CASE 13.5

Shri Rajeev Menon

Bengaluru · Below 60 years · salary and allowances, a let-out house, capital gains and Chapter VIII

THE SOLUTIONS

SOLUTION 1

TAX YEAR 2026-27

NEW REGIME

1 April 2026 to 31 March 2027 · Income-tax Act, 2025

Case 13.5 · Shri Rajeev Menon · Bengaluru

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 — basic salary, dearness allowance, house rent, children education and special allowances, the bonus, and the employer's contribution of ₹ 1,72,800 to the pension scheme, which is salary [sections 15 and 16(k)]; Working note 1	₹ 26,86,800	
Less: house rent and children education allowances — not exempt under this regime [section 202(2)(a)(i) and (ii)]	₹ 0	
Net salary	**₹ 26,86,800**	
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)(iv)]	₹ 0	
Income chargeable under the head "Salaries"		**₹ 26,11,800**
INCOME FROM HOUSE PROPERTY		
Flat 7B, Marine Heights, Panampilly Nagar, Kochi — let out for the whole year		
Gross rent received or receivable for the year [section 21(1)]	₹ 6,60,000	
Less: taxes paid to the local authority during the year [section 21(7)(b)]	₹ 18,000	
Annual value	**₹ 6,42,000**	
Less: thirty per cent of the annual value [section 22(1)(a)]	₹ 1,92,600	
Less: interest on the home loan of ₹ 30,00,000 from Federal Bank Limited, Home Loan Account No. 16037300012894, borrowed to acquire it — allowed in full, the house being let out; section 202(2)(a)(v) shuts out only a house in the owner's occupation [section 22(1)(b)]. The principal repaid is not deducted here; it is a payment under section 123	₹ 1,80,000	
Income chargeable under the head "Income from house property"		**₹ 2,69,400**
INCOME FROM OTHER SOURCES		
Interest credited to his two savings bank accounts — Canara Bank ₹ 9,400 and HDFC Bank ₹ 6,100 [section 92]	₹ 15,500	

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Interest on the fixed deposit with Canara Bank, in the gross amount before the tax deducted	₹ 1,20,000	
Sums of money received without consideration from two persons who are not relatives — ₹ 35,000 and ₹ 25,000. Their total of ₹ 60,000 exceeds ₹ 50,000, so the whole of it is income; Working note 2 [section 92(2)(m)(i)]	₹ 60,000	
The ₹ 1,00,000 from his sister — a relative, so not income [section 92(3)(a), with section 92(5)(g)(i)(B)]	Nil	
Gross income from other sources	₹ 1,95,500	
Income chargeable under the head "Income from other sources"		**₹ 1,95,500**
LONG-TERM CAPITAL GAINS ON LISTED EQUITY SHARES		
Total sale consideration of the two lots sold, securities transaction tax having been paid on their acquisition and on their transfer [section 198(1)]	₹ 4,41,000	
Less: total cost of acquisition of those shares	₹ 3,22,000	
Long-term capital gain — each lot held for more than twelve months [section 2(101)(b)]; being within ₹ 1,25,000, it is shown at C3(a) of ITR-1 and enters the gross total income; Working note 3		**₹ 1,19,000**
GROSS TOTAL INCOME [section 122(10)]		**₹ 31,95,700**
DEDUCTIONS FROM GROSS TOTAL INCOME — Chapter VIII		
Employer's contribution to the pension scheme — ₹ 1,72,800, within fourteen per cent of his salary of ₹ 17,28,000 (₹ 2,41,920), the limit where income-tax is computed under section 202(1); Working note 6 [section 124(1) and (2)]	₹ 1,72,800	
Life insurance premium, Public Provident Fund, tuition fees and the principal of the home loan — ₹ 2,62,000 claimed [section 123]	₹ 0	
Health insurance premia — ₹ 67,000 claimed [section 126]	₹ 0	
Interest on savings accounts — ₹ 15,500 claimed [section 153]	₹ 0	
Nothing else in this Chapter is allowed under this regime: section 202(2)(a)(xii) keeps only sections 124(1) and 124(2), 125(2) and 146		
Total of the deductions allowed — taken from the gross total income without the long-term capital gain of ₹ 1,19,000, which is ₹ 30,76,700 [section 198(6)]		**₹ 1,72,800**
TOTAL INCOME, rounded off to the nearest multiple of ten rupees [section 516]		**₹ 30,22,900**
TAX ON THE TOTAL INCOME		
Memorandum: the total income to be charged at the slab rates — the total income less the long-term capital gain of ₹ 1,19,000, which is charged separately [section 198(2)(b)]	₹ 29,03,900	
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 ₹ 5,03,900 — 30 per cent	₹ 1,51,170	
Tax on the slab income		**₹ 4,51,170**
Tax on the long-term capital gain — only the gain above ₹ 1,25,000 is taxed, at 12.5 per cent, and the gain of ₹ 1,19,000 does not exceed it [section 198(2)(a)]		₹ 0

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Tax payable on the total income		**₹ 4,51,170**
Less: rebate — nil, the total income being past ₹ 12,70,588 [section 156]		₹ 0
Tax after rebate		₹ 4,51,170
Add: health and education cess at four per cent [section 2 of the Finance Act, 2026]		₹ 18,047
TOTAL TAX AND CESS		**₹ 4,69,217**
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 ₹ 4,45,200 [section 424]	₹ 24,017	
Memorandum: advance tax — the two challans of Schedule IT, both deposited on or before 31 March 2027 [sections 404 to 408]	₹ 30,000	
Add: interest for default in the payment of advance tax — NOT COMPUTED. Interest under sections 423 to 425 is ignored in this paper [section 424]		₹ 0
Add: interest for deferment of advance tax — NOT COMPUTED. Interest under sections 423 to 425 is ignored in this paper [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]		**₹ 4,69,220**
Less: advance tax paid — Schedule IT [sections 404 to 408]	₹ 30,000	
Less: tax deducted from salary — Schedule TDS [section 392]	₹ 4,20,000	
Less: tax deducted from the interest on the fixed deposit — Schedule TDS [section 393(1), Table Sl. No. 5(ii)]	₹ 12,000	
Less: tax deducted at 2 per cent from the rent by the tenant, an individual having no tax deduction account number — Schedule TDS [section 393(1), Table Sl. No. 2(i)]	₹ 13,200	
Total taxes paid		**₹ 4,75,200**
REFUND DUE [sections 431 and 437]		**₹ 5,980**

The three figures to check

Total income ₹ 30,22,900 **Total tax, fee and interest ₹ 4,69,220** **Refund due ₹ 5,980**

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Working notes

Working note 1 — the salary, component by component, under both regimes

Component	Received	Exempt: new	Exempt: old	The rule
Basic salary	₹ 14,40,000	—	—	Taxable in full
Dearness allowance	₹ 2,88,000	—	—	Taxable in full; it enters retirement benefits, so it is salary for Rule 279 and for section 124
House rent allowance	₹ 4,80,000	—	₹ 3,31,200	Schedule III, Sl. No. 11; Rule 279 — Working note 4
Children education allowance	₹ 84,000	—	₹ 72,000	Sl. No. 13; Rule 280(2), Sl. No. 7 — ₹ 3,000 a month for each of two children
Special allowance	₹ 72,000	—	—	Taxable in full — no rule prescribes it
Performance bonus	₹ 1,50,000	—	—	Taxable in full
Employer's contribution to NPS	₹ 1,72,800	—	—	Salary [section 16(k)]; then deducted under section 124 in both regimes — Working note 6
Gross salary, and the part of it exempt	**₹ 26,86,800**	**₹ 0**	**₹ 4,03,200**	
Net salary — the gross less the exempt part		**₹ 26,86,800**	**₹ 22,83,600**	

Section 202(2)(a)(i) and (ii) take away, under the default regime, the exemption of Schedule III, serial numbers 11 to 13, save the allowances prescribed. Rule 280(3) prescribes sub-rule (1)(a) to (d) and sub-rule (2), Sl. No. 10; the children education allowance is Sl. No. 7 of sub-rule (2), so neither it nor the house rent allowance is exempt in Solution 1.

Working note 2 — the gifts of money [section 92(2)(m)(i)]

From	Who he is	A relative?	Amount
Smt. Anjali Nair	His sister — by cheque, on 2 November 2026	Yes — a brother or sister of the individual [section 92(5)(g)(i)(B)]	₹ 1,00,000
Shri Arvind Rao	A friend — by UPI, on his birthday, 27 January 2027	No	₹ 35,000
Shri Sunil Hegde	A colleague — by UPI, on his birthday, 27 January 2027	No	₹ 25,000
From persons who are not relatives — the whole is income			**₹ 60,000**

The test is the total received in the year from persons who are not relatives: ₹ 60,000, which exceeds ₹ 50,000, so the whole of it is income, not the excess alone. A birthday is not an occasion the Act recognises; only marriage is [section 92(3)(b)]. The ₹ 1,00,000 from his sister is shown, for reporting, at C3 of ITR-1 as exempt income; it enters no computation.

Working note 3 — the long-term capital gain on listed equity shares [section 198]

Equity shares of	Bought on	Sold on	Sale consideration	Cost	Gain
Kaveri Textiles Limited — 400 shares	12/05/2023	18/09/2026	₹ 2,36,000	₹ 1,72,000	₹ 64,000
Sahyadri Power Limited — 250 shares	03/02/2025	10/03/2027	₹ 2,05,000	₹ 1,50,000	₹ 55,000
Total — the long-term capital gain			**₹ 4,41,000**	**₹ 3,22,000**	**₹ 1,19,000**

A listed share is a short-term capital asset only if held for twelve months or less [section 2(101)(b)]; both lots were held longer, so the gain is long-term. Securities transaction tax was paid on acquisition and on transfer, so section 198 applies: only the gain above ₹ 1,25,000 is taxed, at 12.5 per cent. The gain of ₹ 1,19,000 is within that figure, so no tax is payable on it and ITR-1 may be used. It enters the gross total income and the total income, but the Chapter VIII deductions come from the gross total income without it [section 198(6)], and the slab rates are applied to the total income without it [section 198(2)(b)].

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SOLUTION 2

TAX YEAR 2026-27

OLD REGIME

1 April 2026 to 31 March 2027 · Income-tax Act, 2025

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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 calls it the Alternative (old) regime; the two names 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 — basic salary, dearness allowance, house rent, children education and special allowances, the bonus, and the employer's contribution of ₹ 1,72,800 to the pension scheme, which is salary [sections 15 and 16(k)]; Working note 1	₹ 26,86,800	
Less: house rent allowance — the least of the three limits; Working note 4 [Schedule III, Table Sl. No. 11; Rule 279]	₹ 3,31,200	
Less: children education allowance — ₹ 3,000 a month for each of his two children [Schedule III, Table Sl. No. 13; Rule 280(2), Sl. No. 7]	₹ 72,000	
Net salary	**₹ 22,83,600**	
Less: standard deduction — ₹ 50,000, or the salary, whichever is less [section 19(1), Table Sl. No. 2]	₹ 50,000	
Less: tax on employment deducted by the employer under the Karnataka law [section 19(1), Table Sl. No. 1]	₹ 2,500	
Income chargeable under the head "Salaries"		**₹ 22,31,100**
INCOME FROM HOUSE PROPERTY		
Flat 7B, Marine Heights, Panampilly Nagar, Kochi — let out for the whole year		
Gross rent received or receivable for the year [section 21(1)]	₹ 6,60,000	
Less: taxes paid to the local authority during the year [section 21(7)(b)]	₹ 18,000	
Annual value	**₹ 6,42,000**	
Less: thirty per cent of the annual value [section 22(1)(a)]	₹ 1,92,600	
Less: interest on the home loan of ₹ 30,00,000 from Federal Bank Limited, Home Loan Account No. 16037300012894, borrowed to acquire it — allowed in full, the house being let out; section 202(2)(a)(v) shuts out only a house in the owner's occupation [section 22(1)(b)]. The principal repaid is not deducted here; it is a payment under section 123	₹ 1,80,000	
Income chargeable under the head "Income from house property"		**₹ 2,69,400**
INCOME FROM OTHER SOURCES		
Interest credited to his two savings bank accounts — Canara Bank ₹ 9,400 and HDFC Bank ₹ 6,100 [section 92]	₹ 15,500	
Interest on the fixed deposit with Canara Bank, in the gross amount before the tax deducted	₹ 1,20,000	
Sums of money received without consideration from two persons who are not relatives — ₹ 35,000 and ₹ 25,000. Their total of ₹ 60,000 exceeds ₹ 50,000, so the whole of it is income; Working note 2 [section 92(2)(m)(i)]	₹ 60,000	

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The ₹ 1,00,000 from his sister — a relative, so not income [section 92(3)(a), with section 92(5)(g)(i)(B)]	Nil	
Gross income from other sources	₹ 1,95,500	
Income chargeable under the head "Income from other sources"		**₹ 1,95,500**
LONG-TERM CAPITAL GAINS ON LISTED EQUITY SHARES		
Total sale consideration of the two lots sold, securities transaction tax having been paid on their acquisition and on their transfer [section 198(1)]	₹ 4,41,000	
Less: total cost of acquisition of those shares	₹ 3,22,000	
Long-term capital gain — each lot held for more than twelve months [section 2(101)(b)]; being within ₹ 1,25,000, it is shown at C3(a) of ITR-1 and enters the gross total income; Working note 3		**₹ 1,19,000**
GROSS TOTAL INCOME [section 122(10)]		**₹ 28,15,000**
DEDUCTIONS FROM GROSS TOTAL INCOME — Chapter VIII		
Life insurance premium ₹ 36,000, Public Provident Fund ₹ 60,000, tuition fees of his two children ₹ 56,000 and the principal of the home loan repaid ₹ 1,10,000 — ₹ 2,62,000 in all, itemised in Schedule XV below, restricted to the statutory ceiling [section 123]	₹ 1,50,000	
Employer's contribution to the pension scheme — ₹ 1,72,800, which does not exceed ten per cent of his salary of ₹ 17,28,000; Working note 6 [section 124(1)(b)]	₹ 1,72,800	
Health insurance — himself and his family ₹ 21,000; his parents, both senior citizens, ₹ 46,000; each within its limit; Working note 5 [section 126]	₹ 67,000	
Interest on savings accounts — ₹ 15,500 claimed, restricted to the statutory ceiling [section 153]	₹ 10,000	
Total of the deductions allowed — taken from the gross total income without the long-term capital gain of ₹ 1,19,000, which is ₹ 26,96,000 [section 198(6)]		**₹ 3,99,800**
TOTAL INCOME, rounded off to the nearest multiple of ten rupees [section 516]		**₹ 24,15,200**
TAX ON THE TOTAL INCOME		
Memorandum: the total income to be charged at the slab rates — the total income less the long-term capital gain of ₹ 1,19,000, which is charged separately [section 198(2)(b)]	₹ 22,96,200	
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 ₹ 12,96,200 — 30 per cent	₹ 3,88,860	
Tax on the slab income		**₹ 5,01,360**
Tax on the long-term capital gain — only the gain above ₹ 1,25,000 is taxed, at 12.5 per cent, and the gain of ₹ 1,19,000 does not exceed it [section 198(2)(a)]		₹ 0
Tax payable on the total income		**₹ 5,01,360**
Less: rebate — nil, the total income being past ₹ 5,00,000 [section 156]		₹ 0
Tax after rebate		₹ 5,01,360
Add: health and education cess at four per cent [section 2 of the Finance Act, 2026]		₹ 20,054
TOTAL TAX AND CESS		**₹ 5,21,414**

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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 ₹ 4,45,200 [section 424]	₹ 76,214	
Memorandum: advance tax — the two challans of Schedule IT, both deposited on or before 31 March 2027 [sections 404 to 408]	₹ 30,000	
Add: interest for default in the payment of advance tax — NOT COMPUTED. Interest under sections 423 to 425 is ignored in this paper [section 424]		₹ 0
Add: interest for deferment of advance tax — NOT COMPUTED. Interest under sections 423 to 425 is ignored in this paper [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]		**₹ 5,21,410**
Less: advance tax paid — Schedule IT [sections 404 to 408]	₹ 30,000	
Less: tax deducted from salary — Schedule TDS [section 392]	₹ 4,20,000	
Less: tax deducted from the interest on the fixed deposit — Schedule TDS [section 393(1), Table Sl. No. 5(ii)]	₹ 12,000	
Less: tax deducted at 2 per cent from the rent by the tenant, an individual having no tax deduction account number — Schedule TDS [section 393(1), Table Sl. No. 2(i)]	₹ 13,200	
Total taxes paid		**₹ 4,75,200**
AMOUNT PAYABLE, rounded off [section 266]		**₹ 46,210**

The three figures to check

Total income ₹ 24,15,200 **Total tax, fee and interest ₹ 5,21,410** **Amount payable ₹ 46,210**

Working notes

Working notes 1 to 3 — the salary, the gifts and the capital gain — are with Solution 1; they hold for this solution too.

Working note 4 — house rent allowance [Schedule III, Table Sl. No. 11; Rule 279]

Salary for the purpose — basic salary ₹ 14,40,000 and the dearness allowance ₹ 2,88,000, the whole of which enters retirement benefits [Rule 279(2)(b)]		₹ 17,28,000
(a) The allowance actually received [Rule 279(1)(a)]	₹ 4,80,000	
(b) Rent paid ₹ 5,04,000, less one-tenth of the salary ₹ 1,72,800 [Rule 279(1)(b)]	₹ 3,31,200	
(c) Fifty per cent of the salary, Bengaluru being one of the eight places [Rule 279(1)(c), Table Sl. No. 1]	₹ 8,64,000	
Exempt — the least of (a), (b) and (c)		**₹ 3,31,200**
Taxable — the rest of the allowance		₹ 1,48,800

The whole year is one relevant period [Rule 279(2)(a)]: the flat, the rent, the allowance and the salary did not change. He owns a let-out flat at Kochi, but he does not live in it; the exemption asks only that he pay rent for the house he occupies. The landlord's PAN goes to the employer, the rent being above ₹ 1,00,000 a year.

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Working note 5 — health insurance [section 126]

Payment	Paid	Limit	Allowed
Himself, his wife and their two children — premium, by net banking	₹ 21,000	₹ 25,000 — no one in the family is a senior citizen	₹ 21,000
His parents, aged 76 and 71 — premium, by cheque	₹ 46,000	₹ 50,000 — senior citizens	₹ 46,000
Total	**₹ 67,000**		**₹ 67,000**

Both premia were paid otherwise than in cash, as the section requires. The parents need not depend on him: their own limit of ₹ 50,000 rises from ₹ 25,000 because they are senior citizens.

Working note 6 — the employer's contribution to the pension scheme [section 124]

Salary for the section — basic salary and the dearness allowance, which the terms of employment bring into retirement benefits [section 124(13)(b)]		₹ 17,28,000
Contribution credited by the employer — salary in his hands [section 16(k)]	₹ 1,72,800	
Limit under the old regime — ten per cent of the salary, the employer being other than the Central or a State Government [section 124(1)(b)]	₹ 1,72,800	
Limit under the new regime — fourteen per cent [section 124(2)]	₹ 2,41,920	
Deduction — the contribution, in full, under both regimes		**₹ 1,72,800**

This is the one deduction of Chapter VIII which the default regime keeps for a salaried employee [section 202(2)(a)(xii)]. The contribution is first added to the salary and then deducted, so under either regime it is, in effect, free of tax.

Schedule XV and the deduction sheets of this solution

Schedule XV — section 123: the payments, with their policy or document numbers

Sl. No.	Nature of payment	Amount eligible for deduction u/s 123	Policy number or Document Identification number
1	Life insurance premium	₹ 36,000	LIC/2014/118274
2	Public Provident Fund	₹ 60,000	PPF/04212245781
3	Tuition fees — first child	₹ 32,000	SVM/2026-27/03318
4	Tuition fees — second child	₹ 24,000	SVM/2026-27/03319
5	Housing loan repaid (principal)	₹ 1,10,000	16037300012894
	Total of the payments	**₹ 2,62,000**	
	Deduction allowed — restricted to the statutory ceiling [section 123]	**₹ 1,50,000**	

Section 126 — the S-126 sheet: senior citizen in the family? No; either parent a senior citizen? Yes

Part of the sheet	Insurer	Policy number	Amount
Self & Family — (i) Health Insurance	Niva Bupa Health Insurance Company Limited	NBHI/2024/R672940	₹ 21,000
Parents including Senior Citizen — (i) Health Insurance	Care Health Insurance Limited	CHI/2023/SC51876	₹ 46,000
Eligible amount of deduction			**₹ 67,000**

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Income Details, Part C — the other two deductions

Row	Section	Entered	Allowed: new	Allowed: old
5e	Section 124(1) and (2) — employer's contribution to the pension scheme	₹ 1,72,800	₹ 1,72,800	₹ 1,72,800
5q	Section 153 — interest on savings accounts	₹ 15,500	— (row closed)	₹ 10,000

Schedule XV and the S-126 sheet are filled because (A20) is Yes; under (A20) No the workbook hides them. Every payment is entered at its full amount; the sheet then allows the total of section 123 only up to ₹ 1,50,000. Row 5e is open under both regimes.

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 exemption of the house rent and children education allowances [section 202(2)(a)(i) and (ii)], the standard deduction of section 19(1), the tax on employment, the whole of Chapter VIII except section 124, the slab table, and the rebate of section 156. The house property, the other sources, the capital gain and the employer's contribution to the pension scheme come out the same in both.

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 13.5 — Shri Rajeev Menon, Bengaluru

Particulars	Solution 1 NEW regime (A20) = No	Solution 2 OLD regime (A20) = Yes
Income from salaries	₹ 26,11,800	₹ 22,31,100
Income from house property	₹ 2,69,400	₹ 2,69,400
Income from other sources	₹ 1,95,500	₹ 1,95,500
Long-term capital gain (section 198)	₹ 1,19,000	₹ 1,19,000
Gross total income	₹ 31,95,700	₹ 28,15,000
Deductions allowed under Chapter VIII	₹ 1,72,800	₹ 3,99,800
TOTAL INCOME	₹ 30,22,900	₹ 24,15,200
Tax on the total income	₹ 4,51,170	₹ 5,01,360
Health and education cess	₹ 18,047	₹ 20,054
TOTAL TAX AND CESS	₹ 4,69,217	₹ 5,21,414
Interest for default in advance tax [section 424] — not computed, ignored in this paper	—	—
Total tax, fee and interest	₹ 4,69,220	₹ 5,21,410
Advance tax paid	₹ 30,000	₹ 30,000
Tax deducted at source	₹ 4,45,200	₹ 4,45,200
Total taxes paid	₹ 4,75,200	₹ 4,75,200
AMOUNT PAYABLE	—	₹ 46,210
REFUND DUE	₹ 5,980	—

Which regime costs this assessee less

For Shri Rajeev Menon the cheaper of the two is the **NEW** regime — he should leave (A20) at No and stay in the default regime — by ₹ 52,197 of tax and cess. The old regime exempts ₹ 4,03,200 more of his salary and allows ₹ 2,27,000 more under Chapter VIII, but the lower slabs of the new regime and its larger standard deduction outweigh them; the deduction for his employer's contribution to the pension scheme he gets in both.

Advocate Dr. S. B. Rathore

Points this case is built to test

- The employer's contribution to the pension scheme is first salary [section 16(k)] and then a deduction under section 124 — ten per cent of basic salary and dearness allowance under the old regime, fourteen per cent under the new; it is the one Chapter VIII deduction the new regime keeps.
- House rent allowance: the least of three limits, with Bengaluru among the eight places at fifty per cent; children education allowance: ₹ 3,000 a month for each of two children. Both are exempt only under the old regime.
- Gifts: a sister is a relative; the gifts from a friend and a colleague total ₹ 60,000 — past ₹ 50,000 — so all of it is income. A birthday is no exempt occasion.
- Long-term capital gain on listed equity shares within ₹ 1,25,000: no tax, ITR-1 may be used, and the deductions are taken from the gross total income without the gain.
- Interest on a let-out house goes to section 22(1)(b) in full under both regimes; the principal repaid is a section 123 payment, allowed only under the old regime.
- An individual tenant paying rent above ₹ 50,000 a month deducts tax at 2 per cent against his PAN; the landlord takes the credit through Form 132 (TDS code 1007).

Working the case in the workbook

Both solutions can be checked in the ITR-1 SAHAJ workbook: fill one copy with (A20) at No and another with (A20) at Yes, from Part B of the question. Everything else is entered alike in both; these are the entries that differ, or that need care.

Field or sheet	Solution 1 — (A20) No	Solution 2 — (A20) Yes
(A20) — opt out of the default regime?	No	Yes
B1(i)(a) — salary as per section 16	₹ 26,86,800, the employer's contribution to the pension scheme included	The same
B1(ii) — allowances exempt, from the drop-down	None — the list offers nothing for these allowances	Schedule III, Table Sl. No. 13 — ₹ 72,000 (children education allowance)
Sch-HRA — feeds the house rent allowance row of B1(ii)	Not used: no exemption under this regime	Bengaluru · ₹ 4,80,000 · rent ₹ 5,04,000 · basic ₹ 14,40,000 · DA ₹ 2,88,000 — exempt ₹ 3,31,200
B1(iv)(c) — professional tax	Left at nil — not deductible under this regime	₹ 2,500
B1(v) — income under "Salaries", and column (3) of TDS (Form 130)	₹ 26,11,800	₹ 22,31,100
B2 — house property (HP sheet)	Let out · tenant and his PAN · rent ₹ 6,60,000 · tax ₹ 18,000 · the Federal Bank loan, interest ₹ 1,80,000	The same
B3 — other sources	Savings bank ₹ 15,500 · deposit ₹ 1,20,000 · Any Other: gifts of money from non-relatives ₹ 60,000	The same
C3(a) — long-term capital gain u/s 198	Sale ₹ 4,41,000 · cost ₹ 3,22,000 — gain ₹ 1,19,000	The same
C3 — exempt income	Other incomes · Receipts not in the nature of income · gift from sister · ₹ 1,00,000	The same
Part C 5e(i), PRAN and 5e — section 124	Salary ₹ 17,28,000 · PRAN 110098765432 · ₹ 1,72,800 — within the limit of ₹ 2,41,920 (14 per cent), allowed in full	Salary ₹ 17,28,000 · PRAN 110098765432 · ₹ 1,72,800 — within the limit of ₹ 1,72,800 (10 per cent), allowed in full
S-123, S-126 and Part C 5q (section 153)	Not filled: the sheets are hidden and the row closed	Filled as above — eligible ₹ 1,50,000, ₹ 67,000; ₹ 15,500 entered at 5q, ₹ 10,000 allowed
Total income · total tax, fee and interest · balance	₹ 30,22,900 · ₹ 4,69,220 · refund ₹ 5,980	₹ 24,15,200 · ₹ 5,21,410 · payable ₹ 46,210

Both solutions are filled field by field in two macro-enabled workbooks, free from www.taxclasses.in: "ITR-1 TY 2026-27 - Case 5 - New Regime (filled).xlsm" for Solution 1 and "ITR-1 TY 2026-27 - Case 5 - Old Regime (filled).xlsm" for Solution 2. After downloading, right-click the file, choose Properties, tick Unblock and click OK; then open it, click Enable Content, and click Calculate Tax.

Note. Interest under sections 423, 424 and 425 is NOT COMPUTED in this paper. The rows remain on the form, because they are on the notified return, but nothing is worked out against them. In practical life the interest is charged, and the return of a real assessee would carry it.

Advocate Dr. S. B. Rathore