

Practice Session 6

Topic : Total Income & tax Computation

Computation of Total Income

Illustration 01 [PYQ Nov 2021]

The following is the Profit and Loss Account of Mr. Aditya, aged 58 years, a resident, for the year ended 31.03.2025:

Particulars	₹	Particulars	₹
Rent	60,000	Gross Profit	1,85,000
Repair of car	3,000	Gift of cash from a friend (received on 15.09.2022)	25,000
Personal expenses	5,000	Sale of car	17,000
Medical expenses	4,500	Interest on income-tax refund	
Salary	18,000		3,000
Depreciation on car	3,000		
Advance income-tax	1,500		
Net Profit	1,35,000		
	2,30,000		2,30,000

Other information:

- Aditya bought a car during the year for ₹ 20,000. He charged depreciation @ 15% on the value of the car. The above car was sold during the year for ₹ 17,000. The use of the car was $\frac{3}{4}$ for business and $\frac{1}{4}$ for personal use.
- Medical expenses were incurred for the treatment of Nikita, his wife.
- Salary had been paid on account of car driver.
- Rent includes arrears of rent from April, 21 to October 2024 @ ₹ 5,000 p.m., paid in cash on 1.11.2024.
- Mr. Aditya had also let out a house property at a monthly rent of ₹ 25,000. The annual letting value is considered to be ₹ 2,50,000. The municipal taxes are ₹ 6,000, out of which ₹ 3,000 are paid by the tenant and ₹ 3,000 are yet to be paid by Mr. Aditya. Interest on loan taken for the house property is ₹ 20,000.
- Mr. Aditya's minor daughter received ₹ 75,000 from stage acting. Interest on company deposits of Mr. Aditya's daughter (deposit was made out of income from stage acting) was ₹ 10,000.
- Aditya incurred an expense of ₹ 50,000 on the medical treatment of his dependant son, who has disability of more than 80%.
- Aditya had taken a loan during the year 2024-25 for the education of his son, who is pursuing B. Com in Delhi University. Interest paid on the same during the year was ₹ 10,000.

Compute the total income of Mr. Aditya for the assessment year 2025-26.

Solution

Computation of Total Income

Particulars			₹
1.	Income from House Property (Refer Working Note 1)		1,90,000
2.	Profits and Gains of Business or Profession (Refer Working Note 2)		1,44,250
3.	Income from Other Sources (Refer Working Note 3)		11,500
			3,45,750
Less: Deductions under Chapter VI-A			
	U/s 80DD Expenses on Medical Treatment of Son (Severe Disability)	1,25,000	
	U/s 80E Interest on Education Loan	10,000	(1,35,000)
Total Income			2,10,750

Working Note 1:**Computation of Income from House Property (Let out Property)**

Particulars			₹
Gross Annual Value (25,000 x 12)			3,00,000
Less: Municipal Taxes paid (No deduction as actual payment not made by Assessee. Amount paid by Tenant is not allowable as deduction.)			Nil
Net Annual Value			3,00,000
Less: Deductions u/s 24			
30% of NAV (₹ 3,00,000 x 30%)		90,000	
Interest on Borrowed Capital		20,000	(1,10,000)
Income from House Property			1,90,000

Working Note 2:**Computation of Profits and Gains of Business or Profession**

Particulars	₹	₹
Net Profit as per Profit & Loss Account - given		1,35,000
Add:		
Arrears of Rent paid in Cash, disallowed u/s 40A(3) (Apr to Oct = 7 x 5,000 pm.)	35,000	
Repairs of Car - 1/4th not allowed being personal use = 1/4 th of 3,000	750	
Personal expenses not allowable u/s 40(a)(iia)	5,000	
Medical Expenses incurred for Spouse, being personal expenses disallowed	4,500	
Car Driver Salary - 1/4 of Car Driver Salary not allowed being used for personal use	4,500	
Depreciation on Car - considered separately	3,000	
Advance Income Tax, not allowable u/s 40(a)(ii)	1,500	54,250
Less:		
Gift from Friend - considered separately	25,000	
Sale of Car - considered separately	17,000	
Interest on Income Tax Refund - considered separately	3,000	45,000
Profits and Gains from Business or Profession		1,44,250

Working Note 3:

Computation of Income from Other Sources

Particulars	₹	₹
1. Interest on Income Tax Refund		3,000
2. Cash Gift from Friend (not taxable since amount is less than ₹ 50,000)		Nil
3. Income earned by Minor Daughter from Stage Acting (i.e. by exercise of Skill, Talent, etc.), is assessable only in her hands, and not clubbed in the Parent's hands. However, Interest on Bank Deposit shall be included, i.e. clubbed in Parent's hands u/s 64(1 A)	10,000	
Less: Exemption u/s 10(32)	(1,500)	8,500
Total Income Other Sources		11,500

Illustration 02 [PYQ Jan 2021]

Mr. Krishna (aged 65 years), a furniture manufacturer, reported a profit of ₹ 5,64,44,700 for the previous year 2024-25 after debiting/crediting the following items:

Debits:

- ₹ 20,000 paid to a Gurudwara registered u/s 80G of the income-tax Act, in cash where no cheques are accepted.
- ₹ 48,000 contributed to a university approved and notified u/s 35(1)(ii) to be used for scientific research.
- Interest paid ₹ 1,67,000 on loan taken for purchase of E-vehicle on 15-05-2023 from a bank. The E-vehicle was purchased for the personal use of his wife.
- His firm has purchased timber under a forest lease of ₹ 20,00,000 for the purpose of business.

Credits:

- Income of ₹ 4,00,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- He received ₹ 3,00,000 from a debtor which was written off as bad in the year 2018-19. Amount due from the debtor (which was written off as bad) was ₹ 5,00,000, out of which tax officer had only allowed ₹ 3,00,000 as deduction in computing the total income for assessment year 2019-20.
- He sold some furniture to his brother for ₹ 7,00,000. The fair market value of such furniture was ₹ 9,00,000.

Other information:

- Depreciation in books of accounts is computed by applying the rates prescribed under the Income tax laws.
- Mr. Krishna purchased a new car of ₹ 12,00,000 on 1st September, 2024 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
- Mr. Krishna had sold a house on 30th March, 2022 and deposited the long term capital gains of ₹ 25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1st March, 2025, he sold another house property in which he resided for ₹ 1 crore. He earned a long term capital gain of ₹ 50,00,000 on

sale of this property. On 25th March, 2025, he withdrew money out of his capital gain account and invested ₹ 1 crore on construction of one house.

4. Mr. Krishna also made the following payments during the previous year 2024-25
- Lump-sum premium of ₹ 30,000 paid on 30th March, 2025 for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30th March, 2025 to 29th March, 2030.
 - ₹ 8,000 paid in cash for preventive health check-up of self and spouse.

Compute the total income and tax payable by Mr. Krishna for the assessment year 2025-26.

Solution

Computation of total income of Mr. Krishna for A.Y. 2025-26

	Particulars	₹	₹	₹
1	Income from business or profession			
	Net profit as per profit and loss account		5,64,44,700	
	Add: Items of expenditure debited but not allowable while computing business income			
	1. Donation to Gurudwara in cash [not allowable as deduction since it is not incurred wholly and exclusively for business purpose. Since the amount is already debited, the same has to be added back while computing business income]	20,000		
	2. Interest on loan taken for purchase of e-vehicle [Interest on loan for purchase of e- vehicle for personal purpose is not allowed as deduction from business income since the same is not incurred wholly and exclusively for business purpose. Since it is already debited, the same has to be added back while computing business income]	1,67,000		
	3. Sale of furniture to brother at less than FMV [The provisions of section 40A(2) are not applicable in case of sale transaction, even if the same is to a related party. Therefore, no adjustment is necessary in respect of difference of 7 2 lakh]	—	1,87,000	
			5,66,31,700	

	Less: Items of income credited but not taxable or taxable under any other head of income			
	4. Royalty on patent [Not taxable as business income since Mr, Krishna is engaged in manufacturing business, Since the amount is already credited to profit and loss account, the same has to be reduced while computing business income]	4,00,000		
	5. Bad debt recovered [Actual bad debt is 7 2 lakhs i.e., ₹ 5 lakhs less ₹ 3 lakh, being the amount of bad debt recovered, Bad debt written off is ₹ 3 lakhs, Bad debt recovered to the extent of ₹ 1 lakh being excess of bad debt recovered over actual bad debt would be deemed to be business income, Since the entire ₹ 3 lakhs is credited to the profit and loss account, ₹ 2 lakhs has to be reduced]	2,00,000	6,00,000	
			5,60,31,700	
	Less: Allowable expenditure			
	6. Depreciation on car [₹ 12 lakh x 30%, since car is purchased between 23.8.2024 and 31.3. 2025 and put to use for more than 180 days in the P.Y.2024-25]		3,60,000	
				5,56,71,700
II	Capital Gain			
	Long term capital gain on sale of house property		50,00,000	
	Less: Exemption under section 54 [Since whole amount of long term capital gain is invested in construction of house within the stipulated time limit.]		50,00,000	—
	[Capital gain of ₹ 25 lakhs in capital gain account scheme is not taxable in P.Y. 2024-25, since the same is withdrawn and invested in construction of house within the stipulated time limit. The remaining amount of ₹ 75 lakhs invested in construction of house is eligible for exemption u/s 54, subject to a maximum of ₹ 50 lakhs being long-term capital gain]			

	on sale of house property during the P.Y.2024-25]			
III	Income from Other Sources			
	Royalty on patent [Taxable as “income from other sources”, since he is engaged in business of manufacturing furniture]			4,00,000
	Gross Total Income			5,60,71,700
	Less: Deduction under Chapter VI-A			
	Deduction under section 80D			
	— Medici claim premium for self and spouse [In case of lump sum premium for medical policy, deduction is allowed for equally for each relevant previous years.			
	[₹ 30,000/6 years, being relevant previous years in which the insurance is in force]	5,000		
	— Preventive health check up of self and spouse [Preventive health check up paid in cash allowed to the extent of ₹ 5,000]	5,000	10,000	
	Deduction under section 80EEB		1,50,000	
	[Since the loan is sanctioned by Bank during the P.Y. 2023-24, interest on loan taken for purchase of e-vehicle is allowed to the extent of ₹ 1,50,000]			
	Deduction under section 80G		—	
	[Donation of ₹ 20,000 to Gurudwara not allowable as deduction since amount exceeding ₹ 2,000 paid in cash]			
	Deduction under section 80RRB		3,00,000	4,60,000
	[Deduction in respect of royalty on patent registered under the Patent Act subject to a maximum of ₹ 3 lakh]			
	Total income			5,56,11,700

Computation of tax liability of Mr. Krishna for A.Y. 2025-26

Particulars	₹	₹
Tax on total income of ₹ 5,56,11,700		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 5,00,000 [@5% of ₹ 2 lakh]	10,000	
₹ 5,00,001 - ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001-₹ 5,56,11,700 [@30% of ₹ 5,46,11,700]	1,63,83,510	1,64,93,510
Add: Surcharge @ 37%, since total income exceeds ₹ 5,00,00,000		61,02,598.7
		2,25,96,108.7
Add: Health and education cess @4%		9,03,844.348
Total tax liability		2,34,99,953.048

Less: TCS u/s 206C(1) @ 2.5% on ₹ 20 lakh i.e., timber	50,000	
TCS u/s 206C(1F)@1% of ₹ 12 lakh i.e., sale of motor car where consideration exceeds ₹ 10 lakh	12,000	
TDS u/s 194-IA@1% of ₹ 1 crore i.e., sale of immovable property where consideration is ₹ 50 lakh or more	1,00,000	1,62,000
Tax payable		2,33,37,953.048
Tax payable (rounded off)		2,33,37,950

Illustration 03 [PYQ July 2021]

Mr. Ashish, a resident individual, aged 43 years, provides professional services in the field of interior decoration. His Income & Expenditure A/c for the year ended 31st March, 2025 is as under:

Expenditure	₹	Income	₹
To Employees' Remuneration & Benefits	13,66,000	By Consultancy Charges	58,80,000
To Office & Administrative Exp.	3,14,000	By Interest on Public Provident Fund (PPF) Account	60,000
To General Expenses	75,000	By Interest on Savings Bank Account	20,000
To Electricity Expenses	65,000	By Interest on National Savings Certificates	
To Medical Expenses	80,000	VIII Issue (for 3 rd year)	21,000
To Purchase of Furniture	48,000		
To Depreciation	90,000		
To Excess of income over exp.	39,43,000		
	59,81,000		59,81,000

The following other information relates to financial year 2024-25:

- (i) The expenses on Employees' Remuneration & Benefits includes :
 - (a) Family Planning expenditure of ₹20,000 incurred for the employees which was revenue in nature. The same was paid through account payee cheque.
 - (b) Payment of salary of ₹25,000 per month to sister-in-law of Mr. Ashish, who was in-charge of the Accounts & Receivables department. However, in comparison to similar work profile, the reasonable salary at market rates is ₹20,000 per month.
- (ii) Amount received by Mr. Ashish as Employees' Contribution to EPF for the month of February, 2025 - ₹10,000 was also deposited after the due date under the relevant Act relating to EPF.
- (iii) Medical Expenses of ₹80,000 as appearing in the Income & Expenditure A/c was expensed for the treatment of father of Mr. Ashish. His father was 72 years old and was not covered by any health insurance policy. The said payment of ₹80,000 was made through account payee cheque.
- (iv) General expenses as appearing in the Income & Expenditure A/c, includes a sum of ₹25,000 paid to Ms. Anjaleen on 5th January, 2025 as commission for securing

work from new clients. This payment was made to her without deduction of tax at source.

- (v) Written down value of the depreciable assets as on 1st April, 2024 were as follows:

Professional Books ₹90,000

Computers ₹35,000

- (vi) The new Furniture as appearing in the Income & Expenditure A/c. was purchased on 31st August, 2024 and was put to use on the same day. The payment was made as under:

- ₹18,000 paid in cash at the time of purchase of new furniture on 31/08/22.
- ₹19,000 paid by account payee cheque on 05/09/2024 as balance cost of new furniture and
- ₹11,000 paid in cash on 31/08/24 to the transporter as freight charges for the new furniture.

- (vii) Mr. Ashish purchased a car on 02/04/2023 for ₹3,35,000 for personal use. However, on 30/04/2024 he brought the said car for use in his profession. The fair market value of the car as on 30/04/2024 was ₹2,50,000.

- (viii) Mr. Ashish made a contribution of ₹1,00,000 in his PPF A/c on 31/01/2025.

- (ix) The Gross Professional Receipts of Mr. Ashish for P.Y. 2023-24 was ₹52,00,000.

Compute the total income and tax liability of Mr. Ashish for A.Y. 2025-26, assuming that he has not opted for payment of tax under section 115BAC. Ignore provisions relating to AMT and under section 14A relating to disallowance of expenditure incurred in relation to income not includible in total income.

Solution

Computation of total Income of Mr. Ashish for A.Y. 2025-26

	Particulars	₹	₹	₹
I	Income from business or profession			
	Excess of income over expenditure		39,43,000	
	Add: Items debited but not allowable while computing business income			
1.	Family planning expenditure incurred for employees [not allowable as deduction since expenditure on family planning for employees is allowed only to a company assessee/not allowed in case of individuals. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]	20,000		
2.	Salary payment to sister-in-law in excess of market rate [Any expenditure incurred for which payment is made to a relative, to the extent it is considered unreasonable is disallowed. However, sister-in-law is not included in the	Nil		

		definition of “relative” for the purpose of section 40A(2).			
	3.	Therefore, no adjustment is required for excess salary paid to Mr. Ashish’s sister-in law]			
	4.	Employees’ Contribution to EPF [Sum received by the assessee from his employees as contribution to EPF is income of the employer. Deduction in respect of such sum is allowed only if such amount is credited to the employee’s account on or before due date under the relevant Act. Since, the employees contribution to EPF for February 2025 is deposited after the due date under the relevant Act, deduction would not be available]	10,000		
	5.	Medical expenses for the treatment of father [Not allowed as deduction since it is a personal expenditure / not an expenditure incurred for the purpose of business of Mr. Ashish. Since the amount is debited to Income and Expenditure Account, the same has to be added back for computing business income]	80,000		
	6.	Commission to Ms. Anjaleen without deduction of tax at source -[Mr. Ashish would be liable to deduct tax at source on commission since his gross receipts from profession exceeded ₹50 lakhs during F.Y. 2023 -24.Since commission has been paid with out deduction of tax at source, hence 30% of ₹25,000, being commission paid without deducting tax at source, would be disallowed under section40(a)(ia) while computing the business income of A.Y.2025-26]	7,500		
	7.	Depreciation as per books of account	90,000		
		Purchase of Furniture [not allowable, since it is a capital expenditure]	48,000	2,55,500	
				41,98,500	
		Less: Depreciation as per Income • tax Rules			
	1.	On Professional Books [₹ 90,000 x 40%]	36,000		
	2.	On Computers [₹ 35,000 x 40%]	14,000		

	On Furniture [₹19,000 x 10%, since it has been put to use for more than 180 days during the year] [Any expenditure for acquisition of any asset in respect of which payment or aggregate of payment made to a person, otherwise than by an a/c payee cheque/ bank draft or use of ECS or through prescribed electronic mode, exceeds ₹ 10,000 in a day, such expenditure would not form part of actual cost of such asset. Hence, ₹ 18,000 and ₹ 11,000 paid on 31.8.2024 in cash would not be included in the actual cost of furniture]	1,900		
	On Car [3,35,000 x 15%] [Actual cost of car would be the purchase price of the car to Mr. Ashish, i.e., ₹ 3,35,000]	50,250	1,02,150	
			40,96,350	
	Less: Items of income credited but not taxable or taxable under any other head of income			
3.	Interest on Public Provident Fund [Exempt]	60,000		
4.	Interest on Saving bank account [Taxable under the head "Income from other sources"]	20,000		
5.	Interest on National Savings Certificates VIII Issue (3rd Year) [Taxable under the head "Income from other sources"]	21,000		
			1,01,000	
				39,95,350
II	Income from Other sources			
	Interest on savings bank account		20,000	
	Interest on National Savings Certificates VIII Issue (3rd Year)		21,000	
				41,000
				40,36,350
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Gross Total Income			
	Contribution to PPF	1,00,000		
	Interest on NSC (3rd Year) (Reinvested)	21,000	1,21,000	
	Deduction under section 80D			
	Medical expenses for the treatment of father [Since Mr. Ashish's father is a senior citizen and not covered by any health		50,000	

	insurance policy, payment for medical expenditure by a mode other than cash would be allowed as deduction to the extent of ₹ 50,000] Deduction under section 80TTA			
	Interest on savings bank account to the extent of ₹ 10,000		10,000	1,81,000
	Total income			38,55,350

Computation of tax liability of Mr. Ashish for A.Y. 2025-26

Particulars	₹	₹
Tax on total income of ₹ 38,55,350		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 - ₹ 10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001-₹ 38,55,350 [@30% of ₹ 28,55,350]	8,56,605	
Add: Health and education cess @ 4%		9,69,105
		38,764
Tax liability		10,07,869
Tax liability (rounded off)		10,07,870

Illustration 04 [PYQ Dec 2021]

Mr. Shivansh, a resident and ordinarily resident aged 61 years, is engaged in the business of manufacturing of motor parts. He is subject to tax audit under section 44AB of Income Tax Act, 1961. He has provided following information:

Profit & Loss Account for the year ended 31st March, 2025

Particulars	(₹)	Particulars	(₹)
To Administrative expenses	4,30,000	By Gross Profit	58,30,000
To Salaries & wages	20,00,000	By Profit on sale of asset of scientific research	2,00,000
To Interest on loans	7,50,000		
To Depreciation	6,17,000		
To Professional fees	2,70,000	By Winning from lottery (Net of TDS @30%)	31,500
To Rent, rates & taxes	2,80,000		
To Travelling & conveyance	1,40,000		
To Net Profit	15,74,500		
Total	60,61,500	Total	60,61,500

Explanatory information:

- Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 4,50,000 and Closing stock of ₹ 5,58,000 was shown.
- Salaries & wages include following items :
 - Contributed 20% of basic salary in National Pension Scheme referred to section 80CCD regarding salary paid to an employee Mr. Ganesh who has withdrawn basic salary of ₹ 3,00,000, and Dearness allowance is 40% of basic salary. 50% of Dearness allowance forms part of the salary.

- (b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 2,40,000 was paid to them on 1st January, 2025.
3. Interest on loan includes interest paid @ 15% per annum on loan of ₹ 12,00,000 which was taken from State Bank of India on 01.05.2023 for purchase of new electric car of ₹ 15,00,000. The car is used for personal purpose.
 4. Depreciation allowable as per Income Tax Rules, 1962 is ₹ 4,50,000 but during the calculation of such depreciation following addition was not considered:
Motor car purchased for ₹ 3,00,000 for supply of finished goods to dealers on 25-08-2024.
 5. An asset was purchased for ₹ 6,00,000 on 17-11-23 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-09-2024 for a consideration of ₹ 8,00,000.

Other information:

A plot of Industrial land which was used by Mr. Shivansh for business purpose for last 10 years was compulsorily acquired by Central Government on 07.05.2024. The compensation of ₹ 12,00,000 was received on 27.02.2025. Such property was purchased by him on 08.08.2005 for ₹ 2,00,000. He has purchased another plot of industrial land on 21.04.2025 for ₹ 6,00,000. Government has also paid ₹ 54,000 as interest on such compensation on 28.03.2025.

Cost Inflation Indices: F.Y. 2024-25 : 363, F.Y. 2005-06: 117 Compute the total income and tax liability of Mr. Shivansh for the assessment year 2025-26 assuming that he has not opted provisions of section 115BAC. Ignore Provisions relating to AMT.

Solution

Computation of total income of Mr, Shivansh for A.Y. 2025-26

	Particulars	₹	₹	₹
I.	Income from business or profession			
	Net Profit		15,74,500	
	Add: Items debited but not allowable/item not credited but taxable while computing business income:			
	— Employer's contribution to NPS in excess of 10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 24,000 [₹ 60,000, being 20% of ₹ 3,00,000 less ₹ 36,000 being 10% of ₹ 3,60,000 ₹ 3,00,000 + 20% of ₹ 3,00,000] has to be added back.	24,000		
	— VRS expenditure-1/5 th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to	1,92,000		

	Profit and Loss A/c, 4/5 th has to be added back [₹ 2,40,000 x 4/5].			
	— Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 1,65,000 [₹ 12,00,000 x 15% x 11/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.	1,65,000		
	— Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41 (3) in the year of sale to the extent of lower of ₹ 6,00,000 (being the deduction allowed u/s 35) and ₹ 8,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 8,00,000 + ₹ 6,00,000) over the capital expenditure incurred of ₹ 6,00,000	6,00,000		
	— Undervaluation of stock [(₹ 5,58,000 - ₹ 4,50,000) x 10/90]	12,000		
	Note: Alternatively, undervaluation of closing stock i.e., ₹ 62,000 can be added back and under valuation of opening stock i.e., ₹ 50,000 can be reduced from net profits.			
	— Depreciation as per books of A/c	6,17,000		
			16,10,000	
			31,84,500	
	Less: Depreciation as per Income-tax Rules	4,50,000		
	Depreciation on Motor car purchased for supply of finished goods [₹3,00,000x 15%]	45,000	4,95,000	
			26,89,500	
	Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income:			
	— Profit on sale of asset of scientific research [Taxable under the head “Capital Gains”]	2,00,000		
	— Winning from lottery [Taxable under the head “Income from other sources”]	31,500	2,31,500	
				24,58,000
II.	Capital Gain Short-term capital gains			
	Sale of asset acquired for conducting scientific research:			

	Sales consideration	8,00,000		
	Less: Cost of acquisition	6,00,000		
	Short- term capital gain Long-term capital gains		2,00,000	
	Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5):			
	Compensation received	12,00,000		
	Less: Indexed cost of acquisition [₹2,00,000 x 363/117]	6,20,513		
	Long-term capital gain [since such plot is held for more than 24 months]	5,79,487		
	Less: Exemption u/s 54D			
	— Acquisition of industrial plot within 3 years	6,00,000	-	2,00,000
III.	Income from other sources			
	Winning from lottery [₹ 31,500 x 100/70]		45,000	
	Interest on enhanced compensation	54,000		
	Less: 50% of enhanced compensation	27,000	27,000	72,000
	Gross Total Income			27,30,000
	Less: Deduction under Chapter VI-A			
	Deduction under section 80EEB			
	Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of			1,50,000
	Total Income (rounded of)			25,80,000

Computation of tax liability of Mr. Shivansh for A.Y.2025-26

Particulars	₹	₹
Tax on winning from lottery @30% of ₹ 45,000		13,500
Tax on total income (excluding winning from lottery) of ₹ 25,35,000		
Upto ₹ 3,00,000 [since Mr. Shivansh, a senior citizen, he is eligible for higher exemption limit]	Nil	
₹ 3,00,001 - ₹ 5,00,000[@5% of ₹ 2.00 lakh]	10,000	
₹ 5,00,001 - ₹ 10,00,000[@20% of ₹ 5 lakh]	1,00,000	
₹ 10,00,001 - ₹ 25,35,000 [@30% of ₹ 15,35,000]	4,60,500	
		5,70,500
		5,83,500
Add: Health and education cess @4%		23,340
Tax liability		6,06,840
Tax liability (rounded off)		6,06,840

Illustration 05 [PYQ May 2022]

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2025, you are requested to compute his total

income and tax Payable for the Assessment Year 2025-26. (Assuming he do not opt for the Section 115BAC):

- (i) He sold his vacant land on 09.12.2024 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 5.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2024-25 and 2001-02 are 363 and 100 respectively.
- (ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2022-23. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.
- (iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.
- (iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child.

Solution

Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2025 -26

Particulars	Amount (₹)	Amount (₹)
Profits and gains from business or profession		
Profit from SEZ undertaking		30,00,000
Capital Gains		
Long term capital gain on sale of-vacant land [since land held for a period of more than 24 months, it is long-term capital asset]		
As per section 50C, Full value of consideration would be stamp duty value since it exceeds 110% of actual sale consideration	19,00,000	
Less: cost of acquisition	5,00,000	
Cost of acquisition, being higher of		14,00,000
- Actual cost (₹ 3,40,000 + ₹ 15,000) ₹ 3,55,000		
- lower of FMV of ₹ 6,00,000 and ₹ 5,00,000		
stamp duty value of ₹ 5,00,000 as on 1.4.2001		
Income from other sources		
Income from crossword puzzles	10,000	
Interest on fixed deposit	15,000	
		25,000
Gross Total Income		44,25,000
Less: Deductions under Chapter VI-A		
Under section 80C - Tuition fees of two children		24,000
Less: Deduction under section 10AA		12,00,000

(₹ 30,00,000 x 120 lakhs/300 lakhs) x 100 %, being 3 rd year of operation		
Total Income		32,01,000
Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961		
Tax on LTCG @ 12.5% of ₹ 14,00,000		1,75,000
Tax on income from crossword puzzles @30% of ₹ 10,000		3,000
Tax on remaining amount of ₹ 17,91,000 [₹ 2,37,300 (30% of ₹ 7,91,000) + ₹ 1,12,500]		3,49,800
		5,27,800
Add: Health and education cess @4%		21,112
Tax Payable under the regular provisions of the Act		5,48,912
Tax Payable under the regular provisions of the Act (rounded off)		5,48,910

Computation of Adjusted Total Income and Alternate Minimum Tax (AMT) payable

Particulars	Amount (₹)
Total Income computed under the regular provisions of the Act	32,01,000
Add: Deduction u/s 10AA	12,00,000
Adjusted Total Income	44,01,000
Alternate Minimum Tax@18.5%	8,14,185
Add: Health and Education cess @4%	32,567.4
AMT	8,46,752.4
AMT (rounded off)	8,56,750
Since the regular income-tax payable is less than the AMT payable, the adjusted total income of ₹ 44,01,000 shall be deemed as the total income and tax is leviable@18.5% thereof plus cess@4%. Therefore, his tax liability would be ₹ 8,56,750. However, he would be entitled to AMT credit of ₹ 3,07,840 (₹ 8,56,750 - ₹5,48,910)	

Illustration 06 [PYQ Nov 2022]

Dr. Rohan, 82 years old resident surgeon, having his Nursing Home in Mumbai, gives the following particulars for the year ended on 31.03.2025.

Receipts	₹	Payments	₹
Op. Balance b/d	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2024 received in April, 2024		Entertainment Expenses	1,10,000
IPD 40,000 OPD 45,000	85,000	Purchase of Television	48,000
Dividend from shares (net)	18,900	Gift to daughter-in-law	60,000
Fees received during the year	10,25,000	Interest on loan for repairs to property	65,000
Gifts received from relatives of patients	45,000	Personal medical expenses	70,000

Honorarium for painting services in Jai Hind Art School (net)	22,500	Deposits in PPF A/c.	55,000
Income Tax Refund (Including interest ₹ 1,500)	12,100	Nursing Home expenses	3,75,000
		Prof, fees paid for consulting services	1,20,000
		Purchase of furniture at home	1,35,000
		Personal Expenses	3,00,000
		Balance c/f	2,04,500
	19,18,500		19,18,500

Other Information :

- (a) He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- (b) Salary includes ₹ 60,000 paid to his sister who is a qualified nurse paid in cash.
- (c) Entertainment expenses includes ₹ 25,000 for dinner to doctors in a five star hotel.
- (d) Interest on loan for repairs to property includes ₹ 40,000 for his residential property.
- (e) His daughter in law earned income of ₹ 10,000 from the amount received as gift.
- (f) Fixed Assets values as on 01.04.2022 are as under :-
Nursing Home Equipment's ₹ 2,20,000, Medical Books (incl. annual publications ₹ 10,000) ₹ 35,000, Laptop ₹ 40,000.
- (g) Television purchased for nursing home purpose on 21.09.2024 is put to use on 03.10.2024.
- (h) He has donated ₹ 10,000 towards PM CARES Fund on 15.08.2024.

You are required to:

Compute the total income and tax payable by him for A.Y. 2025-26 as per the regular provisions of the Income-tax Act, 1961. Assume that he has not opted for section 115 BAC.

What will be his total income and tax payable, if he opts for the provisions of section 44ADA Will it be more beneficial for him to adopt 44ADA ?

Solution

Computation of total income and tax payable by Dr. Rohan for A.Y. 2025-26 as per the regular provisions of the Act:

	Particulars	₹	₹	₹
I	Income from house property			
	Annual value [Assuming residential property self-occupied]		Nil	
	Less: Deduction under section 24(b)			
	Interest on loan for repairs to property, ₹ 40,000, restricted to		30,000	
	Loss from self-occupied property			(30,000)

	[Can be set-off against Profits and gains of business or profession or Income from other sources]			
II	Profits and gains from business and profession			
	Gross Receipts			
	Fees from visits to other hospitals [5,85,000/90%]	6,50,000		
	Fees for March 2024 received in April 2024 [Fees for March 2024 is chargeable to tax during P.Y. 2024-25, since Dr. Rohan is following cash system of accounting] [40,000 + 45,000]	85,000		
	Fees received during the year	10,25,000	17,60,000	
	Less: Permissible deductions			
	Salary to staff [Salary paid to his sister who is a qualified nurse in cash disallowed under section 40A(3), since such cash payment exceeds ₹ 10,000] [₹ 3,50,000 - ₹ 60,000]	2,90,000		
	Taxes and insurance	26,000		
	Entertainment expenses, including dinner to doctors [Assuming that the entire sum was incurred wholly and exclusively for business purpose]	1,10,000		
	Interest on loan for repair to property [to the extent relating to business] = ₹ 65,000 - ₹ 40,000, relating to residential property	25,000		
	Nursing home expenses	3,75,000		
	Professional fees paid for consulting services	1,20,000	9,46,000	
			8,14,000	
	Less: Depreciation under section 32			
	Nursing home equipment's [2,20,000 x 15%]	33,000		
	Note: Nursing home equipment would be eligible for depreciation @15%, being the general rate for plant and machinery. The main solution has, accordingly, been worked out applying 15%. However, if such equipment are in the nature of life saving medical equipment, they would be eligible for higher depreciation @40%. If 40% rate is applied, depreciation would be ₹ 88,000			
	Medical books [35,000 x 40%]	14,000		
	Laptop [40,000 x 40%]	16,000		
	Television [48,000 x 15%, since the television is put to use for 180 days during the P.Y. 2024-25]	7,200	70,200	
	Note: Television would be eligible for depreciation @15%. However, television			

	connected to laptop or other medical equipment and used by Doctor may be classified as plant and machinery eligible for depreciation @40%. If 40% rate is applied, depreciation for TV would be ₹ 19,200.			
	Also, it is possible to take a view that Television is furniture and fixtures qualifying for depreciation @10%. If 10% rate is applied, depreciation for TV would be ₹ 4,800.			7,43,800
III	Income from Other Sources			
	Dividend from shares [18,900/90%]		21,000	
	Honorarium for painting services in Jai Hind Art School [22,500/90%]		25,000	
	Honorarium (Alternative without TDS) - 22,500			
	Note: In the question, it is mentioned that Dr. Rohan has received Honorarium for painting services in Jai Hind Art School (Net) of ₹ 22,500. Since the threshold limit for deducting tax at source under section 194J is ₹ 30,000, there is no requirement to deduct tax at source on such income. Accordingly, question can be answered without grossing up the amount of honorarium of ₹ 22,500. ,			
	Interest on income-tax refund		1,500	
	Gift received from relative of patients [exempt u/s 56(2) (x)]		Nil	
	Income earned from gift to daughter in law [Income earned by daughter in law from asset gifted without consideration to her by Dr. Rohan is includible in the hands of Dr. Rohan]		10,000	57,500
	Gross Total Income			7,71,300
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Deposits in PPF		55,000	
	Deduction under section 80D			
	Medical expenses to the extent of ₹ 50,000 since Dr. Rohan is a senior citizen (assuming he has not taken any medical insurance policy)		50,000	
	Deduction under section 80G			
	Donation towards PM CARES Fund		10,000	1,15,000
	Total Income			6,56,300
	Tax Payable			
	Upto ₹ 5,00,000 [since Dr. Rohan is aged 80 years or above]		Nil	
	₹ 5,00,001 to ₹ 6,56,300 [₹ 1,56,300 @20%]		31,260	31,260

Add: HEC@4%			1,250
Tax liability			32,510
Less: TDS on fees from visits to other hospitals		65,000	
TDS on dividend from shares		2,100	
TDS on honorarium for painting services in Jai Hind art School		2,500	69,600
Tax Refundable			37,090

Computation of total income and tax payable by Dr. Rohan for A.Y. 2025-26 if he opts for section 44ADA

Particulars	₹	₹
I Income from house property		
Loss from self occupied property		(30,000)
II Income from business or profession		
Income from profession [17,60,000 x 50%]		
[No other expenditure or depreciation is allowed]		8,80,000
III Income from Other Sources		57,500
Gross Total Income		9,07,500
Less: Deduction under Chapter VI-A		1,15,000
Total Income		7,92,500
Tax Payable		
Upto ₹ 5,00,000	Nil	
₹ 5,00,001 to ₹ 7,92,500 [2,92,500@20%]	58,500	58,500
Add: HEC@4%		2,340
Tax liability		60,840
Less: TDS		69,600
Tax Refundable		8,760
Since tax refundable in case Dr. Rohan opts for the provisions of section 44ADA is lower than the regular provisions of the Act, it would be beneficial for him not to opt for section 44ADA and get his books of account audited and declare income under the regular provisions.		

Illustration 07 [PYQ May 2023]

Mr. Bhasin, a resident individual, aged 52 years, provides management consultancy services to various corporate and non-corporate clients. His Income & Expenditure A/c for the year ended 31st March, 2025 is as under:

Expenditure	Amount (₹)	Income	Amount (₹)
To Employees' Remuneration	15,00,000	By Gross Receipts from Profession (last year ₹ 75,00,000) (No TDS was deducted from any of the receipts)	60,60,000
To Office & Administrative Expenses	5,00,000	By Interest on Savings Bank Account	25,000

To Rates and Taxes	15,000	By Winnings from Lottery (Net of cost of lottery tickets of ₹ 500/-)	99,500
To Interest Expenses	80,000	By Rent Received	2,40,000
To Office Rent	2,40,000		
To Insurance Premium	72,000		
To Professional Fees	2,00,000		
To Depreciation on Computers	1,20,000		
To Excess of Income over Expenditure	36,97,500		
	64,24,500		64,24,500

The following details relates to F.Y.2024-25:

- (i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.
- (ii) Mr. Bhasin owns a big house with 2 independent units. Unit -1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit -2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence-cum-office. Other particulars of the house are:
Municipal Valuation- ₹ 3,60,000 p.a.
Fair Rent - ₹ 4,20,000 p.a.
Standard Rent under Rent Control Act - ₹ 4,00,000 p.a.
- (iii) Rates and Taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.
- (iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in F.Y.2010-11. Neither the loan nor the interest was paid till the due date of filing the return of income.
- (v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.
- (vi) The expenses on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2024 to 30th June, 2027 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.
- (vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to a Mr. Raunak, an Indian resident on which no tax was deducted at source.
- (viii) There was only one block containing computers which came into existence only on 2nd April, 2024 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% on the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.
- (ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y.2024-25, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y.2025-26 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under Section 115BAC. Also calculate the total tax payable by him.

Solution

Computation of total income and tax payable by Mr. Bhasin for A.Y. 2025-26

	Particulars	₹	₹	₹
I	Income from Salaries			
	Salary of Mrs. Beena [Remuneration paid by Mr. Bhasin to his wife Mrs. Beena who is employed as a manager in his office would be included in his hands, since Mrs. Beena does not have any technical or professional qualification or experience required for the job]		3,00,000	
	Less: Standard deduction u/s 16(ia)		50,000	2,50,000
II	Income from house property			
	Let out portion (Unit 1 - 50% area)			
	Gross Annual Value [Higher of expected rent of ₹ 2,00,000 and actual rent of ₹ 2,40,000 (₹ 20,000 x 12)]	2,40,000		
	[Expected rent is higher of municipal value of ₹ 1,80,000 (3,60,000 x 50%) and fair rent of ₹ 2,10,000 (₹ 4,20,000 x 50%), restricted to standard rent of ₹ 2,00,000 (₹ 4,00,000 x 50%)]			
	Less: Municipal taxes paid for let out portion (₹ 10,000 x 50%)	5,000		
	Net Annual Value (NAV)	2,35,000		
	Less: Deduction under section 24			
	(a) 30% of NAV	70,500		
	(b) Interest on capital borrowed for construction of house relating to let out portion (80,000 x 50%), (allowed on accrual basis)	40,000		
	Income from let out portion		1,24,500	
	Self-occupied (Unit 2 - 25%)			
	[Since Unit 2 representing 50% of the floor area is used for residence as well as business purpose, it is assumed that it is equally used for residence and business purpose]			
	Gross Annual Value	Nil		

	Less: Municipal taxes [not allowed for self- occupied property]	Nil		
	Net Annual Value	Nil		
	Less: Deduction under section 24(b)			
	Interest on loan for construction of house, ₹80,000 x 50% x 1/2 (allowable on accrual basis)			
	Loss from self-occupied portion		(20,000)	
	[Loss from self-occupied portion can be set off against income from let out portion]			1,04,500
III	Profits and gains from business and profession			
	Excess of income over expenditure			
	Add: Expenses debited to Income & Expenditure A/c but not allowable as deduction		36,97,500	
	Remuneration paid to his wife Mrs. Beena [As per section 40A(2) remuneration paid to Mrs. Beena is allowed, since it is as per market rates]	—		
	Municipal taxes attributable to let out and self- occupied portions not allowable [₹ 10,000 x 75%]	7,500		-
	Interest on capital borrowed for construction of house attributable to let out and self- occupied portion not allowable [₹ 80,000 x 75%]	60,000		
	Interest on capital borrowed from bank for construction of house attributable to business portion i.e., 25% of ₹80,000 [not allowable, since it is not paid on or before due date of filing return of income by virtue of section 43B]	20,000		
	Notional rent for Unit 2 used for business or profession [not allowable under section 30, since Mr. Bhasin himself is the owner of the property]	2,40,000		
	Insurance premium [Personal expenditure not allowable]	72,000		
	Professional fees to Mr. Raunak without deducting TDS [₹ 1,00,000 x 30%] [Mr. Bhasin is required to deduct TDS on professional fees payment to Mr. Raunak since his gross receipts from profession]	30,000		

	exceeds ₹ 50 lakhs during the P.Y. 2023-24. 30% of the sum paid to Mr. Raunak, resident without deducting tax to be disallowed in P.Y. 2024-25]			
	Depreciation as per books	1,20,000	5,49,500	
			42,47,000	
	Less: Income credited to Income & Expenditure A/c but not taxable as business income			
	Interest on savings bank account [taxable under the head "Income from other sources"]	25,000		
	Winnings from lottery [taxable under the head "Income from other sources"]	99,500		
	Rent received [taxable under the head "Income from house property"]	2,40,000	3,64,500	
			38,82,500	
	Less: Depreciation allowable [2,00,000 (₹ 1,60,000, being new laptops + ₹ 40,000, being printers) x 40%, i.e., 64,000+16,000 as it was put to use for more than 180 days in the P.Y. 2024-25. Printers and scanners for ₹ 40,000 are eligible for higher depreciation of 40%]		80,000	
IV	Income from Other Sources			38,02,500
	Interest on savings bank account		25,000	
	Winnings from Lottery [No expenditure or allowance is allowed from lottery income]		1,00,000	
				1,25,000
	Gross Total Income			42,82,000
	Less: Deduction under Chapter VI-A			
	Deduction under section 80D			
	Medical insurance premium [₹ 72,000 x 1/4, being the previous years in which insurance would be in force] [allowable for self, spouse and dependent children]		18,000	
	Deduction under section 80E			
	Interest on loan taken from a nationalised bank for higher education of son		40,000	
	Deduction under section 80TTA			
	Interest on saving bank account to the extent of		10,000	68,000
	Total Income			42,14,000

Tax Payable			
On lottery income [30% of ₹ 1,00,000]		30,000	
On other income of ₹ 41,14,000			
Upto ₹ 2,50,000	Nil		
₹ 2,50,000 @5% [₹ 2,50,000 - ₹ 5,00,000]	12,500		
₹ 5,00,000 @20% [₹ 5,00,000 - ₹10,00,000]	1,00,000		
₹ 31,14,000 @30% [₹ 10,00,000 - ₹41,14,000]	9,34,200	10,46,700	10,76,700
Less: HEC@4%			43,068
Tax liability			11,19,768
Less: TDS on lottery winnings @30% u/s 194B			30,000
Tax payable			10,89,768
Tax payable (rounded off)			10,89,770

Illustration 08 [RTP Sep 2024]

Mr. Anand, a resident Indian aged 45 years, has provided you the following information for the previous year ended on 31.03.2025

- (i) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was ₹ 200 lakhs. Export turnover received in India in convertible foreign exchange on or before 30.9.2025 is ₹ 120 lakhs. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 35 lakhs.

- (ii) Mr. Anand sold equity shares of different Indian companies on 14th March, 2025:

Name	Sale value (per share)	Purchase price (per share)	Acquired on	No. of shares	FMV as on 31.1.2018
Sam Ltd.	₹ 150	₹ 120 (STT paid at acquisition)	2 nd Feb, 2025	2000	-
Jam Ltd.	₹ 100	₹ 72 (STT paid at acquisition)	16 th April, 2017	1250	50

CII – F.Y. 2017-18: 272; F.Y. 2024-25: 363

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration.

- (iii) He made payment of ₹ 90,000 on 1.9.2024 vide cheque towards medical insurance as lumpsum premium for himself and his wife till 31.8.2028. He also made cash payment of ₹ 7,500 towards preventive health checkup for himself and his wife.
- (iv) He received royalty of ₹ 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 16% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2025 is ₹ 2,50,000.

(v) He received income-tax refund of ₹15,750 (including interest ₹ 1,750) relating to the assessment year 2024-25.

(vi) He occupies ground floor of his residential building and has let out first floor for residential use for a monthly rent of ₹ 15,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both floors are of equal size. He has taken a loan from bank of ₹ 50 lakhs for the construction of this property in 2020 and has repaid ₹ 2,05,000 (including interest ₹1,00,000) during the year 2024-25.

(vii) Mr. Anand deposited ₹ 1,30,000 in Public Provident Fund and ₹ 80,000 in 5 years term deposit in the name of his minor son, Aman.

You are required to compute the total income and tax liability of Mr. Anand under section 115BAC as well as under normal provisions for the A.Y. 2025-26. Ignore AMT provisions.

Solution

Computation of total income and tax liability of Mr. Anand for A.Y. 2025-26 under section 115BAC

	Particulars	₹	₹	₹
I.	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		1,80,000	
	Less: Municipal taxes paid by him in the P.Y. 2024-25 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		1,65,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,65,000	49,500		
	(b) Interest on loan [₹ 1,00,000/2]	50,000	99,500	
	Self-occupied portion [Ground Floor]		65,500	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Net Annual Value (NAV)		Nil	
	Less: Interest on loan [Not allowable under section 115BAC]		Nil	65,500
II.	PGBP			
	Income from SEZ unit			35,00,000
III.	Capital Gains			
	Short-term capital gains on sale of equity shares of Sam Ltd. (since held for not more than 12 months)			
	Full Value of Consideration [2000 x ₹ 150]	3,00,000		

	Less: Brokerage @ 0.1%	300		
	Net sale consideration	2,99,700		

IV.	Less: Cost of acquisition [₹ 2000 x 120]	2,40,000	59,700	
	Long-term capital gains on sale of equity shares of Jam Ltd. (since held for more than 12 months)			
	Full Value of Consideration [1250 x ₹ 100]	1,25,000		
	Less: Brokerage @ 0.1%	125		
	Net sale consideration	1,24,875		
	Less: Cost of acquisition [No indexation benefit would be available]	90,000	34,875	94,575
	Higher of cost of acquisition of ₹ 90,000 (72 x 1250) and ₹ 62,500, being lower of FMV of ₹ 62,500 and full value of consideration of ₹ 1,25,000			
	Income from Other Sources			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on income-tax refund		1,750	
				2,49,750
	Gross Total Income			39,09,825
	Less: Deduction under Chapter VI-A [Not allowable under section 115BAC]			-
	Total Income			39,09,825
	Total Income (Rounded off)			39,09,830

	Tax on total income of ₹ 39,09,830		
	Tax on LTCG exceeding ₹ 1.25 lakhs @12.5% u/s 112A		-
	Tax on STCG of ₹ 59,700 @20% u/s 111A		11,940
	Tax on remaining total income of ₹ 38,15,255		
	Upto ₹ 3,00,000	Nil	
	₹ 3,00,001 - ₹ 7,00,000[@5% of ₹ 4 lakhs]	20,000	
	₹ 7,00,001 - ₹ 10,00,000[@10% of ₹ 3 lakhs]	30,000	
	₹ 10,00,001 - ₹ 12,00,000[@15% of ₹ 2 lakhs]	30,000	
	₹ 12,00,001 - ₹ 15,00,000[@20% of ₹ 3 lakhs]	60,000	
	₹ 15,00,001 - ₹ 38,15,255[@30% of ₹ 23,15,255]	6,94,577	8,34,577
			8,46,517
	Add: Health and education cess@4%		33,861

	Tax liability		8,80,378
	Tax liability (Rounded off)		8,80,380

**Computation of total income and tax liability of Mr. Anand for
A.Y. 2025-26 under normal provisions of the Act**

Particulars	₹	₹	₹
Gross Total Income as per section 115BAC			39,09,825
Less: Interest on loan for self occupied property [₹ 1,00,000/2]			50,000
Gross Total Income as per normal provisions of the Act			38,59,825

Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2024-25, being the 5 th year of operations]			21,00,000
[Profits of the SEZ x Export Turnover received in India in convertible foreign exchange on or before 30.9.2025/Total Turnover] x 100%			
[₹ 35 lakhs x ₹ 120 lakhs/ ₹ 200 lakhs x 100%]			
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Repayment of housing loan	1,05,000		
Public Provident Fund	1,30,000		
5 years Term deposit (not allowed as deduction in the name of minor son)	-		
Restricted to	2,35,000	1,50,000	
Deduction under section 80D			
Medical insurance premium [90,000 x 1/5]	18,000		
Preventive health check up of ₹ 7,500, subject to maximum of ₹ 5,000	5,000	23,000	
Deduction under section 80QPB		2,10,000	
Royalty [₹ 2,88,000 x 15/16 = ₹ 2,70,000, restricted to amount brought into India in convertible			

foreign exchange ₹ 2,50,000 minus ₹ 40,000 expenses already allowed as deduction while computing royalty income]			
Total Income			3,83,000
Total Income (Rounded off)			13,76,825

			13,76,830
Tax on total income of ₹ 13,76,830			
Tax on LTCG exceeding ₹ 1.25 lakhs @12.5% u/s 112A			-
Tax on STCG of ₹ 59,700 @20% u/s 111A			11,940
Tax on remaining total income of ₹ 12,82,255			
Upto ₹ 2,50,000	Nil		
₹ 2,50,001 - ₹ 5,00,000[@5% of ₹ 2,50,000]	12,500		
₹ 5,00,001 - ₹ 10,00,000[@20% of ₹ 5,00,000]	1,00,000		
₹ 10,00,001 - ₹ 12,82,255[@30% of ₹ 2,82,255]	84,677		1,97,177
Add: Health and education cess@4%			2,09,117
Tax liability			8,365
Tax liability (rounded off)			2,17,482
			2,17,480

Illustration 09 [RTP May 2024]

Mr. Rajesh is a working partner in M/s Sunflower Associates, a partnership firm. Mr. Rajesh has contributed ₹ 15 lakhs as capital in the firm.

Partnership deed authorises payment of interest to partners @ 13% and also payment of remuneration to partners @20,000 per month. Whole of the remuneration is allowable as deduction to M/s Sunflower Associates.

Mr. Rajesh has set up a unit in SEZ in May, 2018. The total turnover, export turnover and net profit for the year ended 31.3.2025 were ₹ 120 lakhs, ₹ 45 lakhs and ₹ 7.5 lakhs respectively. Out of the export turnover of ₹ 45 lakhs, only ₹ 40 lakhs has been received in convertible foreign exchange by 30.9.2025.

During the P.Y. 2024-25, Mr. Rajesh has commenced a business of warehousing facility for storage of edible oil. The net profit of this business as per profit & loss account is ₹ 7,50,000. The following items are debited to Profit & Loss Account:

- (i) Personal drawings ₹ 70,000
- (ii) Advance income-tax paid ₹ 1,00,000
- (iii) Purchase of warehouse building of ₹ 10 lakhs on 10.6.2024 for the purpose of storage of edible oil.

The following items are credited to Profit & Loss account:

- (i) Interest on saving bank account with post office ₹ 15,000
- (ii) Interest on fixed deposit with SBI ₹ 20,000
- (iii) Dividend from Indian companies (Gross) ₹ 32,000

He has paid the premium of ₹ 60,000 on life insurance policy in the name of her married daughter. The policy was taken on 1.10.2018 and the sum assured being ₹ 5,00,000.

Compute the total income and tax payable by Mr. Rajesh for the A.Y. 2025-26 under default tax regime and normal provisions of the Act.

Solution

Computation of total income of Mr. Rajesh for the A.Y. 2025-26 under default tax regime under section 115BAC

	Particulars	Amount (in ₹)
I	Profits and gains of business and profession	

	Income from firm M/s Sunflower Associates		
	Interest on capital@13% p.a. on ₹ 15 lakhs, restricted to 12%, which is the maximum deduction allowable in the hands of the firm	1,80,000	
	Salary to Mr. Rajesh as a working partner, which is allowable as deduction in the hands of firm (₹ 20,000 x 12)	<u>2,40,000</u>	4,20,000
	Profit from SEZ unit		
	Net profit from SEZ unit		7,50,000
	Income from warehousing facility for storage of edible oil		
	Net profit as per profit and loss account	7,50,000	
	Less: Income credited to profit and loss account but taxable under the head 'Income from Other Sources'		
	Interest on savings bank A/c with post office	15,000	
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	<u>32,000</u>	
		6,83,000	

II	Add: Payments not allowable as deduction		
	Advance income-tax paid disallowed u/s 40(a)(ii)	1,00,000	
	Personal drawings disallowed u/s 37	70,000	
	Purchase of building	<u>10,00,000</u>	
		18,53,000	
	Less: Depreciation on building [₹ 10,00,000 x 10%]	<u>1,00,000</u>	17,53,000
	Income from Other Sources		
	Interest on savings bank A/c with post office	15,000	
	Less: Exempt under section 10(15)	<u>3,500</u>	11,500
	Interest on fixed deposit with SBI	20,000	
	Dividend from Indian companies (Gross)	<u>32,000</u>	63,500
	Gross Total Income/ Total Income		29,86,500
	[No deduction under section 80C, 80TTA and 10AA would be allowable]		

Computation of tax payable under default tax regime for A.Y. 2025-26

	₹	₹
Tax on total income of ₹ 29,86,500		
On first ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001 – ₹ 12,00,000 [@15% of ₹ 2 lakhs]	30,000	

₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹ 15,00,001 - ₹ 29,86,500 [@30% of ₹ 14,86,500]	4,45,950	
		5,85,950
Add: Health and Education cess @4%		23,438
		6,09,388
Less: Advance income-tax paid		1,00,000
Tax payable		5,09,388
Tax Payable (Rounded off)		5,09,390

Computation of total income of Mr. Rajesh for the A.Y. 2025-26 under normal provisions of the Act

Particulars	Amount (in ₹)	
Gross Total Income as per section 115BAC	29,86,500	
Less: Deduction under section 10AA [₹ 7,50,000 x 40,00,000 / ₹ 1,20,00,000 x 50%, being seventh year of operation]	1,25,000	28,61,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium [maximum 10% of sum assured]	50,000	
Deduction under section 80TTA		
Interest on saving bank account with post office, restricted to	10,000	60,000
Total Income		28,01,500

Computation of tax payable by Mr. Rajesh for A.Y. 2025-26 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 28,01,500		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakhs]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,001 - ₹ 28,01,500 [@30% of ₹ 18,01,500]	5,40,450	6,52,950
Add: Health and education cess@4%		26,118
Total tax liability		6,79,068
Less: Advance income-tax paid		1,00,000
Tax payable		5,79,068
Tax payable (rounded off)		5,79,070

Computation of adjusted total income and AMT of Mr. Rajesh for A.Y. 2025-26

Particulars	₹
Total Income (computed above as per regular provisions of income tax)	28,01,500
Add: Deduction under section 10AA	1,25,000

Adjusted Total Income	29,26,500
Alternative Minimum Tax@18.5%	5,41,403
Add: Health and education cess@4%	21,656
Total tax liability	5,63,059
Less: Advance income-tax paid	1,00,000
Tax payable	4,63,059
Tax payable (rounded off)	4,63,060

Since alternate minimum tax payable is less than the regular income-tax payable, tax payable under normal provisions of the Act is ₹ 5,79,070.

Illustration 10 [PYQ May 2024]

Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025.

Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	43,50,000
To Purchase of Raw Materials	17,20,500	By Closing Stock	2,00,000
To Manufacturing Wages & Expenses	5,80,500		
To Gross Profit	21,78,000		
Total	45,50,000	Total	45,50,000
To Administrative Charges	2,90,000	By Gross Profit	21,78,000
To SGST Penalty Paid		By Dividend From Domestic Companies	15,000
(It is not compensatory nature)	7,000	By Winning from	

To GST Paid	1,10,000	Lotteries (Net of TDS) (TDS 4,500)	10,500
To General Expenses	55,000	By Profit on Sale of Shares	45,000
To Miscellaneous Expenses	1,50,500		
To Loss on Sale of Shares	20,000		
To Interest to Bank (on Machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	13,56,000		
Total	22,48,500	Total	22,48,500

Following are the further information relating to Financial Year 2024 -2025:

- (i) Administrative Charges include ₹ 46,000 paid as commission to brother of Assessee. The Commission amount at the market rate in ₹ 36,000.

- (ii) The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2024. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.)
- (iii) A Sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account.
- (iv) Bank Term Loan Interest actually paid upto 31.03.2024 was ₹ 20,000 and the balance was paid in October 2025.
- (v) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund.
- (vi) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- (vii) Profit on Sale of Shares represents shares held for 2 years & Securities Transaction Tax was paid on it.
- (viii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 Lakhs, loan value ₹ 25 Lakhs and sanction date 31.03.2017). These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).
- (ix) Depreciation allowable under the Act to be computed on the basis of following information:

Plant & Machinery (Depreciation Rate @15%)	₹
Opening WDV (as on 01.04.2024)	12,00,000
Additions During the year (Used for more than 180 Days)	2,00,000
Total Additions during the year	4,00,000
Note: Ignore Additional Depreciation u/s 32(1)(iia)	

Compute the total income and tax liability of Mr. Sahil for the A.Y. 2025 -26 if he has exercised the option of shifting out of the default tax regime provided under Section 115BAC(1A).

Solution

Computation of total income and tax liability of Mr. Sahil for A.Y. 2025-26

Particulars	₹
Income from house property	
Annual value of self-occupied property	Nil
Less: Deduction under section 24(b)	
Interest on housing loan of ₹ 2,60,000	2,00,000
restricted to ₹ 2,00,000	
	(2,00,000)
Profits and gains of business or profession	
Net Profit	13,56,000
Add: Expenses debited to Profit and loss	
A/c but not allowable as deduction or to be	
considered under other head	

- Commission paid to brother [Commission paid to a related person/relative to the extent it is excessive to market rate is disallowed under section 40A(2)]	10,000
- Cash payment to a Transport Carrier [Not disallowed under section 40A(3) since the limit for one time cash payment is ₹ 35,000 in respect of payment to transport operators]	Nil
- Interest to bank on term loan [Interest paid to bank after the due date of filing of return under section 139(1) is disallowed as per section 43B]	40,000
- Contribution to Prime Minister's Relief Fund [Not allowable since the same is not incurred wholly and exclusively for business purpose]	10,000
- SGST Penalty paid [SGST penalty paid is not compensatory in nature and therefore, not allowable]	7,000
- Loss on sale of shares	20,000
- Depreciation as per books of account	2,00,000
	16,43,000
Less: Incomes credited to profit and loss account but not taxable as business income	
- Dividend from Domestic Companies	15,000
- Winnings from lotteries	10,500
- Profit on sale of shares	45,000
	15,72,500
Less: Depreciation allowable as per Income- tax Rules, 1962	
On Plant & Machinery [@15% on ₹ 14,00,000, being opening WDV of ₹ 12 lakhs and additions put to use for more than 180 days of ₹ 2 lakhs + @7.5% on ₹ 2,00,000, being additions put to use for less than 180 days]	2,25,000
	13,47,500
[8% of sales i.e. ₹ 43,50,000 x 8% assuming entire amount of sales are not received by A/c payee cheque or A/c payee draft or ECS or other electronic prescribed modes]	3,48,000
Business Income	13,47,500
[As per section 44AD, in case of Mr. Sahil, being an eligible assessee, a sum equal to ₹ 3,48,000 (8% of total turnover i.e., ₹ 43,50,000) or as the case may be, a sum higher than the aforesaid sum claimed to have been earned by him would be deemed to be the business income. In this case, since Mr. Sahil has maintained books of account, he can claim the higher sum actually earned ₹ 13,47,500 as his income from business.] (See Note below the solution for alternate answer)	
Less: Set off of loss from house property as per section 71(3A)	2,00,000
	11,47,500

Add: Salary paid to staff not recorded in the books [Assuming the expenditure is in the nature of unexplained expenditure, the same is deemed to be income as per section 69C of Mr. Sahil. No deduction would be allowed in respect of such expenditure.] Alternatively, it is possible to assume that the salary not recorded in the books of account was an erroneous omission and the assessee has offered satisfactory explanation about the source of such expenditure. In such a case, it would not be considered as deemed income and the same would be allowed as deduction	48,000
	11,95,500

	while computing business income on the basis of books of accounts. In such a case, business income, total income and tax liability (rounded off) would be ₹ 10,99,500, ₹ 10,44,500 and ₹ 1,23,080.		
III	Capital Gains		
	Long term capital gains taxable u/s 112A [Since shares are held for 2 years and STT has been paid]	45,000	
	Less: Set off of short term capital loss as per section 70(2)	20,000	25,000
IV	Income from Other Sources		
	Dividend from Domestic Companies	15,000	
	Winning from lotteries (₹ 10,500 + ₹ 4,500)	15,000	
			30,000
	Gross Total Income		12,50,500
	Less: Deduction under Chapter VI-A		
	Deduction under section 80C		
	Principal repayment of housing loan	50,000	
	Deduction under section 80EE		
	Interest on housing loan of ₹ 60,000 [₹ 2,60,000 – ₹ 2,00,000, allowed u/s 24(b)] allowable under section 80EE upto ₹ 50,000	50,000	
	Deduction under section 80G		
	Contribution to Prime Minister's Relief Fund ²	10,000	1,10,000
	Total Income		11,40,500
	Tax Liability		
	Tax on LTCG of ₹ 25,000 u/s 112A [Exempt upto ₹ 1.25 lakh]		Nil
	Tax on winning from lotteries of ₹ 15,000 @30%		4,500

	Tax on unexplained expenditure of ₹ 48,000 @60%		28,800
	Tax on balance income of ₹ 10,52,500 at slab rate		
	Upto ₹ 2,50,000	Nil	
	From ₹ 2,50,001 to ₹ 5,00,000 @5%	12,500	
	From ₹ 5,00,001 to ₹ 10,00,000 @20%	1,00,000	

From ₹ 10,00,001 to ₹ 10,52,500 @30%	15,750	1,28,250
Add: Surcharge @25% on tax on unexplained expenditure of ₹ 28,800		1,61,550
		7,200
		1,68,750
Add: Health and education cess @4%		6,750
Tax Liability		1,75,500

Note – Alternatively, if Mr. Sahil claims his business income as ₹ 3,48,000 i.e., 8% of total turnover under section 44AD, his total income and tax liability would undergo a change.

Illustration 11 [PYQ Sep 2024]

Mr. Suraj, (39 years), his wife Megha (35 years) and minor son Dev (12 years), provide the following details of their income/losses for the previous year 2024-25:

Mr. Suraj

(i) Salary received as a partner from a partnership firm - ₹ 6,15,000

He is a working partner in the firm and the salary is as per the limits prescribed under section 40(b)

(ii) Income (loss) from house property:

Brought forward loss from House -A (let out) - ₹ 96,000 Current year loss from House B (let out) - ₹ 2,30,000

(iii) Interest received on enhanced compensation - ₹ 2,00,000

It relates to transfer of a piece of land in the financial year 2019-20.

Out of the above ₹ 35,000 relates to previous year 2024-25 and the balance relate to preceding previous year.

(iv) Gift from grandfather's younger sister by cheque - ₹ 1,25,000

(v) Dividend on listed equity shares of domestic companies (Gross) - ₹ 50,000

(vi) On 1st December 2024, Mr. Suraj received ₹ 75 lakhs as maturity proceeds from his life insurance policy which was taken on 1st May 2012. He paid ₹ 6,00,000 as annual premium and the sum assured was ₹ 65 lakhs.

Mrs. Megha

(i) Current year loss from business. (She carried on this business with funds which Mr. Suraj gifted to her) - ₹ 8,10,000.

(ii) Mrs. Megha purchased a house property from her "Stridhan" and gifted the same to her minor son, Dev on 1st April, 2024 out of love and affection. The FMV of the house on the date of transfer was ₹ 51 lakhs.

Master Dev

Rent received from house property received from Mrs. Megha - ₹ 35,000 p.m.

Compute total income of Mr. Suraj, Mrs. Megha and Dev for the assessment year 2025-26 assuming Mr. Suraj has decided to pay tax under default tax regime provided under section 115BAC, whereas Mrs. Megha and Dev have opted out of the default tax regime. Briefly explain the reasons for the treatment of each item.

Solution

Computation of total income of Mr. Suraj, Mrs. Megha and minor son Dev for A.Y. 2025-26

Particulars	Mr. Suraj [Under default tax regime] ₹	Mrs. Megha [Under normal provisions] ₹	Dev [Under normal provisions] ₹
Income from house property			
Annual Value [As per section 27, Mrs. Megha is the deemed owner of the house property transferred to minor son, Dev without consideration though such property is acquired from her "Stridhan"] [₹ 35,000 x 12]		4,20,000	
Less: Deduction @30% of NAV		1,26,000	
Brought forward loss from House A [Not allowed to be set-off against income from other heads]	-	2,94,000	
Current year loss of Mr. Suraj from House – B [Not allowed to be set-off against income from other heads since Mr. Suraj is paying tax under default tax regime]	-		

PGBP			
Salary from partnership firm	6,15,000		
Less: As per section 70, set off of current year loss from business of ₹ 8,10,000 to the extent of [Current year loss from business of his wife is allowed to be set off in the hands of Mr. Suraj since funds for business is gifted by him]	6,15,000		
Income from Other Sources	-		
Interest on enhanced compensation [Taxable in the year it is received]	2,00,000		
Less: Deduction @50%	1,00,000		
	1,00,000		
Gift from grandfather's sister [Taxable under section 56(2)(x), since grandfather's sister is not	1,25,000		

a relative and the amount of gift exceeds ₹ 50,000]			
Dividend on shares (gross)	50,000		
Maturity proceeds from LIC [Exempt under section 10(10D) since the annual premium payable does not exceed 10% of sum assured]	-		

Less: Set off of remaining business loss of ₹ 1,95,000	2,75,000		
	1,95,000		
Gift of house property from Mrs. Megha to Dev [Exempt since the gift is from a relative i.e., from his mother]	80,000		Nil
Taxable Income	80,000	2,94,000	-

Illustration 12 [RTP Nov 2023]

Mr. Jain, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2024-25 -

- (i) He has paid life insurance premium by cheque ₹ 27,000 to insure his life. The insurance policy was taken on 27.8.2018 and the sum assured is ₹ 2,20,000.
- (ii) He had written a literary book for Rochak Publication. A lump sum amount of royalty income earned in the previous year 2024-25 amounted to ₹ 9,00,000. Expenses incurred for writing the book amounted to ₹ 40,000.
- (iii) His friends gifted a statue of Goddess Saraswati to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is ₹ 65,000.
- (iv) He received a gold chain worth ₹ 68,000 from his in-laws on the occasion of his marriage anniversary
- (v) He had deposited ₹ 70,000 in fixed deposit with SBI in the name of his minor son in September 2024. Interest earned on such deposit ₹ 5,500.
- (vi) He donated ₹ 5,000 in cash to a NGO (the NGO was registered under section 80G of the Income-tax Act, 1961).
- (vii) He had taken a loan of ₹ 38,00,000 for the purchase of a house property valuing ₹ 45,00,000 for self-occupation from a financial institution on 1st May 2022. He repaid ₹ 1,80,000 during the P.Y. 2024-25 out of which ₹ 1,05,000 is towards principal payment and the balance is for interest on loan.

Compute the total income of Mr. Jain for the A.Y. 2025-26 if he does not opt for the provisions of section 115BAC.

Solution**Computation of total income of Mr. Jain for the A.Y.2025-26**

Particulars	₹	₹
Income from house property		

NAV	Nil	
Less: Interest on loan	75,000	(75,000)
Income from Other Sources		(75,000)
Royalty	9,00,000	
Less: Expenses incurred for writing book	40,000	8,60,000
Value of statue of Goddess Saraswati	65,000	

[The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds ₹ 50,000. It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife].		
Less: Exemption under section 10(32)	1,500	63,500
Value of Gold Chain [The Fair market value of ₹ 68,000 of gold chain received on occasion of his marriage anniversary would be exempt, since it is received from a relative.]		-
Interest on fixed deposit in the name of his son [It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife]	5,500	
Less: Exemption under section 10(32)	1,500	4,000
Gross Total Income		8,52,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium [Since Mr. Jain suffers from severe disability, premium upto 15% of the sum assured ₹ 2,20,000 would be allowed, as the policy is taken after 31.3.2012]	27,000	
Repayment of principal amount for housing loan	1,05,000	1,32,000
Deduction under section 80G		
Donation to an NGO registered under section 80G [Not allowable since the donation is made in cash of a sum exceeding ₹ 2,000]		-
Deduction under section 80QQB		
Royalty income of a resident from literary book		3,00,000
Deduction under section 80U [Since Mr. Jain suffers from severe disability]		1,25,000
Total income		2,95,500

Illustration 13 [RTP May 2021]

Mr. Dhruv, a person of Indian origin and citizen of Country X, got married to Ms. Deepa, an Indian citizen residing in Country X, on 4th February, 2024 and came to India for the first time on 20-02-2024. He left for Country X on 12th August, 2024. He returned to India

again on 20-01-2025 with his wife to spend some time with his parents-in law for 30 days and thereafter returned to Country X on 18.02.2025.

He received the following gifts from his relatives and friends of her wife during 01-04-2024 to 31-03-2025 in India:

- From parents of wife ₹ 1,01,000
- From married sister of wife ₹ 11,000
- From very close friends of his wife ₹ 2,82,000

- (i) Determine his residential status and compute the total income chargeable to tax along with the amount of tax payable on such income for the Assessment Year 2025-26.
- (ii) Will your answer change if he has received ₹ 16,00,000 instead of ₹ 2,82,000 from very close friends of his wife during the previous year 2024-25 and he stayed in India for 400 days during the 4 years preceding the previous year 2024-25?

Solution

- (i) Determination of residential status and computation of total income and tax payable of Mr. Dhruv

Under section 6(1), an individual, being a person of Indian origin and who comes on a visit to India during the previous year and his total income other than the income from foreign source exceeds ₹ 15,00,000, is said to be resident in India, if he stayed in India for a total period of 120 days or more during that previous year and for 365 days or more during the 4 years immediately preceding the relevant previous year.

However, in case, the total income other than the income from foreign source does not exceed ₹ 15,00,000, the said individual is said to be resident in India, only if he stayed in India for a total period of 182 days or more during that previous year.

Since in the present case, total income other than from foreign source, of Mr. Dhruv, a person of Indian origin does not exceed ₹ 15,00,000, he would be said to be resident in India, only if he stayed in India for 182 days or more during the previous year 2024-25 relevant to A.Y. 2025-26.

His stay in India during the previous year 2024-25 is as under:

P.Y. 2024-25

01.04.2024 to 12.08.2024	-	134 days
20.01.2025 to 18.02.2025	-	30 days
Total		164 days

Since Mr. Dhruv has stayed in India during the previous year for less than 182 days, he is said to be non-resident. Accordingly, his total income and tax payable would be computed in the following manner:

Computation of total income and tax payable of Mr. Dhruv for the A.Y. 2025-26

Particulars	₹
Income from other sources	
Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x) if the aggregate value of such gifts exceeds ₹ 50,000.	
- ₹ 1,01,000 received from parents of wife would be exempt, since parents of wife fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil

- ₹ 11,000 received from married sister-in-law is exempt, since sister of wife falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil
- Gift received from close friends of his wife of ₹ 2,82,000 is taxable under section 56(2)(x) since the said sum exceeds ₹ 50,000.	2,82,000
Total Income	2,82,000
Tax on total income of ₹ 2,82,000 [5% of ₹ 32,000 in excess of ₹ 2,50,000, being the basic exemption limit]	1,600
Add: Health and Education cess@4%	64
Total tax payable	1,664
Total tax payable (rounded off)	1,660

- (ii) Determination of residential status and computation of total income and tax payable of Mr. Dhruv (if he has received cash gifts from non-relative for ₹ 16,00,000):

Where an individual, being a person of Indian origin comes on visit to India and he is having total income other than income from foreign sources exceeding ₹ 15 lakhs during the previous year, such individual is said to be resident in India, if he stays in India during the previous year for 120 days or more and for 365 days or more during the 4 years immediately preceding the relevant previous year. As per section 6(6), such individual whose stay in India is for 120 days or more but less than 182 days in the P.Y. 2024-25 would be resident but not ordinarily resident irrespective of his residential status or no. of days of stay in India in the immediately preceding PYs.

Mr. Dhruv, is a person of India origin who has come on a visit to India during the previous year. Since his total income other than income from foreign sources exceeds ₹ 15,00,000; and his stay in India is for 164 days during the P.Y. 2024-25 and for 400 days during the 4 years immediately preceding the P.Y. 2024-25, he is resident but not ordinarily resident in India for the P.Y. 2024-25.

In such case, his total income and tax payable would be computed in the following manner:

Computation of total income and tax payable of Mr. Dhruv for the A.Y. 2025-26

Particulars	₹
Income from other sources	
Cash gifts received from non-relatives is chargeable to tax as per section 56(2)(x) if the aggregate value of such gifts exceeds ₹ 50,000.	
- ₹ 1,01,000 received from parents of wife would be exempt, since parents of wife fall within the definition of 'relatives' and gifts from a relative are not chargeable to tax.	Nil
- ₹ 11,000 received from married sister-in-law is exempt, since sister of wife falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil
- Gift received from close friends of his wife of ₹ 16,00,000 is taxable under section 56(2)(x) since the amount of cash gifts exceeds ₹ 50,000.	16,00,000
Total Income	16,00,000

Tax on total income of ₹ 16,00,000	1,70,000
Upto ₹ 3,00,000 Nil	
₹ 3,00,001 – ₹ 7,00,000 [₹ 4,00,000 @ 5%] 20,000	
₹ 7,00,001 – ₹ 10,00,000 [₹ 3,00,000 @ 10%] 30,000	
₹ 10,00,001 – ₹ 12,00,000 [₹ 2,00,000 @ 15%] 30,000	
₹ 12,00,001 – ₹ 15,00,000 [₹ 3,00,000 @ 20%] 60,000	
₹ 15,00,001 – ₹ 16,00,000 [₹ 1,00,000 @ 30%] 30,000	
Add: Health and Education cess@4%	6,800
Total tax payable	1,76,800

Note – Since his tax payable as per normal provisions is ₹ 3,04,200 [₹ 2,92,500 (₹ 1,12,500 plus 30% on ₹ 6,00,000 income exceeding ₹ 10,00,000) plus ₹ 11,700, being health and education cess @4%], which is higher than the tax payable computed as per concessional tax rates available under section 115BAC, it is beneficial for him to opt for section 115BAC.

Illustration 14 [MTP May 2022]

From the given information, you are required to compute the tax payable by Mr. Akash, a manufacturer and distributor of fertilizers and other agricultural products, aged 61 years, for the A.Y. 2025-26.

Trading and Profit and Loss Account of Mr. Akash

Particulars	Amount (in ₹)	Particulars	Amount (in ₹)
To Opening Stock	24,21,000	By sales	3,12,50,100
To Purchases	2,28,00,500	By Closing stock	26,00,100
To Direct expenses	4,12,040		
To Freight inward	2,92,000		
To Gross Profit c/d	79,24,660		
	3,38,50,200		3,38,50,200
To Salaries and wages	17,12,000	By Gross Profit b/d	79,24,660
To General expenses	3,65,000	By Dividend income from Indian companies (Gross)	17,20,000
To Rates and taxes	2,20,000	By Interest received on FDs (Net of tax)	1,08,000
To Interest paid On late payment of GST	2,845	By Rent received	7,20,000
To Income-tax paid for F.Y. 2023-24	3,45,000	By Income-tax refund	18,000
To Interest paid to NBFC	1,20,000		
To Depreciation	1,82,000		
To Net Profit	75,43,815		
	1,04,90,660		1,04,90,660

Additional information:

- Closing stock of P.Y. 2024-25 was undervalued by ₹ 25,000.
- Rates and taxes include ₹ 1,000 paid towards late filing of his Income-tax return for Assessment Year 2024-25 under section 234F of Income-tax Act.

- (iii) Salaries include ₹ 15,000 paid on single day by way of cash to his accountant.
- (iv) Interest paid on loan of ₹ 10,00,000 taken from a Non-Banking Finance company. Out of the loan, amount of ₹ 2 lakhs was used for personal purpose and the balance was used for business purpose. No TDS was deducted while payment of interest.
- (v) An amount of ₹ 45,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- (vi) General expenses include advertisement expense of ₹ 20,000 paid by cheque towards an advertisement in a souvenir published by local political party.
- (vii) Income-tax refund includes ₹ 2,000 towards interest.
- (viii) Depreciation charged is as per Income-tax Rules, however, it does not include depreciation on a new Maruti Van purchased and put to use on 23rd September, 2024 for his business use. The cost of the vehicle is ₹ 2,10,000.
- (ix) Advance Tax paid during the year is ₹ 15 lakhs.
- (x) Turnover for the year ending 31.03.2024 was ₹ 3.08 crores.
- (xi) Tax has been deducted at source on income, wherever required.
- Mr. Akash does not want to opt for the provisions of section 115BAC.

Solution

Computation of Total Income of Mr. Akash for the A.Y.2025-26

Particulars	₹	₹	₹
Income from house property			5,04,000
Annual value (rent received has been taken as annual value, due to absence of information relating to expected rent in the question)		7,20,000	
Less: Deduction u/s 24(a)			
30% of Annual Value		2,16,000	
Profits and gains of business or profession			
Net profit as per profit and loss account		75,43,815	
Add: Expenses/Payments debited to profit and loss account but not allowed			
- Fee for late filing of income-tax return for A.Y. 2024-25 – disallowed	1,000		
- Salary paid to an accountant in cash exceeding ₹ 10,000 – disallowed under section 40A(3)	15,000		
- Interest paid to NBFC on loan which is used for personal purposes (₹ 1,20,000 x 2,00,000/ 10,00,000) – not allowed as per section 37	24,000		
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of ₹ 96,000 [Since Mr. Akash's turnover for the immediately preceding previous year i.e., P.Y. 2023-24 exceeds ₹ 1 crore, he is required to deduct tax at source. Disallowance@30% of interest is attracted for non-deduction of tax at source]	28,800		
- Income-tax paid for F.Y. 2023-24	3,45,000		

- Interest paid on late payment of GST, allowed, since it is not for infraction of law but is compensatory in nature.	-		
- Advertisement expenses towards an advertisement in a souvenir published by local political party [disallowed under section 37(2B)]	20,000	4,33,800	
Add: Undervaluation of Closing stock		25,000	
Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account		80,02,615	
- Dividend income from Indian companies	17,20,000		
- Interest on FDs (Net of taxes) (Gross income taxable under the head "Income from other sources")	1,08,000		
- Rent received (taxable under the head "Income from house property")	7,20,000		
- Income-tax refund	18,000	25,66,000	
		54,36,615	
Less: Depreciation on Motor car purchased and put to use on 23.9.2024 [₹2,10,000 x 15%]		31,500	54,05,115
Income from Other Sources			
Dividend income		17,20,000	
Interest on fixed deposits (₹1,08,000 x 100/90)		1,20,000	
Interest on income-tax refund		2,000	18,42,000
Gross Total Income			77,51,115
Less: Deduction under Chapter VI-A			
Section 80D			
Health insurance premium of ₹45,000 paid for self, spouse and his children allowable as deduction sine Mr. Akash is a senior citizen		45,000	
Section 80GGC			
Expenditure towards advertisement in a souvenir published by local political party not allowable as deduction			45,000
Total Income			77,06,115
Total Income (rounded off)			77,06,120

Computation of tax payable by Mr. Akash for the A.Y.2025-26

Particulars		₹
Upto ₹3,00,000	Nil	
₹ 3,00,001 – ₹ 5,00,000 [i.e., ₹2,00,000@5%]	10,000	
₹ 5,00,001 – ₹10,00,000 [i.e., ₹5,00,000@20%]	1,00,000	
₹ 10,00,001 above [i.e., 67,06,120 @30%]	20,11,836	21,21,836

Add: Surcharge @10%, since total income exceeds ₹ 50,00,000	2,12,184
	23,34,020
Add: Health and Education cess@4%	93,361
Tax Liability	24,27,381
Less: Advance tax paid	15,00,000
Tax deducted at source on interest on FDs under section 194A	12,000
Tax deducted at source on dividend income under section 194	1,72,000
Tax payable	7,43,381
Tax payable (Rounded off)	7,43,380

Illustration 15 [MTP May 2023]

Mr. Sonu, General Manager of Akon Ltd., Delhi, furnishes the following particulars for the financial year 2024-25:

- (i) Salary ₹ 46,000 per month
- (ii) Value of medical facility in a hospital maintained by the company ₹ 7,000
- (iii) Rent free accommodation owned by the company
- (iv) Housing loan of ₹ 6,00,000 given on 01.04.2020 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2024 in respect of housing loan is 10%.
- (v) Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Sonu ₹ 4,750.
- (vi) A four seater dining table was provided to Mr. Sonu at his residence. This was purchased by the company on 1.5.2021 for ₹ 60,000 and sold to Mr. Sonu on 1.8.2024 for ₹ 30,000.
- (vii) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Mr. Sonu.
- (viii) A Maruti Suzuki car which was purchased by the company on 16.7.2021 for ₹ 2,50,000 was sold to Mr. Sonu on 14.7.2024 for ₹ 80,000.

Other income received by the assessee during the previous year 2024-25:

	Particulars	₹
(a)	Interest on Fixed Deposits with a company	5,000
(b)	Income from specified mutual fund	3,000
(c)	Interest on bank fixed deposits of a minor married daughter	3,000

(ix) Contribution to LIC towards premium under section 80CCC ₹ 1,00,000

(x) Deposit in PPF Account made during the year 2024-25 ₹ 40,000

Compute the taxable income of Mr. Sonu for the Assessment year 2025-26 assuming he is not opting for section 115BAC.

Solution**Computation of taxable income of Mr. Sonu for the A.Y. 2025-26**

	Particulars	₹	₹
(a)	Income from Salaries (See Working Note below)		6,85,200
(b)	Income from Other Sources		

	(i) Interest on fixed deposit with a company	5,000	
	(ii) Income from specified mutual fund	3,000	
	(iii) Interest on Fixed Deposit received by minor daughter (₹ 3,000 - ₹ 1500)	1,500	9,500
Gross total income			6,94,700
	Less: Deductions under Chapter VI-A		
	Section 80C – PPF	40,000	
	Section 80CCC	1,00,000	1,40,000
Total Income			5,54,700

Working Note:**Computation of salary income of Mr. Sonu for the A.Y. 2025-26**

Particulars		₹
Salary [₹ 46,000 × 12]		5,52,000
Medical facility [in the hospital maintained by the company is exempt]		–
Rent free accommodation		
10% of salary is taxable (i.e. ₹ 5,52,000 × 10% as per Rule 3(1))		55,200
Valuation of perquisite of interest on loan		
[Rule 3(7)(i)] – Perquisite value would be 10% as reduced by actual rate of interest charged i.e. [10% - 6% = 4% × ₹ 6,00,000]		24,000
Gift given on the occasion of wedding anniversary ₹ 4,750 is exempt, since its value is less than ₹ 5,000		-
Use of dining table for 4 months		
[₹ 60,000 × 10 / 100 × 4 / 12]		2,000
Perquisite on sale of dining table		
Cost	60,000	
Less: Depreciation on straight line method @ 10% for 3 years	18,000	
Written Down Value	42,000	
Less: Amount paid by the assessee	30,000	12,000
Purchase through credit card – not being a privilege but covered by section 17(2)(iv)		10,000
Perquisite on sale of car		
Original cost of car	2,50,000	
Less: Depreciation from 16.7.2021 to 15.7.2022 @ 20%	50,000	
	2,00,000	
Less: Depreciation from 16.7.2022 to 15.7.2023 @ 20%	40,000	
Value as on 14.07.2024- being the date of sale to employee	1,60,000	
Less: Amount received from the assessee on 14.07.2024	80,000	80,000
Gross Salary		7,35,200
Less: Standard deduction under section 16(ia)		50,000
Taxable Salary		6,85,200

Note: Under Rule 3(7)(viii), while calculating the perquisite value of benefit to the employee arising from the transfer of any movable asset, the normal wear and tear is to be calculated in respect of each completed year during which the asset was put to use by the employer. In the given case the third year of use of car is completed on

15.7.2024 whereas the car was sold to the employee on 14.7.2024. The solution worked out above provides for wear and tear for only two years.

Illustration 16 [MTP Nov 2023]

Mr. Raj, aged 52 years a resident Indian, has furnished the following particulars for the year ended 31.03.2025:

- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size.
- (ii) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
He employed 20 new employees for the said industrial undertaking during the previous year 2024-25. Out of 20 employees, 12 were employed on 1st May 2024 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2024 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (iv) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (v) He also sold his vacant land on 01.12.2024 for ₹ 15 lakhs. The stamp duty value of land at the time of transfer was ₹ 16 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.09.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time. The cost of inflation index for the financial year 2024-25 and 2001-02 are 363 and 100 respectively.
- (vi) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Raj for the Assessment Year 2025-26, Assume Mr. Raj does not opt for the provisions of section 115BAC.

Solution

Computation of total income of Mr. Raj for A.Y. 2025-26

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2024-25 pertaining to let out portion [₹ 30,000/2]		15,000	

	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(i) 30% of ₹ 3,19,000	95,700		
	(ii) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
	Self-occupied portion [Ground Floor]		1,33,300	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
	Income from house property [₹ 1,33,300 – ₹ 90,000]		(90,000)	43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000

III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Actual consideration of ₹ 15 lakhs, since stamp duty value of ₹ 16 lakhs does not exceed actual consideration by more than 10%]		15,00,000	
	Less: Cost of acquisition		4,00,000	11,00,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
IV	Income from Other Sources			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		45,000	75,000
	Gross Total Income			57,18,300
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2024-25 being the 4th year of operations]			13,50,000
	[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
	[₹ 45 lakhs x ₹ 120 lakhs/ ₹ 400 lakhs x 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Repayment of principal amount of housing loan	95,000		

Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Raj	49,000	1,44,000	
Deduction under section 80JJAA		9,43,200	
30% of the employee cost of the new employees employed during the P.Y. 2024-25 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 x 18,000 x 11) + ₹ 7,68,000 (8 x 12,000 x 8)]]			
Deduction under section 80TTA Interest on savings bank account, restricted to ₹ 10,000		10,000	
			10,97,200
Total income			32,71,100

Computation of tax liability of Mr. Raj for A.Y.2025-26 under the normal provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 32,71,100		
Tax on LTCG of ₹ 11,00,000 @ 12.5%		1,37,500
Tax on remaining total income of 21,71,100		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@ 5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 – ₹ 10,00,000 [@ 20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001 – ₹ 21,71,100 [@ 30% of ₹ 11,71,100]	3,51,330	4,63,830
		6,01,330
Add: Health and education cess @ 4%		24,053.2
Total tax liability		6,25,383.2
Tax liability (rounded off)		6,25,380

Computation of tax liability of Mr. Raj for A.Y.2025-26 under the special provisions of the Act (Alternate Minimum Tax)

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	32,71,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	55,64,300
AMT @ 18.5%	10,29,395.5
Add: HEC @ 4%	41,175.82
AMT liability	10,70,571.32
AMT liability (rounded off)	10,70,570

Since the regular income tax payable is less than the AMT, the adjusted total income of

₹ 55,64,300 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 10,70,570. In this case, AMT credit of ₹ 4,45,190 (₹ 10,70,570 – ₹ 6,25,380) can be carried forward.