# Module 1 · Part 1 · Individual (old vs default regime), Non-resident, Firm P15 · topic 1.1

SM pp. 6–36. **Topic 1.1 is the biggest topic of the paper** (avg ~19 marks; expected 19.4 in Dec'26). Three 7-mark sums every recent paper: **Q3(a) regime comparison**, **Q4(b) non-resident**, **Q2(b) firm** (firms are not taught in the SM). Rates: the **Paper Map rates card**.

| Paper | Long questions (7 marks each) | MCQs |
|---|---|---|
| Jun'23 | Q5(a) salaried individual: regular vs 115BAC (6 marks) | – |
| Dec'23 | Q4(b) **NRI, Chapter XII-A** (interest, STCG, LTCG on foreign-exchange asset) | 115BBE on unexplained jewellery |
| Jun'24 | Q3(a) two houses + business: 115BAC vs regular · Q4(b) **NR capital gain on shares bought in USD** (first proviso s.48), 54F / 54EC | rent-free house · 115BAE · 111A / 112A / crypto rates |
| Dec'24 | Q3(a) manufacturer with speculation loss: default vs normal · Q4(b) **foreign company 44BBB** + FTS through a branch | s.24 / 80EEA · **194E** sportsman TDS |
| Jun'25 | Q3(a) retail trader + let-out house · Q4(b) **NRI in Germany, Chapter XII-A** | s.57 · 44AD · **POEM** · **115E 20%** · 195 · **196D** |
| Dec'25 | Q2(b) **retiring partner** gets stock + land (9B / 45(4)) · Q3(a) business + 112A + LIC + PM fund · Q4(b) **NRI in UK, XII-A + 115F** | VDA 30% |
| Jun'26 | Q2(b) **firm**: interest / remuneration limits, 40(a)(ia), 43B(h) · Q3(a) salary + 80CCD(2), s.54, 80DD · Q4(b) **NRI cricketer 115BBA** + bonds / UTI | – |

**HOW IT IS EXAMINED · DEC'26 PREDICTION**

- **Q3(a) 7 marks, near-certain**: an individual — compute tax under the **default regime (115BAC)** and the **old regime**, then advise. Needs the FA 2025 slabs.
- **Q4(b) 7 marks, near-certain**: a non-resident — Chapter XII-A (115C–115I, 115F reinvestment), or special-rate income (115A royalty, 115BBA sportsman), 44B / 44BBB, first proviso to s.48.
- **Q2(b) 7 marks, likely**: firm / LLP + partners — interest 12%, remuneration limit u/s 40(b), 40(a)(ia), 43B(h); or a retiring partner (9B / 45(4)).
- **Q1(iii)**: one fact (VDA 30%, NRI 115E rate, POEM, TDS on NR).

**MAP OF THIS PART**


1. Computation format + regime comparison ★★★ (sum)
2. Residential status, POEM ★★
3. Presumptive income of non-residents 44B–44BBD, 44DA, 44C ★★
4. Special rates: 115A–115BBA, 112(1)(c), first proviso s.48 ★★★
5. NRI Chapter XII-A (115C–115I) ★★★
6. TDS on non-residents, agent, recovery ★★
7. Non-resident sum: problems box ★★★
8. Firm / LLP + partners ⚠ not in the SM ★★★
9. Reporting: 115JH, 115JG, 285, 285BAA, 286 ★
10. Traps · MCQ facts · revision sheet


## A The computation format (use it for every individual sum)

**WHAT IT IS** Total income = the five heads → gross total income → less Chapter VI-A deductions (only those the regime allows) → tax on normal income at slab rates + special-rate income at its own rate → rebate 87A → surcharge → cess 4% → reliefs → prepaid taxes.

**1 HEADS**
Salaries · house property · PGBP · capital gains · other sources [SM 6]

→

**2 GTI – VI-A**
Deductions 80C–80U, **not** against casual income, STCG 111A and LTCG; regime decides which [SM 6]

→

**3 TAX**
Slab tax on normal income + casual **30%** + LTCG **12.5% / 20% / 0%** + STCG 111A **20%** [SM 6]

→

**4 87A → SC → CESS**
Rebate (resident only), surcharge, cess **4%** [SM 6]

→

**5 RELIEF, PREPAID**
Less relief u/s **86, 89, 90 and 91**, advance tax, TDS / TCS; round off u/s **288A** (income) / **288B** (tax) [SM 6–7]

**PROBLEMS BOX · Q3(a) INDIVIDUAL: DEFAULT (115BAC) vs OLD REGIME · 7 MARKS**

### 1 · WHEN IT COMES

- J23 Q5(a) (6) · J24 Q3(a) · D24 Q3(a) · J25 Q3(a) · D25 Q3(a) · J26 Q3(a) — **5 of the last 6 papers**; MQP Q3(a).
- Facts: salary or a business, a house property, 112A LTCG, 80C / 80D / 80DD / 80CCD(2), s.54, a donation; "compute under both and advise".

### 2 · STEPS (TWO COLUMNS SIDE BY SIDE)

1. Compute each head once (same in both regimes, except items the default regime denies).
2. GTI → **old**: all eligible VI-A deductions; **default**: only those it allows (e.g. employer NPS 80CCD(2)).
3. Split special-rate income out of the slab income (111A, 112A, casual).
4. Slab tax (rates card) + special-rate tax → 87A (resident; not on special-rate tax) → surcharge → cess.
5. Last line: "**tax is lower under the ___ regime; he should opt for it**".

### 5 · TRAPS

- Default regime 87A: total income ≤ ₹12 lakh → up to ₹60,000, with **marginal relief** to ₹12,70,587; never on 111A / 112A tax.
- **Non-resident: no 87A** (SM Illustration 3) and the "other individual" slab even at 60+.
- A house held for **24 months or less** is short-term: no s.54 (J26 Q3(a): bought July 2023, sold April 2025).
- Interest on capital from a firm: only the part up to 12% is the partner's business income (MQP Q3(a)).
- Arrears of rent: taxable in the year received, less 30% (s.25A; MQP Q3(a)).
- Deductions not allowed in the default regime are often the whole difference: show them as "Not allowed".

### 3 · WORKED PATTERN · ICMAI MQP Q3(a) (MR. RAJAT, AY 2026-27) — ICMAI'S MODEL ANSWER, RE-WORKED BY SCRIPT

Facts: retail trader, net profit ₹20,50,000 after crediting SB interest ₹15,000 and interest on capital from his firm @16% ₹1,60,000, and debiting interest on late advance tax ₹21,000 and mediclaim ₹45,000; arrears of rent ₹1,20,000 of a let-out house sold in 2023.

| Item | ICMAI's answer | Why |
|---|---|---|
| House property: arrears 1,20,000 − 30% | 84,000 | s.25A: taxed when received |
| PGBP: 20,50,000 + 21,000 (interest on tax, not business) | 20,71,000 | personal / tax interest added back |
| Less: interest on capital above 12% (1,60,000 / 16 × 4) | 40,000 | only 12% is business income |
| Less: SB interest 15,000 (to other sources) · mediclaim 45,000 | 60,000 | see ⚠ below |
| PGBP | 19,71,000 | |
| Other sources: SB interest | 15,000 | |
| **GTI = total income, default regime (no VI-A)** | **20,70,000** | |
| Default tax 2,17,500 + cess 8,700 | 2,26,200 | slabs to 20 lakh + 25% |
| **Old**: less 80D 25,000 (limit) + 80TTA 10,000 → TI | 20,35,000 | |
| Old tax 4,23,000 + cess 16,920 | 4,39,920 | 1,12,500 + 30% above 10 lakh |
| **Advice: tax is lower under the default regime; opt for it.** | | |

**⚠ ICMAI'S ANSWER SUBTRACTS THE MEDICLAIM; IT WAS DEBITED, SO IT MUST BE ADDED BACK**

The question says the profit is "after debiting or crediting" the items, and a mediclaim premium is a personal expense. Correctly: PGBP = 20,50,000 + 21,000 + 45,000 − 40,000 − 15,000 = **20,61,000**; GTI = **21,60,000**; default tax 2,40,000 + cess = **2,49,600**; old TI 21,25,000, tax 4,50,000 + cess = **4,68,000**. The advice does not change. In the exam: add back debited personal items, deduct credited non-business items.

### 4 · PRACTISE THESE (IN THIS ORDER)

J26 Q3(a) (salary + 80CCD(2) + s.54 trap + 80DD) · D25 Q3(a) (business + 112A + LIC + PM fund) · J25 Q3(a) · D24 Q3(a) (speculation loss) · J24 Q3(a) · MQP Q3(a) · **SM M1 solved case (Mamta, old regime, SM 100–102)** · SM M1 problem 1 (Shri Khote, SM 104–105) · MCQ bank Q35, Q38, Q41, Q43, Q44 · **workbook Ch 1 illus. 6, 7**.

**⚠ NOT IN THE P15 SM — INTER-LEVEL LAW YOU STILL NEED**

The P15 SM has the computation format but **no regime chapter**: the slabs and 87A come from the Jun'26 supplementary (rates card). Salary, house property, VI-A limits (standard deduction, 80C, 80D, 80DD, 80CCD(2), 80TTA), s.54 / 54F / 54EC, set-off rules and 43B(h) are Inter-level: revise them from your Inter material for A.Y. 2026-27. ICMAI's MQP answer applies 80D **₹25,000** and 80TTA **₹10,000** in the old regime.

## B Residential status · POEM (J25 MCQ: POEM)

- **Non-resident** = not a resident; for ss. **92, 93 and 168** it includes a not-ordinarily-resident. [SM 7]
- **Individual resident** (s.6(1)): in India **182 days** or more, **or 60 days** + **365 days** in the 4 preceding years. The 60-day test does not apply to an Indian citizen leaving for employment or as crew of an Indian ship. [SM 7]
- **Visiting Indian citizen / PIO**: if Indian income > **₹15 lakh**, the second test becomes **120 days** + 365; otherwise only **182 days** counts. [SM 8]
- **Deemed resident** (s.6(1A)): Indian citizen, Indian income > ₹15 lakh, not liable to tax in any other country by domicile / residence. [SM 7–8]
- **Ordinarily resident**: resident in **2 of 10** preceding years **and 730 days** in the 7 preceding years. Deemed residents and the 120-day visitors are **RNOR**. [SM 7–8]
- HUF / firm / AOP: resident if control and management is **wholly or partly** in India; **Indian company always resident**; foreign company resident if its **POEM** is in India. [SM 8]
- SM WORDS **POEM** = the place where **key management and commercial decisions** necessary for the business as a whole are **in substance made** (Circular 6/2017). [SM 9]
- **Active business outside India (ABOI)** — all four: passive income not more than **50%** of total income; less than **50%** of assets, employees and payroll in India. ABOI + majority board meetings outside India → POEM outside India (unless the board "stands aside"). [SM 9]
- POEM does not apply to a company with turnover of **₹50 crore** or less (Circular 8/2017). [SM 9]
- s.115JH: a foreign company resident for the first time — notified modifications; benefits withdrawn on breach, s.154 period of **4 years**. [SM 11]

## C Presumptive income of non-residents (D24 Q4(b): 44BBB)

| Section | Who / business | Deemed income | Note |
|---|---|---|---|
| 44B | NR operating **ships** (not cruise) | **7.5%** | freight from Indian ports + received in India from foreign ports, incl. demurrage [SM 12] |
| 172 | ship of a NR on a **casual** call | **7.5%** | master files return before departure (or within **30 days**); order within **9 months** from FY end [SM 12] |
| 44BB | NR: services / plant hire for **mineral oils** | **10%** | may claim lower profit with books + audit; no b/f loss set-off [SM 13] |
| 44BBA | NR operating **aircraft** | **5%** | SM Illustration 1 and 7 [SM 13–14, SM 34] |
| 44BBB | **Foreign company**: civil construction / erection in an approved **turnkey power project** | **10%** | lower profit allowed with books + audit; no unabsorbed depreciation / b/f loss [SM 14] |
| 44BBC | NR operating **cruise ships** | **20%** | passenger carriage [SM 14] |
| 44BBD | NR: services / technology for an **electronics manufacturing** facility of a resident company (MeitY scheme) | **25%** | no b/f loss; 44DA / 115A do not apply [SM 15] [Supp J26 p.11–12] |
| 44DA | NR / foreign company: royalty / FTS **effectively connected with a PE** in India (agreement after 31-3-2003) | normal PGBP | no deduction for payments to head office; audit report **one month** before due date [SM 15] |
| 44C | NR: **head-office expenditure** | allowed up to | lower of actual and **5%** of adjusted total income (loss year: 5% of the **3-year** average) [SM 15–16] |

**SM ILLUSTRATION 8 · s.44C**

Branch loss ₹50 lacs after head-office expenses ₹100 lacs → adjusted total income **₹50,00,000**; allowed = lower of 5% (₹2,50,000) and actual → income **₹47,50,000**. [SM 34–35]

**SM ILLUSTRATION 11 · s.44DA**

Royalty ₹101 lakh effectively connected with a PE, PE expenses ₹12,37,600 → income **₹88,62,400**; tax at **35%** × 104% = **₹32,25,910** (foreign company, normal rate). [SM 36]

## D Special rates for non-residents · capital gain in foreign currency

| Section | Income of a non-resident | Rate | Expenses / VI-A / return |
|---|---|---|---|
| **115A(1)(a)** | dividend; interest on foreign-currency loans / notified bonds | **20%** (IFSC dividend 10%; 194LC / 194LD rates) | no expenses; no VI-A; no return if TDS done [SM 18–19] |
| **115A(1)(b)** | **royalty / FTS** from Govt or an Indian concern (not under 44DA) | **20%** | no expenses; VI-A available; return required [SM 18–19] |
| **115AB** | overseas financial organisation: LTCG on UTI / MF units bought in foreign currency | **12.50%** | no indexation [SM 18–19] |
| **115AC** | interest on foreign-currency bonds, GDR dividend; LTCG on them | 10% · LTCG **12.50%** | no expenses; no return if TDS done [SM 18–19] |
| **115AD** | FII / specified fund on securities | 194LD interest 5% · 111A 20% · other STCG 30% · LTCG 12.50% · other 20% | no expenses, no VI-A [SM 19–20] |
| **115BBA** | **NR sportsman / entertainer who is not an Indian citizen**: game or sport in India, advertisement, articles; NR sports association: guaranteed amount | **20%** | no expenses; no VI-A; no return if only this income and TDS done; a **match referee is not a sportsman** [SM 19–20] |
| **112(1)(c)** | NR / foreign company: LTCG on **unlisted securities** (or shares of a closely held company), computed without the first proviso to s.48 | **12.50%** | [SM 18] |

**FIRST PROVISO TO s.48 + RULE 115A (NR, shares / debentures of an Indian company bought in foreign currency) · J24 Q4(b)**

1. Sale consideration → foreign currency at the **average rate** on the date of transfer.
2. Expenditure on transfer → at the **average rate on the date of transfer** (not the date paid).
3. Cost → at the **average rate on the date of acquisition**.
4. Gain in foreign currency = 1 − 2 − 3.
5. Reconvert at the **TT buying rate on the date of transfer**. Mandatory, not optional; no indexation; not for UTI / MF units. [SM 16–17]

**SM ILLUSTRATION 2 · ANTHONY (NRI)**

Cost ₹20,000 ÷ ₹45.5 (average of 45 / 46) = **$439.6**; sale ₹45,000 ÷ ₹47 = $957.4; expenses ₹5,000 ÷ ₹47 = $106.4; gain **$411.4** × buying rate ₹46 = **STCG ₹18,924**. [SM 17]

The SM prints the purchase as 18/08/2024 in the question and 18/08/2025 in the rate table; with a sale on 16/09/2025 the SM treats the shares as short-term — follow its method, not the dates.

## E NRI: Chapter XII-A (ss. 115C–115-I) · D23, J25, D25 Q4(b)

**WHAT IT IS** An optional scheme for a **non-resident Indian** (citizen or person of Indian origin) on income from **foreign exchange assets** — specified assets bought in convertible foreign exchange.

- **Specified assets**: shares in an Indian company; debentures of / deposits with an Indian company that is **not a private company**; Central Government securities; notified assets. [SM 21]
- **s.115D**: no expense or allowance against **investment income**; **no deduction u/s 80C to 80U** against it. [SM 21]
- **s.115E rates**: investment income **20%**; LTCG on a foreign exchange asset **12.5%**; other income at normal rates. [SM 21]
- **s.115F exemption**: LTCG on an original asset (shares in an Indian company, debentures of / deposits with an Indian public company, CG securities) reinvested within **6 months** in a new asset (same list + NSC VI / VII). [SM 21–22]
- **Exempt** = LTCG × amount invested ÷ net consideration (full gain if all reinvested). New asset sold within **3 years** → exemption taxed as LTCG of that year. [SM 22]
- **s.115G**: no return needed if only such income and TDS was deducted. **s.115H**: on becoming resident, continue for investment income by a declaration with the return. **s.115-I**: opt out for a year by a declaration in the return. [SM 22]
- **SM Illustration 6**: investment income 50,000 × 20% = 10,000; LTCG 25,000 × 12.50% = 3,125; other income 4,15,000 → 15,000 × 5% = 750; + cess 555 = **₹14,430**. [SM 33–34]

## F TDS on payments to non-residents · agent · recovery

| Section | Payment to a non-resident | TDS |
|---|---|---|
| 194E | NR **foreign-citizen sportsman / entertainer** (game, advertisement, articles); NR sports association (D24 MCQ) | **20%** + SC + cess [SM 26] |
| 194LB | interest from an infrastructure debt fund u/s 10(47) | **5%** [SM 26] |
| 194LC | interest by an Indian company / business trust on foreign-currency borrowings and bonds (IFSC-listed bonds: 4% before 1-7-2023, 9% after); 206AA not applied to long-term bonds | **5%** / 4% / 9% [SM 27] |
| 194LD | interest to FII / QFI on rupee bonds, G-secs, municipal debt | **5%** [SM 27–28] |
| 195 | **any other sum chargeable** (not salary) — payer may be resident or NR; lower / nil rate by AO certificate (Form 13, s.197); failure to furnish payment information → penalty **₹1,00,000** u/s 271-I | rates in force [SM 28] |
| 196A | income from MF / UTI units to a foreign company or NR | **20%** [SM 28] |
| 196B · 196C | offshore fund units (115AB) · foreign-currency bonds / GDR (115AC) | LTCG **12.5%**; other **10%** [SM 29] |
| 196D | FII / specified fund income on securities; **no TDS on capital gains** of an FII (J25 MCQ); DTAA rate if lower | **20%** (specified fund 10%) [SM 29] |

- **Representative assessee** (ss. 160–161): the agent is assessed in his own name, in a representative capacity. [SM 29–30]
- **Agent u/s 163**: a person in India employed by the NR, having a business connection, through whom the NR receives income, or the NR's trustee; also any person who acquired a capital asset in India from him. Must be heard first. **Exception**: a broker dealing through a NR broker in the ordinary course. [SM 30]

- An agent may **retain** money of the principal to cover the tax; a dispute → AO certificate of the amount. [SM 30–31]
- **s.173**: tax on 9(1)(i) income of a NR recoverable by TDS and from his assets in India. **s.228A**: recovery through agreements with foreign countries (TRO certificate u/s 222 to the Board). [SM 31]

**PROBLEMS BOX · Q4(b) NON-RESIDENT COMPUTATION · 7 MARKS · ALL 6 PAPERS SINCE DEC'23**

### 1 · WHEN IT COMES

- **Chapter XII-A**: D23 Q4(b), J25 Q4(b), D25 Q4(b) (+ 115F reinvestment).
- **First proviso s.48** + 54F / 54EC: J24 Q4(b).
- **Foreign company 44BBB** + FTS through a branch: D24 Q4(b).
- **Sportsman 115BBA** + bonds / UTI in foreign currency: J26 Q4(b).
- MQP Q4(b) (trader + 115A royalty + XII-A + b/f loss) · PTP Q4(b) (G-sec interest, horse races).

### 2 · STEPS

1. Residential status first (one line, with the day count).
2. Scope: a NR is taxed only on Indian income — drop foreign salary / foreign dividends (SM Illustration 4: "Nil, non-resident").
3. Put each item in its box: **normal** (business, rent, SB interest) · **special rate** (115A, 115AC, 115BBA, 115E, 111A / 112A) · **presumptive** (44B…44BBD).
4. Special-rate items: **no expenses**, **no VI-A**; VI-A only against normal income (80DD is for residents).
5. Tax = slab tax on normal income (NR: "other individual" slab, **no 87A**) + each special rate; + SC + cess.
6. Say whether a **return** is needed (115G, 115BBA, 115A).

### 3 · WORKED PATTERN · SM ILLUSTRATION 9 (= THE CORE OF J26 Q4(b))

| | |
|---|---|
| Tennis prize won in India | 15,00,000 |
| Articles in a local newspaper | 1,00,000 |
| TV advertisement | 4,00,000 |
| Travel cost ₹1,30,000: **not deductible** | – |
| **Income u/s 115BBA** | **20,00,000** |
| **Tax 20,00,000 × 20% × 104%** | **4,16,000** |

No return u/s 139(1) if total income is only 115BBA income and TDS (194E) was deducted. [SM 35]

### 4 · PRACTISE THESE

J26 Q4(b) · D25 Q4(b) · J25 Q4(b) · D23 Q4(b) · J24 Q4(b) · D24 Q4(b) · MQP Q4(b) · PTP Q4(b) · SM Illus. 1–11 (SM 13–36) · MCQ bank Q47, Q48, Q49, Q55, Q102, Q103 · **workbook Ch 1 illus. 8–11, 17**.

### 5 · TRAPS

- 115BBA needs a sportsman who is **not an Indian citizen**; an NRI citizen is taxed normally.
- XII-A investment income = gross: no expenses, no 80C.
- Royalty u/s 115A: no expenses (Illustration 5); with a PE → 44DA, expenses allowed, normal rate (Illustration 11).
- Intra-head set-off before inter-head (Illustration 3: Smart).

## G Firm / LLP and partners · Q2(b) in D25 and J26 ⚠ not in the P15 SM

**⚠ FIRMS ARE INTER-LEVEL — THE P15 SM DOES NOT TEACH THEM**

Only the rate is in the supplementary. The steps below follow **ICMAI's own MQP Q2(b) answer**. Revise from your Inter notes: s.40(b) conditions (deed, working partner), s.184, 28(v), 10(2A), 40(a)(ia), 43B(h), 194T.

- **Rate**: firm / LLP **30%**; surcharge **12%** if total income > ₹1 crore; cess 4%. [Supp J26 p.5]
- **Interest on capital** to partners: allowed only up to **12%** p.a. (excess disallowed: 4,50,000 × 8/20 = 1,80,000 in MQP Q2(b)).
- **Book profit** = net profit + partners' remuneration + book depreciation + disallowed items (political donation, excess interest) − depreciation under the Act.
- **Remuneration limit u/s 40(b)** (ICMAI MQP): on the first **₹6,00,000** of book profit **90%**; on the balance **60%**. Allowed = lower of limit and actual (working partners, as per deed).
- PGBP of the firm = book profit − allowed remuneration. Political donation by cheque → **80GGC**; in cash → nothing.
- Partner: allowed salary + interest (up to 12%) = his business income; share of profit is exempt.

**WORKED PATTERN · MQP Q2(b) SAS LLP (ICMAI ANSWER, RE-WORKED BY SCRIPT)**

| | |
|---|---|
| Net profit | 4,78,000 |
| + working partners' remuneration (1,20,000 × 2 × 12) | 28,80,000 |
| + book depreciation 6,00,000 · political donations 22,000 · interest above 12% 1,80,000 | 8,02,000 |
| Bonus of 2024-25 paid 25 Dec 2025: allowed this year (43B) | Nil |
| − depreciation as per IT Act | 7,50,000 |
| **Book profit** | **34,10,000** |
| Limit: 90% of 6,00,000 = 5,40,000 + 60% of 28,10,000 = 16,86,000 | 22,26,000 |
| Allowed = lower of 22,26,000 and paid 28,80,000 | 22,26,000 |
| PGBP = 34,10,000 − 22,26,000 | 11,84,000 |
| − 80GGC (cheque only) | 15,000 |
| **Total income of the LLP** | **11,69,000** |

Tax (not asked in the MQP): 30% + cess = ₹3,64,728.

**PRACTISE THESE · TRAPS**

- **Practise**: J26 Q2(b) (Hardy Components) · D25 Q2(b) (retiring partner, stock + land: s.9B / 45(4)) · MQP Q2(b) · PTP Q2(b) (working and sleeping partners) · **ICMAI Practice Workbook: no problem on this topic**.
- **J26 Q2(b) traps**: no TDS on payment to a resident → **30% of it** disallowed u/s 40(a)(ia); MSME invoice paid after the agreed credit period and after 31 March → disallowed this year u/s 43B(h), allowed when paid; remuneration counts only for **working** partners; interest above 12% out.
- **D25 Q2(b)**: assets given to a retiring partner — stock at fair value (s.9B) and capital gain on the land at stamp-duty value; the partner's capital balance matters for s.45(4).

## H Reporting and other non-resident provisions (MCQ only)

- **s.115JG**: an Indian **branch of a foreign bank** converted into an Indian subsidiary (RBI scheme): no capital gain in the year of conversion; breach → benefits withdrawn, s.154 for **4 years**. [SM 22–23]
- **s.285**: NR with a **liaison office** files a statement in **Form 49C**. [SM 23]
- **s.285BAA** crypto-asset reporting: defect to be rectified within **30 days**; inaccuracy to be reported within **10 days**. [SM 23] VDA includes any crypto-asset; VDA transfer taxed at **30%** u/s 115BBH, TDS **1%** u/s 194S (D25 MCQ). [Supp J26 p.28–29]
- **s.286 country-by-country report**: parent / alternate reporting entity in India files within **12 months** of the reporting year; AO notice to produce information within **30 days** (extendable by 30). Not applicable if consolidated group revenue ≤ **₹5,500 crores** (Rule 10DB). [SM 24]
- An Indian constituent files the report where the parent's country does not require it, has no exchange agreement, or has a **systemic failure**. [SM 24, SM 26]
- **Dec'26 supplementary**: Rules 114F–114H (from 1 January 2026) bring CBDC, relevant crypto-assets and specified e-money into financial-account reporting. [Supp D26 p.3]

## Revision sheet · M1 Part 1 (glance page)

| Item | Rule / number | Item | Rule / number |
|---|---|---|---|
| Default slabs | 0 / 5 / 10 / 15 / 20 / 25 / 30% per ₹4 lakh to ₹24 lakh | Old slabs | 2.5 L nil (3 L senior, 5 L super senior), 5%, 20%, 30% above 10 L |
| 87A default | TI ≤ ₹12,00,000: up to ₹60,000; marginal relief to ₹12,70,587 | 87A old | TI ≤ ₹5,00,000: up to ₹12,500 |
| Special rates | casual 30% · 111A 20% · LTCG 12.5% · 112A above ₹1.25 lakh | Surcharge | 10 / 15 / 25 (default cap) / 37% (old); 15% cap on dividend, 111A, 112, 112A |
| Resident | 182 days, or 60 + 365 (4 yrs); visitor with > ₹15 lakh: 120 + 365 | ROR | resident 2 of 10 years and 730 days in 7 |
| POEM | ABOI: passive ≤ 50%; assets, staff, payroll in India < 50%; ≤ ₹50 crore turnover → no POEM | Company | Indian company always resident; foreign: POEM |
| 44B · 172 | 7.5% shipping (172: 30 days, 9 months) | 44BB · 44BBA | 10% mineral oils · 5% aircraft |
| 44BBB · 44BBC · 44BBD | 10% turnkey power (foreign co.) · 20% cruise · 25% electronics | 44C | HO expenses: lower of actual and 5% of adjusted total income |
| 115A | dividend / interest 20%; royalty / FTS 20%; no expenses | 115BBA · 194E | sportsman (foreign citizen) 20%; TDS 20% |
| 115AB · 115AC · 112(1)(c) | LTCG 12.50% · bonds / GDR 10%, LTCG 12.50% · unlisted 12.50% | First proviso s.48 | average rate (sale, expenses on transfer date; cost on purchase date) → buying rate |
| XII-A 115E | investment income 20%; LTCG 12.5%; no expenses, no 80C–80U | 115F | reinvest in 6 months; held 3 years; LTCG × invested ÷ net consideration |
| 194LB · 194LC · 194LD | 5% · 5% (4% / 9% IFSC bonds) · 5% | 196A · 196C · 196D | 20% · 10% / LTCG 12.5% · 20% (no TDS on FII capital gains) |
| 195 · 271-I | rates in force; payment info penalty ₹1,00,000 | 286 CbCR | 12 months; ₹5,500 crore threshold; 30 + 30 days |
| Firm / LLP | 30%; SC 12% above ₹1 crore; interest 12%; 40(b): 90% of first ₹6 lakh, 60% of balance | VDA | 30% (115BBH); TDS 1% (194S) |

**MCQ FACTS · WHAT PAST MCQs ASKED (Q1)**

- J25: NRI's dividend on shares bought in foreign exchange → **20%** u/s 115E. [SM 21]
- J25: capital gains paid to an FII → **no TDS** u/s 196D. [SM 29]
- J25: a foreign company whose POEM is in India is **resident**. [SM 8–9]
- D24: payment to a NR foreign-citizen sportsman → TDS **20%** u/s 194E. [SM 26]
- J24 / D25: STCG 111A **20%**; LTCG 112A **12.5%** above ₹1.25 lakh; VDA **30%**. [SM 6, SM 20] [Supp J26 p.28]
- Inter-level MCQs also came (rent-free house, s.24 / 80EEA, 44AD, s.57 interest cap, 115BAE, 115BBE): accept these as the "outside the SM" share.

**MEMORY HOOKS**

- **"Ships 7½, Oil 10, Air 5, Power 10, Cruise 20, Chips 25"** — 44B, 44BB, 44BBA, 44BBB, 44BBC, 44BBD.
- **XII-A = "20-12½, no costs, no 80s"**; **115F = "6 months in, 3 years stay"**.
- First proviso s.48: **"Average in, Buying out"**.