CASE 13.4

Shri Nikhil Deshpande

Mumbai · Below 60 years · salary

THE SOLUTIONS

SOLUTION 1

TAX YEAR 2026-27

NEW REGIME

1 April 2026 to 31 March 2027 · Income-tax Act, 2025
Case 13.4 · Shri Nikhil Deshpande · Mumbai

The regime, the Act and the dates

The answer at (A20) is No. The option under section 202(4) has not been exercised, so income-tax is computed under section 202(1). This is the DEFAULT regime, and it applies of its own force.

The return is furnished on 25 July 2027. The due date is 31 July 2027, so the return is within time and no interest and no fee follows from the date of furnishing.

INCOME FROM SALARIES		
Salary for the year, in the gross amount [section 15]	₹ 33,60,000	
Less: standard deduction — ₹ 75,000, or the salary, whichever is less [section 19(1), Table Sl. No. 2]	₹ 75,000	
Less: tax on employment — ₹ 2,500 was paid, but it is not deductible under this regime [section 202(2)(a)(iii)]	₹ 0	
Income chargeable under the head “Salaries”		**₹ 32,85,000**
INCOME FROM HOUSE PROPERTY		
Property 1 — Bandra West, Mumbai — let out		
Gross rent received or receivable for the year [section 21(1)]	₹ 8,40,000	
Less: taxes paid to the local authority during the year [section 21(7)(b)]	₹ 42,000	
Annual value	₹ 7,98,000	
Less: thirty per cent of the annual value [section 22(1)(a)]	₹ 2,39,400	
Less: interest on capital borrowed to acquire it [section 22(1)(b)]	₹ 3,25,000	
Income from property 1		**₹ 2,33,600**
Property 2 — Dundahera, Ghaziabad — let out		
Gross rent received or receivable for the year [section 21(1)]	₹ 4,80,000	
Less: taxes paid to the local authority during the year [section 21(7)(b)]	₹ 24,000	
Annual value	₹ 4,56,000	
Less: thirty per cent of the annual value [section 22(1)(a)]	₹ 1,36,800	
Less: interest on capital borrowed to acquire it [section 22(1)(b)]	₹ 2,10,000	
Income from property 2		**₹ 1,09,200**
Total of the two properties		₹ 3,42,800
Income chargeable under the head “Income from house property”		**₹ 3,42,800**
INCOME FROM OTHER SOURCES		

Interest credited to the savings bank account [section 92]	₹ 19,000	
Interest on fixed deposits, in the gross amount before the tax deducted	₹ 2,20,000	
Dividend on listed equity shares, in the gross amount	₹ 1,60,000	
Interest received on an income-tax refund	₹ 13,200	
Gross income from other sources	₹ 4,12,200	
Income chargeable under the head "Income from other sources"		**₹ 4,12,200**
GROSS TOTAL INCOME [section 122(10)]		**₹ 40,40,000**
DEDUCTIONS FROM GROSS TOTAL INCOME — Chapter VIII		
Life insurance premia, provident fund and the tuition fees of his children — ₹ 1,80,000 claimed [section 123]	₹ 0	
Health insurance premia paid otherwise than in cash — ₹ 25,000 claimed [section 126]	₹ 0	
Interest on a savings account — ₹ 19,000 claimed [section 153]	₹ 0	
Nothing in this Chapter is allowed where income-tax is computed under this regime, save four provisions which these facts do not attract [section 202(2)(a)(xii)]		₹ 0
Total of the deductions allowed		**₹ 0**
TOTAL INCOME, rounded off to the nearest multiple of ten rupees [section 516]		**₹ 40,40,000**
TAX ON THE TOTAL INCOME		
On the first ₹ 4,00,000 — Nil [section 202(1)]	Nil	
On the next ₹ 4,00,000 — 5 per cent	₹ 20,000	
On the next ₹ 4,00,000 — 10 per cent	₹ 40,000	
On the next ₹ 4,00,000 — 15 per cent	₹ 60,000	
On the next ₹ 4,00,000 — 20 per cent	₹ 80,000	
On the next ₹ 4,00,000 — 25 per cent	₹ 1,00,000	
On the balance of ₹ 16,40,000 — 30 per cent	₹ 4,92,000	
Tax payable on the total income		**₹ 7,92,000**
Less: rebate — nil, the total income being past ₹ 12,70,588 [section 156]		₹ 0
Tax after rebate		₹ 7,92,000
Add: health and education cess at four per cent [section 2 of the Finance Act, 2026]		₹ 31,680
TOTAL TAX AND CESS		**₹ 8,23,680**
INTEREST, TAXES PAID, AND THE AMOUNT PAYABLE OR REFUNDABLE		
Memorandum: assessed tax — the total tax and cess, less the credit for tax deducted at source of ₹ 6,14,800 [section 424]	₹ 2,08,880	
Memorandum: advance tax — the challans of Schedule IT deposited on or before 31 March 2027 [sections 404 to 408]	₹ 2,40,000	
Memorandum: self-assessment tax — the challans deposited after 31 March 2027. It is not advance tax and does not count towards the ninety per cent [section 266]	₹ 40,000	
Add: interest for default in the payment of advance tax — nil. The advance tax of ₹ 2,40,000 is not less than ninety per cent of the assessed tax, which is ₹ 1,87,992 [section 424]		₹ 0

Add: interest for deferment of advance tax — not computed on this form, which does not collect the four quarterly instalments separately [section 425]		₹ 0
Add: fee for a return furnished after the due date — nil, the return having been furnished on 25 July 2027, within the due date of 31 July 2027 [section 428(a)]		₹ 0
Total tax, fee and interest, rounded off [section 516]		**₹ 8,23,680**
Less: advance tax paid — Schedule IT [sections 404 to 408]	₹ 2,40,000	
Less: self-assessment tax paid — Schedule IT [section 266]	₹ 40,000	
Less: tax deducted from salary or pension — Schedule TDS [section 392]	₹ 5,60,000	
Less: tax deducted from the interest on fixed deposits — Schedule TDS [section 393(1), Table Sl. No. 5(ii)]	₹ 22,000	
Less: tax deducted from the dividend — Schedule TDS [section 393(1), Table Sl. No. 2]	₹ 16,000	
Less: tax deducted from the rent of Property 1 by the tenant, an individual having no tax deduction account number — Schedule TDS [section 393(3), Table Sl. No. 4]	₹ 16,800	
Total taxes paid		**₹ 8,94,800**
REFUND DUE, rounded off [sections 431 and 437]		**₹ 71,120**

The three figures to check

Total income ₹ 40,40,000 **Total tax, fee and interest ₹ 8,23,680** **Refund due ₹ 71,120**

SOLUTION 2

TAX YEAR 2026-27

OLD REGIME

1 April 2026 to 31 March 2027 · Income-tax Act, 2025
Case 13.4 · Shri Nikhil Deshpande · Mumbai

The regime, the Act and the dates

The answer at (A20) is Yes. The option under section 202(4) of opting out of the default regime has been exercised, so income-tax is charged at the rates in Paragraph A of Part I-B of the First Schedule to the Finance Act, 2026. The workbook prints this regime as the OPTIONAL regime; the two words mean the same thing.

The return is furnished on 25 July 2027. The due date is 31 July 2027, so the return is within time and no interest and no fee follows from the date of furnishing.

INCOME FROM SALARIES		
Salary for the year, in the gross amount [section 15]	₹ 33,60,000	
Less: standard deduction — ₹ 50,000, or the salary, whichever is less [section 19(1), Table Sl. No. 2]	₹ 50,000	
Less: tax on employment paid to the Municipal Corporation of Greater Mumbai [section 19(1), Table Sl. No. 1]	₹ 2,500	
Income chargeable under the head “Salaries”		**₹ 33,07,500**
INCOME FROM HOUSE PROPERTY		
Property 1 — Bandra West, Mumbai — let out		
Gross rent received or receivable for the year [section 21(1)]	₹ 8,40,000	
Less: taxes paid to the local authority during the year [section 21(7)(b)]	₹ 42,000	
Annual value	₹ 7,98,000	
Less: thirty per cent of the annual value [section 22(1)(a)]	₹ 2,39,400	
Less: interest on capital borrowed to acquire it [section 22(1)(b)]	₹ 3,25,000	
Income from property 1		**₹ 2,33,600**
Property 2 — Dundahera, Ghaziabad — let out		
Gross rent received or receivable for the year [section 21(1)]	₹ 4,80,000	
Less: taxes paid to the local authority during the year [section 21(7)(b)]	₹ 24,000	
Annual value	₹ 4,56,000	
Less: thirty per cent of the annual value [section 22(1)(a)]	₹ 1,36,800	
Less: interest on capital borrowed to acquire it [section 22(1)(b)]	₹ 2,10,000	
Income from property 2		**₹ 1,09,200**
Total of the two properties		₹ 3,42,800
Income chargeable under the head “Income from house property”		**₹ 3,42,800**
INCOME FROM OTHER SOURCES		
Interest credited to the savings bank account [section 92]	₹ 19,000	
Interest on fixed deposits, in the gross amount before the tax deducted	₹ 2,20,000	
Dividend on listed equity shares, in the gross amount	₹ 1,60,000	
Interest received on an income-tax refund	₹ 13,200	

Gross income from other sources	₹ 4,12,200	
Income chargeable under the head "Income from other sources"		**₹ 4,12,200**
GROSS TOTAL INCOME [section 122(10)]		**₹ 40,62,500**
DEDUCTIONS FROM GROSS TOTAL INCOME — Chapter VIII		
Life insurance premia, provident fund and the tuition fees of his children — ₹ 1,80,000 was claimed, and is restricted to the statutory ceiling [section 123]	₹ 1,50,000	
Health insurance premia paid otherwise than in cash [section 126]	₹ 25,000	
Interest on a savings account — ₹ 19,000 was claimed, and is restricted to the statutory ceiling [section 153]	₹ 10,000	
Total of the deductions allowed		**₹ 1,85,000**
TOTAL INCOME, rounded off to the nearest multiple of ten rupees [section 516]		**₹ 38,77,500**
TAX ON THE TOTAL INCOME		
On the first ₹ 2,50,000 — Nil [Paragraph A of Part I-B of the First Schedule to the Finance Act, 2026]	Nil	
On the next ₹ 2,50,000 — 5 per cent	₹ 12,500	
On the next ₹ 5,00,000 — 20 per cent	₹ 1,00,000	
On the balance of ₹ 28,77,500 — 30 per cent	₹ 8,63,250	
Tax payable on the total income		**₹ 9,75,750**
Less: rebate — nil, the total income being past ₹ 5,00,000 [section 156]		₹ 0
Tax after rebate		₹ 9,75,750
Add: health and education cess at four per cent [section 2 of the Finance Act, 2026]		₹ 39,030
TOTAL TAX AND CESS		**₹ 10,14,780**
INTEREST, TAXES PAID, AND THE AMOUNT PAYABLE OR REFUNDABLE		
Memorandum: assessed tax — the total tax and cess, less the credit for tax deducted at source of ₹ 6,14,800 [section 424]	₹ 3,99,980	
Memorandum: advance tax — the challans of Schedule IT deposited on or before 31 March 2027 [sections 404 to 408]	₹ 2,40,000	
Memorandum: self-assessment tax — the challans deposited after 31 March 2027. It is not advance tax and does not count towards the ninety per cent [section 266]	₹ 40,000	
Add: interest for default in the payment of advance tax — one per cent for each of the four months from 1 April 2027 to the date of furnishing, on the shortfall of ₹ 1,59,980. Ninety per cent of the assessed tax is ₹ 3,59,982, and less than that was paid [section 424]		₹ 6,399
Add: interest for deferment of advance tax — not computed on this form, which does not collect the four quarterly instalments separately [section 425]		₹ 0
Add: fee for a return furnished after the due date — nil, the return having been furnished on 25 July 2027, within the due date of 31 July 2027 [section 428(a)]		₹ 0
Total tax, fee and interest, rounded off [section 516]		**₹ 10,21,180**
Less: advance tax paid — Schedule IT [sections 404 to 408]	₹ 2,40,000	
Less: self-assessment tax paid — Schedule IT [section 266]	₹ 40,000	
Less: tax deducted from salary or pension — Schedule TDS [section 392]	₹ 5,60,000	

Less: tax deducted from the interest on fixed deposits — Schedule TDS [section 393(1), Table Sl. No. 5(ii)]	₹ 22,000	
Less: tax deducted from the dividend — Schedule TDS [section 393(1), Table Sl. No. 2]	₹ 16,000	
Less: tax deducted from the rent of Property 1 by the tenant, an individual having no tax deduction account number — Schedule TDS [section 393(3), Table Sl. No. 4]	₹ 16,800	
Total taxes paid		**₹ 8,94,800**
AMOUNT PAYABLE, rounded off [section 266]		**₹ 1,26,380**

The three figures to check

Total income ₹ 38,77,500 **Total tax, fee and interest ₹ 10,21,180** **Amount payable ₹ 1,26,380**

The two solutions of this case, side by side

What moves when (A20) moves, and nothing else does

The facts of the case do not change with the regime. What changes is what the Act allows against them: the standard deduction of section 19(1), the tax on employment, the interest on a self-occupied house under section 22(1)(b), the set-off of a loss under section 109(1)(b), the family pension deduction of section 93(1)(d), the whole of Chapter VIII, the slab table, and the rebate of section 156.

Read the table downwards and you can see, line by line, exactly what section 202(2) takes away and what Paragraph A gives back.

Nothing on this page is needed in order to work the case. A student sitting the practical works one regime at a time and never turns to it. It is for the revision class afterwards, and for the teacher.

Case 13.4 — Shri Nikhil Deshpande, Mumbai

Particulars	Solution 1 NEW regime (A20) = No	Solution 2 OLD regime (A20) = Yes
Income from salaries	₹ 32,85,000	₹ 33,07,500
Income from house property	₹ 3,42,800	₹ 3,42,800
Income from other sources	₹ 4,12,200	₹ 4,12,200
Long-term capital gain	—	—
Gross total income	₹ 40,40,000	₹ 40,62,500
Deductions allowed under Chapter VIII	—	₹ 1,85,000
TOTAL INCOME	₹ 40,40,000	₹ 38,77,500
Tax on the total income	₹ 7,92,000	₹ 9,75,750
Health and education cess	₹ 31,680	₹ 39,030
TOTAL TAX AND CESS	₹ 8,23,680	₹ 10,14,780
Interest for default in advance tax [section 424]	—	₹ 6,399
Total tax, fee and interest	₹ 8,23,680	₹ 10,21,180
Advance tax paid	₹ 2,40,000	₹ 2,40,000
Self-assessment tax paid	₹ 40,000	₹ 40,000
Tax deducted at source	₹ 6,14,800	₹ 6,14,800
Total taxes paid	₹ 8,94,800	₹ 8,94,800
AMOUNT PAYABLE	—	₹ 1,26,380
REFUND DUE	₹ 71,120	—

Which regime costs this assessee less

For Shri Nikhil Deshpande the cheaper of the two is the NEW regime — he should leave (A20) at No and stay in the default regime, by ₹ 1,91,100 of tax and cess.

The same solutions, filled into the Excel workbook

Both solutions are worked field by field in a live Form ITR-1 SAHAJ in the workbook “Excel-Case 4.xlsm”, free from www.taxclasses.in. It is macro-enabled: after downloading it, right-click the file ➜ Properties ➜ tick Unblock ➜ OK, then open it and click Enable Content on the yellow bar. The eight buttons at the head of each solution sheet will not work until both of those are done.