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CA/CMA FINAL

DIRECT TAX AND INTERNATIONAL TAXATION

CA Rahul Satija

Applicable for Sept'25 Attempt and Onwards

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Direct Taxes & International Taxation

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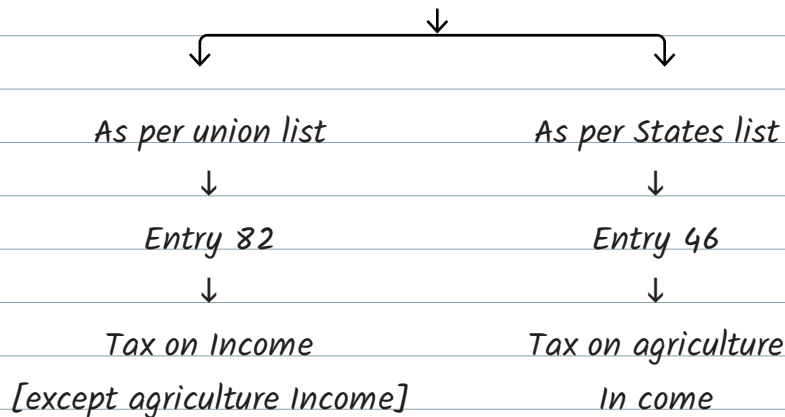
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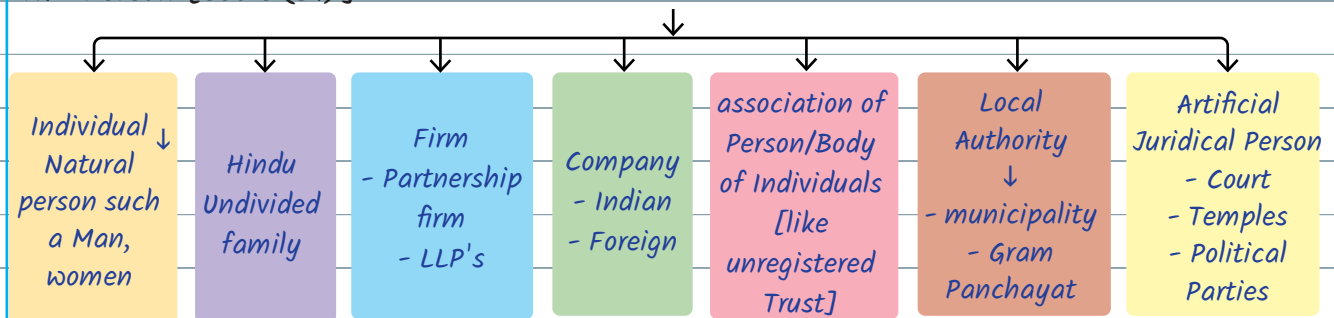
Part I Overview of Direct Taxes

1. Taxes means unilateral payment in the form of compulsory finance charge to Govt & Direct Taxes means taxes on Income on the person who earns such income.
2. Constitutional Right to Tax



3. Source of Income Tax laws.
 1. Income Tax Act 1961.
 2. Income Tax Rules, 1962
 3. Annual finance Act, [Finance Act 1, 2024, Finance Act 2, 2024]
 4. Circulars by CBDT [Binding to AO]
 5. Notifications by CBDT [due date extension, forms]
 6. Supreme Court, High Court Judgments

4. Basic Definition
 - A. Person [sec 2(31)]



B. Assessee

It means any person who is liable to pay any tax or any other sum under IT Act, 1961. It includes person in respect of which any proceeding initiated, deemed assessee or assessee in default.

C. Assessment Year.

Year of tax payment, starting from 1 April to 31 March following the Previous year.

D. Previous year.

year in which income is earned is previous Year. It is preceding to Assessment Year. It generally starts with 1st April & ends with 31st March. But in case of new established business, PY will commence from date of establishment of such business

E. Certain cases where income is taxed in Previous Year Itself.

1. Shipping Business of Non Resident
2. Income of person leaving for long duration without any intention of returning (marriage)
3. AOP / BOI / AJP formed for particular event / purpose
4. person trying to escape taxes by transferring assets.
5. Income of discontinued Business

5. Steps to Calculate Total Income.

	PY xx	AY xx
Particulars	₹	₹
Income from Salary.	xx	
Income from House Property	xx	
Income from Business & profession.	xx	
Income from Capital Gain	xx	
Income from other sources	xx	

Clubbing of Income

Set off & Carry forward of loss

gross total Income	xx	xx
(-) Deduction U/C VI A	(xx)	
Net Total Income / Total Income	xx	xx

Tax payable on such Income	xx
Add Surcharge [on Tax payable]	xx
Add Health & Education cess [4% of (Tax + Sc)]	xx
<hr/>	
Total Tax liability	xx
(-) TDs/TCS Credit	(xx)
(-) Advance Tax	(xx)
(-) Relief U/S 89/90/91	(xx)
Net Tax payable / Refundable.	xx

This rounded off to nearest 10

Part 2 General Tax Rates for Assessment Year 2025-26

- for Individual, Huf, AOP, BOI, Artificial Juridical Person
(Resident or Non Resident)
If Total Income (NTI) Rate
 Upto ₹ 2,50,000 (Basic exemption limit) Nil
 from ₹ 2,50,000 upto ₹ 5,00,000 5%
 from ₹ 5,00,000 upto ₹ 10,00,000 20%
 above ₹ 10,00,000 30%
- for Senior citizen who is 60 years of age but less than 80 years.
[Birthday on 1 April 2025. means 60 age completed on 31 march] [Only Resident]
If total income (NTI) Rate
 Upto ₹ 3,00,000 (Basic exemption limit) Nil
 from ₹ 3,00,000 upto ₹ 5,00,000 5%
 from ₹ 5,00,000 upto ₹ 10,00,000 20%
 above ₹ 10,00,000 30%
- Senior Citizen of 80 years of age or above [Resident]
If Total Income (NTI) Rate
 Upto ₹ 5,00,000 (Basic exemption limit) Nil
 From ₹ 5,00,000 upto ₹ 10,00,000 20%
 Above ₹ 10,00,000 30%

Common Point for 1,2,3

Surcharge for Assessee being Individual, HUF, AOP, BOI, AJP

S NO. Total Income Surcharge

(i) Total Income upto & so lacks

Nil

(ii) Total Income more than 50 lakh upto 1 crores.

10%

(iii) Total Income more than 1 crores upto 2 crores.

15%

(iv) Total Income more than 2Cr. upto 5 Crore.

(v) Total Income is more than 5 crore

Bifurcate Total Income

Dividend + LTCG +

LTCG 112A + STCG IIIA

15% only

Other Income

upto 2Cr

15%

more than 2Cr upto 5Cr

25%

more than 5Cr

37%

Crux:- Once Total Income of 2 Cr is crossed remove dividend, LTCG 112A, LTCG STCG III A & then check whether exceeds 2 Cr or 5 Cr limit]

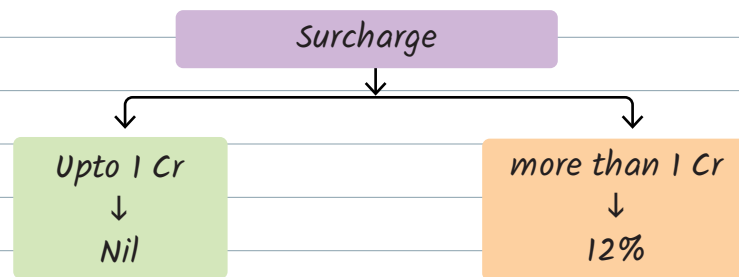
Example

Mr. Rahul

Case	CG & Dividend Income	Other Income	Total Income	Surcharge Rate on Tax on CG & Dividend	Surcharge Rate on Tax on other Income
1.	15 Lacs	25 Lacs	40 lacs	-	-
2.	45 Lacs	50 Lacs	95 lacs	10%	10%
3.	55 Lacs	65 Lacs	120 lacs	15%	15%
4.	2.3 Cr	25 Lacs	2.55 Cr	15%	15%
5.	1 Cr	2.6 Cr	3.6 Cr	15%	25%.
6.	4 Cr	3 Cr	7 Cr	15%	25%
7.	4 CR	6 Cr	10 Cr	15%	37%
8.	10 Cr	10 Cr	20 Cr	15%	37%

4. firm / Local Authority / LLP

Flat Rate = 30%



5. Company

a. Domestic company [having Turnover of PY 2022-23 upto 400 Cr] 25%

b. Domestic company other than above 30%

c. Foreign company 35%

Surcharge in case of Company

	Domestic co	foreign co.
Total Income > 1 Crore upto 10 Cr	7%	2%
Total Income > 10 Crores	12%	5%

6. Cooperative Society

Total Income	Tax Rate
Upto 10,000	10%
> 10,000 upto 20,000	20%
> 20,000	30%

Surcharge

Total Income > 1 crore upto 10 Cr	7 %
Total Income > 10 crores.	12 %

7. In all cases Health & education less @ 4%, shall be added to Tax including Surcharge.

Example Mr. Rahul Age 30. Total income for PY 2024-25 in as follows

i) Capital Gain U/S 112A	1.2Cr
ii) Capital Gain U/S 112	40 lakhs
iii) Capital Gain U/S 111A	3 Cr
iv) Dividend Income	20 lakhs
v) Other Income	3 Crores

(asset transferred before 23-7-2024)

computation of Tax liability for AY 2025-26 [Normal Provision]

Solution :-

Particular	Tax Rate	Income	Tax
LTCG 112A	10 %	1.2 Cr	11,87,500
LTCG 112	20 %	40L	8,00,000
STCG 111A	15 %	3 Cr	45,00,000
Other Income [3 Cr + 20 L]	slab Rate	3.2 Cr	94,12,500
		7.8 Cr	
	Total Tax		1,59,00,000

Surcharge @ 15% on LTCG/STCG

$[11,87,500 + 8,00,000 + 45,00,000] \times 15\%$ 9,73,125

Surcharge @ 15% on Dividend Income

$588281 \times 15\%$ 88242

$[20/3.2Cr \times 94,12,500]$

Surcharge @ 25% On Balance Income 22,06,054

$88,24,219 \times 25\%$

$[9412500 - 588281]$

F.A.S.T.
first attempt success tutorials

Add education Cess @ 4%

1,91,67,421

7,66,696

Net Tax liability

1,99,34,117

Or

1,99,34,120

Marginal Relief in Surcharge.

1. This relief is given in case where there is significant rise to total taxes due change

In surcharge Bracket with little increase in Income.

Eg. person earning 4.99 Cr pays 25% Surcharge

person earning 5.01 Cr Pays 37% Surcharge

2. calculation of Marginal Relief

Step 1: Calculate Tax on Original Total Income [without cess]

Step 2: Calculate Tax on

• ₹ 50 lacs/1 cr./2 cr./5 cr. [Individual etc.]

• ₹ 1 cr. [Firm etc.]

• ₹ 1 cr./10 cr. [Company]

as per case [without Cess]

Step 3: Tax to be paid = Step 2 + Extra Income

Step 4: Marginal Relief = Step 1 - Step 3 [Original Tax - Tax to be paid]

3. Eg. total Income of Mr. Lavish [Age 33] is ₹ 5,01,00,000/- calculate Tax liability

Calculation of tax liability

Tax on Total Income	₹
Upto 2,50,000	-
from 2,50,000 to 5,00,000 @ 5%	12,500
from 5,00,000 to 10,00,000 @ 20%	1,00,000
from 10,00,000 to 5,01,00,000 @ 30%.	<u>1,47,30,000</u>
	1,48,42,500
Add Surcharge @ 37%	<u>54,91,725</u>
	2,03,34,225
Above amount shall be restricted to	1,86,15,625
Tax on 5,00,00,000 & [Total Income - 5 Cr]	
= 1,85,15,625 + 1,00,000	
[Surcharge @ 25% will still be applicable]	
Marginal relief	<u>17,18,600</u>
Tax payable =	1,86,15,625
Add Education cess @ 4%	<u>7,44,625</u>
Total tax liability	<u>1,93,60,250</u>

Sec 87A:- Tax Rebate

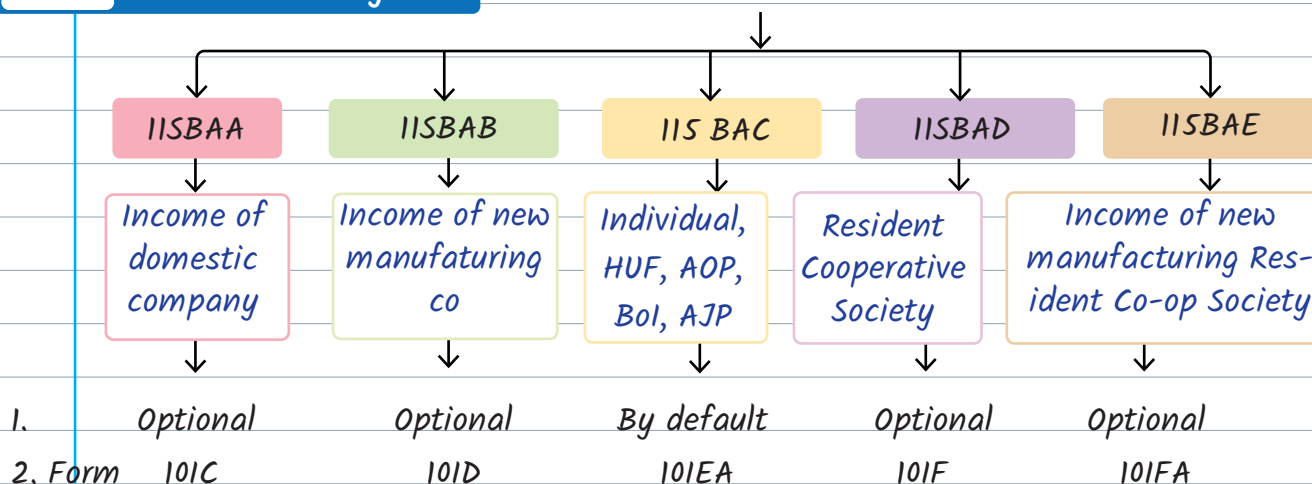
For **Resident Individuals** whose Total Income is upto ₹5,00,000 Tax rebate of

- | | |
|---------------------------|-------------------------|
| i) 100% of tax payable or | ↓
Whichever is lower |
| ii) 12500 | |

Notes

- 1) Rebate shall be calculated on Gross tax liability ie Tax +
- 2) Rebate U/S 87A is available against all income except (LTCG U/S 112A)
- 3) If Income exceeds even by 1 rupee from 5 lakhs then rebate u/s 87A not allowed.

Part 3 Alternate Tax Regimes



Sec 115BAA :- Tax on Income of Certain Domestic Companies

- Tax Rate = 22%

Surcharge = 10% [Compulsory] ★

Education cess = 4%

Effectively = 25.168
- Income like LTCG 112, STCG 111A, LTCG 112A. shall continue to be taxed as per their respective rates [special rate + 10%. Surcharge + 4%. HEC]

Sec 115BAB:- Tax on Income of certain new domestic manufacturing


[company setup & registered on or after 1 Oct 2019 & commences manufacturing on or before 31 march 2024].

- Tax Rate on manufacturing Income = 15%

Surcharge = 10% [compulsory]

HEC = 4%

Effectively = 17.16%
 - Income like LTCG 112, STCG 111A, LTCG 112A shall continue to be taxed as per their respective rates [special rate + 10%. Surcharge + 4%. HEC]
 - If Income compute by AO on account of profit shifting from high tax paying entity to this entity then tax rate shall be $[30+10+4] = 34.32\%$.
 - Income of Transfer of Non Depreciable STCG shall be taxed $[22+10+4] = 25.168\%$
 - Other Income like Ifos, HP, non manufacturing Income etc shall be taxed @ $[22+10+4] = 25.168\%$.
- [In short 15% benefit is available to manufacturing Business Income]

- Other conditions
- Company should not be formed by splitting up or reconstruction of an existing business.
 - P&M should be New.
 20% second hand allowed
 Imported shall be treated as new
 - Does not use any building previously used as a Hotel.
 - Not engaged in any business other than manufacturing and research relating to, or distribution of such article manufactured by it.
- # Business of Manufacture does not include business of:
- Development of Computer software
 - Mining
 - Conversion of marble block into slabs
 - Bottling of gas into cylinder
 - Printing books or production of film 
 - Note: Business of power generation shall be treated as manufacturing business.
- Benefit of this section shall be allowed only if form 101D furnished before 1st Return of Income.
 - If transaction > 20 Cr with AE, it shall be specified domestic Transaction & transfer pricing provisions will apply.

Sec 115 BAD Tax On Resident Co-operative Societies

- | | | |
|----------------|---|------------------|
| Tax Rate | = | 22% |
| Surcharge | = | 10% [Compulsory] |
| Education Cess | = | 4% |
| Effectively | = | 25.168% |
- Income like LTCG 112, STCG 111A, LTCG 112A. shall continue to be taxed as per their respective rates [special rate + 10%. Surcharge + 4% HEC]

Sec 115BAE [Completely similar to 115BAB] (Amendment)

Tax on new manufacturing Co-operative societies
 [Co-ops. setup & registered on or after 1-April-2023. & Commences manufacturing on or before 31 march 2024].

CHAPTER 1

1. tax Rate on manufacturing Income = 15%
Surcharge = 10% [compulsory]
HEC = 4%
Effectively = 17.16%
2. Income like LTCG 112, STCG 111A, LTCG 112A shall continue to be taxed as per their respective rates [special rate + 10% Surcharge + 4% HEC]
3. If Income computed by AO, on account of profit shifting from high tax paying entity to this entity then tax rate shall be $[30+10+4] = 34.32\%$
4. Income of Transfer of Non Depreciable STCG shall be taxed $[22+10+4] = 25.168\%$
5. Other Income like IFOS, HP, non manufacturing Income etc shall be taxed @ $[22+10+4] = 25.1681\%$.
[In short 15% benefit is available to manufacturing Business Income]

Other Conditions

- a. Should not be formed by splitting up or reconstruction of an existing business.
- b. P&M should be New. 20% second hand allowed.
- c. Does not use any building previously used as a Hotel Imported shall be treated as new
- d. Not engaged in any business other than manufacturing and research relating to, or distribution of such article manufactured by it.

- # Business of Manufacture does not include business of:
- Development of Computer software
 - Mining
 - Conversion of marble block
 - Bottling of gas into cylinder
 - Printing books or production of film
 - Note: Business of power generation shall be treated as manufacturing business.
- e. Benefit of this Section shall be allowed only if form 10 IFA furnished before 1st Return of Income.
 - f. If transaction > 20Cr with AE, it shall be specified domestic Transaction & transfer pricing provisions will apply.

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G2 Pass

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