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Special Regimes for Taxation of Individuals, HUF, AOP, BOI, AJP, Companies, and Co-operative Societies

Certain assesseees are allowed to opt for a lower tax rate regime subject to the fulfilment of certain conditions. These alternate tax regimes offer a lower tax rate, but certain deductions and exemptions have to be given up by the assessee. The following alternative tax regimes are available to an assessee:

- (a) Section 115BA for domestic companies;
- (b) Section 115BAA for domestic companies;
- (c) Section 115BAB for domestic companies;
- (d) Section 115BAC for Individuals, HUFs, AOP, BOI, or AJP;
- (e) Section 115BAD for resident co-operative societies; and
- (f) Section 115BAE for resident co-operative societies engaged in manufacturing

Special Tax Regimes for Domestic Companies

A domestic company is allowed to opt for any lower tax rate regimes subject to the fulfilment of certain conditions. The tax rates under these regimes vary from 15% to 25%. The rates of the surcharge shall also depend on the regime opted by the eligible domestic company. A domestic company can be taxable under any of the following tax regimes:

- (a) Section 115BA
- (b) Section 115BAA
- (c) Section 115BAB

Conditions to be satisfied

(a) For Section 115BA

The following conditions should be satisfied in order to avail the benefit of a lower tax rate under this provision:

- The domestic company has been set up and registered on or after 01-03-2016;
- The company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it;
- Total income of the company has been computed without claiming specified exemptions and deductions*;
- Total income of the company has been computed without set-off of losses carried forward from earlier years if such loss is attributable to any of the specified exemptions and deductions; and
- Total income of the company is calculated after claiming depreciation in the prescribed manner.

(b) For Section 115BAA

The following conditions should be satisfied in order to avail the benefit of a lower tax rate under this provision:

- Total income of the company has been computed without claiming specified exemptions and deductions;
- Total income of the company has been computed without set-off of losses or additional depreciation carried forward from earlier years if such loss or depreciation is attributable to any of the specified exemptions and deductions; and
- Total income of the company is calculated after claiming depreciation in the prescribed manner.

(c) For Section 115BAB

The following conditions should be satisfied in order to avail the benefit of a lower tax rate under this provision:

- The domestic company should be set up and registered on or after 01-10-2019;
- The company is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it. Further, the company should commence manufacturing on or before 31-03-2024.

It is to be noted that the business of manufacture or production of any article or thing shall include the business of generation of electricity but it shall not include the following businesses:

- ✓ development of computer software in any form or in any media;
 - ✓ mining;
 - ✓ conversion of marble blocks or similar items into slabs;
 - ✓ bottling of gas into cylinder;
 - ✓ printing of books or production of cinematograph film; or
 - ✓ Any other notified business;
- The company must not be formed by splitting up or reconstruction of an existing business. However, this condition is not applicable in case of an undertaking formed as a result of re-establishment, reconstruction, or revival in accordance with the provisions of Section 33B;
 - The company does not use any machinery or plant previously used for any purpose. However, there are two exceptions:
 - i. Any plant or machinery which was used outside India shall not be treated as old machinery or plant if the following conditions are satisfied:
 - ✓ Before the date of installation by the assessee, such machinery or plant was not used in India;
 - ✓ Such machinery or plant has been imported from any country outside India; and
 - ✓ No deduction on account of depreciation has been allowed or allowable in respect of such machinery or plant before the date of installation by the assessee.
 - ii. The condition of not using the old machinery or plant shall be deemed to have been complied with if the value of old plant and machinery does not exceed 20% of the total value of plant and machinery;

- The company does not use any building which was previously used as a hotel or a convention centre in respect of which deduction under Section 80-ID has been claimed and allowed;
- Total income of the company has been computed without claiming specified exemptions and deductions;
- Total income of the company has been computed without set-off of losses or additional depreciation carried forward from earlier years if such loss or depreciation is attributable to any of the specified exemptions and deductions; and
- Total income of the company is calculated after claiming depreciation in the prescribed manner.

Tax Rates

For Section 115BA - Section 115BA allows a domestic company to pay income tax at the rate of 25%). The special income shall be taxable at the special rates specified in respective provisions of the Act.

For Section 115BAA - Section 115BAA allows a domestic company to pay income tax at the rate of 22%. The special income shall be taxable at the special rates specified in respective provisions of the Act.

For Section 115BAB - The applicable tax rates in the case of a domestic company opting for section 115BAB are as follows:

<i>Income</i>	<i>Tax Rates</i>
Income from manufacturing activities	15%
Income from non-manufacturing activities*	22%
Short-term capital gain from transfer of depreciable assets	15%
Short-term capital gain from transfer of non-depreciable assets	22%
Excess profit derived due to arranged affairs	30%
Special Incomes	Special tax rates
* No deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income.	

Rate of surcharge and health and education cess

The tax calculated on the total income shall be further increased by the surcharge at the following rates:

<i>Company</i>	<i>Range of Total Income[†]</i>		
	<i>Rs. 1 crore or less</i>	<i>Above Rs. 1 crore but up to Rs. 10 crore</i>	<i>Above Rs. 10 crore</i>
Domestic Company opting for section 115BA	Nil	7%	12%

Domestic Company opting for section 115BAA	10%	10%	10%
Domestic Company opting for section 115BAB	10%	10%	10%

Further, the amount of income tax and the surcharge shall be increased by health and education cess calculated at the rate of 4% of such income tax and surcharge.

Time limit to opt for the scheme

For Section 115BA - The eligible domestic company has to exercise the option on or before the due date for furnishing the first of the returns of income, which the company is required to furnish under the Act.

For Section 115BAA - The eligible domestic company has to exercise the option on or before the due date for furnishing the returns of income, which the company is required to furnish under the Act.

For Section 115BAB - The eligible domestic company has to exercise the option on or before the due date for furnishing the first of the returns of income, which the company is required to furnish under the Act.

Form to be filed to opt for the scheme

For Section 115BA - This option should be exercised by electronically furnishing Form No. 10-IB.

For Section 115BAA - This option should be exercised by electronically furnishing Form No. 10-IC.

For Section 115BAB - This option should be exercised by electronically furnishing Form No. 10-ID.

Withdrawal from the scheme

For Section 115BA - Once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year. However, the domestic company can switch from this regime to the special tax regime of Section 115BAA.

For Section 115BAA - Once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

For Section 115BAB - Once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

Consequences of not computing total income as per the regime

For Section 115BAA - Where a domestic company after opting for this regime does not compute its total income in accordance with the provisions thereof in any previous year, the option for this regime shall become invalid for that previous year as well as subsequent years.

Thus, once a domestic company fails to compute its total income in accordance with the provisions of this regime, it shall never be able to opt for this regime again. In such cases, the company's total income shall be computed as if the option had not been exercised for the relevant previous year and subsequent years.

For Section 115BAB - Where a domestic company after opting for this regime does not comply with conditions of this regime in any previous year, the option for this regime shall become invalid for that previous year as well as subsequent years. In such cases, the company's total income shall be computed as if the option had not been exercised for the relevant previous year and subsequent years.

Thus, once a domestic company fails to comply with the conditions of this regime, it shall never be able to opt for this regime again. However, in such a situation, the domestic company can switch to Section 115BAA.

Applicability of MAT

For Section 115BA – If a domestic company has exercised the option of Section 115BA, the provisions of Minimum Alternate Tax (MAT) shall be applicable.

For Section 115BAA – If a domestic company has exercised the option of Section 115BAA, the provisions of MAT shall not be applicable.

For Section 115BAB - If a domestic company has exercised the option of Section 115BAB, the provisions of MAT shall not be applicable.

Specified exemptions and deductions

The option to pay tax at lower rates shall be available only if the total income of a domestic company is computed without claiming the following exemptions or deductions:

<i>Exemptions/Deductions</i>
Deduction for units established in Special Economic Zones (SEZ) [Section 10AA]
Additional depreciation in respect of new plant and machinery [Section 32(1)(ia)]
Deduction for investment in new plant and machinery in notified backward areas [Section 32AD]
Deduction in respect of tea, coffee, or rubber business [Section 33AB]
Deduction in respect of business consisting of prospecting or extraction or production of petroleum or natural gas in India [Section 33ABA]
Deduction for donation made to approved scientific research association, university college, or other institutes for doing scientific research which may or may not be related to business [Section 35(1)(ii)]
Deduction for payment made to an Indian company for doing scientific research which may or may not be related to business [Section 35(1)(ia)]
Deduction for donation made to university, college, or other institution for doing research in social science or statistical research [Section 35(1)(iii)]
Deduction for donation made to National Laboratory or IITs, etc. for doing scientific research which may or may not be related to business [Section 35(2AA)]
Deduction for capital expenditure (excluding the cost of land and building) on the scientific research relating to the business of bio-technology or manufacturing any article or thing [Section 35(2AB)]
Deduction in respect of capital expenditure incurred in respect of certain specified businesses, i.e., cold chain facility, warehousing facility, etc. [Section 35AD]

Deduction for expenditure on agriculture extension project [Section 35CCC]

Deduction for expenditure on skill development project [Section 35CCD]

Deduction in respect of certain incomes other than specified under Section 80JJAA or Section 80LA(1A)* or Section 80M** [Chapter VI-A]

* An eligible assessee being a Unit of an IFSC can claim a deduction under section 80LA(1A).

** Domestic company opting for Section 115BAA or Section 115BAB can claim a deduction under Section 80M.

Special Tax Regimes for Individual, HUF, AOP, BOI or AJP

Section 115BAC allows an individual, HUF, AOP (other than a co-operative society), BOI, or AJP to pay income tax at lower tax rates (plus surcharge and cess) provided the total income is computed without claiming specified exemptions or deductions. The special income shall be taxable at the special rates specified in respective provisions of the Act.

The Finance Act, 2023 makes it a default tax regime. If an assessee does not want to pay tax according to the new tax regime, he will have to explicitly opt out of it and choose to be taxed under the old tax regime in a prescribed manner.

Conditions to be satisfied

The following conditions should be satisfied in order to avail the benefit of a lower tax rate under this provision:

- Total income of the assessee has been computed without claiming specified exemptions and deductions;
- Total income of the assessee has been computed without set-off of losses or depreciation carried forward from earlier years if such loss or depreciation is attributable to any of the specified exemptions and deductions;
- Total income of the assessee has to be computed without set-off of any loss under the head 'Income from house property' with any other head of income;
- Total income of the assessee is calculated after claiming depreciation in the prescribed manner; and
- Total income of the assessee has to be computed without claiming any exemptions or deductions for allowances or perquisites provided under any other law for the time being in force.

Tax Rates

- For the assessment year 2025-26, the income shall be taxable at the following rate:

<i>Total Income (Rs)</i>	<i>Rate</i>
Upto 3,00,000	<i>Nil</i>
From 3,00,001 to 7,00,000	5%
From 7,00,001 to 10,00,000	10%

From 10,00,001 to 12,00,000	15%
From 12,00,001 to 15,00,000	20%
Above 15,00,000	30%

A maximum rebate of Rs. 25,000 is allowed under section 87A from the amount of income tax on total income, which is chargeable to tax under section 115BAC(1A). However, this rebate is allowed if the total income of assessee chargeable to tax under section 115BAC(1A) is up to Rs. 7,00,000.

Further, if the total income chargeable to tax under section 115BAC(1A) exceeds Rs. 7,00,000 and the tax payable on such income exceeds the difference between the total income and Rs. 7,00,000, 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. 7,00,000

Further, under the new tax regime, the Surcharge and Health & Education Cess rates will be the same as those applicable under the normal tax regime, with one exception. If the total income of an assessee exceeds Rs. 5 crores, the surcharge rate will be 25% instead of 37%.

- For the assessment year 2026-27, the income shall be taxable at the following rate:

<i>Total Income (Rs)</i>	<i>Rate</i>
Upto 4,00,000	<i>Nil</i>
From 4,00,001 to 8,00,000	5%
From 8,00,001 to 12,00,000	10%
From 12,00,001 to 16,00,000	15%
From 16,00,001 to 20,00,000	20%
From 20,00,001 to 24,00,000	25%
Above 24,00,000	30%

A maximum rebate of Rs. 60,000 is allowed under section 87A from the amount of income tax on total income, which is chargeable to tax under section 115BAC(1A). However, this rebate is allowed if the total income of assessee chargeable to tax under section 115BAC(1A) is up to Rs. 12,00,000.

Note: The total rebate under section 87A shall not exceed the amount of income tax payable as per the rates provided in section 115BAC(1A) [effective from AY 2026-27]

Further, if the total income chargeable to tax under section 115BAC(1A) 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

Further, under the new tax regime, the Surcharge and Health & Education Cess rates will be the same as those applicable under the normal tax regime, with one exception. If the total income of an assessee exceeds Rs. 5 crores, the surcharge rate will be 25% instead of 37%.

Rate of surcharge

The rate of surcharge for the Assessment Year 2025-26 and 2026-27 shall be as under:

Nature of Income	Range of Total Income			
	Up to Rs. 50 lakhs	More than Rs. 50 lakhs but up to Rs. 1 crore	More than Rs. 1 crore but up to Rs. 2 crores	More than Rs. 2 crores
Short-term capital gain covered under Section 111A or Section 115AD	Nil	10%	15%	15%
Long-term capital gain covered under Section 112A or Section 115AD or Section 112	Nil	10%	15%	15%
Dividend income (not being dividend income chargeable to tax at a special rate under sections 115A, 115AB, 115AC, 115ACA)	Nil	10%	15%	15%
Unexplained income chargeable to tax under Section 115BBE	25%	25%	25%	25%
Any other income**	Nil	10%	15%	25%

* The Finance Act, 2022 has put a cap on the rate of surcharge to 15% in case of an AOP consisting of only companies as its members. The rate of surcharge in case of such AOP shall be as follows:

- 10% where total income exceeds Rs. 50 lakh but does not exceed Rs. 1 crore;
- 15% where total income exceeds Rs. 1 crore.

Further, the amount of income tax and the surcharge shall be increased by health and education cess calculated at the rate of 4% of such income tax and surcharge.

Time limit to opt for the scheme

If an assessee having income (other than income from a business or profession) wants to opt for the old tax regime for a relevant year, he can do so while filing his return of income for the relevant assessment year under Section 139(1).

However, an assessee having income from a business or profession can also opt out of the new tax regime and switch to the old tax regime for a relevant year. However, he has to exercise this option in a prescribed manner on or before the due date for filing the return of income under Section 139(1) for such year. Further, once the option of the old tax regime is exercised by him, it shall apply for the year in which the option is exercised and for the subsequent assessment year.

Applicability of AMT

If an eligible assessee has exercised the option of Section 115BAC, the provisions of AMT under Section 115JC shall not be applicable.

Specified exemptions and deductions

The option to pay tax at lower rates shall be available only if the total income of an eligible assessee is computed without claiming the following exemptions or deductions:

<i>Exemptions/Deductions</i>
Leave Travel concession [Section 10(5)]
House Rent Allowance [Section 10(13A)]
Official and personal allowances (other than those as may be prescribed) [Section 10(14)]
Allowances to MPs/MLAs [Section 10(17)]
Exemption for income of minor [Section 10(32)]
Deduction for units established in Special Economic Zones (SEZ) [Section 10AA]
Entertainment Allowance [Section 16(ii)]
Professional Tax [Section 16(iii)]
Interest on housing loan (In case of self-occupied house property) [Section 24(b)]
Additional depreciation in respect of new plant and machinery [Section 32(1)(ia)]
Deduction for investment in new plant and machinery in notified backward areas [Section 32AD]
Deduction in respect of tea, coffee, or rubber business [Section 33AB]
Deduction in respect of business consisting of prospecting or extraction or production of petroleum or natural gas in India [Section 33ABA]
Deduction for donation made to approved scientific research association, university college, or other institutes for doing scientific research which may or may not be related to business [Section 35(1)(ii)]
Deduction for payment made to an Indian company for doing scientific research which may or may not be related to business [Section 35(1)(ia)]
Deduction for donation made to university, college, or other institution for doing research in social science or statistical research [Section 35(1)(iii)]
Deduction for donation made to National Laboratory or IITs, etc. for doing scientific research which may or may not be related to business [Section 35(2AA)]
Deduction in respect of capital expenditure incurred in respect of certain specified businesses, i.e., cold chain facility, warehousing facility, etc. [Section 35AD]

Deduction for expenditure on agriculture extension project [Section 35CCC]
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Deduction in respect of certain incomes other than specified under Section 80CCD(2)*, Section 80CCH(2)*, Section 80JJAA, or Section 80LA(1A)** [Chapter VI-A]

* An eligible assessee opting for Section 115BAC can claim a deduction under Section 80CCD(2) and 80CCH(2).

** An eligible assessee being a Unit of an IFSC can claim a deduction under section 80LA(1A).

Special Tax Regimes for Co-operative society

A resident co-operative society is allowed to opt for any lower tax rate regimes subject to the fulfilment of certain conditions. The tax rates under these regimes vary from 15% to 22%. A resident co-operative society can be taxable under any of the following tax regimes:

- (a) Section 115BAD
- (b) Section 115BAE

Conditions to be satisfied

(a) For Section 115BAD

The following conditions should be satisfied in order to avail the benefit of a lower tax rate under this provision:

- Total income of the co-operative society has been computed without claiming specified exemptions and deductions;
- Total income of the co-operative society has been computed without set-off of losses or depreciation carried forward from earlier years if such loss or depreciation is attributable to any of the specified exemptions and deductions; and
- Total income of the co-operative society is calculated after claiming depreciation in the prescribed manner.

(d) For Section 115BAE

The following conditions should be satisfied in order to avail the benefit of a lower tax rate under this provision:

- The assessee is a resident co-operative society and registered under the Co-operative Societies Act, 1912, or in any State Co-operative Societies Act;
- The co-operative society should be set up and registered on or after 01-04-2023;
- The co-operative society is not engaged in any business other than the business of manufacture or production of any article or thing and research in relation to, or distribution of, such article or thing manufactured or produced by it. Further, the co-operative society should commence manufacturing or production of an article or thing on or before 31-03-2024.

It is to be noted that the business of manufacture or production of any article or thing shall include the business of generation of electricity but it shall not include the following businesses:

- ✓ development of computer software in any form or in any media;
- ✓ mining;

- ✓ conversion of marble blocks or similar items into slabs;
- ✓ bottling of gas into cylinder;
- ✓ printing of books or production of cinematograph film; or
- ✓ Any other notified business;
- The co-operative society must not be formed by splitting up or reconstruction of an existing business;
- The co-operative society must not use any machinery or plant previously used for any purpose. However, there are two exceptions:
 - i. Any plant or machinery which was used outside India by any other person shall not be treated as old machinery or plant if the following conditions are satisfied:
 - ✓ Before the date of installation by the assessee, such machinery or plant was not used in India;
 - ✓ Such machinery or plant has been imported from any country outside India; and
 - ✓ No deduction on account of depreciation has been allowed or allowable in respect of such machinery or plant before the date of installation by the assessee.
 - ii. The condition of not using the old machinery or plant shall be deemed to have been complied with if the value of old plant and machinery does not exceed 20% of the total value of plant and machinery;
- Total income of the co-operative society has been computed without claiming specified exemptions and deductions;
- Total income of the co-operative society has been computed without set-off of losses or depreciation carried forward from earlier years if such loss or depreciation is attributable to any of the specified exemptions and deductions; and
- Total income of the co-operative society is calculated after claiming depreciation in the prescribed manner.

Tax Rates

For Section 115BAD - Section 115BAD allows a co-operative society to pay income tax at the rate of 22% (plus 10% surcharge and 4% cess). The special income shall be taxable at the special rates specified in respective provisions of the Act.

For Section 115BAE - The applicable tax rates in the case of resident co-operative society opting for section 115BAE are as follows:

<i>Income</i>	<i>Tax Rates</i>
Income from manufacturing activities	15%
Income from non-manufacturing activities*	22%

Short-term capital gain from transfer of depreciable assets	15%
Short-term capital gain from transfer of non-depreciable assets	22%
Excess profit derived due to arranged affairs (See Note)	30%
Special Incomes	Special tax rates
* No deduction or allowance in respect of any expenditure or allowance shall be allowed in computing such income.	

The tax calculated on the total income shall be further increased by the surcharge at the rate of 10% of the tax on total income. Further, the amount of income tax and the surcharge shall be increased by health and education cess calculated at the rate of 4% of such income tax and surcharge. The special income shall be taxable at the special rates specified in respective provisions of the Act.

Time limit to opt for the scheme

For Section 115BAD - The eligible co-operative society has to exercise the option on or before the due date for furnishing the returns of income, which it is required to furnish under the Act. This option should be exercised by electronically furnishing Form No. 10-IF.

For Section 115BAE - The eligible co-operative society has to exercise the option in the prescribed manner on or before the due date for furnishing the first returns of income under Section 139(1) for any previous year relevant to the assessment year commencing on or after 01-04-2024.

Withdrawal from the scheme

For Section 115BAD - Once the option has been exercised for any previous year, it cannot be subsequently withdrawn for the same or any other previous year.

For Section 115BAE - Once such an option is exercised, it shall apply to subsequent assessment years and cannot be subsequently withdrawn for the same or any other previous year.

Consequences of not complying with the conditions of the regime

For Section 115BAD - Where a co-operative society fails to satisfy the conditions specified under this section in any previous year, the option for this regime shall become invalid for that previous year as well as subsequent years. In such cases, the co-operative society's total income shall be computed as if the option had not been exercised for the relevant previous year and subsequent years.

For Section 115BAE - Where a co-operative society after opting for this regime does not comply with conditions of this regime in any previous year, the option for this regime shall become invalid for that previous year as well as subsequent years. In such cases, the co-operative society's total income shall be computed as if the option had not been exercised for the relevant previous year and subsequent years.

Applicability of AMT

If a co-operative society has exercised the option of Section 115BAD or Section 115BAE, the provisions of Alternate Minimum Tax (AMT) shall not be applicable.

Specified exemptions and deductions

The option to pay tax at lower rates shall be available only if the total income of an eligible co-operative society is computed without claiming the following exemptions or deductions:

<i>Exemptions/Deductions</i>	<i>115BAD</i>	<i>115BAE</i>
Deduction for units established in Special Economic Zones (SEZ) [Section 10AA]	✓	✓
Additional depreciation in respect of new plant and machinery [Section 32(1)(ia)]	✓	✓
Deduction for investment in new plant and machinery in notified backward areas [Section 32AD]	✓	-
Deduction in respect of tea, coffee, or rubber business [Section 33AB]	✓	✓
Deduction in respect of business consisting of prospecting or extraction or production of petroleum or natural gas in India [Section 33ABA]	✓	✓
Deduction for donation made to approved scientific research association, university college, or other institutes for doing scientific research which may or may not be related to business [Section 35(1)(ii)]	✓	✓
Deduction for payment made to an Indian company for doing scientific research which may or may not be related to business [Section 35(1)(ia)]	✓	✓
Deduction for donation made to university, college, or other institution for doing research in social science or statistical research [Section 35(1)(iii)]	✓	✓
Deduction for donation made to National Laboratory or IITs, etc. for doing scientific research which may or may not be related to business [Section 35(2AA)]	✓	✓
Deduction in respect of capital expenditure incurred in respect of certain specified businesses, i.e., cold chain facility, warehousing facility, etc. [Section 35AD]	✓	✓
Deduction for expenditure on agriculture extension project [Section 35CCC]	✓	✓
Deduction in respect of certain incomes other than specified under Section 80JJAA or Section 80LA(1A)* [Chapter VI-A]	✓	✓

* An eligible assessee being a Unit of an IFSC can claim a deduction under section 80LA(1A).

MCQs on Special regimes for taxation

Q1. Special tax regime under section 115BA can be availed by a domestic company set up or registered on or after _____.

- (a) 01-03-2017
- (b) 01-07-2016
- (c) 01-04-2016
- (d) 01-03-2016

Correct answer: (d)

Explanation: Special tax regime under section 115BA can be availed by a domestic company set up and registered on or after 01-03-2016.

Q2. The domestic company is required to pay tax at the rate of _____ if it opted Section 115BAA.

- (a) 25%
- (b) 15%
- (c) 22%
- (d) 20%

Correct answer: (c)

Explanation: Under section 115BAA, the domestic company is required to pay tax at the rate of 22%. However, the special income shall be taxable at the special rates specified in respective provisions of the Act.

Q3. What will be the rate of surcharge under section 115BA, if the total income is above Rs. 1 crore but less than Rs. 10 crores?

- (a) 7%
- (b) 10%
- (c) 12%
- (d) 15%

Correct answer: (a)

Explanation: Domestic Company opting for section 115BA is liable to pay surcharge at the rate of 7% if the total income is above Rs. 1 crore but up to Rs. 10 crores and 12% if the total income exceeds Rs. 10 crores.

Q4. What will be the rate of surcharge under section 115BAB, if the total income exceeds Rs. 10 crores?

- (a) 7%
- (b) 10%
- (c) 12%
- (d) 15%

Correct answer: (b)

Explanation: Domestic Company opting for section 115BAB is liable to surcharge at the rate of 10% irrespective of the total income.

Q5. The eligible domestic company has to exercise the option for opting special tax regime under section 115BAB _____, which the company is required to furnish under the Act.

- (a) on or before the due date for furnishing the first of the returns of income
- (b) on or before the due date for furnishing the returns of income
- (c) at any time during the year
- (d) None of the above

Correct answer: (a)

Explanation: For section 115BAB, the eligible domestic company has to exercise the option on or before the due date for furnishing the first of the returns of income, which the company is required to furnish under the Act.

Q6. For opting special tax regime under Section 115BAA, the option should be exercised by electronically furnishing _____.

- (a) Form No. 10-IA
- (b) Form No. 10-IB
- (c) Form No. 10-IC
- (d) Form No. 10-ID

Correct answer: (c)

Explanation: The option to opt for section 115BAA should be exercised by electronically furnishing Form No. 10-IC.

Q7. Special Tax Regime under section 115BAC is not applicable to which of the following persons?

- (a) Association of Persons
- (b) Body of Individuals
- (c) Co-operative Society
- (d) Artificial Juridical Person

Correct answer: (c)

Explanation: Section 115BAC allows an individual, HUF, AOP (other than a co-operative society), BOI, or AJP to pay income tax at lower tax rates (plus surcharge and cess) provided the total income is computed without claiming specified exemptions or deductions.

Q8. Under section 115BAE, the resident co-operative society is required to pay tax at the rate of _____ on income from manufacturing activities.

- (a) 25%
- (b) 15%
- (c) 22%
- (d) 20%

Correct answer: (b)

Explanation: Under section 115BAE, the resident co-operative society is required to pay tax at the rate of 15% on income from manufacturing activities.

Q9. In which of the following sections, alternate minimum tax (AMT) is applicable?

- (a) Section 115BAC
- (b) Section 115BAD
- (c) Section 115BAE
- (d) None of the above

Correct answer: (d)

Explanation: If an eligible assessee has exercised the option of Section 115BAC, the provisions of AMT under Section 115JC shall not be applicable. Further, if a co-operative society has exercised the option of Section 115BAD or Section 115BAE, the provisions of Alternate Minimum Tax (AMT) shall not be applicable.

Q10. For the assessment year 2025-26, the new tax regime of Section 115BAC is a default tax regime.

- (a) True
- (b) False

Correct answer: (a)

Explanation: The Finance Act, 2023 makes the new tax regime of Section 115BAC a default tax regime from the assessment year 2024-25. If an assessee does not want to pay tax according to the new tax regime, he will have to explicitly opt out of it and choose to be taxed under the old tax regime in a prescribed manner.

INCOME TAX DEPARTMENT