

# SPECIAL TAXATION REGIME FOR INDIVIDUALS AND HUFs & COOPERATIVE SOCIETIES

## SECTION 115BAC: TAX ON INCOME OF INDIVIDUALS AND HINDU UNDIVIDED FAMILY (Introduced by Finance Act, 2020 w.e.f Assessment Year 2021-22)

- (1) The income tax payable by an individual or HUF, at the option of the assessee, shall be as under:

Sl. No.	Total income	Rate of tax
1.	<i>Upto ₹ 2,50,000</i>	<i>Nil</i>
2.	<i>From ₹ 2,50,001 to ₹ 5,00,000</i>	<i>5 %</i>
3.	<i>From ₹ 5,00,001 to ₹ 7,50,000</i>	<i>10 %</i>
4.	<i>From ₹ 7,50,001 to ₹ 10,00,000</i>	<i>15 %</i>
5.	<i>From ₹ 10,00,001 to ₹ 12,50,000</i>	<i>20 %</i>
6.	<i>From ₹ 12,50,001 to ₹ 15,00,000</i>	<i>25 %</i>
7.	<i>Above ₹ 15,00,000</i>	<i>30 %</i>

- (2) If assessee opts for section 115BAC, the total income of the individual or Hindu undivided family shall be computed, **without** any exemption or deduction under the provisions of

- Section 10(5) [leave travel allowance]
- Section 10(13A) [house rent allowance]
- Section 10(14) [special allowances **except prescribed items**]
- Section 10(17) [Allowances to MPs or MLAs]
- Section 10(32) [Exemption for minor's income up to ₹ 1,500]
- Section 10AA [Exemption for SEZ units]
- Section 16 [Standard deduction, entertainment allowance & professional tax]

- Section 24(b) [Interest on borrowing in respect of self-occupied property etc.]
  - Section 32(1)(ia) [Additional depreciation]
  - Section 32AD [Investment in new plant or machinery in notified backward areas]
  - Section 33AB [Tea, Coffee or Rubber development account]
  - Section 35(1)(ii)/(ia)/(iii) or section 35(2AA) [Certain payments to research association, university, college, national laboratory, etc.]
  - Section 35AD [Investment linked deduction]
  - Section 35CCC [Expenditure on agricultural extension project]
  - Section 57(ia) [Deduction from family pension]
  - Chapter VI-A, **except:**
    - **Section 80CCD(2)** [Employer's contribution to pension fund]
    - **Section 80JJAA** [Deduction for additional employee cost]
    - **Section 80LA** (in case of unit located in IFSC which fulfils the conditions specified therein)
- (3) Any brought forward loss of earlier assessment years preceding the Assessment year for which option is exercised which is because of section 32AD, 33AB, 35(1)(ii)/(ia)/(iii), 35(2AA), 35AD, and 35CCC shall not be allowed to be carried forward and set-off. The same will lapse.
- (4) Unabsorbed depreciation on account of additional depreciation relating to earlier assessment years preceding the Assessment year for which option is exercised shall not be allowed to be carried forward and set-off. The same shall lapse.
- (5) **House property loss cannot be set-off against any head of income for the year for which option is exercised.**

## **KEY TAKEAWAYS OF SECTION 115BAC**

- A. **Applicable to Resident as well as non-resident**
- B. Slab of ₹ 3,00,000 for senior citizens and slab of ₹ 5,00,000 for super senior citizens not available.
- C. Surcharges 10%/ 15%/ 25%/ 37% as the case may be, shall apply
- D. Chapter VI-A deductions not available. However, deduction under section 80CCD(2) i.e., employer's contribution to pension fund, under section 80JJAA and under section 80LA shall be available
- E. Provision of AMT not applicable
- F. AMT credit shall lapse and cannot be availed in any year
- G. Rebate under section 87A is available
- H. Special tax rates of Chapter XII will apply

	PARTICULARS	TAX RATE
1.	<b>Capital Gains:</b>	
	STCG referred to in <b>Section 111A</b>	15%

	LTCG referred to in <b>Section 112</b>	10% or 20% as applicable
	LTCG referred to in <b>Section 112A</b>	10%
2.	Lottery Income – <b>Section 115BB</b>	30%
3.	Unexplained Cash-credits – <b>Section 115BBE</b>	78% (60% + 25% + 4%)
4.	Income from Patent – <b>Section 115BBF</b>	10%
5.	Income from Transfer of Carbon Credits – <b>Section 115BBG</b>	10%

- I. **While computing, Income from House Property, deduction of 30% and municipal taxes paid is allowed. However, deduction is not allowed for interest on capital borrowed.**
- J. Loss from House Property can be set off against Income from House Property. However, it cannot be set-off against any other head of income.
- K. Loss from P/G/B/P can be set-off against any head of income except salary.
- L. **OPTING IN AND OPTING OUT OF SECTION 115BAC**

**In case individual/ HUF is not carrying on any business/ profession**

He has to opt for the section every year on or before the due date of filing of return.

**In case individual/ HUF is carrying on business/ profession**

The assessee has to opt for the section on or before the due date of filing of return. If assessee opts for this section, then he is bound by the section for lifetime.

However, an assessee can opt out of the section but if he opts out, then he cannot opt this section for lifetime.

In other words, if assessee opts for the section, then he is bound for lifetime by the section. But he is given one opportunity in lifetime to opt out. In that case, he will opt out for lifetime.

However, if assessee ceases to have business/ profession in a previous year, then he is at liberty to opt out or opt in the section for any previous year.

**SECTION 115BAC: TAX ON INCOME OF RESIDENT COOPERATIVE SOCIETY**

- Resident cooperative society can opt for section 115BAD and tax rate shall be 22%.**
- This tax rate shall be increased by surcharge of 10% and health and education cess of 4% irrespective of the amount of total income.**
- Point (1)/ (2)/ (3)/ (4)/ (6) of section 115BAC shall apply.**

4. The assessee has to opt for the section on or before the due date of filing of return. If assessee opts for this section, then he is bound by the section for lifetime.

However, an assessee can opt out of the section but if he opts out, then he cannot opt this section for lifetime.

In other words, if assessee opts for the section, then he is bound for lifetime by the section. But he is given one opportunity in lifetime to opt out. In that case, he will opt out for lifetime.