

# R-1

## Tax rates<sup>1</sup>

### ASSESSMENT YEAR 2026-27 AND TAX YEAR 2026-27

#### Tax liability - How to find out

Tax liability for the assessment year 2026-27 and tax year 2026-27 shall be calculated as follows:—

	Rs.	Rs.
1. Find out gross total income	—	
2. Less: Deductions under sections 123 to 154 (corresponding to secs. 80C to 80U of the 1961 Act)	—	
3. Find out net income [(1) - (2)]		—
4. Divide the net income into the following—		
4.1 Income subject to special tax rates mentioned in para R1.1-6	—	
4.2 Remaining income subject to normal rates	—	
5. Find out income-tax on net income—		
5.1 Tax on income specified in 4.1 ( <i>supra</i> ) at the rates given in para R1.1-6	—	
5.2 Tax on remaining income at the normal rate given in para R1.1-1 or R1.1-2 or R1.1-3 or R1.1-4 or R1.1-5	—	—
6. Less: Rebate under section 156 (corresponding to sec. 87A of the 1961 Act)		—
7. Income-tax after rebate under section 156 or 87A [(5) - (6)]		—
8. Add: Surcharge @ 0%, 2%, 5%, 7%, 10%, 12%, 15%, 25% or 37% of (7)		—
9. Find out the total [(7)+(8)]		—
10. Add: Health and education cess (HEC) [4% of (9)]		
11. Find out the total [(9) + (10)]		—
12. Deduct : Rebate under section 310, 157, 159 or 160 (corresponding to sec. 86, 89, 90, 90A or 91 of the 1961 Act)		—
13. Tax liability [(11)-(12)] <sup>2</sup>		—
14. Add: Interest/penalty, etc.		—
15. Less: Prepaid taxes [ <i>i.e.</i> , advance tax, self-assessment tax, TDS, TCS, MAT/AMT credit]		—
16. Tax payable [(13) + (14) - (15)]		—

Notes –

- (2) cannot exceed (1).
- Surcharge is applicable as a % of income-tax [*i.e.*, (7)].

#### Income-tax

**R1.1** Income-tax rates for different entities for the assessment year 2026-27 and tax year 2026-27 are as follows –

**R1.1-1** **Individuals, Hindu undivided families, AOPs, BOIs** - The tax rates applicable to individuals are also applicable to a Hindu undivided family, an association of persons, a body of individuals or an

- These rates are not applicable in the case of an assessee who wants to pay tax under the new tax regime under sections 199 to 205 (corresponding to secs. 115BA to 115BAE of the 1961 Act). Tax rates under the new tax regime, see Referencer 3.
- In the case of a corporate-assessee, it cannot be less than the minimum alternate tax. In the case of any other taxpayer, it cannot be less than the alternate minimum tax.

artificial juridical person. The rates applicable for the assessment year 2026-27 and tax year 2026-27 are as follows –

**R1.1-1a NEW TAX REGIME** - In the case of an individual/HUF/AOP/BOI/artificial juridical person, the new tax regime is the default tax regime. One must exercise the option under section 202(4) [corresponding to sec. 115BAC(6) of the 1961 Act] to avail the benefit of the old tax regime.

• **Income-tax rates** - Income-tax rates under the new tax regime for the assessment year 2026-27 and tax year 2026-27 are as follows –

Total income	Rate of tax
Up to Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5%
From Rs. 8,00,001 to Rs. 12,00,000	10%
From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 16,00,001 to Rs. 20,00,000	20%
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

• **Rebate under section 156 (corresponding to sec. 87A of the 1961 Act)** - A resident individual whose net income does not exceed Rs. 12,00,000, can avail of the rebate under section 156 or 87A. The amount of rebate is 100 per cent of income-tax. However, the tax rebate cannot exceed Rs. 60,000.

**Marginal relief** - Rebate under section 156 or 87A is subject to marginal relief. If net income exceeds Rs. 12,00,000, income-tax on such income cannot exceed the amount by which the net income exceeds Rs. 12,00,000.

**Rebate not available on tax chargeable at special rates** - Rebate under section 156 or 87A is not available on tax on incomes chargeable at special rates (e.g., tax on capital gains, tax on lottery winnings, etc.).

• **Surcharge** - Surcharge rates under the old tax regime and the new tax regime are identical [see para R1.1-1b]. However, surcharge under the new tax regime cannot exceed 25 per cent.

• **Health and education cess (HEC)** - It is 4 per cent of income-tax and surcharge.

• **Tax Tables** - For tax tables, see pages B-1 to B-10.

• **Alternate minimum tax** - Alternate minimum tax provisions [sec. 206(2), corresponding to secs. 115JC to 115JEE of the 1961 Act] are not applicable if tax is payable under the new tax regime.

• **Scheme of partial integration of tax on non-agricultural income with income derived from agricultural income** - The scheme of partial integration is applicable [see paras 185 to 188].

**R1.1-1b OLD TAX REGIME** - For the assessment year 2026-27 and tax year 2026-27, an individual/HUF/AOP, etc., has to exercise the option under section 202(4) [corresponding to sec. 115BAC(6) of the 1961 Act] to avail the benefit of the old tax regime. Tax rates under the old tax regime are as follows –

• For a resident senior citizen who is at least 60 years of age at any time during the previous year or tax year but of less than 80 years on the last day of the previous year or tax year [assessment year 2026-27 (date of birth on or after April 2, 1946 but before April 2, 1966) or tax year 2026-27 (date of birth on or after April 2, 1947 but before April 2, 1967)] –

Net income range	Income-tax rates <sup>3</sup>	Surcharge	Health and education cess (HEC)	Tax table (page No.)
Up to Rs. 3,00,000	Nil	Nil	Nil	—
Rs. 3,00,000 – Rs. 5,00,000	5% of (total income minus Rs. 3,00,000) <sup>4</sup>	Nil	4% of income-tax	—
Rs. 5,00,000 – Rs. 10,00,000	Rs. 10,000 + 20% of (total income minus Rs. 5,00,000)	Nil	4% of income-tax	B-11 to B-14

3. See also para R1.1-6.

4. It is subject to rebate under section 156 (corresponding to sec. 87A of the 1961 Act).

# R-2

## Amendments at a glance

*This Referencer is structured into 3 parts:*

- Part A : Amendments introduced by the Finance Bill, 2026<sup>1</sup>, in the 1961 Act and the 2025 Act.
- Part B : Key changes brought in by the Income-tax Act, 2025.
- Part C : Key changes introduced by the Income-tax Rules, 2026

### PART A - AMENDMENT INTRODUCED BY THE FINANCE BILL, 2026<sup>1</sup>

#### Tax rates

**R2.1** Tax rates for the assessment years 2026-27 and tax year 2026-27 are given in Referencer 1. For individuals, HUFs, AOPs, BOIs, and artificial juridical persons, the new tax regime is the default tax regime. To avail the benefit of the old regime, the taxpayer must exercise the option under section 202(4) [corresponding to sec. 115BAC(6) of the 1961 Act]. For domestic companies and domestic co-operative societies, the old tax regime remains the default tax regime. To opt for the new regime, the taxpayer must exercise the option under section 199, 200, 201, 203, or 204 (corresponding to section 115BA, 115BAA, 115BAB, 115BAD, or 115BAE of the Act).

**R2.1-1 Income-tax** - The following are income-tax rates for the assessment year 2026-27 and tax year 2026-27—

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

- 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 202(4) [corresponding to sec. 115BAC(6) of the 1961 Act] to avail of the benefit of the old tax regime [these provisions are discussed in paras R3.17 to R3.21, Referencer 3]. Tax rates under the new tax regime are as follows –

<i>Rates given by sec. 115BAC(1A) of the 1961 Act for the assessment year 2026-27 and sec. 202(1) for the tax year 2026-27</i>	
<i>Total income</i>	<i>Rate of tax</i>
Up to Rs. 4,00,000	Nil
From Rs. 4,00,001 to Rs. 8,00,000	5% <sup>2</sup>
From Rs. 8,00,001 to Rs. 12,00,000	10% <sup>2</sup>
From Rs. 12,00,001 to Rs. 16,00,000	15%
From Rs. 16,00,001 to Rs. 20,00,000	20%
From Rs. 20,00,001 to Rs. 24,00,000	25%
Above Rs. 24,00,000	30%

- OLD TAX REGIME - Exemption limit is Rs. 2,50,000<sup>3</sup>. A higher exemption limit applies to a senior citizen or a 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 or tax year but less than 80 years on the last day of previous year or tax year [assessment

1. As passed by Lok Sabha.

2. Rebate under section 156 (corresponding to sec. 87A of the 1961 Act) is available in the case of a resident individual if his/her taxable income does not exceed Rs. 12,00,000. The rebate has been discussed in para 182.

3. Rebate under section 156 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 182.

year 2026-27 (date of birth: on or after April 2, 1946, but before April 2, 1966) or tax year 2026-27 (date of birth: on or after April 2, 1947 but before April 2, 1967)].

For a senior citizen, the exemption limit is Rs. 3,00,000. Net income in the range of Rs. 3,00,000 to Rs. 5,00,000 is taxable at 5 per cent. 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 30 per cent. These rates apply only to a resident (ordinarily or otherwise) senior citizen. For 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/tax year [assessment year 2026-27 (date of birth: before April 2, 1946) or tax year 2026-27 (date of birth: before April 2, 1947)].

For a super senior citizen, the 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 20 per cent. Net income exceeding Rs. 10,00,000 is taxable at 30 per cent. These rates apply only to a resident (ordinarily or otherwise) super senior citizen. For a non-resident, the exemption limit is 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 2026-27 (date of birth: on or after April 2, 1966) or tax year 2026-27 (date of birth: on or after April 2, 1967)].

2. Any non-resident individual, irrespective of age.

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

In the case of any of these assesseees, first Rs. 2,50,000<sup>3a</sup> 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 5 per cent. For 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 30 per cent.

**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, the tax rate is 25 per cent in the following cases -

1. A domestic company whose total turnover or gross receipts in the previous year 2023-24 do not exceed Rs. 400 crore shall be taxable at the rate of 25 per cent (instead of 30 per cent) for the assessment year 2026-27.

2. A domestic company whose total turnover or gross receipts in the financial year 2024-25 do not exceed Rs. 400 crore shall be taxable at the rate of 25 per cent (instead of 30 per cent) for the tax 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 199 or 200 or 201 (corresponding to sec. 115BA or 115BAA or 115BAB of the 1961 Act) [these provisions are discussed in paras R3.2 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 203 or 204 (corresponding to sec. 115BAD or 115BAE of the 1961 Act) [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 year 2026-27 and tax year 2026-27 is as follows<sup>3b</sup> -

	<i>Net income range</i>	<i>Surcharge as a % of income-tax</i>
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%

3a. Rebate under section 156 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 182.

3b. Where the total income of a "specified fund" [as referred to in Schedule VI (Note 1), corresponding to sec. 10(4D) of the 1961 Act] includes any income in respect of securities [as given under section 210(1) (Table Sl. No. 1), corresponding to sec. 115AD(1)(a) of the 1961 Act], the rate of surcharge/health and education cess is nil.

<i>Date</i>	<i>Obligation</i>	<i>Form of the 1962 Rules</i>	<i>Form of 2026 Rules</i>
April 7, 2026	<ul style="list-style-type: none"> <li>Upload declarations received from recipients in Form No. 15G/15H of the 1962 Rules during March 2026</li> </ul>		
April 15, 2026	<ul style="list-style-type: none"> <li>Upload quarterly statement under rule 37BB(7) of the 1962 Rules (by an authorised dealer or a unit of an International Financial Services Centre) in respect of foreign remittances made during the quarter ending March 31, 2026</li> </ul>	Form No. 15CC/15CD	–
	<ul style="list-style-type: none"> <li>Upload quarterly statement under rule 114AAB of the 1962 Rules (by specified fund) for the quarter ending March 31, 2026</li> </ul>	Form No. 49BA	–
April 30, 2026	<ul style="list-style-type: none"> <li>Upload statement containing particulars of declarations received in Form No. 60 of the 1962 Rules during October 1, 2025 and March 31, 2026 to Director/Joint Director (Intelligence and Criminal Investigation)</li> </ul>	Form No. 61	–
	<ul style="list-style-type: none"> <li>Furnishing the statement of financial transactions pertaining to capital gains on transfer of listed securities/mutual fund, dividend and interest income as prescribed by rule 114E(5A) of the 1962 Rules for the half-year ending on March 31, 2026</li> </ul>	–	–
	<ul style="list-style-type: none"> <li>Furnishing details by pension fund in respect of each investment made by it in India during the quarter ending March 31, 2026</li> </ul>	Form No. 10BBB	–
May 7, 2026	<ul style="list-style-type: none"> <li>Upload declarations received from recipients in Form No. 121 during April 2026</li> </ul>	–	–
May 15, 2026	<ul style="list-style-type: none"> <li>Quarterly statement of TCS for the quarter ending March 31, 2026</li> </ul>	Form No. 27EQ	–
May 30, 2026	<ul style="list-style-type: none"> <li>Quarterly TCS certificates in respect of tax collected during the quarter ending March 31, 2026</li> </ul>	Form No. 27D	–
May 31, 2026	<ul style="list-style-type: none"> <li>Return of tax deduction from contributions paid by the trustees of an approved superannuation fund</li> </ul>	–	–
	<ul style="list-style-type: none"> <li>Annual statement of financial transaction under section 285BA(1) of the 1961 Act to be furnished electronically for the financial year 2025-26</li> </ul>	Form No. 61A	–
	<ul style="list-style-type: none"> <li>Electronic submission of annual statement of reportable account required to be furnished under section 285BA(1)(k) of the 1961 Act by reporting financial institution pertaining to calendar year 2025</li> </ul>	Form No. 61B	–
	<ul style="list-style-type: none"> <li>Electronic submission of annual statement of donation/contribution received by research association/university/college/other institution/company/fund under section 80G(5)(vii)/35(1A)(i) of the 1961 Act for the year ending March 31, 2026</li> </ul>	Form No. 10BD	–
	<ul style="list-style-type: none"> <li>Certificate of donation/contribution to donors or contributors (to be submitted after generating and downloading from web portal) for the financial year 2025-26</li> </ul>	Form No. 10BE	–
	<ul style="list-style-type: none"> <li>Quarterly statement of tax deducted for the quarter ending March 31, 2026</li> </ul>	TDS salary : Form No. 24Q TDS other : Form No. 26Q TDS non-resident : Form No. 27Q	– – –

Date	Obligation	Form of the 1962 Rules	Form of 2026 Rules
May 31, 2026	● Upload option available under <i>Explanation</i> to section 11(1) of the 1961 Act to apply income of previous year in the next year or in future (if the assessee is required to submit return of income on July 31, 2026)	Form No. 9A <sup>1</sup>	–
	● Upload statement to accumulate/set apart income for future application under section 10(23C)/11(2) of the 1961 Act (if the assessee is required to submit return of income on July 31, 2026)	Form No. 10 <sup>1</sup>	–
June 7, 2026	● Upload declarations received from recipients in Form No. 121 during May 2026	–	–
June 15, 2026	● First instalment of advance income-tax for the tax year 2026-27 (for any assessee other than the person who is covered by section 58(2), Table Sl. Nos. 1 and 3 (corresponding to sec. 44AD or 44ADA of the 1961 Act)	–	–
	● Certificate of tax deducted at source to employees in respect of salary paid and tax deducted during the financial year 2025-26	Form Nos. 12BA and 16 <sup>2</sup>	–
	● Quarterly TDS certificate (in respect of tax deducted for payments other than salary) for the quarter ending March 31, 2026	Form No. 16A <sup>3</sup>	–
	● Annual statement (of income distributed during the financial year 2025-26) by a business trust to be electronically submitted to the Principal Commissioner/Commissioner	Form No. 64A	–
	● Annual statement of income distributed during the financial year 2025-26 by investment fund to be electronically submitted to the Principal Commissioner/Commissioner	Form No. 64D	–
	● Annual statement of income distributed during the financial year 2025-26 by a securitisation trust to its investors to be furnished electronically with digital signature to the PCIT/CIT	Form No. 64E	–
June 29, 2026	● Electronically submission of information pertaining to any transfer of the share of, or interest in, a foreign company/entity as referred to in <i>Explanation 5</i> to section 9(1)(i) of the 1961 Act which takes place during the financial year 2025-26	Form No. 49D <sup>4</sup>	–
	● Upload statement of the financial year 2025-26 under section 9A(5) of the 1961 Act with digital signature pertaining to eligible investment fund	Form No. 3CEK	–
June 30, 2026	● Return in respect of securities transaction tax for the financial year	Form No. 1 (for stock exchange), Form No. 2 (for mutual fund)	–
	● Quarterly return of non-deduction of tax at source by a banking company from interest on time deposit in respect of the quarter ending March 31, 2026	Form No. 26QAA	–
	● Annual statement of income distributed by a business trust to unitholders for the financial year 2025-26	Form No. 64B	–
	● Annual statement of income distributed by investment fund to unitholders for the financial year 2025-26	Form No. 64C	–
	● Annual statement pertaining to income distribution during 2025-26 by a securitisation trust to be provided to investor under section 115TCA of the 1961 Act	Form No. 64F	–
July 7, 2026	● Upload declarations received from recipients in Form No. 121 during June 2026	–	–

1. However, *vide* Circular No. 6/2023, dated May 24, 2023, the Board has clarified that the accumulation/deemed application shall not be denied to a trust if the statement of accumulation (Form No. 10)/deemed application (Form No. 9A) is furnished on or before the due date of furnishing the return as provided in section 139(1) of the 1961 Act.
2. Part A and Part B of TDS certificate in Form No. 16 shall be issued by downloading from TRACES Portal.
3. TDS certificate in Form No. 16A shall be issued after downloading it from TRACES Portal by all deductors (including Government deductors who deposit TDS in the Central Government Account through book entry).
4. Form No. 49D should be uploaded within 90 days of the transaction where the transaction has the effect of directly or indirectly transferring the rights of management in relation to the Indian concern.

## *Profits and gains of business or profession*

	<i>Section</i>	<i>Corresponding section of the 1961 Act</i>	<i>Para No.</i>
Charging section	26	28	47
● EXPENSES DEDUCTIBLE			
Rent, rates, taxes, repairs and insurance	28	30, 31 and 38	49
Employees welfare expenditure	29	36	50
Certain premium	30	36	51
Bad debts and provision for bad and doubtful debts	31	36	52
Depreciation	33	32	53
Amortisation of certain expenses	44	35D	54
Scientific research expenses	45	35	55
Capital expenditure of specified business	46	35AD	56
Expenditure on agricultural extension project and skill development project	47	35CCC and 35CCD	57
Tea/coffee/rubber development account	48	33AB	58
Sight restoration fund	49	33ABA	59
Amortisation of expenditure for prospecting of certain minerals	51	35E	60
Amortisation of expenditure for telecommunication services, amalgamation, demerger or scheme for VRS	52	35ABA, 35ABB, 35DD and 35DDA	61
Other deductions	32	36	62
General deductions	34	37	63
● EXPENSES NOT DEDUCTIBLE			
Amount not deductible in certain circumstances	35	40	64
Expenses for payment not deductible in certain circumstances	36	40A	65
Certain deductions allowed on actual payment basis	37	43B	66
● DEEMED PROFIT			
Certain sums deemed as profit and gains of business or profession	38	41	67
● ACCOUNTS AND AUDIT			
Maintenance of books of account	62	44AA	68
Tax audit	63	44AB	69
● COMPUTATION OF BUSINESS/PROFESSIONAL INCOME ON PRESUMPTIVE BASIS			
Business income	58	44AD	70
Professional income	58	44ADA	70
Business of plying-hiring or leasing goods carriages	58	44AE	70
● PROVISIONS APPLICABLE FOR NON-RESIDENTS			
Computation of income on presumptive basis	61	44B, 44BB, 44BBA, 44BBB, 44BBC, 44BBD	71
● OTHER PROVISIONS			
Taxation of foreign exchange fluctuation	43	43AA	72
Full value of consideration for transfer of assets other than capital assets	53	43CA	73
Revenue recognition for construction and service contracts	57	43CB	74

### Chargeability [Sec. 26 (corresponding to sec. 28 of the 1961 Act)]

47. The following incomes are chargeable to tax under the head "Profits and gains of business or profession" –

- The profits and gains of any business or profession carried on by the assessee at any time during the tax year.
- Any compensation or other payment, by whatever name called, that is due to or received by any person in connection with the termination of management, office, agency, or contract (as applicable), or the modification of terms and conditions relating thereto. Such compensation or payment must be related to –
  - wholly or substantially managing the affairs of an Indian company;
  - managing the affairs of a foreign company, where such compensation is received in India;
  - holding any agency in India for any part of the business activities of another person; or
  - any contract relating to business.
- Any compensation or payment, due to, or received by, any person from the Government (or a corporation controlled/owned by the Government) for vesting of the management of any property/business.
- Income derived by a trade, professional or similar association from specific services performed for its members.
- Profits on sale of import licence, cash assistance against export, duty drawback or duty remission or any other export incentive, received or receivable.
- The value of any benefit or perquisite in cash or kind arising from business or the exercise of a profession, whether convertible into money or not.
  - Any interest, salary, bonus, commission or remuneration which is due to, or received by, a partner of a firm from such firm [to the extent allowed as deduction under section 35(e), corresponding to sec. 40(b) of the 1961 Act to the firm].
  - Any sum received for not carrying out any activity in relation to any business/profession or not to share any know-how, patent, copyright, trademark, etc.
  - Any sum received under a keyman insurance policy including the sum allocated by way of bonus on such policy.
- The fair market value of inventory as on the date on which it is converted into, or treated as, a capital asset determined in the prescribed manner.
- Any sum received (or receivable) in cash or kind, on account of any capital asset (other than land or goodwill or financial instrument) being demolished, destroyed, discarded or transferred, if the whole of the expenditure on such capital asset has been allowed as a deduction under section 46 or under section 35AD of the 1961 Act.

**47.1 Income from letting of residential property** - Any income from letting out of a residential house or a part of it by the owner shall not be included in income under the aforesaid provisions and shall be chargeable only under the head "Income from house property".

**Expenses expressly allowed as deduction [Sec. 27 (corresponding to sec. 29 of the 1961 Act)]**

**48.** The deductions specified in paras below are expressly allowable against income under the head "Profits and gains of business or profession".

**Rent, rates, taxes, repairs and insurance [Sec. 28 (corresponding to secs. 30 and 31 of the 1961 Act)]**

**49.** In respect of premises, machinery, plant or furniture (used for the purposes of the business or profession), the following amounts are allowed as deduction –

- a. any premium paid in respect of insurance against risk of damage or destruction thereof;
  - b. land revenue, local rates or municipal taxes paid;
  - c. amount paid on account of rent and current repairs (not being capital expenditure) pertaining to premises (when the premises are occupied by the assessee as a tenant);
  - d. amount paid on account of cost of repairs (not being in the nature of capital expenditure) when the premises are occupied by the assessee as a tenant and where he has undertaken to bear the cost of repairs to the premises; and
  - e. the amount paid on account of current repairs (not being capital expenditure) to machinery, plant or furniture.
- Where the premises, building, machinery, plant, or furniture is used only partly—or not wholly and exclusively—for the purposes of the business or profession, the deductions referred to above shall be limited to a fair and proportionate amount, as determined by the Assessing Officer, having regard to the extent of such usage.