"This document contains the provisions of the Income-tax Act, 2025, as amended by the Finance Act, 2026."

FAQs on Computation of Tax

Q1. When do I have to pay the taxes on my income?

Ans: The taxes on income can be finalised only on the completion of the tax year. However, to enable a regular flow of funds and to ease the process of tax collection, the Income-tax Act 2025 has provisions for payment of taxes in advance during the year of earning itself or before completion of the tax year. It is also known as the Pay as you earn concept.

Taxes are collected by the Government through the following means:

1. Voluntary payment by taxpayers into various designated Banks such as Advance tax, Self-Assessment tax, etc.
2. Taxes deducted at source
3. Taxes collected at source

Relevant Content

Section - 4

Q2. Under how many heads is the income of a taxpayer classified?

Ans: Section 13 of the Income-tax Act has classified the income of a taxpayer under five different heads of income, viz.:

1. Salaries
2. Income from house property
3. Profits and gains of business or profession
4. Capital gains
5. Income from other sources

Relevant Content

Section - 5
Section - 13

Q3. What is gross total income?

Ans: Total income of a taxpayer from all the heads of income (as discussed in previous FAQ) is referred to as Gross Total Income.

Relevant Content

Section - 5

Q4. What is the difference between gross total income and total income?

Ans: Total Income is the income on which tax liability is determined. It is necessary to compute total income to ascertain tax liability. Chapter-VIII-B provides certain deductions which can be claimed from Gross Total Income (GTI). After claiming these deductions from GTI, the income remaining is called as Total Income. In other words, GTI less Deductions (under Chapter-VIII-B) = Total Income (TI).

Total income can also be understood as taxable income.

The following table gives a better understanding of the difference between GTI and TI :

Computation of gross total income and Taxable Income

Particulars	**Amount**
Income from salary	XXXXX
Income from house property	XXXXX
Profits and gains of business or profession	XXXXX
Capital gains	XXXXX
Income from other sources	XXXXX
Gross Total Income	XXXXX
Less : Deductions under Chapter VIII-B (i.e. under section 123 to 137)	(XXXXX)
Total Income (i.e., taxable income)	XXXXX

Note 1: Inter-source losses, inter-head losses, brought forward losses, unabsorbed depreciation, etc., (if any) will have to be adjusted (as per the Income-tax Law) while computing the gross total income.

Note 2: If the eligible assessee has opted for the new tax regime available under Chapter XIII – Part C, the total income of the assessee is computed without claiming specified exemptions or deductions:

Relevant Content

Section - 5

Q5. How to round off total income before computing tax liability?

Ans: As per section 516, total income computed in accordance with the provisions of the Income-tax Law shall be rounded off to the nearest multiple of ten. The following points should be kept in mind while rounding off the total income:

a) First, any part of a rupee consisting of any paisa should be ignored.
b) After ignoring paisa, if such amount is not in multiples of ten, and last figure in that amount is five or more, the amount shall be increased to the next higher amount which is in multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is in multiple of ten and the amount so rounded off shall be deemed to be the total income of the taxpayer.

Illustration for better understanding

If the taxable income of Mr Keshav is Rs. 2,52,844.99, then the first paisa shall be ignored, i.e., 0.99 paisa shall be ignored) and the remaining amount of Rs. 2,52,844 shall be rounded off to Rs. 2,52,840 (since the last figure is less than five). If the total income is Rs. 2,52,845 or Rs. 2,52,846.01, then it shall be rounded off to Rs. 2,52,850 (since the last figure is five or above).

Relevant Content

Section - 516

Q6. Can I claim deduction for my personal and household expenditure while calculating my taxable income or profit?

Ans: No, you cannot claim a deduction for personal expenses while computing taxable income.

While computing income under various heads, deduction can be claimed only for those expenses which are provided under the Income-tax Act.

Relevant Content

Section - 122

Q7. Most of my income is given away in charity, and I am left with just enough money to meet my personal requirements. What will be considered as my income?

Ans: What is done after the income is earned by you will not give you tax exemption. However, contribution to approved institutions will give you the benefit of deduction from taxable income under section 80G subject to limits specified therein.

Relevant Content

Section – 133

Q8. My daughter stays in the USA. She owns a house in India and has let it out. She has asked tenants to pay rent to me. She has not received any rent. Is she still liable to tax? What if she transfers the house to me?

Ans: Rental income is charged to tax in the hands of the owner of the property. Your daughter is the owner of the house and, therefore, she is liable to pay tax, even though you receive rent.

Relevant Content

Section - 20

Q9. Is there any limit of income below which I need not pay tax?

Ans: At this moment, individuals, HUFs, AOPs, and BOIs having income below Rs. 2,50,000 need not pay any income tax. In respect of resident individuals of the age of 60 years and above but below 80 years, the basic exemption limit is Rs. 3,00,000, and in respect of resident individuals of 80 years and above, the limit is Rs. 5,00,000. For other categories of persons such as co-operative societies, firms, companies and local authorities, no basic exemption limit exists and, hence, they have to pay taxes on their entire income chargeable to tax.

Further, if an individual, HUF, AOP, BOI, and AJP pays tax as per the new tax regime under Section 202, the threshold limit of Rs. 4,00,000 shall be applicable to them.

Relevant Content

Section - 202

Q10. How to compute the total tax liability?

Ans: After ascertaining the total income, i.e., income liable to tax, the next step is to compute the tax liability for the year. Tax liability is to be computed by applying the rates prescribed in this regard. The following table will help in understanding the manner of computation of the total tax liability of the taxpayer.

Computation of total income and tax liability for the year

Particulars	**Amount**
Income from salary	XXXXX
Income from house property	XXXXX
Profits and gains of business or profession	XXXXX
Capital gains	XXXXX
Income from other sources	XXXXX
Total of head wise income	XXXXX
Set off of losses	XXXXX
Gross Total Income	XXXXX
Less : Deductions under Chapter VIII-B (i.e., under section 123 to 154))	(XXXXX)
Total Income (i.e., taxable income)	XXXXX
Tax on total income to be computed at the applicable rates (for rates of tax, refer "Tax Rate" section)	XXXXX
Less : Rebate under section 156 (discussed in later FAQ)	(XXXXX)
Tax Liability After Rebate	XXXXX
Add: Surcharge (discussed in later FAQ)	XXXXX

Tax Liability After Surcharge	XXXXX
Add: Health & Education cess @ 4% on tax liability after surcharge	XXXXX
Tax liability before rebate under sections 309, 310, section 157, sections 159 and 160 (if any) (*)	XXXXX
Less : Rebate under sections 309, 310, section 157, sections 159 and 160 (if any) (*)	(XXXXX)
Tax liability for the year before pre-paid taxes	XXXXX
Less: Prepaid taxes in the form of TDS, TCS and advance tax	(XXXXX)
Tax payable/Refundable	XXXXX

(*) Rebate under section 309 & 310 is available to a member of an association of persons (AOP) or body of individuals (BOI) in respect of income received by such member from the AOP/BOI.

Rebate (i.e., relief) under section 157 is available to a salaried employee in respect of a sum received towards arrears of salary, gratuity, etc.

Rebate under sections 159 and 160 is available to a taxpayer in respect of double-taxed income, i.e., income which is taxed in India as well as abroad.

Note: For provisions relating to Minimum Alternate Tax (MAT) in case of corporate taxpayers and Alternate Minimum Tax (AMT) in case of non-corporate taxpayers, refer to the tutorial on "MAT/AMT".

Relevant Content

Section - 5

Q11. How to round off the tax liability?

Ans: As per section 516, tax payable by the taxpayer or tax refundable to the taxpayer shall be rounded off to the nearest multiple of ten; the following points should be kept in mind while rounding off the tax :

- First any part of rupee consisting of any paisa should be ignored.
- After ignoring paisa, if such amount is not a multiples of ten, and the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten; and the amount so rounded off shall be deemed to be the tax payable by the taxpayer or refundable to the taxpayer.

Illustration for better understanding

If the tax liability or refund due to Mr Keshav is Rs. 2,52,844.99, then the first paisa shall be ignored (i.e., 0.99 paisa shall be ignored), and the remaining amount of Rs. 2,52,844 shall be rounded off to Rs. 2,52,840 (since the last figure is less than five). If the tax liability or refund due is Rs. 2,52,845 or Rs. 2,52,846.01, then it shall be rounded off to Rs. 2,52,850 (since the last figure is five or above).

Relevant Content

Section - 206

Q12. What is rebate under section 156 for tax year 2026-27 and who can claim it?

Ans: An individual who is resident in India and whose total income does not exceed Rs. 5,00,000 is entitled to claim rebate under section 156. Rebate under section 156 is available in the form of deduction from the tax liability. Rebate under section 156 will be the lower of 100% of income-tax liability or Rs. 12,500.

In other words, if the tax liability exceeds Rs. 12,500, rebate will be available to the extent of Rs. 12,500 only, and no rebate will be available if the total income (i.e. taxable income) exceeds Rs. 5,00,000.

Further, a maximum rebate of Rs. 60,000 is allowed under section 156 from the amount of income tax on total income, which is chargeable to tax under section 202(1). However, this rebate is allowed if the total income of the assessee chargeable to tax under section 202(1) is up to Rs. 12,00,000.

Furthermore, if the total income chargeable to tax exceeds Rs. 12,00,000 and the tax payable on such income exceeds the difference between the total income and Rs. 12,00,000, he can claim a rebate with marginal relief to the extent of the difference between the tax payable on such total income and the amount by which it exceeds Rs. 12,00,000.

Relevant Content

Section - 202
Section – 156

Q13. Can a partnership firm or HUF claim rebate under section 156?

Ans: Rebate under section 156 is available only to a resident individual; hence, any person other than a resident individual cannot claim rebate under section 156.

Relevant Content

Section - 156

Q14. Can a non-resident claim rebate under section 156?

Ans: Rebate under section 156 is available only to an individual who is resident in India; hence, non-residents cannot claim rebate under section 156.

Relevant Content

Section - 156

Q15. What is surcharge and how is it computed?

Ans: Surcharge is an additional tax levied on the amount of income-tax. The rate of surcharge on different categories of taxpayers is as follows:

(A) INDIVIDUALS, HUF, AOP, BOI, AJP

In case of individuals/HUF/AOP/BOI/artificial juridical person:

- Surcharge is levied @ 10% on the amount of income-tax where the total income of the taxpayer exceeds Rs. 50 lakhs but doesn't exceed Rs. 1 crore.

- Surcharge is levied @ 15% of income-tax where the total income of the taxpayer exceeds Rs. 1 crore but doesn't exceed Rs. 2 crores.(*).
- Surcharge is levied @ 25% of income-tax where the total income of the taxpayer exceeds Rs. 2 crores but doesn’t exceed Rs. 5 crores(*).
- Surcharge is levied @ 37% of income-tax where the total income of the taxpayer exceeds Rs. 5 crores(*).

Notes:

(a) The surcharge rate for AOP with all members as a company shall be capped at 15%.

(b) The enhanced surcharge of 25% & 37%, as the case may be, is not levied from income chargeable to tax under sections 196, 197, 198 and 210.

(c) The surcharge rate is nil if the total income of a ‘specified fund’ as referred to in Schedule VI [Table S. Nos. 1 to 4] includes any income in respect of securities as given under section 210(1)[Table S. No. 1].

(d) If the assessee opted for the tax regime under section 202(1), the enhanced surcharge rate of 37% isn’t levied. In other words, if the total income of an assessee exceeds Rs. 5 crores, the surcharge rate will be 25% instead of 37%.

(B) FIRM & LOCAL AUTHORITY

In case of a firm & the local authority, surcharge is levied at 12% if total income exceeds Rs 1 crore.

(C) CO-OPERATIVE SOCIETY

In case of a co-operative society, surcharge is levied at 7% if total income exceeds Rs 1 crore but does not exceed Rs 10 crores, and surcharge is levied at 12% if total income exceeds Rs 1 crore.

In case where a co-operative society opted for the alternative tax regime under section 203 or 204, the surcharge is levied at a rate of 10% on total income of Rs. 1 crore or more.

(D) DOMESTIC COMPANY

In case of a domestic company, surcharge is levied @ 7% on the amount of income-tax if the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore and @ 12% on the amount of income-tax if total income exceeds Rs. 10 crores (*). In case where a domestic company opted for alternative tax regime under section 200 or section 201, the surcharge is levied at a rate of 10% on total income of Rs. 1 crore or more.

(E) FOREIGN COMPANY

In case of a foreign company, surcharge is levied @ 2% on the amount of income-tax if the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore and @ 5% on the amount of income-tax if total income exceeds Rs. 10 crores (*).

(*) A taxpayer can claim marginal relief from the amount of surcharge, subject to certain conditions. Refer to the next FAQ for the concept of marginal relief.

Illustration for better understanding

Mr Kapoor is a doctor; his total income for the year amounted to Rs. 44,00,000. Will he be liable to pay surcharge? If yes, then how much?

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Surcharge is additional tax levied on the amount of income-tax. In case of individuals, surcharge is levied @ 10% on the amount of income-tax where the total income of the taxpayer exceeds Rs. 50 lakhs. In this case, the total income of Mr Kapoor is below Rs. 50 lakhs; hence, he will not be liable to pay surcharge.

Relevant Content

Section - 4

Q16. What is marginal relief and how is it computed?

Ans: The concept of marginal relief is designed to provide relaxation from levy of surcharge to a taxpayer where the total income exceeds marginally above Rs. 50 lakhs, Rs. 1 crore, Rs. 2 crores, Rs. 5 crore or Rs. 10 crores, as the case may be.

Thus, while computing surcharge, in case of taxpayers (i.e. Individuals/HUF/AOP/BOI/artificial juridical person) having total income of more than Rs. 50 lakh, marginal relief shall be available in such a manner that the net amount payable as income-tax and surcharge shall not exceed the total amount payable as income-tax on total income of Rs. 50 lakhs by more than the amount of income that exceeds Rs. 50 lakhs.

In case of a company, surcharge is levied @ 7% (2% in case of a foreign company) on the amount of income-tax if the total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore and @ 12% (5% in case of a foreign company) on the amount of income-tax if total income exceeds Rs. 10 crores. Hence, in case of company whose total income exceeds Rs. 1 crore but does not exceed Rs. 10 crore, marginal relief will be computed as discussed above, but in the case of company having total income above Rs. 10 crore marginal relief is available in such a manner that the net amount payable as income-tax and surcharge shall not exceed the total amount payable as income-tax and surcharge on total income of Rs. 10 crores by more than the amount of income that exceeds Rs. 10 crores.

Illustration for better understanding

Mr Mukesh is a salaried employee (age 40 years). His total income from salary for the year 2026-27 amounts to Rs. 51,00,000. Will he be liable to pay surcharge, If yes, then how much and will he get the benefit of margin relief?

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Surcharge is additional tax levied on the amount of income-tax. In case of taxpayers (i.e. Individuals/HUF/AOP/BOI/artificial juridical person), surcharge is levied @ 10% on the amount of income-tax where the total income of the taxpayer exceeds Rs. 50 lakhs. In this case, the total income of Mr Mukesh exceeds Rs. 50 lakh and hence he will be liable to pay surcharge. Marginal relief is available in cases where the total income is slightly above Rs. 50 Lakh. The Computation of normal tax liability (i.e. liability without marginal relief) and tax liability under marginal relief (i.e. liability after marginal relief) will be as follows:

(1) Normal tax liability (i.e. without marginal relief)

Tax on total income before surcharge (*)	**13,42,500**

Add: Surcharge (@10% on the amount of income-tax of Rs. 13,42,500	1,34,250
Tax liability after surcharge (i.e., normal tax liability)	14,76,750

(*) The normal tax rates for the tax year 2026-27 applicable to an individual below the age of 60 years are as follows:

Nil upto income of Rs. 2,50,000

5% for income above Rs. 2,50,000 but upto Rs. 5,00,000

20% for income above Rs. 5,00,000 but upto Rs. 10,00,000

30% for income above Rs. 10,00,000.

Apart from above rates, cess will be computed separately.

(2) Tax liability under marginal relief (i.e. after marginal relief)

Tax on Rs. 50 lakh (at the above discussed rates)	**13,12,500**
Add: Income above Rs. 50 lakh	1,00,000
Tax liability under marginal relief	14,12,500

Conclusion

Normal tax liability (i.e. without marginal relief) comes to Rs. 14,76,750 and tax liability under marginal relief comes to Rs. 14,12,500. It can be observed that tax liability under marginal relief is lower and, hence, Rs. 14,12,500 will be the tax liability before cess. Total tax liability will be computed as follows:

	Rs.
Tax liability after marginal relief (*)	14,12,500
Add: Health & education cess @ 4%	56,500
Tax liability	14,69,000

(*) In this case, surcharge paid by Mr Mukesh will be Rs. 70,000 computed as follows:

	Rs.
Tax liability (before cess) on Rs. 51,00,000 after considering the provisions of marginal relief	14,12,500
Tax liability (before cess) at normal rates on Rs. 51,00,000 if surcharge is not levied	13,42,500
Surcharge (i.e. increase in tax liability)	70,000

Illustration for better understanding

Mr Raja is a businessman (age 35 years). His total income for the year 2026-27 amounted to Rs. 1,02,00,000. Will he be liable to pay surcharge? If yes, then how much, and will he get the benefit of marginal relief?

**

Surcharge is additional tax levied on the amount of income-tax. In case of taxpayers (i.e. Individuals/HUF/AOP/BOI/artificial juridical person), surcharge is levied @ 10% on the amount of income-tax where the total income of the taxpayer exceeds Rs. 1 crore. In this case, the total income of Mr Raja exceeds Rs. 1 crore, and hence he will be liable to pay surcharge. Marginal relief is available in cases where the total income is slightly above Rs. 1 crore. The Computation of normal tax liability (i.e. liability without marginal relief) and tax liability under marginal relief (i.e. liability after marginal relief) will be as follows:

(1) Normal tax liability (i.e. without marginal relief)

Tax on total income before surcharge (*)	**28,72,500**
Add: Surcharge (@15% on the amount of income-tax of Rs. 28,72,500)	4,30,875
Tax liability after surcharge (i.e., normal tax liability)	33,03,375

(*) The normal tax rates for the tax year 2026-27 applicable to an individual below the age of 60 years are as follows:

Nil up to income of Rs. 2,50,000

5% for income above Rs. 2,50,000 but upto Rs. 5,00,000

20% for income above Rs. 5,00,000 but upto Rs. 10,00,000

30% for income above Rs. 10,00,000.

Apart from above rates, cess will be computed separately.

(2) Tax liability under marginal relief (i.e. after marginal relief)

Tax on Rs. 1 crore (at the above discussed rates)	**28,12,500**
Add: Surcharge on income-tax @ 10% (if income is Rs. 1 crore)	2,81,250
Add: Income above Rs. 1 crore	2,00,000
Tax liability under marginal relief	32,93,750

Conclusion

Normal tax liability (i.e. without marginal relief) comes to Rs. 33,03,375 and tax liability under marginal relief comes to Rs. 32,93,750. It can be observed that tax liability under marginal relief is lower and, hence, Rs. 32,93,750 will be the tax liability before cess. Total tax liability will be computed as follows:

	Rs.
Tax liability after marginal relief (*)	32,93,750
Add: Health & education cess @ 4%	1,31,750
Tax liability	34,25,500

Illustration for better understanding

Mr Karan is a businessman (age 35 years). His total income for the year 2026-27 amounted to Rs. 1,07,00,000. Will he be liable to pay surcharge? If yes, then how much, and will he get the benefit of marginal relief?

**

Surcharge is additional tax levied on the amount of income-tax. In case of taxpayers (i.e. Individuals/HUF/AOP/BOI/artificial juridical person), surcharge is levied @ 15% on the amount of income-tax where the total income of the taxpayer exceeds Rs. 1 crore. In this case, the total income of Mr Karan exceeds Rs. 1 crore, and hence he will be liable to pay surcharge. Marginal relief is available in cases where the total income is slightly above Rs. 1 crore. The computation of normal tax liability (i.e. liability without marginal relief) and tax liability under marginal relief (i.e. liability after marginal relief) will be as follows :

(1) Normal tax liability (i.e. without marginal relief)

Tax on total income before surcharge (*)	**30,22,500**
Add: Surcharge (@15% on the amount of income-tax of Rs. 30,22,500)	4,53,375
Tax liability after surcharge (i.e., normal tax liability)	34,75,875

(*) Tax rates are discussed in previous illustration.

(2) Tax liability under marginal relief (i.e. after marginal relief)

Tax on Rs. 1 crore (at the rates discussed in previous illustration)	**28,12,500**
Add: Surcharge on income-tax @ 10% (if income is Rs. 1 crore)	2,81,250
Add: Income above Rs. 1 crore	7,00,000
Tax liability under marginal relief	37,93,750

Conclusion

Normal tax liability (i.e. without marginal relief) comes to Rs. 34,75,875 and tax liability under marginal relief comes to Rs. 37,93,750. It can be observed that normal tax liability (i.e. without marginal relief) is lower and, hence, Rs. 34,75,875 will be the tax liability before cess. Total tax liability will be computed as follows:

	Rs.
Normal tax liability i.e. tax liability after surcharge of Rs. 4,53,375	34,75,875
Add: Health & education cess @ 4%	1,39,035
Tax liability	36,14,910

Relevant Content

Section - 4

Q17. What is minimum alternate tax?

Ans: For details on minimum alternate tax (MAT) refer to the tutorial on "Minimum Alternate Tax and Alternate Minimum Tax"

Relevant Content

Section - 206

Q18. What is alternate minimum tax?

Ans: For details on alternate minimum tax (AMT) refer to the tutorial on "Minimum Alternate Tax and Alternate Minimum Tax"

Relevant Content

Section - 206