University of Delhi

Value Addition Course — VAC: Financial Literacy · Unit IV: Personal Tax

Solutions to Previous Years' Question Papers

Tax Year 2026–27

Income-tax Act, 2025 read with the Finance Act, 2026 · solved under both the new (default) and the old (optional) tax regimes

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About this booklet

This booklet has been prepared by Artificial Intelligence — Claude Opus 5.0 Max (Anthropic) — under the guidance and supervision of Advocate Dr. S. B. Rathore, from the bare text of the Income-tax Act, 2025 and the Income-tax Rules, 2026 as downloaded from incometaxindia.gov.in.

Date: 23-08-26 (Original) **Updated on:** ________________

Suggestions and corrections are welcome

This is the first year in which this paper is being taught under the Income-tax Act, 2025, and the first edition of any material is bound to be capable of improvement. If you notice a discrepancy — a section number, a figure, a rate, a date — or if you have a suggestion on the presentation, the illustrations, or anything else that would make the material easier for a student, please write to me. Teachers of other colleges are equally welcome to send their comments.

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Corrections received will be carried into the next revision, and the corrected file will be uploaded on the website.

Syllabus — VAC: Financial Literacy

Reproduced from the syllabus prescribed by the University of Delhi under the Undergraduate Curriculum Framework. This booklet covers **Unit IV — Personal Tax** only.

Credits	Eligibility	Pre-requisite
02 — Lecture 1, Tutorial 0, Practical / Practice 1	Pass in Class 12	NIL

Learning objectives

- Familiarity with different aspects of financial literacy such as savings, investment, taxation and insurance
- Understand the relevance and process of financial planning
- Promote financial well-being

Learning outcomes

- Develop proficiency for personal and family financial planning
- Apply the concept of investment planning
- Ability to analyse banking and insurance products
- Personal tax planning

Syllabus of Financial Literacy

Unit I — Financial Planning and Financial Products *(3 weeks)*	• Introduction to Saving • Time value of money • Management of spending and financial discipline
Unit II — Banking and Digital Payment *(4 weeks)*	• Banking products and services • Digitisation of financial transactions: debit cards (ATM cards) and credit cards, net banking and UPI, digital wallets • Security and precautions against Ponzi schemes and online frauds
Unit III — Investment Planning and Management *(4 weeks)*	• Investment opportunity and financial products • Insurance planning: life and non-life, including medical insurance schemes
Unit IV — Personal Tax *(4 weeks)* *covered in this booklet*	• Introduction to basic tax structure in India for personal taxation • Aspects of personal tax planning • Exemptions and deductions for individuals • e-filing

Note: Some of the theoretical concepts would be dealt with during practice hours.

Practical component *(15 weeks)*

- Regular class activities to enhance students' understanding of topics and the application of concepts. The case study method may be followed as a teaching pedagogy.
- Numerical questions pertaining to each unit, wherever applicable, should be practised.
- For the second unit, students may be assigned a project wherein they log on to the websites of various banks and conduct an in-depth analysis and comparison of financial products offered.
- For Unit III, a project related to building a dummy portfolio of stocks and tracking their returns may be given.
- An investment budget may be given to the students to select investment options that maximise the return and minimise the tax implications.
- **For the last unit, students may also file a dummy income-tax return to get hands-on experience with e-filing.**
- Students may conduct a financial literacy survey among at least 25 respondents to measure the level of financial literacy and share the findings in the form of a report.
- Any other practical / practice as decided from time to time.

Essential / recommended readings

- *Introduction to Financial Planning* (4th edn., 2017) — Indian Institute of Banking & Finance
- Sinha, Madhu. *Financial Planning: A Ready Reckoner*, July 2017, McGraw Hill

Suggested readings

- Halan, Monika. *Let's Talk Money: You've Worked Hard for It, Now Make It Work for You*, July 2018, Harper Business
- Pandit, Amar. *The Only Financial Planning Book that You Will Ever Need*, Network 18 Publications Ltd.

Examination scheme and mode: subject to directions from the Examination Branch / University of Delhi from time to time.

Rates and limits at a glance — Tax Year 2026–27

Income-tax Act, 2025 (Act 30 of 2025), effective 1st April 2026, read with the Finance Act, 2026. The rates below are unchanged from the immediately preceding year; what has changed for students is the statute, the terminology (*tax year* replaces *previous year* and *assessment year*) and the section numbering.

New (default) regime — s. 202 [115BAC] — all individuals

Total income	Rate
Up to ₹ 4,00,000	Nil
₹ 4,00,001 – ₹ 8,00,000	5%
₹ 8,00,001 – ₹ 12,00,000	10%
₹ 12,00,001 – ₹ 16,00,000	15%
₹ 16,00,001 – ₹ 20,00,000	20%
₹ 20,00,001 – ₹ 24,00,000	25%
Above ₹ 24,00,000	30%

Applies to every individual irrespective of age. This is the **default** regime — the old regime must be opted for.

Old (optional) regime — three categories

Total income	Rate
Individual below 60 years	
Up to ₹ 2,50,000 / ₹ 2,50,001–5,00,000	Nil / 5%
₹ 5,00,001 – ₹ 10,00,000 / above	20% / 30%
Resident senior citizen (60 – 79 years)	
Up to ₹ 3,00,000 / ₹ 3,00,001–5,00,000	Nil / 5%
₹ 5,00,001 – ₹ 10,00,000 / above	20% / 30%
Resident super senior citizen (80 years and above)	
Up to ₹ 5,00,000	Nil
₹ 5,00,001 – ₹ 10,00,000 / above	20% / 30%

Key reliefs, deductions and additions — with the corresponding sections of both Acts

Item	Section		Old (optional) regime	New (default) regime
	Act, 1961	Act, 2025		
Standard deduction from salary	16(*ia*)	**19(1), Sl. 2**	₹ 50,000	**₹ 75,000**
Rebate — total income ceiling	87A	**156**	₹ 5,00,000	**₹ 12,00,000**
Rebate — maximum amount	87A	**156**	₹ 12,500	**₹ 60,000**
Marginal relief where income just exceeds the ceiling	87A	**156(2)(*b*)**	Not available	Available
Life insurance, PF, PPF, ELSS, tuition fees, etc.	80C	**123 + Sch. XV**	**Available**	Not available
Health insurance premium	80D	**126**	**Available**	Not available
Interest on deposits — savings / senior citizens	80TTA / 80TTB	**153**	**Available**	Not available
Donations; interest on education loan	80G; 80E	**133; 129**	**Available**	Not available
Employer's contribution to pension scheme (NPS)	80CCD(2)	**124(2)**	Available	Available
Exemption for house rent allowance	10(13A)	**Sch. III, Sl. 11**	**Available**	Not available
Deduction for professional tax	16(*iii*)	**19(1), Sl. 1**	**Available**	Not available
Health & Education Cess on tax plus surcharge	*Levied by the Finance Act, 2026*		4%	4%
Surcharge — threshold and highest rate	*Finance Act, 2026, First Sch., Para F*		Above ₹ 50 lakh; up to 37%*	Above ₹ 50 lakh; up to 25%
Rounding off of tax payable	288B	**516**	Nearest ₹ 10	Nearest ₹ 10

*Surcharge slabs: 10% above ₹ 50 lakh, 15% above ₹ 1 crore, 25% above ₹ 2 crore, and 37% above ₹ 5 crore under the optional regime only. Marginal relief is available on surcharge in every case. None of the six questions in this set attracts surcharge.

Appendix — section numbers under the Income-tax Act, 2025

From tax year 2026–27 the governing statute is the Income-tax Act, 2025, in which the provisions of the 1961 Act carry new numbers. The prescribed readings and common usage still name them by the old numbers, so students must be able to recognise both. In this booklet Questions 1 to 3 use the 1961 numbering and Questions 4 to 6 the 2025 numbering, deliberately.

Provision	Income-tax Act, 1961	Income-tax Act, 2025
Standard deduction from salary	s. 16(*ia*)	s. 19(1), Table Sl. No. 2
Deduction for professional tax	s. 16(*iii*)	s. 19(1), Table Sl. No. 1
Exemption for house rent allowance	s. 10(13A)	Schedule III, Sl. No. 11
Exemption for gratuity	s. 10(10)	s. 19(1), Table Sl. Nos. 3–6
Interest on borrowed capital — house property	s. 24(*b*)	s. 22(1)(*b*)
LIP, PF, PPF, ELSS, tuition fees, etc.	s. 80C	s. 123 read with Sch. XV
Contribution to pension scheme (NPS)	s. 80CCD	s. 124
Contribution to Agnipath Scheme	s. 80CCH	s. 125
Health insurance premium	s. 80D	s. 126
Interest on education loan	s. 80E	s. 129
Donations to funds and charitable institutions	s. 80G	s. 133
Interest on deposits (savings / senior citizens)	s. 80TTA / 80TTB	s. 153
Deduction for a person with disability	s. 80U	s. 154
Rebate for resident individuals	s. 87A	s. 156
New (default) tax regime	s. 115BAC	s. 202
Rounding off of total income and tax	s. 288B	s. 516
Due date for filing return of income	s. 139(1)	s. 263(1)

Terminology under the new Act

- ‘Previous year’ and ‘assessment year’ are replaced by a single expression — **tax year**. The year 1 April 2026 to 31 March 2027 is **tax year 2026–27**; the income of that year is assessed under that same label — there is no separate assessment year.
- Chapter VI-A deductions are now spread over Chapter VIII; the schedules to the new Act carry the lists that were earlier in the body of the sections.
- Rates of tax continue to be prescribed each year by the Finance Act — for tax year 2026–27, by the Finance Act, 2026 (Part I-B of the First Schedule for the optional regime, and s. 202 of the Act itself for the default regime).

Contents

How to use this set

- Every question has been **re-solved for tax year 2026–27**. The figures therefore differ from the answers circulated for earlier years wherever the default-regime slabs or the enhanced rebate apply — the old-regime figures are unchanged, since those rates have not been revised.
- Each question is solved under **both regimes side by side**, followed by a comparison strip showing which regime is beneficial. Remember that the new regime is now the **default**: the old regime applies only if the assessee opts for it.
- **Two numberings are used deliberately.** Questions 1 to 3 carry the familiar section numbers of the Income-tax Act, 1961; Questions 4 to 6 are worked wholly in the numbering of the Income-tax Act, 2025 (s. 19 standard deduction, s. 123 investments, s. 126 health insurance, s. 153 deposit interest, s. 156 rebate, s. 202 default regime). Students should be able to read both. The Appendix sets the two side by side.
- All amounts are in rupees. Tax payable is rounded off to the nearest ₹ 10.

Question 1

Odd Semester (Academic Year 2022–23) · Q. 4, Set–2

Ram, Shyam and Mohan are individuals resident in India. Ram is a **super senior citizen** (80 years or more), Shyam is a **senior citizen** (60 years or more but less than 80 years) and Mohan is **below 60 years** of age. The total (taxable) income of each of them for the tax year 2026–27 is ₹ 12,00,000. Compute the tax liability of each of them under the old tax rates regime and the new tax rates regime.

Computation of tax liability — Old (optional) tax regime

Particulars	Rate	Ram *super senior*	Shyam *senior*	Mohan *non-senior*
Basic exemption limit		*₹ 5,00,000*	*₹ 3,00,000*	*₹ 2,50,000*
Total (taxable) income		*₹ 12,00,000*	*₹ 12,00,000*	*₹ 12,00,000*
Exemption limit to ₹ 5,00,000	**5%**	Nil	₹ 10,000	₹ 12,500
₹ 5,00,001 to ₹ 10,00,000	**20%**	₹ 1,00,000	₹ 1,00,000	₹ 1,00,000
Above ₹ 10,00,000	**30%**	₹ 60,000	₹ 60,000	₹ 60,000
Tax before rebate		***₹ 1,60,000***	***₹ 1,70,000***	***₹ 1,72,500***
Less: Rebate u/s 87A *(only if total income ≤ ₹ 5,00,000; max ₹ 12,500)*		Not allowed	Not allowed	Not allowed
Tax after rebate		**₹ 1,60,000**	**₹ 1,70,000**	**₹ 1,72,500**
Add: Health & Education Cess	**4%**	₹ 6,400	₹ 6,800	₹ 6,900
Tax liability		**₹ 1,66,400**	**₹ 1,76,800**	**₹ 1,79,400**

Computation of tax liability — New (default) tax regime u/s 115BAC

Particulars	Rate	Ram *super senior*	Shyam *senior*	Mohan *non-senior*
Basic exemption limit		*₹ 4,00,000*	*₹ 4,00,000*	*₹ 4,00,000*
Total (taxable) income		*₹ 12,00,000*	*₹ 12,00,000*	*₹ 12,00,000*
₹ 4,00,001 to ₹ 8,00,000	**5%**	₹ 20,000	₹ 20,000	₹ 20,000
₹ 8,00,001 to ₹ 12,00,000	**10%**	₹ 40,000	₹ 40,000	₹ 40,000
Tax before rebate		***₹ 60,000***	***₹ 60,000***	***₹ 60,000***
Less: Rebate u/s 87A *(total income ≤ ₹ 12,00,000; max ₹ 60,000)*		₹ (60,000)	₹ (60,000)	₹ (60,000)
Tax after rebate		**Nil**	**Nil**	**Nil**
Add: Health & Education Cess	**4%**	Nil	Nil	Nil
Tax liability		**NIL**	**NIL**	**NIL**

Comparison — which regime is beneficial?

Assessee	Old (optional) regime	New (default) regime	Saving under default regime
Ram — super senior	₹ 1,66,400	**NIL**	₹ 1,66,400
Shyam — senior	₹ 1,76,800	**NIL**	₹ 1,76,800
Mohan — non-senior	₹ 1,79,400	**NIL**	₹ 1,79,400

Points to note

- **Age is irrelevant under the default regime.** The basic exemption limit is ₹ 4,00,000 for every individual — the higher limits of ₹ 3,00,000 and ₹ 5,00,000 for senior and super senior citizens exist only under the old regime.
- Total income here is *exactly* ₹ 12,00,000, so the enhanced rebate u/s 87A of ₹ 60,000 exactly wipes out the tax of ₹ 60,000. Tax liability is **nil** for all three. Had the income been even ₹ 1 more, the rebate would have been withdrawn and marginal relief would have applied.
- Cess is charged on tax *after* rebate. Since the tax after rebate is nil, no cess arises.
- All three assessees should therefore remain in the default regime.

Question 2

Even Semester (Academic Year 2023–24) · Q. 4, Set–1

Compute the tax liability of **Ramesh** (aged 50 years), **Suresh** (aged 65 years) and **Lakshmi** (aged 82 years), all resident individuals, whose total (taxable) income for the tax year 2026–27 is ₹ 20,00,000 each, under the old tax rates regime and the new tax rates regime.

Computation of tax liability — Old (optional) tax regime

Particulars	Rate	Ramesh 50 years	Suresh 65 years	Lakshmi 82 years
Basic exemption limit		*₹ 2,50,000*	*₹ 3,00,000*	*₹ 5,00,000*
Total (taxable) income		*₹ 20,00,000*	*₹ 20,00,000*	*₹ 20,00,000*
Exemption limit to ₹ 5,00,000	**5%**	₹ 12,500	₹ 10,000	Nil
₹ 5,00,001 to ₹ 10,00,000	**20%**	₹ 1,00,000	₹ 1,00,000	₹ 1,00,000
Above ₹ 10,00,000	**30%**	₹ 3,00,000	₹ 3,00,000	₹ 3,00,000
Tax before rebate		***₹ 4,12,500***	***₹ 4,10,000***	***₹ 4,00,000***
Less: Rebate u/s 87A *(total income exceeds ₹ 5,00,000)*		Not allowed	Not allowed	Not allowed
Tax after rebate		**₹ 4,12,500**	**₹ 4,10,000**	**₹ 4,00,000**
Add: Health & Education Cess	**4%**	₹ 16,500	₹ 16,400	₹ 16,000
Tax liability		**₹ 4,29,000**	**₹ 4,26,400**	**₹ 4,16,000**

Computation of tax liability — New (default) tax regime u/s 115BAC

Particulars	Rate	Ramesh 50 years	Suresh 65 years	Lakshmi 82 years
Basic exemption limit		*₹ 4,00,000*	*₹ 4,00,000*	*₹ 4,00,000*
Total (taxable) income		*₹ 20,00,000*	*₹ 20,00,000*	*₹ 20,00,000*
₹ 4,00,001 to ₹ 8,00,000	**5%**	₹ 20,000	₹ 20,000	₹ 20,000
₹ 8,00,001 to ₹ 12,00,000	**10%**	₹ 40,000	₹ 40,000	₹ 40,000
₹ 12,00,001 to ₹ 16,00,000	**15%**	₹ 60,000	₹ 60,000	₹ 60,000
₹ 16,00,001 to ₹ 20,00,000	**20%**	₹ 80,000	₹ 80,000	₹ 80,000
Tax before rebate		***₹ 2,00,000***	***₹ 2,00,000***	***₹ 2,00,000***
Less: Rebate u/s 87A *(total income exceeds ₹ 12,00,000)*		Not allowed	Not allowed	Not allowed
Tax after rebate		**₹ 2,00,000**	**₹ 2,00,000**	**₹ 2,00,000**
Add: Health & Education Cess	**4%**	₹ 8,000	₹ 8,000	₹ 8,000
Tax liability		**₹ 2,08,000**	**₹ 2,08,000**	**₹ 2,08,000**

Comparison — which regime is beneficial?

Assessee	Old (optional) regime	New (default) regime	Saving under default regime
Ramesh — 50 years	₹ 4,29,000	**₹ 2,08,000**	₹ 2,21,000
Suresh — 65 years	₹ 4,26,400	**₹ 2,08,000**	₹ 2,18,400
Lakshmi — 82 years	₹ 4,16,000	**₹ 2,08,000**	₹ 2,08,000

Points to note

- At ₹ 20,00,000 the old regime charges 30% on everything above ₹ 10,00,000, whereas the default regime still has three lower slabs (10%, 15% and 20%) to work through. This is why the default regime is dramatically cheaper here.
- Under the old regime the age of the assessee changes the liability only to the extent of the tax saved on the higher exemption slab — a maximum difference of ₹ 13,000 (including cess) between Ramesh and Lakshmi.
- No rebate u/s 87A is available under either regime: total income exceeds ₹ 5,00,000 (old) and ₹ 12,00,000 (default).
- Under the default regime the liability is identical (₹ 2,08,000) for all three, irrespective of age.

Question 3

Odd Semester (Academic Year 2023–24) · Q. 4, Set–2

A is a resident **super senior citizen**, B is a resident **senior citizen** and C is a resident individual **below 60 years** of age. Their total (taxable) incomes for the tax year 2026–27 are ₹ 7,00,000, ₹ 18,00,000 and ₹ 36,00,000 respectively. Compute the tax liability of each of them under the old tax rates regime and the new tax rates regime.

Computation of tax liability — Old (optional) tax regime

Particulars	Rate	A *super senior*	B *senior*	C *non-senior*
Basic exemption limit		*₹ 5,00,000*	*₹ 3,00,000*	*₹ 2,50,000*
Total (taxable) income		*₹ 7,00,000*	*₹ 18,00,000*	*₹ 36,00,000*
Exemption limit to ₹ 5,00,000	**5%**	Nil	₹ 10,000	₹ 12,500
₹ 5,00,001 to ₹ 10,00,000	**20%**	₹ 40,000	₹ 1,00,000	₹ 1,00,000
Above ₹ 10,00,000	**30%**	—	₹ 2,40,000	₹ 7,80,000
Tax before rebate		***₹ 40,000***	***₹ 3,50,000***	***₹ 8,92,500***
Less: Rebate u/s 87A *(total income exceeds ₹ 5,00,000 in each case)*		Not allowed	Not allowed	Not allowed
Tax after rebate		**₹ 40,000**	**₹ 3,50,000**	**₹ 8,92,500**
Add: Surcharge *(nil — income below ₹ 50,00,000)*		Nil	Nil	Nil
Add: Health & Education Cess	**4%**	₹ 1,600	₹ 14,000	₹ 35,700
Tax liability		**₹ 41,600**	**₹ 3,64,000**	**₹ 9,28,200**

Computation of tax liability — New (default) tax regime u/s 115BAC

Particulars	Rate	A *super senior*	B *senior*	C *non-senior*
Basic exemption limit		*₹ 4,00,000*	*₹ 4,00,000*	*₹ 4,00,000*
Total (taxable) income		*₹ 7,00,000*	*₹ 18,00,000*	*₹ 36,00,000*
₹ 4,00,001 to ₹ 8,00,000	**5%**	₹ 15,000	₹ 20,000	₹ 20,000
₹ 8,00,001 to ₹ 12,00,000	**10%**	—	₹ 40,000	₹ 40,000
₹ 12,00,001 to ₹ 16,00,000	**15%**	—	₹ 60,000	₹ 60,000
₹ 16,00,001 to ₹ 20,00,000	**20%**	—	₹ 40,000	₹ 80,000
₹ 20,00,001 to ₹ 24,00,000	**25%**	—	—	₹ 1,00,000
Above ₹ 24,00,000	**30%**	—	—	₹ 3,60,000
Tax before rebate		***₹ 15,000***	***₹ 1,60,000***	***₹ 6,60,000***
Less: Rebate u/s 87A *(allowed only where total income ≤ ₹ 12,00,000)*		₹ (15,000)	Not allowed	Not allowed
Tax after rebate		**Nil**	**₹ 1,60,000**	**₹ 6,60,000**
Add: Surcharge *(nil — income below ₹ 50,00,000)*		Nil	Nil	Nil
Add: Health & Education Cess	**4%**	Nil	₹ 6,400	₹ 26,400
Tax liability		**NIL**	**₹ 1,66,400**	**₹ 6,86,400**

Comparison — which regime is beneficial?

Assessee	Old (optional) regime	New (default) regime	Saving under default regime
A — super senior, ₹ 7,00,000	₹ 41,600	**NIL**	₹ 41,600
B — senior, ₹ 18,00,000	₹ 3,64,000	**₹ 1,66,400**	₹ 1,97,600
C — non-senior, ₹ 36,00,000	₹ 9,28,200	**₹ 6,86,400**	₹ 2,41,800

Points to note

- **A is the striking case.** Even though he enjoys the highest exemption limit of ₹ 5,00,000 under the old regime, he still pays ₹ 41,600 there, because the rebate u/s 87A is confined to a total income of ₹ 5,00,000. Under the default regime the rebate ceiling is ₹ 12,00,000, so his tax falls to nil.
- **No surcharge** arises in any case: surcharge begins only where total income exceeds ₹ 50,00,000. C's income of ₹ 36,00,000 is well below that threshold — a common error is to apply 10% surcharge here.
- For C, the top slab rate is 30% under both regimes, yet the default regime is still cheaper by ₹ 2,41,800 because the 30% rate begins only above ₹ 24,00,000 instead of ₹ 10,00,000.

QUESTION 4

Common Paper · Semester–I (Academic Year 2024–25) · Q. 3

From the following particulars relating to **Ms R**, a salaried employee, compute her total tax liability under the old tax regime and the new tax regime for the tax year 2026–27:

Gross Salary	₹ 15,00,000
Interest on savings bank account	₹ 15,000
Contribution to Provident Fund	₹ 1,50,000
Premium paid for health insurance policy of her family	₹ 25,000

Section numbers in this solution are those of the Income-tax Act, 2025.

Old (optional) tax regime — option u/s 202(4)

Particulars	Amount
Salaries	
Gross salary	₹ 15,00,000
Less: Standard deduction u/s 19(1) *[Table Sl. No. 2]*	₹ (50,000)
Income under the head 'Salaries'	**₹ 14,50,000**
Income from other sources	
Interest on savings bank account	₹ 15,000
Gross Total Income	**₹ 14,65,000**
Less: Deductions under Chapter VIII	
u/s 123 — contribution to provident fund *(max ₹ 1,50,000)*	₹ 1,50,000
u/s 126 — health insurance premium for family	₹ 25,000
u/s 153 — savings bank interest *(max ₹ 10,000)*	₹ 10,000
Total deductions	**₹ 1,85,000**
Total Income	**₹ 12,80,000**
Tax on total income	
₹ 2,50,001 to ₹ 5,00,000 @ 5%	₹ 12,500
₹ 5,00,001 to ₹ 10,00,000 @ 20%	₹ 1,00,000
₹ 10,00,001 to ₹ 12,80,000 @ 30%	₹ 84,000
Tax before rebate	**₹ 1,96,500**
Less: Rebate u/s 156	Not allowed
Add: Health & Education Cess @ 4%	₹ 7,860
Tax payable *(rounded off u/s 516)*	**₹ 2,04,360**

New (default) tax regime u/s 202

Particulars	Amount
Salaries	
Gross salary	₹ 15,00,000
Less: Standard deduction u/s 19(1) *[Table Sl. No. 2]*	₹ (75,000)
Income under the head 'Salaries'	**₹ 14,25,000**
Income from other sources	
Interest on savings bank account	₹ 15,000
Gross Total Income	**₹ 14,40,000**
Less: Deductions under Chapter VIII	
s. 123 / 126 / 153 *(not available under this regime)*	Not allowed
Total deductions	**Nil**
Total Income	**₹ 14,40,000**
Tax on total income	
₹ 4,00,001 to ₹ 8,00,000 @ 5%	₹ 20,000
₹ 8,00,001 to ₹ 12,00,000 @ 10%	₹ 40,000
₹ 12,00,001 to ₹ 14,40,000 @ 15%	₹ 36,000
Tax before rebate	**₹ 96,000**
Less: Rebate u/s 156	Not allowed
Add: Health & Education Cess @ 4%	₹ 3,840
Tax payable *(rounded off u/s 516)*	**₹ 99,840**

Comparison — which regime is beneficial?

Assessee	Old (optional) regime	New (default) regime	Saving under default regime
Ms R	₹ 2,04,360	**₹ 99,840**	₹ 1,04,520

POINTS TO NOTE

- The default regime wins by ₹ 1,04,520 *despite* Ms R forgoing deductions of ₹ 1,85,000. The higher standard deduction of ₹ 75,000 and the far wider slabs more than make up for the lost Chapter VIII deductions.
- Deduction u/s 153 is restricted to ₹ 10,000, not the full ₹ 15,000 of savings bank interest earned. The balance ₹ 5,000 remains taxable.
- Deduction u/s 126 of ₹ 25,000 is within the ceiling for a family where no member is a senior citizen.
- Under the default regime the savings bank interest of ₹ 15,000 is taxed in full — s. 153 is not available.

Question 5

Common Paper · Semester–I (Academic Year 2024–25) · Q. 2

Ms Priya, aged 32 years and resident in India, earns a salary of ₹ 6,50,000 and makes an investment in PPF of ₹ 1,50,000. Calculate her tax liability under the new tax rates regime for the tax year 2026–27. *(Solved under both regimes for comparison.) Section numbers in this solution are those of the Income-tax Act, 2025.*

Old (optional) tax regime — option u/s 202(4)

Particulars	Amount
Salaries	
Gross salary	₹ 6,50,000
Less: Standard deduction u/s 19(1) *[Table Sl. No. 2]*	₹ (50,000)
Gross Total Income	**₹ 6,00,000**
Less: Deductions under Chapter VIII	
u/s 123 — investment in PPF *(max ₹ 1,50,000)*	₹ 1,50,000
Total Income	**₹ 4,50,000**
Tax on total income	
₹ 2,50,001 to ₹ 4,50,000 @ 5%	₹ 10,000
Less: Rebate u/s 156 *(total income ≤ ₹ 5,00,000)*	₹ (10,000)
Add: Health & Education Cess @ 4%	Nil
Tax payable	**NIL**

New (default) tax regime u/s 202

Particulars	Amount
Salaries	
Gross salary	₹ 6,50,000
Less: Standard deduction u/s 19(1) *[Table Sl. No. 2]*	₹ (75,000)
Gross Total Income	**₹ 5,75,000**
Less: Deductions under Chapter VIII	
123 — PPF *(not available under this regime)*	Not allowed
Total Income	**₹ 5,75,000**
Tax on total income	
₹ 4,00,001 to ₹ 5,75,000 @ 5%	₹ 8,750
Less: Rebate u/s 156 *(total income ≤ ₹ 12,00,000)*	₹ (8,750)
Add: Health & Education Cess @ 4%	Nil
Tax payable	**NIL**

Comparison — which regime is beneficial?

Assessee	Old (optional) regime	New (default) regime	Saving under default regime
Ms Priya	NIL	**NIL**	—

Points to note

- The tax liability is **nil under both regimes**, so the arithmetic alone does not settle the choice.
- The default regime is nevertheless better for her: she reaches nil tax *without* having to lock ₹ 1,50,000 away in PPF for 15 years. Under the old regime the nil liability is bought at the cost of that lock-in.
- Under the default regime she would continue to pay no tax until her gross salary reaches ₹ 12,75,000 (₹ 12,75,000 − ₹ 75,000 standard deduction = ₹ 12,00,000, the rebate ceiling).
- This is the core **tax-planning** lesson of the unit: a deduction is worth claiming only if the tax it saves exceeds the cost of the commitment it demands.

Question 6

Common Paper · Semester–III (Academic Year 2024–25) · Q. 4

Mr Raghav, aged 26 years and resident in India, has income of ₹ 4,40,000 comprising salary income of ₹ 4,00,000 and interest on fixed deposits of ₹ 40,000. Compute his tax liability for the tax year 2026–27. *Section numbers in this solution are those of the Income-tax Act, 2025.*

Old (optional) tax regime — option u/s 202(4)

Particulars	Amount
Salaries	
Gross salary	₹ 4,00,000
Less: Standard deduction u/s 19(1) *[Table Sl. No. 2]*	₹ (50,000)
Income under the head 'Salaries'	**₹ 3,50,000**
Income from other sources	
Interest on fixed deposits	₹ 40,000
Gross Total Income	**₹ 3,90,000**
Less: Deductions under Chapter VIII	
153 *(covers interest on a savings account only — not FD interest)*	Nil
Total Income	**₹ 3,90,000**
Tax on total income	
₹ 2,50,001 to ₹ 3,90,000 @ 5%	₹ 7,000
Less: Rebate u/s 156 *(total income ≤ ₹ 5,00,000)*	₹ (7,000)
Add: Health & Education Cess @ 4%	Nil
Tax payable	**NIL**

New (default) tax regime u/s 202

Particulars	Amount
Salaries	
Gross salary	₹ 4,00,000
Less: Standard deduction u/s 19(1) *[Table Sl. No. 2]*	₹ (75,000)
Income under the head 'Salaries'	**₹ 3,25,000**
Income from other sources	
Interest on fixed deposits	₹ 40,000
Gross Total Income	**₹ 3,65,000**
Less: Deductions under Chapter VIII	
Not available under this regime	Nil
Total Income	**₹ 3,65,000**
Tax on total income	
Total income does not exceed the basic exemption limit of ₹ 4,00,000	Nil
Rebate u/s 156	Not required
Add: Health & Education Cess @ 4%	Nil
Tax payable	**NIL**

Comparison — which regime is beneficial?

Assessee	Old (optional) regime	New (default) regime	Saving under default regime
Mr Raghav	NIL	**NIL**	—

Points to note

- **Nil under both regimes — but for different reasons.** Under the old regime tax of ₹ 7,000 arises and is then extinguished by the rebate u/s 156. Under the default regime the total income of ₹ 3,65,000 is below the basic exemption limit of ₹ 4,00,000, so no tax arises at all and no rebate is needed.
- **Deduction u/s 153 is not available on fixed deposit interest.** It covers interest on deposits in a *savings account* only. (For a resident senior citizen, s. 153(2)(*b*) would have allowed up to ₹ 50,000 on all deposits including time deposits — but Mr Raghav is 26.)
- Standard deduction is limited to the amount of salary; here salary comfortably exceeds it.
- **No tax is deducted at source here either.** Tax is deducted on bank interest only where it exceeds ₹ 50,000 in the tax year (₹ 1,00,000 for a resident senior citizen) — s. 393(1), Table Sl. No. 5(ii). Mr Raghav's ₹ 40,000 is below that. Had it crossed the threshold, he could have furnished a declaration in **Form No. 121** under s. 393(6) — the provision that replaces the old Form 15G / 15H.