

Subject-Cost Accounting & Taxation (Vocational)
Changes in Income Tax as applicable to
Assessment year 2026-27 and to the Academic Year
2026-27. (Std XII)

1. Profits & gains of Business or Profession.

❖ Sec 32: Rates of Depreciation

á	Motor Buses, motor lorries, and motor taxis used in a business of running them on hire, acquired on or after 23.08.2019 but before 1.4.2020 and put to use before 1.4.2020.	45%
'b	Motor cars other than those used in business of running them on hire, acquired on or after the 23.08.2019 but before the 1.4.2020 and put to use before 1.4.2020	30%
c	Motor cars , other than those used in the business of running them on hire (other than those covered in 'b')	15%

❖ Sec 37(2B)- Advertisement in publications of political party _ Discontinued for assessment year 2026-27.

❖ Sec 35: Expenditure on scientific research:

- a. In all cases of in-house research, the deduction shall be 100% of the following expenses:
 - i) Any revenue or capital expenditure (other than cost of acquisition of land) on scientific research incurred during the year.
 - ii) Any expenditure during the 3 years immediately preceding the commencement of business, being salary to employees or purchase of materials used in such scientific research or any capital expenditure (except cost of acquisition of land) to the extent allowed by specific authority shall be allowed as deduction in the year of commencement of business.
- b. In case of contribution to outsiders.

Sr. No	Contribution made to	To be used for	% of deduction
1	Research Association	Scientific Research	100
2	Company	Scientific Research	100
3	Research Association	Social Science or statistical Research	100
4	National laboratory,	Scientific research	100

	University or Indian Institute of Technology or Specified person		
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❖ Section 44AB – Audit of Accounts

The category of taxpayers who are required to get their books of accounts audited on compulsory basis:

- (a) Persons carrying on business
 - i) In case of person carrying on business where the total sales, turnover or gross receipts exceeds Rs. 1 crore in the previous year.
 - ii) The above limit of Rs. 1 crore will be 10 crores, where:
 - The aggregate of all amounts received including the amount received for sales, turnover or gross receipts during the previous year in cash, does not exceed 5% of the said amount. And
 - The aggregate of all payments made including amount incurred for expenditure in cash during the previous year does not exceed 5% of the said amount.
- (b) Person carrying on profession.
 Person carrying on profession where the gross receipts exceed 50 lakhs in the previous year.

❖ Section 44AD: Estimated business Income (small business)

Eligible assessee:

- a) A resident individual or HUF, firm except LLP.
- b) The assessee carrying on business whose gross receipts or total turnover does not exceed as follows:
 - a) The aggregate amount received during the year in cash, bearer cheque, crossed cheque, crossed draft does not exceed 5% of the total turnover or gross receipts – Rs. 3 crores.
 - b) In any other case – Rs. 2 crore.

❖ Section 44ADA: Estimated Professional Income

Eligible assessee:

- c) A resident individual or HUF, firm except LLP.
- d) The assessee carrying on business whose gross receipts does not exceed as follows:

- c) The aggregate amount received during the year in cash, bearer cheque, crossed cheque, crossed draft does not exceed 5% of the total turnover or gross receipts – Rs. 75 Lakhs.
- d) In any other case – Rs. 50 Lakhs.

2. Deductions under chapter VIA.

1. Contribution to pension scheme of the central government Sec 80CCD

- a) Deduction shall be allowed u/s 80CCD (1) in respect of amount contributed by employee during the previous year subject to following limits:
 - i) In case of individual employee – not exceeding 10% of salary
 - ii) In case of individual not being an employee – not exceeding 20% of total income.
- b) Deduction shall be allowed u/s 80CCD (2) in respect of amount contributed by employer during the previous year subject to following limits:
 - iii) In case of central and state Govt employer – not exceeding 14% of salary
 - iv) In case of any other employer – not exceeding 10% of salary.
(14% in case of NTR)

2. Deduction in respect of contribution to Agnipath Scheme - Sec 80CCH

The deduction is allowed on the following conditions:

- a) The assessee is an individual enrolled in the Agnipath Scheme.
- b) The assessee subscribes to the Agniveer Corpus Fund.
- c) The contribution made by an assessee to this fund is deductible in the year the amount is paid or deposited – Sec. 80CCH (1).
- d) The contribution made by the central Govt shall be included in the income of the assessee as salaries and the whole amount is allowed as deduction – Sec 80CCH (2).
- e) The deduction is applicable under Old and New Tax Regime.
- f) The benefit is available to those Individuals who have subscribed to this scheme on or after 1st November, 2022.

3. Deduction in respect of loan for certain house property - Sec 80EEA

- a. The deduction is available to an Individual
- b. The assessee should not claim deduction u/s 80 EE.
- c. The assessee should have taken the loan for the purpose of acquiring the residential house property from bank, banking institution or housing finance company.
- d. The loan has been sanctioned during 1.4.2019 to 31.03.2022.
- e. The stamp duty value of such property shall not exceed Rs. 45 Lakhs.
- f. The assessee does not own any residential house property on the date of sanction.
- g. Sec 80EEA is in addition to the deduction u/s 24(b).
- h. No deduction can be availed under any other provisions of Income Tax Act.
- i. The deduction is allowed as Rs. 150000/- or interest payable whichever is lower.

4. Deduction in respect of purchase of electric vehicle - Sec 80EEB

- a. The deduction is available to an Individual
- b. The assessee has taken the loan for the purchase of electric vehicle during 01.04.2019 to 31.03.2023.
- c. The loan is sanctioned by the bank or banking institution.
- d. No deduction can be availed under any other provisions of Income Tax Act.
- e. The deduction is allowed as Rs. 150000/- or interest payable whichever is lower.

5. Deduction in respect to donations made to Political Party or Electoral Trust. - Sec 80GGC

- 1. The deduction is allowed to all taxpayers.
- 2. The deduction is allowed for donations made to political parties or electoral Trusts.
- 3. The donation can be in the form of money, cheque, draft or any other mode of payment.
- 4. The limit of donation has been fixed at 10% of the gross income in a year.
- 5. A receipt or acknowledgment from the political party or electoral trust is necessary to avail this deduction.

3. Rates of Income tax, surcharge, cess, rebate etc.

Old Tax Regime:

1. The Rates of Income Tax ***is unchanged*** for;
 - a. Individuals below the age of 60 years
 - b. Individuals above 60 years but below 80 years of age (Senior Citizen)
 - c. Individuals above 80 years of age (Super senior citizen)
2. The Rebate u/s 87A is unchanged.
3. Health and Education cess is unchanged.
4. Change in Surcharge as below:

Total Income	Surcharge on Dividend income, Capital gains etc	Other income
Upto 50 Lakhs	10%	NIL
Above 50 Lakhs and upto 1 crore	15%	10%
Above 1 crore and upto 2 crore	15%	15%
Above 2 crore and upto Rs. 5 crores	15%	25%
Above 5 crores	15%	37%

New Tax Regime/ Alternate Tax Regime:

1. The Rates of Income Tax **is as follows.**

Sr No.	Total Income	Rates of Tax
1.	Upto Rs. 400000	NIL
2	From Rs. 400001 to Rs. 800000	5%
3	From Rs. 800001 to Rs. 1200000	10%
4	From Rs. 1200001 to Rs. Rs. 1600000	15%
5	From Rs. 1600001 to Rs. 2000000	20%
6	From Rs. 2000001 to Rs. 2400000	25%
6	Above Rs. 2400000	30%

2. The Rebate u/s 87A:

The Rebate is available to a resident individual in case the total income does not exceed Rs. 12,00,000/- . The amount of rebate shall be 100% of income tax payable or Rs. 60,000/- whichever is less.

Marginal Relief:

Marginal relief can be claimed when the taxable income exceeds Rs. 12 lakhs if it is beneficial.

Method (steps)

Step	Method	Rs.
1	Compute the tax payable on Total income before rebate u/s 87A	xxx
2	Compute the difference between total income and Rs. 12 lakhs	xxx
3	Compute the difference between step I and step II	xxx
4	If the amount of step 3 is positive the same shall be allowed as rebate otherwise NIL rebate	xxx

3. **Health and Education cess** is unchanged.it shall be 4% on tax payable, which is same as old tax regime.

4. Change in **Surcharge** as below:

Total Income	Surcharge on Dividend income, Capital gains etc	Other income
Upto 50 Lakhs	NIL	NIL
Above 50 Lakhs and upto 1 crore	10%	10%

Above 1 crore and upto 2 crore	15%	15%
Above 2 crore	15%	25%

The Restricted Exemptions/deductions under ATR -Sec 115 BAC (2)

1. Salaries:

- Section 10(5) - Leave travel concession
- Section 10(13A) - House Rent Allowance.

However, under special allowances u/s 10(14), Conveyance allowance for the performance of duties of office, allowances to meet the cost of travel on tour or transfer is allowed as deduction.

- Section 16 (ii) - Entertainment allowance.
- Section 16 (iii) - Professional tax

However Standard deduction u/s 16 (i) is allowed as deduction to the maximum of Rs. 75,000/-. (**While in old tax regime it is Rs. 50,000/-**)

2. House property:

- Section 24(b) - Interest on borrowed capital for housing.

3. General deductions (Chapter VIA):

- No deductions are allowed except the following.
 Sec 80CCD (2) - Employer's contribution to NPS is allowed.
 Sec 80CCH (2)- Central Govt Contribution to Agniveer Corpus fund.