

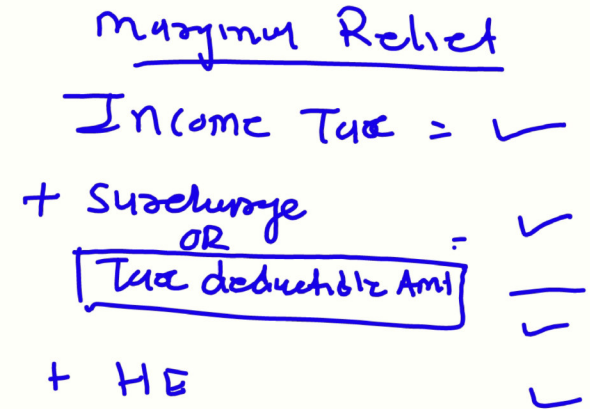
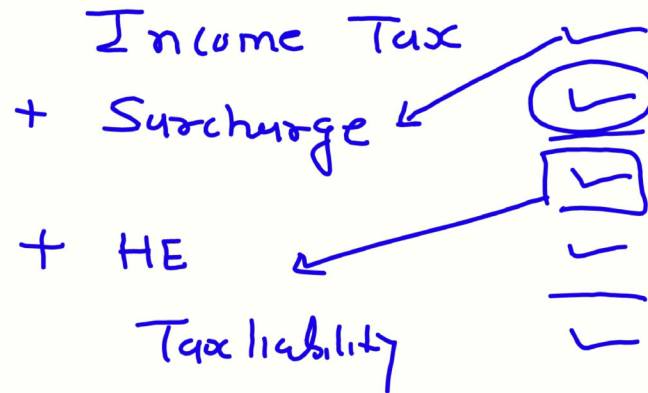
M.Com Sem-4. Lecture-5.

Illustration: 2

The income of the company is increased from ₹ 1 crore to ₹ 1.01 crore.

Calculate income tax for given both the cases

Determine total income tax liability on the basis of Marginal Relief



[1] Total Income ICR

$$\begin{aligned} \text{Income Tax (1,00,00,00} \times 30\%) &= 30,00,00 \\ \text{Add: HE (30,00,00} \times 4\%) &= 1,20,00 \\ \hline &= \boxed{31,20,00} \end{aligned}$$

[2] Total Income I. OI CR

$$\begin{aligned} \text{Income Tax (1,01,00,00} \times 30\%) &= 30,30,00 \\ \text{Add: Surcharges (30,30,000} \times 7\%) &= 2,12,100 \\ \hline &= 32,42,100 \\ \text{Add: HE (32,42,100} \times 4\%) &= 1,29,684 \\ \hline &= \boxed{33,71,784} \end{aligned}$$

* Increase in Income

$$\begin{aligned} \text{New Income} &= 1,01,00,00 \\ - \text{Old Income} &= 1,00,00,00 \\ \hline &= 1,00,00 \end{aligned}$$

* Increase in Tax

$$\begin{aligned} \text{Tax on New Income} &= 33,71,784 \\ - \text{Tax on old Income} &= 31,20,000 \\ \hline &= 2,51,784 \end{aligned}$$

* Calculation of Marginal Relief

- ① Total Taxable Income = 1,01,00,00
- ② Income Tax = 1,01,00,00 × 30% = 30,30,00
- ③ Surcharge = 30,30,00 × 7% = 2,12,100

- ④

Tax deductible Amount

Total Income	= 1,01,00,00
- Threshold limit	= 1,00,00,00
Excess Amount	1,00,00
- Tax (30%)	<u>30,00</u>
	<u>70,00</u>

- ⑤ Total Income Tax

Income tax	= 30,30,00
Add: Tax deductible Amt	= <u>70,00</u>
	31,00,00
Add:- HE (4%)	<u>1,24,00</u>
	<u>32,24,00</u>

Note:

Marginal Relief is Applicable.

* Tax Benefit As per Marginal Relief

- ① Surcharge As per point No. 3 = 2,12,100
 - Less:- Tax deductible Amt. No. 4. = 70,00
 - Tax benefit = 1,42,100
 - + HE Benefit (1,42,100 × 4%) = 5684
 - 1,47,784
- OR

- ② Tax payable without Marginal Relief = 33,71,784
- Less: Tax payable with Marginal Relief = 32,24,00
- 1,47,784

Illustration: 3

The income of a company is increased from ₹ 1,00,00,000 to ₹ 1,04,00,000.

Calculate income tax for given both the cases.

Whether Marginal Relief is allowed or not?

Determine amount of total income tax.

BEP

Tax deductible Amt

$$\begin{array}{r} 4,000,000 \\ - 30\% \quad 1,200,000 \\ \hline 2,800,000 \end{array}$$

① Total Income 1 CR.

$$\begin{array}{r} \text{Income Tax (30\%)} = 30,000 \\ + \text{HE (4\%)} = 1,200,000 \\ \hline 31,200,000 \end{array}$$

② Total Income 1.04 CR

$$\begin{array}{r} \text{Income Tax (30\%)} = 31,200,000 \checkmark \\ \text{Add: } \cancel{\text{Surcharge}} (31,200,000 \times 7\%) = 2,187,400 \checkmark \\ \hline 33,384,000 \\ \text{Add: HE (33,384,000 \times 4\%)} = 1,335,360 \\ \hline 34,719,360 \end{array}$$

* Increase in Income

$$\begin{array}{r} \text{New Income} = 1,040,000,000 \\ - \text{Old Income} = 1,000,000,000 \\ \hline 4,000,000 \end{array}$$

* Increase in Tax liability

$$\begin{array}{r} \text{New Tax} = 34,719,360 \\ - \text{Old Tax} = 31,200,000 \\ \hline 3,519,360 \end{array}$$

* Marginal Relief Not Allowed

Illustration: 4

The income of the company is increased from ₹ 1,00,00,000 to ₹ 1,03,09,270. Calculate income tax for the both given cases. Calculate marginal relief, if available. Determine total tax liability.

① Total Income. ICR

$$\begin{array}{r} \text{Income Tax} = 30,00,00 \\ + \text{HE (4\%)} = \underline{1,20,00} \\ \hline 31,20,00 \end{array}$$

② Total Income = 1,03,9,270

$$\begin{array}{r} \text{Income Tax} = (35\%) = 30,92,781 \\ \text{Add: Surcharge (7\%)} = \underline{2,16,495} \\ 33,07,276 \\ \text{Add: HE (4\%)} \\ \underline{1,32,371} \\ \hline 34,41,647 \end{array}$$

* Increase in Income

$$\begin{array}{r} \text{New Income} = 1,03,09,270 \\ \text{Less Old Income} = \underline{1,00,00,000} \\ \hline 3,09,270 \end{array}$$

* Increase in Tax liability

$$\begin{array}{r} \text{New Tax} = 34,41,647 \\ - \text{Old Tax} = \underline{31,20,000} \\ \hline 3,21,647 \end{array}$$

* Calculation of Marginal Relief

- ① Total Income = 2,03,09,270 →
- ② Income Tax (30%) = 30,92,781
- ③ Surcharge (7%) = 2,16,495
- ④ Tax deductible Amount =
- | | |
|-------------------------|--------------------|
| Total Income = | 2,03,09,270 |
| Less: Threshold limit = | <u>1,00,00,000</u> |
| | 3,09,270 |
| Less: Tax (30%) | <u>92,781</u> |
| | <u>2,16,489</u> |
- ⑤ Total Income Tax payable
- | | |
|---------------|-----------------|
| Income Tax = | 30,92,781 |
| + Surcharge = | 2,16,489 |
| + HE = | <u>1,82,871</u> |
| | 31,41,647 |