee/collectee is a non-resident AOP (having only companies as its members), rate of surcharge cannot exceed 15%.

R2.1-E1 X (41 years) is a resident individual. His net income for the assessment year 2026-27 is Rs. 2,05,00,000 (*Situation 1*), or Rs. 2,20,00,000 (*Situation 2*). X wants to pay tax under the default tax regime (*i.e.*, new tax regime). He does not want to opt for the old tax regime.

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	<i>Situation 1</i> Rs.	<i>Situation 2</i> Rs.
Income-tax on net income	57,30,000	61,80,000
Add: Surcharge @ 25%	14,32,500	15,45,000
Income-tax and surcharge under normal computation (<i>a</i>)	71,62,500	77,25,000
<i>Computation for marginal relief</i>		
Step 1 - Income-tax on Rs. 2 crore	55,80,000	55,80,000
Step 2 - Surcharge on income-tax @ 15% (if income is Rs. 2 crore)	8,37,000	8,37,000
Step 3 - Tax @ 100% of income in excess of Rs. 2 crore	5,00,000	20,00,000
Tax under marginal relief computation (<i>b</i>)	69,17,000	84,17,000
Normal tax or tax under marginal relief, whichever is lower [(<i>a</i>) or (<i>b</i>), whichever is lower] (<i>c</i>)	69,17,000	77,25,000
Add: Health and education cess @ 4% of (<i>c</i>)	2,76,680	3,09,000
Tax liability (rounded off)	71,93,680	80,34,000

R2.1-E2 X Find out the tax liability in the cases given below for the assessment year 2026-27. These taxpayers want to pay tax under the default tax regime (*i.e.*, new tax regime under section 115BAC). They do not want to opt for (or pay tax under) the old tax regime.

Different taxpayers	Dividend Rs.	Capital gain under sections –			Other incomes Rs.	Total Rs.
		111A Rs.	112 Rs.	112A Rs.		
X	–	6,00,000	3,00,000	7,00,000	59,00,000	75,00,000
Y	–	8,00,000	2,00,000	14,00,000	1,56,00,000	1,80,00,000
Z	13,00,000	3,00,000	1,00,000	2,00,000	6,34,00,000	6,53,00,000
B	–	1,00,00,000	68,00,000	2,00,000	70,00,000	2,40,00,000
C	–	7,00,00,000	1,90,00,000	–	60,00,000	9,50,00,000
D	–	80,000	10,000	5,10,000	48,00,000	54,00,000
E	–	4,10,000	1,70,000	1,40,000	97,00,000	1,04,20,000
F	–	39,00,000	3,00,000	70,000	6,00,000	48,70,000
G	–	–	–	6,01,00,000	9,00,000	6,10,00,000

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Tax liability in the case of X - Total income of X (including income taxable under sections 111A, 112 and 112A) exceeds Rs. 50 lakh but does not exceed Rs. 1 crore. It is covered by *Situation 2*. The applicable surcharge in this case is 10% (on income-tax pertaining to income taxable under sections 111A, 112 and 112A as well as other incomes). Tax liability will be as follows –

	Section 111A (IT rate : 20%) Rs.	Section 112 (IT rate : 12.5%) Rs.	Section 112A (IT rate : 12.5% on capital gain exceeding Rs. 1.25 lakh) Rs.	Other incomes Rs.	Total Rs.
Income-tax	1,20,000	37,500	71,875	13,50,000	15,79,375
Surcharge	12,000	3,750	7,188	1,35,000	1,57,938
Income-tax and surcharge	1,32,000	41,250	79,063	14,85,000	17,37,313
Health and education cess (@ 4% of income-tax and surcharge)	5,280	1,650	3,163	59,400	69,493
Tax liability (rounded off)	1,37,280	42,900	82,226	15,44,400	18,06,810

Tax liability in the case of Y - Total income of Y (including income taxable under sections 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crore. It is covered by *Situation 3*. The applicable surcharge in this case is 15% (on income-tax pertaining to income taxable under sections 111A, 112 and 112A as well as other incomes). Tax liability will be as follows –

	Section 111A (IT rate : 20%) Rs.	Section 112 (IT rate : 12.5%) Rs.	Section 112A (IT rate : 12.5% on capital gain exceeding Rs. 1.25 lakh) Rs.	Other incomes Rs.	Total Rs.
Income-tax	1,60,000	25,000	1,59,375	42,60,000	46,04,375
Surcharge	24,000	3,750	23,906	6,39,000	6,90,656
Income-tax and surcharge	1,84,000	28,750	1,83,281	48,99,000	52,95,031
Health and education cess (@ 4% of income-tax and surcharge)	7,360	1,150	7,331	1,95,960	2,11,801
Tax liability (rounded off)	1,91,360	29,900	1,90,612	50,94,960	55,06,830

Tax liability in the case of Z - Total income of Z (excluding income taxable under sections 111A, 112 and 112A and dividend income) exceeds Rs. 2 crore. It is covered by *Situation 4*. The applicable surcharge in this case is 15% on income-tax pertaining to income taxable under sections 111A, 112 and 112A and dividend income and 25% on other incomes. Tax liability will be as follows –

	Rs.
Dividend income	13,00,000
Short-term capital gain [sec. 111A]	3,00,000
Long-term capital gain [sec. 112]	1,00,000
Long-term capital gain [sec. 112A]	2,00,000
Other income	6,34,00,000
Net income	6,53,00,000
<i>Tax on net income</i>	
Short-term capital gain under section 111A (20% of Rs. 3,00,000)	60,000
Long-term capital gain under section 112 (12.5% of Rs. 1,00,000)	12,500
Long-term capital gain under section 112A (12.5% of Rs. 75,000)	9,375
Other income –	
- Normal tax on Rs. 6,47,00,000	(1,89,90,000)
□ Tax on dividend income (*Rs. 13,00,000 ÷ Rs. 6,47,00,000 × Rs. 1,89,90,000)	3,81,561*
□ Tax on balance of Rs. 6,34,00,000 (**Rs. 6,34,00,000 ÷ Rs. 6,47,00,000 × Rs. 1,89,90,000)	1,86,08,439**
Income-tax	1,90,71,875
<i>Add: Surcharge</i>	
Surcharge on dividend income (15% of Rs. 3,81,561)	57,234
Surcharge on short-term capital gain (15% of Rs. 60,000)	9,000
Surcharge on long-term capital gain (15% of Rs. 12,500)	1,875
Surcharge on long-term capital gain (15% of Rs. 9,375)	1,406
Surcharge on balance (25% of Rs. 1,86,08,439)	46,52,110
Total surcharge	47,21,625
Income-tax and surcharge	2,37,93,500
<i>Add: Health and education cess</i>	9,51,740
Tax liability	2,47,45,240

Tax liability in the case of B - Total income of B (including income taxable under sections 111A, 112 and 112A) exceeds Rs. 2 crore. It is not covered by *Situation 1, 2 or 3*. His total income (excluding income taxable under sections 111A, 112 and 112A) does not exceed Rs. 2 crore. Even *Situations 4 and 5* are not applicable. Consequently, it is covered by *Situation 6*. The applicable surcharge in this case is 15% (on income-tax pertaining to income taxable under sections 111A, 112 and 112A) and 15% on other incomes. Tax liability will be as follows –

	Section 111A (IT rate : 20%) Rs.	Section 112 (IT rate : 12.5%) Rs.	Section 112A (IT rate : 12.5% on capital gain exceeding Rs. 1.25 lakh) Rs.	Other incomes Rs.	Total Rs.
Income-tax	20,00,000	8,50,000	9,375	16,80,000	45,39,375
Surcharge	3,00,000	1,27,500	1,406	2,52,000	6,80,906
Income-tax and surcharge	23,00,000	9,77,500	10,781	19,32,000	52,20,281
Health and education cess (@ 4% of income-tax and surcharge)	92,000	39,100	431	77,280	2,08,811
Tax liability (rounded off)	23,92,000	10,16,600	11,212	20,09,280	54,29,090

Tax liability in the case of C - Total income of C (including income taxable under sections 111A, 112 and 112A) exceeds Rs. 5 crore. However, it is not covered by *Situations 4 and 5*. Consequently, *Situation 6* is applicable. Surcharge in this case is 15% (on income-tax pertaining to income taxable under sections 111A, 112 and 112A) and 15% on other incomes. Tax liability will be as follows –

	Section 111A (IT rate : 20%) Rs.	Section 112 (IT rate : 12.5%) Rs.	Section 112A Rs.	Other incomes Rs.	Total Rs.
Income-tax	1,40,00,000	23,75,000	Nil	13,80,000	1,77,55,000
Surcharge	21,00,000	3,56,250	Nil	2,07,000	26,63,250
Income-tax and surcharge	1,61,00,000	27,31,250	Nil	15,87,000	2,04,18,250
Health and education cess (@ 4% of income-tax and surcharge)	6,44,000	1,09,250	Nil	63,480	8,16,730
Tax liability	1,67,44,000	28,40,500	Nil	16,50,480	2,12,34,980

Tax liability in the case of D - Total income of D (including income taxable under sections 111A, 112 and 112A) exceeds Rs. 50 lakh but does not exceed Rs. 1 crore. It is covered by *Situation 2*. The applicable surcharge in this case is 10% (on income-tax pertaining to income taxable under sections 111A, 112 and 112A as well as other incomes). Tax liability will be as follows –

	Section 111A (IT rate : 20%) Rs.	Section 112 (IT rate : 12.5%) Rs.	Section 112A (IT rate : 12.5% on capital gain exceeding Rs. 1.25 lakh) Rs.	Other incomes Rs.	Total Rs.
Income-tax	16,000	1,250	48,125	10,20,000	10,85,375
Surcharge	1,600	125	4,813	1,02,000	1,08,538
Income-tax and surcharge	17,600	1,375	52,938	11,22,000	11,93,913
Health and education cess (@ 4% of income-tax and surcharge)	704	55	2,118	44,880	47,757
Tax liability (rounded off)	18,304	1,430	55,056	11,66,880	12,41,670

Tax liability in the case of E - Total income of E (including income taxable under sections 111A, 112 and 112A) exceeds Rs. 1 crore but does not exceed Rs. 2 crore. It is covered by *Situation 3*. The applicable surcharge in this case is 15% (on income-tax pertaining to income taxable under sections 111A, 112 and 112A as well as other incomes). He is non-resident. His tax liability will be as follows –