INCOME TAX · EMPLOYEE AWARENESS SESSION

Filing your return, without the fear.

A plain-English guide to your salary, your ESOPs, the two tax regimes, and filing correctly — for FY 2025-26 (AY 2026-27).

FY 2025-26 · AY 2026-27 | Governed by the Income-tax Act, 1961 | ~35 min + Q&A

Presented by
P P Tulshyan & Co. · Chartered Accountants

AGENDA

What we'll cover today

Six simple parts. You leave knowing what to do — and what to avoid.

01
Why file at all
Even when no tax is due — refunds, losses, loan & visa proof, avoiding notices.

02
Your salary decoded
Payslip, allowances, perquisites and how to read your Form 16.

03
Beyond salary
House property, interest, dividends — the other income you must report.

04
ESOPs & capital gains
How stock options are taxed — twice, and why that's not double tax.

05
Old vs New regime
The slabs, the ₹12 lakh zero-tax story, and which one fits you.

06
Filing without mistakes
AIS, the right ITR form, deadlines, and the official calculator.

Before we start — a quick show of hands

No wrong answers. The goal of the next 35 minutes is to turn every one of these into a confident "yes".

QUESTION 1

Do you know which tax regime your salary is being taxed under right now?

QUESTION 2

Have you ever filed your own return, start to finish?

QUESTION 3

Do you check your AIS before you file?

Tip for the room: most people don't know their regime — the payroll default may not be the one that's best for you.

Tax jargon, in 60 seconds

Seven words that unlock everything else today.

FY VS AY

FY = the year you earn (2025-26). **AY** = the next year you file & get assessed (2026-27).

APPLICABLE ACT

For this year's income, pick the **Income-tax Act, 1961** in every form. The new 2025 Act only covers income from April 2026.

GROSS → TAXABLE INCOME

All your income added up = **Gross Total Income**. Minus deductions = **Taxable Income**.

TDS & TCS

Tax already **cut** from your salary/interest (TDS) or **collected** on some spends (TCS). Both are your credit.

FORM 16 & ITR

Form 16 = your employer's salary + TDS certificate. **ITR** = the return you actually file.

AIS

The tax department's own record of your income & high-value transactions. **They already have it.**

Every rupee you earn sits in one of 5 buckets

The return form and the tax calculator are both organised exactly this way.
Find your income in these buckets and you're halfway done.

HEAD 1
Salary
Your pay, allowances & perquisites.

HEAD 2
House Property
Rent you earn, or your home-loan interest.

HEAD 3
Capital Gains
Profit on selling shares, ESOPs, property, funds.

HEAD 4
Business / Profession
Freelancing or a side business.

HEAD 5
Other Sources
Interest, dividends, gifts.

Why this matters: the calculator asks for income "under each head" — this slide is your map to it.

Why file even when no tax is due?

"Tax already deducted" is not the same as "nothing to do". Filing is how you claim what's yours.

GET MONEY BACK

Excess TDS on salary, bank & FD interest comes back **only if you file**.

CARRY FORWARD LOSSES

Capital or house-property losses can offset future gains — **but only if you file on time**.

PROOF OF INCOME

Needed for **home & car loans, credit cards and visas**.

AVOID NOTICES

Your AIS already shows your income. Not filing invites **questions from the department**.

REMEMBER A belated (late) return **kills your right to carry forward losses**. File before the due date to keep it.

You must file if...

Beyond just crossing the income limit, filing is compulsory in these cases.

- You hold **foreign shares / ESOPs** or any foreign asset — regardless of income
- You deposited **large sums** in your bank/current accounts
- Your **TDS/TCS** for the year crossed the specified threshold
- You spent heavily on **foreign travel** or **electricity**
- You want a **refund** of tax deducted
- You want to **carry forward a loss**

KEY IDEA **"No tax payable" is not the same as "no need to file."** Many people who owe nothing still must file.

Anatomy of your payslip

Three numbers people confuse: what you're paid, what reaches your bank, and what's taxed.

EARNINGS

- Basic + Dearness Allowance
- HRA
- Special & other allowances
- Bonus / variable pay

DEDUCTIONS FROM PAY

- Provident Fund (PF)
- Professional tax
- TDS (income tax)

THE THREE NUMBERS

- **Gross** = everything you're paid
- **Net** = what hits your bank
- **Taxable** = gross − exemptions − deductions

Tax is charged on **taxable** salary — not on gross, and not on net.

What's fully taxable in your salary

These components are taxed in full — no exemption to reduce them.

- Basic Pay
- Dearness Allowance
- Special Allowance
- Bonus
- Variable / Performance Pay
- Overtime
- City Compensatory Allowance
- Most fixed allowances

THE EXCEPTIONS

Only a few allowances get an exemption — chiefly **HRA** and **LTA** — and those largely disappear if you choose the new regime. We'll look at both next.

HRA — how the exemption really works

If you pay rent, part of your HRA can be tax-free. The exempt amount is the **lowest** of these three.

OPTION A

The **actual HRA** you receive

OPTION B

Rent paid − 10% of basic salary

OPTION C

50% of basic (metro) / **40%** (non-metro)

REAL TRAPS No rent receipts · landlord's **PAN needed if rent > ₹1 lakh/year** · paying rent to parents is allowed only if they genuinely receive & declare it · **HRA exemption is gone under the new regime.**

LTA & other exemptions

Small but useful — if you know the rules.

LEAVE TRAVEL ALLOWANCE

Covers **travel cost only** (not food/stay), for **domestic** trips, claimable **twice in a 4-year block**, with proof.

OTHERS YOU MAY SEE

Children's education allowance, some transport allowances for specially-abled, gratuity/leave-encashment on exit (with caps).

ONE LINE TO REMEMBER Almost all of these exemptions **apply only under the OLD regime.** The new regime trades them for lower rates.

What is a "perquisite"?

A perquisite is a **non-cash benefit** your employer gives you — a car, a house, a cheap loan, a meal card. The taxman puts a **value** on it and adds it to your salary.

IN PLAIN TERMS

"The company gives you something. The department decides what it's worth. You pay tax on that value."

WHERE YOU'LL SEE IT

Listed in **Part B of your Form 16** as "perquisites u/s 17(2)".

WHY CARE

Perquisites can quietly raise your taxable income — and your **ESOPs are one of them.**

Common perquisites

Any of these on your package? They likely carry a tax value.

ASSETS

Company **car**, rent-free or subsidised **accommodation**

MONEY BENEFITS

Interest-free / cheap loans, reimbursements beyond limits

EVERYDAY PERKS

Meal cards, **gift vouchers** (taxable if over ₹5,000/year)

LIFESTYLE

Club memberships, **free/subsidised education** for children

EQUITY

ESOPs / RSUs / sweat equity — the big one, covered next

OTHERS

Domestic help, utilities, mobile beyond official use

Retirement & exit components

What you receive when you leave a job or retire — and how much escapes tax.

COMPONENT	TAX TREATMENT (IN BRIEF)
Provident Fund (EPF)	Exempt if withdrawn after 5 years of continuous service
Gratuity	Exempt up to prescribed limits; excess taxable
Leave encashment	Exempt up to a cap on retirement; taxable while in service
Pension / commutation	Commuted portion partly/fully exempt; regular pension taxed as salary

JOB-SWITCH TRAP **Notice-pay recovery** and **leave encashment** are often confused — check how each is shown before you file.

Reading your Form 16

Two parts — and three deductions the calculator will ask you for by name.

PART A

Summary of **TDS deposited** against your PAN, quarter by quarter.

PART B

Full **salary breakup** — allowances, exemptions, perquisites, deductions.

Standard deduction — sec 16(ia)	**₹75,000 (new) / ₹50,000 (old)**
Professional tax — sec 16(iii)	**as deducted by employer**
Entertainment allowance — sec 16(ii)	**government employees only**

Form 16 is your starting point — not the whole story. Your AIS may show income Form 16 doesn't.

Income from House Property

Own a home or rent one out? This bucket applies to you.

A HOME YOU LIVE IN

Rental value taken as **nil**, but you can deduct **home-loan interest up to ₹2 lakh** a year — **under the old regime only**.

A PROPERTY YOU RENT OUT

Taxable = **Rent received − 30% standard deduction − home-loan interest.** This applies under both regimes.

New for AY 2026-27: ITR-1 & ITR-4 now allow you to report **two house properties** (earlier only one).

Income from Other Sources — the forgotten bucket

These small incomes are exactly what triggers a mismatch notice.

INTEREST

Savings account, **fixed deposits**, recurring deposits, bonds

DIVIDENDS

From shares & mutual funds — **fully taxable** now

REFUND INTEREST

Interest paid to you on a tax refund is itself taxable

GIFTS

Above **₹50,000** from non-relatives

COMMON MISS Banks cut TDS at **10%** on FD interest. If you're in a higher slab, **you still owe the balance** — it isn't "settled".

ESOPs — the four-step journey

You're only taxed at two of these four steps. Knowing which two saves real

STEP 1
Grant
Company promises you options. **No tax.**

→

STEP 2
Vest
Options become yours to buy. **No tax.**

→

STEP 3 · TAXED
Exercise
You buy the shares. **Taxed as salary.**

→

STEP 4 · TAXED
Sell
You sell the shares. **Capital gains.**

Taxing point 1 — at exercise

When you buy the shares, the discount you got is treated as salary.

Fair market value on exercise date	₹ 500 / share
Less: price you paid (exercise price)	₹ 100 / share
Perquisite taxed as salary	**₹ 400 / share**

WHO DEDUCTS

Your **employer deducts TDS** on this perquisite and shows it in Form 16.

KEY POINT

That ₹500 FMV becomes your **cost** for the next stage — so the same gain is **never taxed twice.**

Taxing point 2 — at sale: two questions decide your tax

QUESTION 1 — WHICH COMPANY?

- **Listed** — on an Indian exchange, STT paid on sale
- **Unlisted / Foreign** — an unlisted Indian co, or your **foreign parent's stock (US RSUs, etc.)**

QUESTION 2 — HOW LONG DID YOU HOLD?

- Counted **from the date shares were allotted** to you
- **Listed:** over 12 months = long-term
- **Unlisted / Foreign:** over 24 months = long-term

NOTE Foreign-listed shares count as **"unlisted"** here — no Indian STT is paid, so the 24-month rule applies to them.

Capital gains on sale — rates for FY 2025-26

TYPE OF SHARE	SHORT-TERM (STCG)	LONG-TERM (LTCG)
Listed (STT paid)	20% · sec 111A	12.5% over ₹1.25 L/yr · sec 112A
Unlisted / Foreign	At your slab rate	12.5%, no indexation · sec 112

ALSO APPLIES

+ 4% Health & Education Cess on the tax. The ₹1.25 lakh exemption is only for **listed** equity (112A).

⚠ **MYTH-BUSTER**

The **₹12 lakh "zero tax" rebate does NOT cover capital gains.** Your share gains are taxed at these special rates regardless.

Foreign shares? Schedule FA is not optional

If your ESOPs are your foreign parent's stock, this is the single most expensive thing to get wrong.

DISCLOSE

Foreign shares are a **foreign asset** — declare in **Schedule FA**, even if you never sold them.

REPORT

Foreign **dividends** are taxable here; claim **foreign tax credit via Form 67**.

USE ITR-2

ESOPs, capital gains or foreign assets mean you **cannot use ITR-1**.

ESOP MISTAKES WE SEE Paying tax twice on the exercise perquisite · missing the gain at sale · skipping Schedule FA · using the wrong ITR form. Penalties under the Black Money Act are severe.

Old vs New regime — the big picture

NEW REGIME · THE DEFAULT

- **Lower** tax rates
- Almost **no** deductions or exemptions
- Applies **automatically** unless you opt out

OLD REGIME · OPT-IN

- **Higher** tax rates
- But you can claim **80C, 80D, HRA, home-loan interest** & more
- Worth it if your deductions are large

One sentence: **new regime rewards simplicity; old regime rewards deductions.**

New regime slabs — and the ₹12 lakh story

TAXABLE INCOME	RATE
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%

₹0 tax

ON INCOME UP TO ₹12 LAKH — A ₹60,000 REBATE U/S 87A WIPES IT OUT

₹12.75 L

EFFECTIVE ZERO-TAX LIMIT FOR SALARIED, AFTER THE ₹75,000 STANDARD DEDUCTION

Marginal relief softens the jump just above ₹12 L. Rebate is for **residents** only and **not** on capital gains.

Old regime slabs & what it lets you claim

TAXABLE INCOME (BELOW 60 YRS)	RATE
Up to ₹2,50,000	Nil
₹2,50,001 – ₹5,00,000	5%
₹5,00,001 – ₹10,00,000	20%
Above ₹10,00,000	30%

ITS ADVANTAGE

Keeps **80C, 80D, HRA, LTA** and **home-loan interest**. Standard deduction ₹50,000; rebate makes income up to **₹5 lakh** tax-free.

SENIOR CITIZENS

Higher basic exemption: **₹3 lakh** (60+) and **₹5 lakh** (80+). The new regime gives no age benefit.

Side by side

FEATURE	NEW REGIME	OLD REGIME
Tax rates	Lower, 7 slabs	Higher, 4 slabs
Standard deduction	₹75,000	₹50,000
Zero-tax up to (87A)	₹12,00,000	₹5,00,000
80C / 80D / HRA / home-loan	Not allowed	Allowed
Default?	Yes	Must opt in
Best for	Few deductions	Heavy deductions

So which one is better for you?

A simple rule of thumb — then check your own numbers.

MEET "ANJALI" · NEW REGIME

Fresher, rents, **no home loan, few investments**. Lower rates + zero tax to ₹12.75 L win easily.

MEET "RAHUL" · OLD REGIME

Has a **home loan (₹2 L interest) + 80C + 80D + HRA** crossing ~₹3.5–4 L. His deductions beat the lower rates.

RULE OF THUMB If your total deductions cross roughly **₹3.5–4 lakh**, the old regime often wins. Otherwise, new. **Always confirm on the official calculator (coming up).**

Regime traps to avoid

- Say nothing and you're **defaulted into the new regime**
- What you declared to HR **isn't final** — salaried can still switch when filing
- You **cannot switch to old** after the filing due date

- High income adds a **surcharge** — an **ESOP-exercise year can push you past ₹50 lakh**
- New-regime surcharge is **capped at 25%**
- **4% cess** applies on top under both regimes

Popular deductions (old regime)

The tools that make the old regime worthwhile.

80C · UP TO ₹1.5 L

PF, PPF, ELSS, life insurance, principal on home loan, tuition fees

80D

Health-insurance premium for self & parents

80CCD(1B) · ₹50,000

Extra NPS contribution, over and above 80C

SEC 24(B) · UP TO ₹2 L

Home-loan interest on a self-occupied home

80G

Eligible donations

80TTA / 80TTB

Savings interest (₹10k) / senior-citizen interest (₹50k)

What still works under the new regime

It's not "zero deductions" — a few valuable ones survive.

EMPLOYER NPS · 80CCD(2)

Your employer's contribution to NPS stays deductible — ask payroll to set it up.

STANDARD DEDUCTION

₹75,000 for salary & pension — automatically applied.

MYTH "New regime means no benefits." **False** — the ₹75,000 standard deduction and employer NPS alone are meaningful.

Before you file: reconcile your AIS

Your Annual Information Statement is the department's record of your year.
Start here, not with Form 16.

26AS
Tax credit — TDS/TCS deposited against your PAN

AIS
Detailed income & high-value transactions

TIS
A simplified taxpayer summary of the AIS

THE GOLDEN RULE **Report every income already showing in your AIS.** If an entry is wrong, don't just leave it out — use the **"dispute / feedback" option inside the AIS**. Silently omitting AIS income is the #1 cause of notices.

Filing, step by step

1 · Log in at incometax.gov.in	**PAN + OTP**
2 · Open the pre-filled return	**auto data**
3 · Check against your AIS	**reconcile**
4 · Choose your regime	**old / new**
5 · Add all income & deductions	**all 5 heads**
6 · Pay any balance tax	**self-assmt**
7 · Submit & e-verify	**within 30 days**

WHICH ITR FORM?

ITR-1 — salary + up to two house properties + other sources, within limits.

YOU NEED ITR-2 IF…

you have **capital gains, ESOPs or any foreign asset.** ITR-1 will not accept them.

Documents to keep ready

Gather these before you sit down — filing then takes minutes.

- **PAN & Aadhaar** — and confirm they're **linked**
- **Form 16** from every employer this year
- Your **AIS / 26AS / TIS**
- Bank & **FD interest** certificates
- **Capital-gains statement** from your broker
- **ESOP / RSU** statement
- Proofs for **deductions** you'll claim
- A **pre-validated bank account** for your refund

Deadlines, fees & interest

RETURN	DUE DATE
ITR-1 & ITR-2	31 Jul 2026
ITR-3 & ITR-4 (non-audit)	31 Aug 2026
Audit cases	31 Oct 2026
Revised return	31 Mar 2027

LATE FEE · 234F

Up to **₹5,000** (₹1,000 if income ≤ ₹5 L)

INTEREST · 234A / B / C

234A — filed late · **234B/C** — advance tax not paid on time

ADVANCE VS SELF-ASSESSMENT TAX

Advance tax if tax after TDS > **₹10,000** (common with gains/other income); self-assessment tax is paid at filing.

Do it yourself: the official tax calculator

incometax.gov.in → Quick Links → **"Income and Tax Calculator"**. Set: Act **1961**, AY **2026-27**, Resident, your age, your regime.

Income under each head	**5 buckets**
Gross Total Income	→
Less: deductions	**Ch. VI-A**
Taxable income	→
Tax (normal + special rates)	→
Less: 87A rebate	**if eligible**
+ Surcharge + 4% cess	→
Less: TDS / TCS / advance tax	→
Balance payable / refund	**the answer**

WHY USE IT

It's the **government's own** tool — no "which website do I trust?" It also compares **old vs new** for you.

LIVE-DEMO TIP

Enter a **late submission date** and watch **234A + 234F** appear — the cost of delay, in real time.

After you hit submit

E-VERIFY

Within 30 days, or the return is treated as **never filed**.

REFUND

Pre-validate your bank account & link PAN-Aadhaar, or it gets **stuck**.

NOTICES

Usually just a mismatch — **respond calmly** and on time.

FIXED A MISTAKE?

Revised return till 31 Mar 2027; **updated** return for older years.

Most notices are routine. They're usually an AIS mismatch, not an accusation.

Questions?
Let's talk.

✓ DO

- Reconcile your AIS first
- Choose your regime consciously
- File on time & e-verify

× DON'T

- Skip filing because "TDS is done"
- Omit AIS income without disputing it
- Use ITR-1 with ESOPs / foreign shares

One last thing: this session is general awareness only. **Always take professional advice before filing** — every situation has its own details.