

UDHNA COLLEGE
M.Com SEM 1
Financial & Management A/c -3
Computation of Tax Liability of Individuals
under New Tax Regime – Section 115BAC
Assessment Year 2026–27 (Previous Year 2025–26)

1. Meaning of Section 115BAC

Section 115BAC of the Income-tax Act, 1961 provides the New Tax Regime for individuals and Hindu Undivided Families (HUFs). The new regime has revised slab rates and, compared with the old regime, restricts several exemptions and deductions.

The New Tax Regime is the default tax regime.

2. Tax Slabs under the New Tax Regime

Total Income	Rate of Tax
Up to ₹4,00,000	Nil
₹4,00,001 – ₹8,00,000	5%
₹8,00,001 – ₹12,00,000	10%
₹12,00,001 – ₹16,00,000	15%
₹16,00,001 – ₹20,00,000	20%
₹20,00,001 – ₹24,00,000	25%
Above ₹24,00,000	30%

Memory trick: 4 – 8 – 12 – 16 – 20 – 24 lakh; rates are 0 – 5 – 10 – 15 – 20 – 25 – 30%.

3. Important Features

- Standard deduction of ₹75,000 is available to eligible salaried individuals/pensioners.
- Many deductions/exemptions available under the old regime are not available under the new regime, such as Section 80C, 80D, 80TTA and common HRA/LTA exemptions, subject to specific exceptions.
- Eligible deductions that continue under the new regime should be allowed only when the question permits them.
- Section 87A rebate is available to an eligible resident individual with total income up to ₹12,00,000, up to a maximum of ₹60,000, subject to the applicable conditions.
- Health & Education Cess is 4% of income tax plus surcharge, if any.

4. Computation of Total Income

Particulars	Amount (₹)
Income from Salary	XXXXXX
Income from House Property	XXXXXX
Profits & Gains from Business/Profession	XXXXXX
Capital Gains	XXXXXX
Income from Other Sources	XXXXXX
Gross Total Income	XXXXXX

Less: Allowable deductions under the new regime	XXXXXX
Total Income	XXXXXX

5. Steps for Computing Tax Liability

1. Calculate income under each applicable head of income.
2. Calculate Gross Total Income.
3. Deduct only deductions/exemptions permitted under the New Tax Regime.
4. Arrive at Total Income.
5. Apply the Section 115BAC slab rates.
6. Deduct eligible rebate under Section 87A.
7. Add surcharge, if applicable.
8. Add Health & Education Cess @ 4%.

6. Rebate under Section 87A

For an eligible resident individual under the new regime, if total income does not exceed ₹12,00,000, rebate under Section 87A is available up to ₹60,000, subject to the applicable rules. Special-rate income, such as certain capital gains, needs separate consideration.

7. Solved Example – Total Income ₹10,00,000

Tax before rebate:

Slab	Tax
Up to ₹4,00,000	Nil
₹4,00,001 – ₹8,00,000 @ 5%	₹20,000
₹8,00,001 – ₹10,00,000 @ 10%	₹20,000
Tax before rebate	₹40,000
Less: Rebate u/s 87A	₹40,000
Tax payable	Nil

Answer: Tax Liability = Nil.

8. Solved Example – Total Income ₹12,00,000

Slab	Tax
Up to ₹4,00,000	Nil
₹4,00,001 – ₹8,00,000 @ 5%	₹20,000
₹8,00,001 – ₹12,00,000 @ 10%	₹40,000
Tax before rebate	₹60,000
Less: Rebate u/s 87A	₹60,000
Tax after rebate	Nil
Cess	Nil
Final Tax Liability	Nil

9. Solved Example – Total Income ₹15,00,000

Income Slab	Rate	Tax (₹)
Up to ₹4,00,000	Nil	0
₹4,00,001 – ₹8,00,000	5%	20,000
₹8,00,001 – ₹12,00,000	10%	40,000
₹12,00,001 – ₹15,00,000	15%	45,000
Tax before cess		1,05,000
Health & Education Cess @ 4%		4,200
Final Tax Liability		1,09,200

Since total income exceeds ₹12,00,000, the normal Section 87A rebate is not available.

10. Solved Example – Gross Salary ₹15,00,000

Particulars	Amount (₹)
Gross Salary	15,00,000
Less: Standard Deduction	75,000
Taxable Salary / Total Income	14,25,000
Slab	Tax (₹)
Up to ₹4,00,000	0
₹4,00,001 – ₹8,00,000 @ 5%	20,000
₹8,00,001 – ₹12,00,000 @ 10%	40,000
₹12,00,001 – ₹14,25,000 @ 15%	33,750
Income Tax	93,750
Health & Education Cess @ 4%	3,750
Final Tax Liability	97,500

11. Solved Example – Total Income ₹20,00,000

Income Slab	Tax (₹)
Up to ₹4,00,000	0
₹4,00,001 – ₹8,00,000 @ 5%	20,000
₹8,00,001 – ₹12,00,000 @ 10%	40,000
₹12,00,001 – ₹16,00,000 @ 15%	60,000
₹16,00,001 – ₹20,00,000 @ 20%	80,000
Income Tax	2,00,000
Cess @ 4%	8,000
Final Tax Liability	2,08,000

12. Solved Example – Total Income ₹25,00,000

Income Slab	Tax (₹)
Up to ₹4,00,000	0

₹4,00,001 – ₹8,00,000 @ 5%	20,000
₹8,00,001 – ₹12,00,000 @ 10%	40,000
₹12,00,001 – ₹16,00,000 @ 15%	60,000
₹16,00,001 – ₹20,00,000 @ 20%	80,000
₹20,00,001 – ₹24,00,000 @ 25%	1,00,000
₹24,00,001 – ₹25,00,000 @ 30%	30,000
Income Tax	3,30,000
Cess @ 4%	13,200
Final Tax Liability	3,43,200

13. Surcharge

Total Income	Surcharge
Up to ₹50 lakh	Nil
₹50 lakh – ₹1 crore	10%
₹1 crore – ₹2 crore	15%
₹2 crore – ₹5 crore	25%
Above ₹5 crore	25%

14. Health & Education Cess

Health & Education Cess = 4% of (Income Tax + Surcharge, if any).

Example: If income tax is ₹1,00,000 and surcharge is nil, cess = ₹4,000 and total tax = ₹1,04,000.

15. Quick Formula

Gross Total Income – Allowable deductions = Total Income

Income Tax as per slab – Rebate u/s 87A + Surcharge + Health & Education Cess = Final Tax Liability

16. Important Points for Examination

1. Section 115BAC relates to the New Tax Regime.
2. New regime is the default regime.
3. Basic slab starts with Nil tax up to ₹4,00,000.
4. Standard deduction for eligible salary/pension income is ₹75,000.
5. Section 87A rebate can be up to ₹60,000 where eligible total income does not exceed ₹12,00,000.
6. Health & Education Cess is 4%.
7. Many old-regime deductions are not available under the new regime.
8. Always read the question carefully for special-rate income, eligible deductions, surcharge and rebate conditions.

17. One-Page Revision Chart

Particular	New Regime u/s 115BAC
Basic slab	Up to ₹4,00,000 – Nil
₹4–8 lakh	5%
₹8–12 lakh	10%

₹12–16 lakh	15%
₹16–20 lakh	20%
₹20–24 lakh	25%
Above ₹24 lakh	30%
Standard deduction from salary/pension	₹75,000
87A rebate	Up to ₹60,000
87A income limit	₹12,00,000
Health & Education Cess	4%

18. Practice Questions

1. Mr. A has total income of ₹8,00,000. Compute his tax liability under Section 115BAC.
2. Mr. B has total income of ₹12,50,000. Compute his tax liability under the new regime.
3. Mr. C has gross salary of ₹16,00,000. Standard deduction is applicable. Compute his tax liability.
4. Mr. D has total income of ₹18,00,000. Compute income tax and Health & Education Cess.
5. Mr. E has total income of ₹30,00,000. Compute tax liability under the new regime.