



RESIDENTIAL STATUS

PAST PAPERS & MQP

PAST PAPERS

Q.2a.

JUNE 2024

[7 MARKS]

Q1. Vijay, a software engineer born and brought up at Chennai, left for employment on 20th August, 2019 to Country X. He returned to India on 05.06.2023 and joined ABC Ltd. as CEO. He has the following incomes for the financial year 2023-24:

Sr. no	Particulars	Amt(₹)
(i)	Income from Salary (computed)	9,00,000
(ii)	Interest on bank fixed deposits in India	30,000
(iii)	Income on bank deposits in Country x	50,000
(iv)	Income from rubber estate in Sri Lanka	2,00,000
(v)	Income from business in Malaysia	4,50,000
(vi)	Royalty income from a company in Dubai	1,20,000

Assume that incomes given above have been computed with eligible deductions. Ignore Section 115BAC of the Income-tax Act, 1961. Determine the residential Status of Vijay for the assessment year 2024-25 and compute his total income.

Answer:

Determination of residential Status of Vijay for the assessment year 2024-25.

Residential Status u/s 6(1) of Income-tax Act, 1961

If an individual Indian citizen leaves India for employment purpose, then he is considered a resident if his period of stay in India is 182 days or more in relevant previous year.

In the case of Vijay, he left India on 20-10-2019 and returned on 05-06-2023. His period of stay in India in the previous year 2023-24 is 301 days which satisfy the condition of Sec. 6(1) for being resident.

Mr. Vijay, resident is ROR only if he satisfies both conditions of Sec. 6(6) which are:

1. He has been a resident in India [as per Sec. 6(1)] in at least 2 out of ten years immediately preceding relevant previous year.
2. He has resided in India for 730 days or more during 7 previous years immediately preceding the relevant previous year.



In case of Mr. Vijay, he has stayed in India at least 2 out of ten years immediately preceding relevant previous year and also stayed in India for more than 730 days during 7 previous years the immediately preceding relevant previous year. As Mr. Vijay satisfied both the conditions and hence, he is ROR.

Therefore, Mr. Vijay will be assessed as a Resident and Ordinary Resident for assessment year 2024-25.

Computation of total income of Vijay for the assessment year 2024-25.

Sr. no	Particulars	Amt ₹
(i)	Income from Salary (computed)	9,00,000
(ii)	Interest on bank fixed deposits in India	30,000
(iii)	Income on bank deposits in Country x	50,000
(iv)	Income from rubber estate in Sri Lanka	2,00,000
(v)	Income from business in Malaysia	4,50,000
(vi)	Royalty income from a company in Dubai	1,20,000
	Total Income	17,50,000

Q.2(a).**DECEMBER 2023****[7 MARKS]**

Q2. Savitri (aged 48 years) has following incomes for the previous year 2022-23:

S NO.	Particulars	Amt
i.	Rent from properly let out in London (UK) credited to bank account in Singapore	3,00,000
ii.	Salary income in Singapore credited to bank account in Chennai	7,00,000
iii.	Bank interest in respect of fixed deposits with SBI, Chennai	1,20,000
iv.	Dividend from Indian companies credited to bank account in India	70,000
v.	Interest on deposits with Indian companies credited LO bank account outside India	30,000
vi.	Royalty income from United Inc. USA credited to bank account in Singapore	5,00,000

Calculate the Gross Total Income for Assessment Year 2023-24 assuming that she is:

- Resident and ordinarily resident in India;
- Resident but not ordinarily resident in India,
- Non-resident.



Answer:

S NO.	Particulars	Amount	ROR	RNOR	NR
i.	Rent from properly let om in London (UK) credited to bank account in Singapore	3,00,000	3,00,000	-	-
ii.	Salary income in Singapore credited to bank account in Chennai	7,00,000	7,00,000	7,00,000	7,00,000
iii.	Bank interest in respect of fixed deposits with SBI, Chennai	1,20,000	1,20,000	1,20,000	1,20,000
iv.	Dividend from Indian companies credited to bank account in India	70,000	70,000	70,000	70,000
v.	Interest on deposits with Indian companies credited LO bank account outside India	30,000	30,000	30,000	30,000
vi.	Royalty income from United Inc. USA credited to bank account in Singapore.	5,00,000	5,00,000	-	-
Gross Total Income			17,20,000	9,20,000	9,20,000

**Q.2 (a).****June 2023****[9 MARKS]**

Q3. With reasons determine the residential status in the following cases:

- i) Ram, an Indian Citizen employed in a foreign country, came to India on 01-11-2023 and remained in India up to 05-03-2024. His total income is 27 lakhs for the previous year ended 31-03-2024 which included income in India of ₹15,20,000. He visits India every year for a stay of 125 days. He paid income tax in respect of his foreign income in the said country.
- ii) Laxman a foreign citizen (not being a person of Indian origin) came to India for the first time on 20-11-2023 and remained in India upto 31-03-2024. His total income is ₹26 Lakh for previous year ended 31-03-2024 which included Indian income of ₹14,50,000.
- iii) Dr. Bharat, an Indian citizen living outside India came to India on 05-04-2023 and remained in India up to 10-08-2023. During his stay in India, he earned income of ₹16,50,000. His stay in India was 60 days each in earlier financial years. There is no income-tax in the country in which he is a resident.

Answer:

Determination of residential Status under Sec. 6(1).

Particulars	Reason	Residential Status
i) Ram, an Indian Citizen employed in a foreign country, came to India on 01-11-2023 and remained in India up to 05-03-2024. His total income was ₹27 lakhs for the previous year ended 31-03-2024 which included income in India of 15,20,000. He visits India every year for a stay of 125 days. He paid income tax in respect of his foreign income in the said country.	He satisfies the conditions of Sec. 6(1) by staying for more than 120 days in P.Y. 2023-24 along with staying for more than 365 days in 4 years immediately preceding 2023-24 and with having Indian Income more than Rs. 15 Lakhs, but does not satisfy the additional conditions of Sec. 6(6)	Resident and Not Ordinary Resident
ii) Laxman a foreign citizen (not being a person of Indian origin) came to India	He does not satisfy the conditions of	Non-Resident



for the first time on 20-11-2023 and remained in India upto 31-03-2024. His total income is 26 Lakh for previous year ended 31-03-2024 which included Indian income of ₹14,50,000.	Sec.6(1) by staying less than 182 days in P.Y. 2023-24.	
iii) Dr. Bharat, an Indian citizen living outside India came to India on 05-04-2023 and remained in India up to 10-08-2023. During his stay in India, he earned income of ₹16,50,000. His stay in India was 60 days each in earlier financial years. There is no income-tax in the country in which he is a resident.	He does not satisfy the conditions of Sec. 6(1). He stayed for more than 120 days in India in P.Y. 2023-24 but his stay in India during 4 years immediately preceding P.Y. 2023-24 are less than 365 days.	Non Resident

Q.2 (a).

June 2023

[7 MARKS]

Q4. Miss Dhvani, an individual and Indian citizen living in Singapore since year 2009 and never came to India for a single day since then. She earned the following incomes during the previous year 2023-2024:

SI. No	Particulars	₹
i	Income accrued and arisen in India	8,00,000
ii	Income deemed to accrue and arise in India	6,00,000
iii	Income arising in Singapore from a profession set up in India	5,00,000
iv.	Income accrued and arisen in Singapore but she is not liable to tax in Singapore	10,00,000

Examine & determine the residential status of Miss Dhvani along with taxable income for the A.Y. 2024-2025. Assuming no other income arise during the previous year.

Answer:

Miss Dhvani is an Indian citizen living in Singapore since 2009 who never came to India for a single day since then, she would not be a resident in India for the previous year 2023-2024 on the basis of number of days of her stay in India as per section 6(1). However, since she is an Indian citizen.



(i) having total income, other than the income from foreign sources, of Rs. 19 lakh, which exceeds the threshold of Rs.15 lakh during the previous year; and

(ii) not liable to tax in Singapore

She would be deemed resident in India for the previous year 2023-2024 by virtue of section 6(1A). A deemed resident is always a resident but not ordinarily resident in India (RNOR). Total income = 19,00,000

Q.2 (a).**DEC 2022****[8 MARKS]**

Q5. Determine Residential Status in the following independent cases.

- i. Albert born and brought up in India left India on 05-11-2023 for the purpose of employment in Malaysia. He did not visit India until 31-03-2024.
- ii. Chander born and brought up in India was employed in Singapore from 01-04-2018. He stayed in India in every financial year for 70 to 80 days.
- iii. Dilip, a foreign citizen came to India for the purpose of employment in X Co. Ltd. and stayed in India from 05-06-2023 and remained in India up to 31-03-2024.

Answer

Determination of residential Status under Sec. 6(1).

Particulars	Reason	Residential Status
i) Albert born and brought up in India left India on 05-11-2023 for the purpose of employment in Malaysia. He did not visit India until 31-03-2024.	He satisfies the conditions of Sec. 6(1)(a) by staying for more than 182 days in P.Y. 2023-24 along with additional conditions of Sec. 6(6)	Resident and Ordinary Resident
ii) Chander born and brought up in India was employed in Singapore from 01-04-2018. He stayed in India in every financial year for 70 to 80 days.	He does not satisfy the conditions of Sec. 6(1)(a) or 6(1)(c) by staying less than 182 days in P/Y 2023-24.	Non-Resident



iii) Dilip, a foreign citizen came to India for the purpose of employment in X Co. Ltd. and stayed in India from 05-06-2023 and remained in India up to 31-03-2024.	He satisfies the conditions of Sec. 6(1)(a) by staying for more than 182 days in P/Y 2023-24, but does not satisfy the additional conditions of Sec. 6(6)	Resident but Not Ordinary Resident
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MODEL QUESTION PAPER

Q.2 (a).

June 2025

[7 MARKS]

Q6. Ram provides the following details of income, calculate the income which is liable to be taxed in India for the A.Y. 2025-26 assuming that - (i) He is an ordinarily resident (ii) He is not an ordinarily resident (iii) He is a non-resident.

Particulars	Amount (₹)
Salary received in India from a former employer of UK	1,40,000
Income from tea business in Nepal being controlled from India	10,000
Interest on company deposit in Canada (1/3rd received in India)	30,000
Profit from a business in Mumbai controlled from UK	1,00,000
Profit for the year 2022-23 from a business in Tokyo remitted to India	2,00,000
Income from a property in India but received in USA	45,000
Income from a property in London but received in Delhi	1,50,000
Income from a property in London but received in Canada	2,50,000
Income from a business in Jambia but controlled from Turkey	10,000

Answer:

Calculation of income liable to be taxed in India of Ram for the A.Y. 2025-26

Particulars	Resident & Ordinarily resident ₹	Resident but not Ordinarily resident ₹	Non-resident ₹
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	NIL
Interest on company deposit in Canada - - 1/3rd received in India	10,000	10,000	10,000
- 2/3rd received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past Profit from a business in Tokyo remitted to India	Nil	Nil	Nil



Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Jambia but controlled from Turkey	10,000	Nil	Nil
Income liable to tax in India	7,35,000	4,55,000	4,45,000

Q.2 (a).

Dec 2024 & Dec 2023

[7 MARKS]

Q7. Joshi discloses his income earned during the financial year 2023-24:

- (i) Interest on German Development Bonds (1/6 received in India) 30,000
- (ii) Income from house property in India but received in Australia 40,000
- (iii) Income from agriculture in America but received in India 60,000
- (iv) Income from business in Canada but controlled from India 75,000
- (v) Income from business in Singapore but controlled from Sri Lanka 80,000

Compute his taxable income, if he is:

- (A) Resident and ordinarily resident
- (B) Resident but not ordinarily resident
- (C) Non- resident in India for the assessment year 2024-25.

Answer:

Particulars of Income	Resident and ordinarily resident (OR) (₹)	Resident but not ordinarily resident (NOR) (₹)	Nonresident (NR) (₹)
Interest on German Development Bonds (1/6)	5,000	5,000	5,000
Interest on German Development Bonds (5/6)	25,000	-	-
Income from house property in India but received in Australia	40,000	40,000	40,000
Income from agriculture in America but received in India	60,000	60,000	60,000
Income from business in Canada but controlled from India	75,000	75,000	-



Income from business in Singapore but controlled from Sri Lanka	80,000	-	-
Taxable Income	2,85,000	1,80,000	1,05,000

Q.2 (a).**June 2024****[7 MARKS]**

Q8. Mr. Rupankar Roy, an Indian Citizen, left India for the purpose of employment in USA for the first time on 1st October, 2023. He came back to India on 30th March, 2024 for visit and returned back to USA after staying 20 days in India. During the previous year 2023-24, he earned the following Income:

- (i) Salary earned in USA ₹ 5,00,000 and credited in USA.
- (ii) Interest received in India out of Fixed Deposit in Bank ₹ 1,20,000.

Determine his residential status and Tax Incidence in India for the A.Y. 2024-25.

Answer:

During the previous year, Mr. Roy was in India as under

P.Y	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
23-24	30	31	30	31	31	30	1	-	-	-	-	2	186

Since, Mr. Roy resided in India for 186 days (as shown above) in the previous year 2023-24, hence he satisfies condition of sec. 6(1)(a). He is, therefore, a resident in India for the A.Y. 2024-25.

Further, he is leaving India for the first time, hence he is also satisfying both the conditions mentioned u/s 6(6). Thus, his residential status for the year is resident and ordinarily resident. Accordingly, tax incidence are as follow:

Particulars	Amount (₹)
Salary earned in USA	5,00,000
Interest of fixed deposit in bank	1,20,000
Income liable to be taxed in India	6,20,000



MCQ'S

Q1. An Indian company would

- (A) be always resident in India irrespective of control and management.
- (B) be resident in India if its control and management is wholly situated in India.
- (C) be resident in India if its control and management is wholly or partly situated in India.
- (D) be resident in India if its control and management is wholly situated outside India

[PP June 2023]

Q2. Fill in the blanks

When a foreign citizen comes to India for the first time and stays for less than 182 days his residential status would be_____

[PP June 2023]

Q3. True or False

When a person stays less than 182 days in India yet all his income accrued in India is taxable.

[PP Dec 2022]

Q4. Aswin leaves India for the purpose of employment on 20th September 2023. He never visited foreign country before leaving. What is his residential status for the assessment year 2024-25?

- (a) Non-Resident
- (b) Resident and Ordinarily resident
- (c) Resident but not ordinarily resident
- (d) Deemed Resident

[MQP Dec 2023]

Q5. Miss Monica, a foreign national, comes India every year for 100 days since 2007-08. What would be her residential status for the previous year 2023-24?

- (a) Non-Resident
- (b) Resident and Ordinarily resident
- (c) Resident but not ordinarily resident
- (d) Deemed Resident

[MQP June 2024]



MODULE MCQ'S

Q6. A Person may be Resident of

- (a) Only one country always
- (b) More than one country for any previous year.
- (c) Only one country for any previous year.
- (d) No specific rule

Q7. Residential Status is to be determined for -

- (a) Previous Year
- (b) Assessment Year
- (c) Financial Year
- (d) Accounting Year

Q8. Incomes which accrue or arise outside India but are received directly into India are taxable in case of -

- (a) Resident only
- (b) Both Ordinarily Resident and NOR
- (c) Non-Resident
- (d) All Assesses

Q9. Total Income of a person is determined on the basis of his -

- (a) Residential Status in India
- (b) Citizenship in India
- (c) Residential Status and Citizenship in India
- (d) None of the above

Q10. R was born in England, his parents were born in India in 1952. His grand parents were born in South

Africa. RB shall be a-

- (a) Person of India Origin
- (b) Foreign National
- (c) Artificial Person
- (d) Citizen of India



Q11. R a person of Indian Origin visited India on 03.10.2023 and plans to stay here for 185 days. During 4 years prior to previous year 2024-25, he was in India for 750 days. Earlier to that he was never in India. For A.Y. 2024-25, RE shall be-

- (a) Resident and Ordinarily Resident in India
- (b) Resident but not Ordinarily Resident in India
- (c) Non-Resident
- (d) Deemed Resident

Q12. Asha leave India for the first time on 24-12-2023, Determine her Residential status for the AY 2024-2025.

- (a) Resident
- (b) Resident and Ordinary Resident
- (c) Resident and Not Ordinary Resident
- (d) Non-Resident

Q13. Foreign Income earned by Seema will be taxable in India if she is a

- (a) Non-Resident
- (b) Resident and Ordinary Resident
- (c) Resident and Not Ordinary Resident
- (d) All of the above

Q14. Interest paid by a Resident for any other purpose other than carrying on business or profession, outside India is deemed to accrue or arise in India, if the receiver is a

- (a) Non-Resident
- (b) Resident and Ordinary Resident
- (c) Resident and Not Ordinary Resident
- (d) All of the above

Q15. Determine residential status of Chidambaram which carries out its transactions in Malaysia. Its affairs are partly controlled from India. The Karta of HUF, Mr. Chidambaram who is from Chennai visits India on 01-06-2022 and leaves to Malaysia on 10-02-2023. He has not visited India for the past 11Years.

- (a) Non-resident
- (b) Resident but not ordinarily resident
- (c) Deemed resident
- (d) Resident and ordinarily resident



SET OFF AND CARRY FORWARD OF LOSSES

BLAST FROM THE PAST

PAST PAPERS

Q5 (a)

DEC 2024

[7 MARKS]

Q1. Mr. Sumeet, a resident individual aged 35 years, gives the following information to you relating to financial year 2023-24:

- Loss from self-occupied property: 3,40,000
- Income from the business of buying and selling shares of listed companies (there were no delivery of shares involved): 4,50,000
- Loss from other speculative business: 13,10,000
- Salary income: ₹ 10,00,000 (Computed)
- Short-term capital loss on sale of depreciable assets: 3,60,000
- Long term capital gain on sale of residential building: ₹1,30,000
- Lottery income (Gross): 55,000
- Brought forward business loss: 33,000 (this loss relates to Assessment Year 2021-22. This business was discontinued on 31.3.2022.)

You are required to compute the total income of Mr. Sumeet for the Assessment Year 2024-25 assuming he has opted for the default tax regime under section 115BAC of the Income Tax Act, 1961.

Also specify the amount of losses to be carried forward and up to which assessment year, if any.

Answer:

Computation of total income of Mr Sumeet for the AY 2024-25		
Particulars	₹	₹
Income from salary		10,00,000
Income from house property		
Less: Loss from self-occupied - not allowed to be set off against income from any other head under default tax regime	3,40,000	
Income from Business/ profession		



Income from speculative business of shares (Since no delivery is taken)	4,50,000	
Less: Loss from other speculative business	4,50,000	
Capital Gains		
Long term capital gains	1,30,000	
Less: Short term capital loss on sale of depreciable asset	1,30,000	
Other Sources		
Lottery income		55,000
Total income		10,55,000
Losses to be carried forward		
(i) Loss from other speculative business upto AY 2028-29 (4 AYs)		8,60,000
(ii) Short term capital loss upto AY 2032-33 (8 AYs)		2,30,000
(iii) Brought forward business loss up to AY 2029-30 (8 AYs)		33,000
(iv) House property loss - cannot be carried forward under default tax regime.		Nil

Alternative

Income from the business of buying and selling shares of listed companies (without delivery of shares) is not a speculation business [proviso to section 43(5)]. Therefore, a student may treat ₹ 4,50,000 as regular business income and set off brought forward business loss of ₹ 33,000 (of AY 2021-22). In such case, loss from other speculative business ₹ 13,10,000 is eligible for carry forward without any reduction or set off. The brought forward business loss of AY 2021-22 ₹ 33,000 is fully set off against ₹ 4,50,000 being income from business (non- speculative). In such case, the brought forward business loss since fully set off has no amount to be carried forward. Taking note of these, this alternative answer is presented.

Computation of total income of Mr Sumeet for the AY 2024-25

Particulars	₹	₹
Income from salary		10,00,000
Income from house property		
Less: Loss from self-occupied - not allowed to be set off against income from any other head under default tax regime	3,40,000	
Income from Business/ profession		
Income from buying and selling shares - not speculation business.	4,50,000	
Less: Brought forward business loss of AY 2021-22	33,000	



Income from Business		4,17,000
Capital Gains		
Long term capital gains	1,30,000	
Less: Short term capital loss on sale of depreciable asset	1,30,000	
		Nil
Other Sources		
Lottery income		55,000
Total income		14,72,000
Losses to be carried forward		
(i) Loss from other speculative business up to AY 2028-29 (4 AYs)		13,10,000
(ii) Short term capital loss upto AY 2032-33 (8 AYs)		2,30,000
(iii) Brought forward business loss - set off fully		Nil
(iv) House property loss - cannot be carried forward under default tax regime.		Nil

Q5 (a)

JUNE 2024

[7 MARKS]

Q2. Mr Anupreet provides the following information of income/losses for the previous year 2023-24:

S. No	Particulars	Amount
(i)	Salary income	5,00,000
(ii)	Loss under the head house property	2,20,000
(iii)	Profit from speculation business	6,00,000
(iv)	Loss from non-speculation business	3,00,000
(V)	Loss from other sources	3,00,000
(vi)	Loss from LTCG	1,50,000
(vii)	Profit from STCG	40,000
(viii)	Carried forward loss of speculation business (P.Y. 2019-20)	3,50,000
(ix)	Unabsorbed depreciation of shut down business (P.Y. 2015-16)	1,65,000

You are required to compute the total income of Mr Anupreet for the assessment year 2024-25 showing clearly the manner of set off and the items eligible for carried forward with reasons. He filed his Income Tax Return on time every year. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

**Answer:**

Computation of total income of Mr. Anupreet for the assessment year 2023-24

Particulars	Amt. (₹)	Amt. (₹)
Income from Salaries		
Income from Salary Income	5,00,000	
Less: Loss under the head house property	(2,00,000)	
Balance loss of (20,000) to be carried forward Loss from other sources	<u>(3,00,000)</u>	NIL
Income From PGBP		
Profit from Speculation Business	6,00,000	
Less: Loss from Non- Speculation Business	(3,00,000)	
Carried forward Loss form Speculation business (P.Y. 2019-20)	(3,00,000)	NIL
Balance loss of (50,000) to be carried forward		
Income from Capital Gains		
Income from Capital Gains	40,000	
Less: unabsorbed depreciation of shut down business (P.Y. 2015-16)	<u>(40,000)</u>	NIL
Balance loss of (1,25,000) to be carried forward		
Total Income		NIL

Notes:

- (i) Loss from other sources will be assumed as general loss and it can be set-off against any head of income.
- (ii) Loss from LTCG cannot be adjusted against Profit from STCG and hence it is carried forward



Q5 (a)

DEC 2023

[7 MARKS]

Q3. Mr. Deepak has derived the following income/loss as computed below for the previous year 2022-23:

S. No.	Particulars	Amount
(i)	Loss from agricultural business	(1,00,000)
(ii)	Loss from let out house property	(2,20,000)
(iii)	Income from speculation business	9,72,000
(iv)	Loss from non- speculation business	(2,50,000)
(v)	Income from car races (Gross)	1,80,000
(vi)	Loss from activity of owning and maintaining race-horses	(70,000)

You are required to compute the total income of Mr. Deepak for the assessment year 2023-24, showing clearly the manner of set-off and the items eligible for carry forward. He filed his income-tax return every year before the due date. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

Answer:

Computation of total income of Mr Deepak for the assessment year 2023-24

Particulars	Amount	Amount
Income From PGBP		
Income from Speculation Business	9,72,000	
Less: Loss form Let out House Property	(2,00,000)	
Loss from Non-Speculation Business	(2,50,000)	
Amount of loss permitted to be set-off for House property = (2,00,000)		
Balance loss of (20,000) to be carried forward		5,22,000
		1,80,000
Income from other sources		
Income from car races		
Loss from activity of owning and maintaining race-horses will be carried forward and only allowed to set-off from winning of horse race		
Total income		2,80,000

Note:

(i) Loss from agricultural business is neither carried forward or Set-off



- (ii) Loss from let out house property can be set-off from income from Speculation business up to 2,00,000 and balance 20,000 is carried forward to next assessment year.
- (iii) Loss from Non-Speculative business is set off from Income from Speculation business.
- (iv) Loss from activity of owning and maintaining race-horses will be carried forward and only allowed to set-off from OMRH.

Q5 (b)**JUNE 2023****[6 MARKS]**

Q4. Sanket of Cuttack gives you the following information for the previous 2023-24

Particulars	Amt. (₹)
Loss from let-out property in Delhi	5,20,000
Loss from self-occupied property at Nagpur	1,40,000
Income from let-out property at Chennai	80,000
Profit from Textile Trade in Kolkata	9,80,000
Loss from trading in securities derivatives (STT paid)	5,30,000
Loss from horse race	25,000
Profit from trade in community derivatives (CTT paid)	80,000
Loss from trading in furniture (discontinued w.e.f. 01-04-2016) relating to assessment year 2016-17 50,000 brought forward.	50,000

Compute total income giving reasons for set-off made or not made and eligible carry forward of losses.



Answer:

Particulars	Amt. (₹)
Income From PGBP	4,80,000
Profit from Textile Trade in Kolkata	
	9,80,000
Profit from trade in community derivatives	
	80,000
Less: Loss from trading in securities derivatives	
	(5,30,000)
Loss from discontinued business carried forward	(50,000)
Income from House Property	(2,00,000)
Income from let-out property at Chennai	
	80,000
Less: Loss from self-occupied property at Nagpur	
	(1,40,000)
Loss from let-out property in Delhi	
(5,20,000)	

	(5,80,000)
Amount of loss permitted to be set off - (2,00,000)	
Balance loss of (3,80,000) to be carried forward	
Loss from horse race will be carried forward and only allowed to set-off from winning of horse race	
Total Income	2,80,000



MODEL QUESTION PAPERS

Q5 (a)**June 2025****[7 MARKS]**

Q5. Compute Gross total income of Mrs. Shikha from following details for the A.Y. 2025-26

Income from house property A	60,000
Income from house property B	(1,50,000)
Income from house property C	1,00,000
Income from other sources	1,00,000
Losses u/s 22 for the A.Y. 2024-25	(30,000)
Losses u/s 56 for the A.Y. 2024-25	(45,000)

Answer:

Computation of Gross Total Income of Mrs. Shikha for the A.Y. 2025-26

Particulars	Details ₹	Details ₹	Amount ₹
Income from house property			
House property A	60,000		
House property B	(1,50,000)		
House property C	1,00,000	10,000	
Loss u/s 22 for the A.Y. 2024-25		(10,000)	Nil
Income from other sources			1,00,000
Gross Total Income			1,00,000

Notes:

1. Remaining unabsorbed loss relevant to the A.Y. 2024-25 ₹20,000 (i.e. ₹ 30,000 - ₹ 10,000) shall be carried forward to subsequent assessment years (maximum up to A.Y. 2032-33).
2. Loss under the head 'Income from other sources' cannot be carried forward.
3. Sec. 71 shall apply only after application of sec. 70. Hence, current year loss of house property B cannot be set off against income from other sources.



Q5 (a)

DEC 2024

[7 MARKS]

Q6. Mr. Bhola has furnished you the following data -

Income from house property	(₹ 1,30,000)
Salaries (Net)	₹ 80,000
Income from other sources	(₹ 90,000)
Income from lotteries	₹ 3,50,000

Examine and advise Mr. Bhola regarding set off and carry-forward.

ANSWER:

Solution :

Statement showing application of sec. 71

Particulars	Amount
Salaries	80,000
Income from house property	(1,30,000)
Income from other sources	
Winning from lotteries	3,50,000
Other income	(90,000)
Gross total income	3,50,000
Conclusion	
Casual income shall be fully taxable as no loss can be set off against such income.	3,50,000
Losses to be carried forward	
a) Loss under the head "Income from house property"	(1,30,000)
b) Loss under the head "Income from other sources", as such loss cannot be carried forward.	Nil
Income under the head 'Salaries' is first adjusted with the loss under the head 'Income from other sources' as the same cannot be carried forward. Though loss under the head 'Income from other sources' is ₹ 90,000 and such loss could be adjusted with income under the head 'Salaries' only to the extent of ₹ 80,000 still the remaining loss of ₹ 10,000 cannot be carried forward.	

**Q5 (a)****DEC 2024****[7 MARKS]**

Q7. Following are the details of incomes/losses of Mr. Raghu for the financial year 2023-24:

Source of Income	Amount (₹)
Income under the head 'Salaries'	2,60,000
Income from house property (A)	60,000
Income from house property (B)	(2,80,000)
Speculation income	20,000
Business income	(1,30,000)
Income from activity of owning and maintaining race-horses	(1,50,000)
Income from agricultural business	(1,25,000)
Short term capital gain	30,000
Long term capital gain	(1,00,000)
Income from lottery	10,000
Income from horse races	1,70,000
Interest on securities after adjusting interest expenses and other expenses	(70,000)

Calculate the Gross Total Income of Mr. Raghu for the Assessment Year 2024-25.

Answer:

Computation of Total Income of Mr. Raghu for the A.Y. 2024-25

Particulars	Details (₹)	Amount (₹)	Amount (₹)
Salaries		2,60,000	
Income from house property			
House property A	60,000		
House Property B [# Max. limit, balance shall be carried forward]	(2,80,000)	(2,00,000) #	
Profits & gains of Business or Profession			
Speculation income	20,000		
Other business income	(1,30,000)		
Income from agricultural business [exempted u/s 10(1)]	Nil	(1,10,000)	
Capital Gains			
Short term capital gain		30,000	
Long term capital gain	(1,00,000)	Nil	



Long term capital loss cannot be set off against any income & shall be carried forward			
Income from Other Sources			
Casual income			
Income from lottery	10,000		
Income from horse races	1,70,000		1,80,000
As no loss can be set off against such income.			
Income from activity of owning and maintaining race-horses			
Loss from activity of owning and maintaining race-horses cannot be set off against any income & shall be carried forward	(1,50,000)	Nil	
Other income			
Interest on securities		(70,000)	
Gross Total Income		(90,000)	1,80,000

Q5 (a)

JUNE 2024

[7 MARKS]

Q8. Following are the details of incomes/losses of Mr. Raghu for the financial year 2023- 24:

	Amount
Income from Salaries	6,00,000
Income from House Property:	
-from let-out House A	1,50,000
-from let-out House B	(3,75,000)
Profits and Gains of Business or Profession:	
-Business I	3,00,000
-Business II	(50,000)
-Business III (Speculative business)	10,000
-Business IV (Speculative business)	(20,000)
Income from other sources:	
-Interest on fixed deposit account	5,000
-Winning from lottery (Gross)	15,000
-Owning and maintaining race horses	(10,000)
(Figures in brackets represent losses)	

You are required to determine the Gross Total Income and losses to be carried forward by Mr. Raghu for the A.Y. 2024-25, if he has opted for option given u/s 115BAC(6).

**Answer:**

Computation of Total Income of Mr. Raghu for the A.Y. 2024-25

Particulars	Details (₹)	Amount (₹)
Salaries		6,00,000
Income from House Property		
Income from House A	1,50,000	
Less: Loss from House B	(3,75,000)	(2,00,000)
Loss to be c/f	(25,000)	
Profits and Gains of Business or Profession		
Income from Business I	3,00,000	
Loss from Business II	(50,000)	2,50,000
Income from Business III (speculative)	10,000	
Loss from Business IV (speculative)	(20,000)	
Loss to be c/f	(10,000)	
Income from Other Sources		
Interest on FD	5,000	
Winning from Lottery	15,000	20,000
Loss from owning and maintaining of race horses (loss to be c/f)	(10,000)	
Gross Total Income		
Losses to be carried forward:		
Loss from Owning and Maintaining Race Horses		10,000
Loss from House Property		25,000
Speculation Loss		10,000



INCOME FROM OTHER SOURCES

BLAST FROM THE PAST

PAST PAPERS

Q4 (b)

DEC. 2024

[7 MARKS]

Q1. Mr. Ajit, a resident Indian aged 55 years, a Cost and Management Accountant (CMA), shares the following information about his income during the financial year 2023-24.

- (i) Amount received from evaluation of answer books of professional examinations: 70,000. Expenses incurred for earning this income like cost of stationery etc. ₹ 1,200.
- (ii) Income tax refund relating to A.Y. 2023-24: 45,000 including interest amounting to 7,000.
- (iii) Cash gift received from his friend on his marriage anniversary: 76,000.
- (iv) Gift received from his son, Mr. Abhijit: 1,30,000 in cash.
- (v) Amount received from letting out of residential house property: 50,000 p.m.
- (vi) Dividend received (gross) from listed Indian companies: 65,000
- (vii) Interest expenses on loan taken to buy the shares on which dividend is received: 15,000

Compute the income chargeable under the head 'Income from other sources' in the hands of Mr. Ajit for the Assessment Year 2024-25 by briefly giving reasons wherever applicable, assuming he has opted for default tax regime under section 115BAC of the Income Tax Act, 1961.

Ans:

Computation of income from other sources in the hands of Mr. Ajit for the AY 2024-25		
Particulars	₹	₹
Amount received from evaluation of answer books of professional examinations	70,000	
Less: Expenses	1,200	
Net income		68,800
Interest on income-tax refund		7,000



Cash gift received from his friend on his marriage anniversary Gift received on marriage is exempt but on anniversary is taxable since it is more than Rs 50,000, entire amount is taxable		76,000
Amount received from his son, Mr. Abhijit		Nil
Amount received from letting out of residential house property		Nil
Dividend received (gross) from listed Indian companies	65,000	
Less: Interest maximum allowed is 20% of dividend amount	13,000	
		52,000
Income from other sources		2,03,800

Q4 (b)**JUNE 2024****[7 MARKS]**

Q2. Ms. Bharti, submits the information of following transaction/ income during the previous year 2023-24:

S. No.	Particulars	Amount
(i)	Dividend received from co-operative society	15,000
(ii)	Wining from game show Kaun Banega Punji-Pati (Net of TDS)	87,500
(iii)	Pension received from employer of deceased husband @5,000 per month	60,000
(iv)	She purchased a painting for 65,000, although Fair Market Value (FMV) was 80,000	-
(v)	Rent received of a factory building along with plant and machinery (Mrs. Bharti has spent 2,000 on repairs, 2,500 on insurance) Further, the depreciation on factory building is 5,000 and on plant & machinery is ₹3,500	95,000
(vi)	Rent received from a vacant plot of land	80,000
(vii)	Interest received on Loan given to relative	7,500

You are required to compute the income of Mrs. Bharti chargeable under the head Income from other sources for the assessment year 2024-25, assuming Mrs. Bharti exercise the option of shifting out of the default tax regime provided under section 115BAC.



Ans.

Computation of the income of Mrs. Bharti chargeable under the head Income from other sources for the assessment year 2024-25.

Particulars	Amount	Amount
Dividend received from co-operative society (Exempted from Income tax u/s 82)		Nil
Winning from game show Kaun Banega Punji-Pati (gross) $(87,500 \times 100/70)$		1,25,000
Pension received from employer of deceased husband @ 75,000 per month	60,000	
Less: lower of the following: (a) 1/3 of the pension received Or (b) 15,000	15,000	45,000
She purchased a painting for 65,000, although Fair Market Value (FMV) was ₹ 80,000 (NOT TAXABLE AS THE DIFFERENCE IS BELOW 50,000)		Nil
Rent received of a factory building along with plant and machinery	95,000	
Repairs	(2,000)	
Insurance	(2,500)	
Depreciation on Factory Building	(5,000)	
Depreciation on Plant & Machinery	(3,500)	82,000
Rent received from a vacant plot of land		80,000
Interest received on loan given to relative		7,500
Total Income from Other Sources		3,39,500

**Q4 (b)****DEC 2023****[7 MARKS]**

Q3. Ms. Sonali, submits the information of following transaction income during the previous year 2022-23:

S. No.	Particulars	Amount (₹)
i.	Interest on Post Office Saving Bank Account (single account)	2,500
ii.	Winnings from lotteries (Net)	28,840
iii.	Received a motor car as gift from her friend on the 6,00,000 occasion of her birthday	6,00,000
iv.	Cash gift of 15,000 each from her four friends	60,000
v.	Income from undisclosed source	10,000
vi.	Rent received from sub-selling of house property (Rent paid 10 original owner 22,000)	30,000

You are required to compute the income of Ms. Sonali chargeable under the head "Income from other source" for A.Y. 2023-24. Ms. Sonali does not opt to be taxed under section 115BAC of the Income-tax Act, 1961.

Ans. :

Computation of the income of Ms. Sonali chargeable under the head "Income from other source" for A.Y. 2023-24.

Particulars	Amount	Amount
Interest on Post Office Saving Bank Account (single account)	2,500	
Less: Exempt u/s 10	2,500	0
Winnings form Lotteries (28,000/70%)		41,200
Received a motor car as a gift from her friend on the occasion of her birthday. (Not Taxable)		
Cash gift of ₹15,000 each from her four friends		60,000
Income from undisclosed source		10,000
Rent received from sub-selling of house property (30,000 - 22,000)		8,000
Income from Other Sources		1,19,200



MODEL QUESTION PAPERS

Q4 (b)

June 2025

[7 MARKS]

Q4. Mr. Jyoti received the following gifts/amounts during F.Y. 2024-25:

- (i) Gift of Sculptures worth ₹51,000/- on his birthday from his friend
- (ii) Received a car from his cousin on payment of ₹3,00,000/-. FMV of which was ₹3,60,000/-
- (iii) Received cash gift of ₹20,000/- each from three of his friends A, B and C on 24.09.2024
- (iv) Acquired an office building on 12.12.2024 from his friend Raj for a consideration of ₹12 lakhs, stamp value of which is ₹15 lakhs.

In respect of Land of Mr. Jyoti acquired by Government in the year 2015, he received the following amount on 15.12.2024 as interest on enhanced compensation on the order of the court-

Relating to Previous Years	₹
2021-22	1,25,000/-
2022-23	1,65,000/-
2023-24	1,15,000/-

You are required to compute the income of Mr. Jyoti chargeable under the head "Income from other Sources" for A.Y. 2025-26, assuming that he has no other income.

Ans:

Computation of Income from Other Sources of Jyoti for the A.Y 2025-26

Particulars	₹
(i) Since sculptures is included in the definition of "Property", therefore, when sculptures is received without consideration, the same is taxable under section 56(2)(x) as the aggregate FMV of sculptures exceeds ₹50,000/-	51,000
(ii) Since car is not included in the definition of "property", therefore the difference of ₹3 Lakhs between FMV and purchase price of car is non-taxable under section 56(2)(x)	Nil
(iii) Cash gifts received from friends is taxable u/s 56(2)(x), since its aggregate value exceeds ₹50,000/- (i.e ₹20,000×3)	60,000
(iv) Immovable property (office building) purchased for inadequate consideration is taxable u/s 56(2)(x). Therefore the difference of ₹3 Lakhs between SDV and purchase price of building is taxable u/s 56(2)(x)	3,00,000
(v) As per section 145B interest received during the year on enhanced compensation shall be deemed to be the Income of the year in which such interest is received irrespective of the method of accounting followed by the Assessee. Hence, the interest received by Mr Jyoti is taxable in P.Y. 2024-25	2,02,500



(₹1,25,000 + ₹1,65,000 + ₹1,15,000 = ₹4,05,000) Less: Deduction u/s 57 @ 50% of ₹4,05,000 (₹2,02,500)	
Income from Other Sources	6,13,500

Q.4 (b). Dec. 2024 (S1) & Dec. 2023 [7 MARKS]

Q5. Compute taxable income under the head Income from other sources of Mrs. X from the following data:

Particulars	Amount (₹)
Private tuition fee received	10,000
Winning from lottery	2,000
Award from KBC (a TV show) [Gross]	3,20,000
Pension from employer of deceased husband	25,000
Interest on bank deposit	25,000
Directors fee (Gross)	5,000
Letting out of vacant land	25,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of CMA	10,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹ 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹ 12,000)	20,000
Income tax paid	2,000
Payment made for personal expenses	18,000
Payment made to LIC as premium	2,000

Answer:

Computation of income of Mrs. X under the head Income from other source for the A.Y. 2023-24:

Particulars	Details (₹)	Amount (₹)
Private tuition fee received		10,000
Casual income		
Winning from lottery		2,000
Award from KBC (a TV show) [Gross]		3,20,000
Pension	25,000	



Less: Standard deduction		
1) 1/3rd of amount received (i.e. ₹ 8,333)		
2) ₹ 15,000	8,333	16,667
Interest on bank deposit		25,000
Director's fee		5,000
Letting out of vacant land		25,000
Remuneration for checking the examination copy of employer school	Taxable as Salary	—
Remuneration for checking examination copy of CMA		10,000
Income tax refund	Not an income	—
Interest on income tax refund		100
Composite rent	10,000	
Less: Expenditure	5,000	5,000
Rent on sub-letting of house property	20,000	
Less: Rent paid to original owner	12,000	8,000
Income from Other Source		4,26,767

Note: Payment of income tax and personal expenses is not deductible in any case.



Q4 (b)

DEC 2024 (S1)

[7 MARKS]

Q6. Compute taxable income under the head Income from other sources of Mrs. X from the following data for A.Y. 2024-25:

Particulars	Amount (₹)
Private tuition fee received	10,000
Winning from lottery	2,000
Award from KBC (a TV show) [Gross]	3,20,000
Pension from employer of deceased husband	25,000
Interest on bank deposit	25,000
Directors fee (Gross)	5,000
Letting out of vacant land	25,000

Ans:

Computation of income of Mrs. X under the head Income from other source for the A.Y. 2024-25

Particulars	Details	Amount
Private tuition fee received		10,000
Casual income		
Winning from lottery		2,000
Award from KBC (a TV show) [Gross]		3,20,000
Pension	25,000	
Less: Standard deduction		
1) 1/3rd of amount received (i.e. ₹ 8,333)		
2) ₹ 15,000	8,333	16,667
Interest on bank deposit		25,000
Director's fee		5,000
Letting out of vacant land		25,000
Income from Other Source		4,03,667

Note: Payment of income tax and personal expenses is not deductible in any case.



Q4 (b)

JUNE 2024

[7 MARKS]

Q7. During the year 2023-24, Mr. Ratnam received following:

1. Dividends from Sun Pharma Ltd. (Indian Company) ₹ 11,00,000. He has invested in the shares by taking loan. During the year he is liable to pay interest of ₹ 3,00,000 on such loan. Further, he has incurred collection charges ₹ 50,000.
2. Family pension received of ₹ 14,000 per month
3. Rent received from Sub-letting a house ₹ 35,000, rent payable by Sabana for the above house ₹20,000, other expenses incurred in connection with the house amounted ₹ 7,500.
4. Lottery income received ₹ 35,000

Compute income from other sources of Mr. Ratnam.

Answer:

Computation of income from other sources of Mr. Ratnam for the A.Y. 2024-25

Particulars	(₹)	Details (₹)	Amount (₹)	Amount (₹)
Dividend			11,00,000	
Less: Interest Expenditure being lower of the following				
Actual Interest Expenses	3,00,000			
20% of dividend	2,20,000	2,20,000		
Less: Collection Charges		Nil	2,20,000	8,80,000
Family pension			1,68,000	
Less: Standard Deduction (Being lower of the following)				
- 1/3rd of Pension		56,000		
- ₹ 15,000		15,000	15,000	1,53,000
Sub-letting of House			35,000	
Less: Expenses				
- Payment of Rent		20,000		
- Other Expenses		7,500	27,500	7,500
Lottery income [₹ 35,000 / 70%]				50,000
Income from Other Sources				10,90,500

Apart from interest (upto 20% of dividend), other expenditure like collection charges, bank charges, etc. shall not be allowed.

**Q4 (b)****Dec 2023****[7 MARKS]**

Q8. Bose has following incomes for the year ending 31st March 2023:

- (i) 10% 1,00,000 tax free Securities of X Ltd (Purchase before due date of interest)
- (ii) 12% 1,50,000 less tax securities of Y Ltd (Sold before due date of interest)
- (iii) Interest from unlisted bonds of A Ltd (net) 18,000
- (iv) Interest from listed bonds of B Ltd (net) 13,500
- (v) Family pension 42,000
- (vi) Cash gifts from friends 50,000
- (vii) Bank commission @2% on interest realized.

Compute income from other sources for the assessment year 2023-24.

Solution:

Computation of income from other sources for the Assessment Year 2023-24

Interest (tax free) $[1,00,000 \times 10\% \times 110/100]$	11,000
Interest (less tax)	-
Interest (unlisted) $[18,000 \times (100/90)]$	20,000
Interest (listed) $[13,500 \times (100/90)]$	15,000
Family Pension	42,000
Gifts (upto 50,000)	-
	88,000
(-) Standard Deduction $[1/3 \text{ of } 42,000 \text{ or } 14,000]$	14,000
(-) Interest @ 2% $[(11,000 + 20,000 + 15,000)]$	830
Income from other sources	73,170



MCQ'S

1. On the occasion of his birthday Mr. Sanjay received cash gifts of ₹ 60,000 from his relatives and ₹1,10,000 from his friends. How much of the cash gift is liable to tax under the Income-tax Act, 1961 for A.Y. 2023-24?

- (A) 1,10,000
- (B) 1,20,000
- (C) 1,70,000
- (D) 60,000

[PP Dec 2023]

MODULE MCQ'S

2. Income under the head "Income from Other Sources" is taxable on -

- (a) Due Basic
- (b) Receipt Basis
- (c) On the basis of method of accounting regularly employed by the Assessee
- (d) None of the above.

3. Income from Lottery, Crossword Puzzle, Race, Card Games etc., are taxable at:

- (a) Normal Slab Rate of Income Tax like any other income
- (b) Flat Rate of 20%
- (c) Flat Rate of 30% plus Surcharge, if applicable,
- (d) Flat Rate of 30% plus Surcharge of 10%

4. Winning from Lotteries, Crossword Puzzles, Horse Races & Other Races, Card Game, etc. are casual income & hence-

- (a) fully exempt
- (b) exempt upto 5,000
- (c) fully taxable
- (d) None of above



5. Gift of 5,00,000 received on 10th July 2023 through Account Payee Cheque from a non-relative regularly assessed to income-tax, is-

- (a) A Capital Receipt not chargeable to tax
- (b) Chargeable to tax as Income from Other Sources
- (c) Chargeable to tax as Business Income
- (d) Exempt upto 50,000 & balance chargeable to tax under Other Sources.

6. Adi received 70,000 from his friend on the occasion of his birthday.

- (a) Entire amount of 70, 000 is taxable
- (b) 25,000 is taxable
- (c) The entire amount is exempt
- (d) None of the above

7. Family Pension received by a widow of a member of the armed forces where the death of the member has occurred in the course of the operational duties in the circumstances and subject to prescribed conditions, is -

- (a) Exempt upto 3,00,000
- (b) Exempt upto 3,50,000
- (c) Totally exempt u/s 10(19)
- (d) Totally chargeable to tax.

8. Mr.X, aged 61 years, earned dividend of 12,00,000 from ABC Ltd. In P.Y.2023-24. Interest on loan taken for purpose of investment in ABC Ltd. is 3,00,000. Income included in the hands of Mr. X for P.Y. 2023-24 would be

- (a) 12,00,000
- (b) 9,60,000
- (c) 9,00,000
- (d) 2,00,000

9. If the converted property is subsequently partitioned among the members of the family, the income derived from such converted property as is received.

- (a) as the income of the karta of the HUF
- (b) as the income of the spouse of the transferor
- (c) as the income of the HUF.
- (d) as the income of the transferor- member



10. Commission received by a Director of the Company is charged under the head.

- (a) Salaries
- (b) Business Income
- (c) Other Sources
- (d) Its exempt from tax

11. Casual Income received by the Assessee is -

- (a) Fully Exempt
- (b) Exempt upto 5,000
- (c) Fully Taxable
- (d) None of the above.

12. While computing income from other sources, deduction is not allowed to the assessee for:

- (a) Personal expenditure
- (b) Direct tax
- (c) Interest payable outside India without TDS
- (d) All of the above

13. Gift received by an individual in certain circumstances is not taxable, one of them is:

- (a) Any gift received from family friend
- (b) Any gift received on the occasion of any marriage in the family
- (c) Any gift received on the occasion of the marriage of the individual-assessee
- (d) All of the above



1. a	2. c	3. c	4. c	5. b	6. a
7. c	8. b	9. d	10. a	11. c	12. d
13. c					



INCOME FROM HOUSE PROPERTY

BLAST FROM THE PAST

PAST PAPERS

Q3 (a)

DEC. 2024

[7 MARKS]

1. Mr. Ramesh aged 55 years, is an owner of a residential house property. The following particulars of the house for the previous year 2023-24 are as under:

Particulars	Amount
Municipal value of the property	9,00,000
Fair rent	7,50,000
Standard rent under the Rent Control Act	8,50,000

The above property was let out for 70,000 per month for the period April 2023 to January 2024.

Thereafter, the tenant vacated the property and Mr. Ramesh used the house for self-occupation. Rent for the month of January, 2024 could not be realized from the tenant. Mr. Ramesh has not instituted any legal proceedings for recovery of the unpaid rent.

Mr. Ramesh paid municipal taxes @ 10% during the year and paid interest of 35,000 during the year for amount borrowed towards repairs of the house property.

Calculate the income from 'House property' chargeable in the hands of Mr. Ramesh for the Assessment Year 2024-25. Assuming Mr. Ramesh exercise the option of shifting out of the default tax regime provided under section 115BAC of the Income Tax Act, 1961.

Indicate clearly the reasons for treatment of each item.

**ANSWER:**

Computation of Income from House Property chargeable in the hands of Mr Ramesh for the
Assessment Year 2024-25

Expected rent for the whole year	8,50,000
Actual rent receivable for the let-out period	7,00,000
Unrealised rent is not deductible from actual rent in this case as Ramesh has not instituted any legal proceedings for recovery of the unpaid rent. Hence, one of the conditions laid out in rule 4 of the Income-tax rules, 1962 has not been fulfilled	
Gross Annual Value (GAV) (Expected rent or Rent received, whichever is higher)	8,50,000
Less: - Municipal taxes	90,000
Net Annual Value (NAV)	7,60,000
Less: - Standard deduction under section 24 of the Income-tax Act, 1961	2,28,000
Less: - Interest paid on loan	35,000
Income from House Property	4,97,000



Q3 (a)

JUNE 2024

[7 MARKS]

2. Mr. Aaradhya provided the following information in respect of his Various house properties:

Particulars	H1	H2	H3
Used for	Self Occu- pied	Self Occu- pied	Self Occu- pied
Situated at	Delhi	Indore	Mumbai
Gross Municipal Value (₹)	2,50,000	3,50,000	7,50,000
Fair Rent (₹)	2,00,000	3,00,000	7,00,000
Standard Rent (₹)	3,00,000	3,00,000	6,50,000
Municipal Tax	15%	15%	15%
Repairs (₹)	12,000	8,000	10,000
Interest on Loan (₹)	70,000	1,50,000	2,50,000
Loan Taken On	1998-99	1998-99	2019-20

He does not opt to be taxed under section 115BAC. Of the Income tax Act, 1961. Compute the t income from house property chargeable in the hands of Mr. Aaradhya for the assessment year 2024-25.

ANSWER:

As Mr. Aaradhya is having 3 houses, he can calculate the Income from House Property by choosing the alternatives between the 3 options and which is beneficial to him.

Particulars	Amt. (₹)	Amt. (₹)	Amt. (₹)
	H1	H2	H3
Option I	SOP	SOP	DLO
Option II	SOP	DLO	SOP
Option III	DLO	SOP	SOP

Computation of Income from "House Property" in the hands of Mr. Aaradhya for the Assessment Year 2024-25.

(a) If all the 3 houses are Let out:

Particulars	Amt. (₹)	Amt. (₹)	Amt. (₹)
	H1	H2	H3
Gross Annual Value (W.N.1)	2,50,000	3,00,000	6,50,000
Less: Corporation tax paid	37,500	52,500	1,12,500



Net Annual Value	2,12,500	2,47,500	5,37,500
Less: Deductions under section 24			
(i) Standard deduction at 30% of net annual value	63,750	74,250	1,61,250
(ii) Interest on loan for Current year	70,000	1,50,000	2,50,000
Income from house property	78,750	23,250	1,26,250

(b) If all the 3 houses are Self Occupied:

Particulars	Amt. (₹)	Amt. (₹)	Amt. (₹)
	H1	H2	H3
Gross Annual Value (W.N.1)	0	0	0
Less: Corporation tax paid	0	0	0
Net Annual Value	0	0	0
Less: Deductions under section 24	0	0	0
(i) Standard deduction at 30% of net annual value	0	0	0
(ii) Interest on loan for Current year	30,000	30,000	2,00,000
Income from house property	(30,000)	(30,000)	(2,00,000)

Analysis of various Options under Income from House Property

Particulars	Amt. (₹)	Amt. (₹)	Amt. (₹)	Amt. (₹)
	H1	H2	H3	Total
Option I	SOP	SOP	DLO	
Income under head House Property	(30,000)	-	1,26,250	96,250
Option II	SOP	DLO	SOP	
Income under head House Property	(30,000)	23,250	(2,00,000)	(1,76,750)
Option III	DLO	SOP	SOP	
Income under head House Property	78,750	(30,000)	(2,00,000)	(1,21,000)

Hence, Mr. Aaradhya can choose Option II which is beneficial. Opting House 1 and House 3 as Self-occupied and House 2 as let out property.

Note:

(a) Where loan is taken on or after 1-4-1999 and the question is silent about conditions to be satisfied to claim 2,00,000, it is assumed that Mr. Aaradhya has satisfied all the necessary



conditions to claim maximum interest deduction under Section 24(b). Hence Interest on loan for the current year of 2,00,000 is allowed as deduction for House 3.

(b) In any case, the deduction in respect of interest of loan on self-occupied properties cannot exceed 2,00,000 in a year.

Working Notes:

Particulars	Amt. (₹)	Amt. (₹)	Amt. (₹)
	H1	H2	H3
(a) Municipal Value	2,50,000	3,50,000	7,50,000
(b) Fair Rent	2,00,000	3,00,000	7,00,000
c) Higher of Municipal Value and Fair Rent i.e Expected Rent	2,50,000	3,50,000	7,50,000
(d) Standard Rent	3,00,000	3,00,000	6,50,000
(e) Lower of (c) and (d) is GAV	2,50,000	3,00,000	6,50,000

Q3 (a)

DEC 2023

[7 MARKS]

3. Mr. Gaurav owns a house property in Jaipur (Rajasthan). The fair rental value per annum is 1,50,000 and the Municipal value is 1,30,000. The house was let out from 1st April, 2022 to 30th September, 2022 at a monthly rent of 5,000 and from 1st October, 2022 Mr. Gaurav occupies it for his residence (self). Following expenditure were incurred on property and paid during the previous year 2022-23:

1.	Municipal tax	13,000
2.	Land revenue	5,000
3.	Fire insurance premium	1,000

The loan for the construction of this property is taken and Interest charged by the bank 12,500 have been paid. To repay this loan, Mr. Gaurav has taken a fresh loan and interest charged on this loan is 6,500. Mr. Gaurav does not opt to be taxed under section 115BAC of the Income-tax Act, 1961. Compute the income from House Property" chargeable in the hands of Mr. Gaurav for the Assessment Year 2023-24.

Answer:

Computation of Income from "House Property" in the hands of Mr. Gaurav for the Assessment Year 2023-24.

Particulars	Amt.
Gross Annual Value (W.N.1)	1,50,000



Less: Corporation tax paid	(13,000)
Net Annual Value	1,37,000
Less: Deductions under section 24	
(i) Standard deduction at 30% of net annual value (1,37,000 × 30%)	(41,100)
(ii) Interest on loan for Current year (12,500 + 6,500)	(19,000)
Income from house property	76,900

Working Notes:

(i) Computation of Gross Annual value

Particulars	Amt.
Municipal Value	1,30,000
Fair Rent	1,50,000
Higher of Municipal Value and Fair Rent i.e. Expected Rent	1,50,000
Annual rent (Rs. 5,000 × 6)	30,000
Higher of Expected Rent and Annual rent i.e. GAV	1,50,000

(ii) Land Revenue and Fire Insurance Premium are excluded from Municipal Taxes and hence it is not deducted from Gross Annual Value.

Q2 (b)**JUN 2023****[6 MARKS]**

4. Ramesh employed in ABC Ltd. Kolkata has two properties in India which are always let out. The details are as under:

Particulars	Property 1, Kolkata	Property 2, Guwahati
Date of commencement of construction	01-04-2020	1-07-2016
Date of completion of construction	31-12-2022	30-06-2019
Interest on Housing Loan		
Financial Year 2016-17	-	60,000
Financial Year 2017-18	-	80,000
Financial Year 2018-19	-	70,000
From 01-04-2019 to 30-06-2019		30,000
From 01-07-2019 to 31-03-2020		45,000
Financial Year 2020-21	1,40,000	
Financial Year 2021-22	1,80,000	
Financial Year 2022-23		50,000
From 01-04-2023 to 31-12-2023	90,000	



From 01-01-2024 to 31-03-2024	40,000	
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Compute interest eligible for deduction for the assessment year 2024-25

Answer:

Computation of Interest eligible for Deduction for Assessment Year 2024-25 u/s 24(b) of Income-tax Act, 1961

Particulars	Property 1
Pre construction Period	
Financial Year 2020-21	1,40,000
Financial Year 2021-22	1,80,000
Total [A]	3,20,000
Interest Allowed for deduction (1/5 of A)	64,000
Interest for P/Y 2023-24 [B]	1,30,000
Total Interest Allowed for Deduction (A + B)	1,94,000

Particulars	Property 2
Pre construction Period	
Financial Year 2016-17	60,000
Financial Year 2017-18	80,000
Financial Year 2018-19	70,000
Total [A]	2,10,000
Interest Allowed for deduction (1/5 of A)	42,000
Interest for P/Y 2023-24 [B]	50,000
Total Interest Allowed for Deduction (A+B)	92,000



MOCK TEST PAPERS

Q3 (a)**JUNE 2025****[7 MARKS]**

5. Two brothers Virat and Rohit are co-owners of a house property with equal share. The property was constructed during the financial year 2016-2017. The property consists of eight identical units and is situated at Kerala. During the financial year 2024-25, each co-owner occupied one unit for residence and the balance of six units were let out at a rent of ₹12,000 per month per unit. The municipal value of the house property is ₹10,00,000 and the municipal taxes are 20% of municipal value, which were paid during the year. The other expenses were as follows:

(i) Repairs	40,000
(ii) Insurance premium (paid)	15,000
(iii) Interest payable on loan taken for construction of house	3,00,000

One of the let out units remained vacant for four months during the year.

Virat could not occupy his unit for six months as he was transferred to Kolkata. He does not own any other house.

The other income of Mr. Virat and Rohit are ₹2,35,000 and ₹1,65,000, respectively, for the financial year 2024-25.

ANSWER:

(i) If Virat and Rohit pay tax under the default tax regime under section 115BAC
Computation of Total Income for the A.Y. 2025-26

Particulars	Virat (₹)	Rohit (₹)
<u>Income from house property:</u>		
(I) Self-occupied property (25% i.e., 2 units out of 8 units)		
Annual value	Nil	Nil
Less: Deduction under section 24(b)	Nil	Nil
Loss from self-occupied property	Nil	Nil
(II) Let-out property (75% i.e., 6 units out of 8 units)		
Income from house property (See Working Note-1)	1,20,600	1,20,600
Other Income	2,35,000	1,65,000
Total Income	3,55,600	2,85,600



(ii) If Virat and Rohit have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)

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

Particulars	Virat (₹)	Rohit (₹)
Income from house property:		
I. Self-occupied property (25%)		
Net Annual Value	Nil	Nil
Less : Deduction u/s		
24(a) Standard Deduction (30% of NAV)	Nil	Nil
24(b) Interest on loan	37,500	37,500
Interest on loan taken for construction ₹37,500 (being 25% of ₹1.5 lakh) [Allowable since they have exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)]		
Loss from self-occupied property	(37,500)	(37,500)
II. Let-out property (75%) (See Working Note 1)	1,20,600	1,20,600
Income from house property	83,100	83,100
Other Income	2,35,000	1,65,000
Total Income	3,18,100	2,48,100

Working Note - 1

Computation of Income from Let-Out Part of House Property (75%)

Particulars	(₹)	(₹)
Gross Annual Value (Higher of MV & Actual Rent)		
(a) Municipal value (₹10,00,000×75%)	7,50,000	
(b) Actual rent(₹12,000×6×12)-(₹12,000×1×4)	8,16,000	8,16,000
Less: Municipal taxes (₹2,00,000×75%) (₹2,00,000 i.e., 20% of ₹10L)		(1,50,000)
Net Annual Value (NAV)		6,66,000
Less : Deduction u/s		
24(a) Standard Deduction (30% of NAV)	1,99,800	
24(b) Interest on loan (₹3,00,000×75%)	2,25,000	4,24,800
Income from let-out part of house property		2,41,200
Share of each co-owner (50% each)		1,20,600

**Q3 (a)****DEC 2024****[7 MARKS]**

6. Mr. Ajnabi has a house property in Cochin. The house property has two equal dimension residential units. Unit 1 is self-occupied throughout the year and unit 2 is let out for 9 months for ₹ 10,000 p.m. and for remaining 3 months it was self-occupied. Compute his taxable income from the following details assume that he has opted for old regime:

Municipal value - ₹ 2,00,000, Fair Rent - ₹ 1,60,000, Standard rent - ₹ 3,00,000, Municipal tax - 10% (60% paid by assessee), Interest on loan - ₹ 40,000, Expenditure on repairs - ₹ 20,000.

Solution

Computation of income from house property of Mr. Ajnabi for the A.Y. 2024-25

Particulars	Working	Unit 1		Unit 2	
		Details	Amount	Details	Amount
Gross Annual Value	1		Nil		1,00,000
Less : Municipal Tax	2		Nil		6,000
Net Annual Value			Nil		94,000
Less : Deduction u/s:					
24(a) Standard Deduction		Nil		28200	
24(b) Interest on loan	3	20,000	20,000	20000	48,200
Income from house property			(-) 20,000		45,800

Conclusion: Income under the head Income from house property is ₹ 25,800 (being ₹ 45,800 - ₹ 20,000).

Working**1. Computation of Gross Annual Value (GAV)**

Particulars	Working	Unit 1	Unit 2
Municipal Value	1:1	1,00,000	1,00,000
Fair Rent	1:1	80,000	80,000
Standard Rent	1:1	1,50,000	1,50,000
Reasonable Expected Rent	Higher of MV & FR (RER cannot exceed SR)	Nil	1,00,000
Actual Rent Receivable	₹ 10,000 * 9	-	90,000
Gross Annual Value	Higher of Step 1 & 2	Nil	1,00,000

2. Municipal tax = 10% of 2,00,000 = 20,000 being divided in the ratio 1:1 between Unit 1 and Unit 2. Out of such Municipal tax only 60% is paid, therefore, Municipal tax allowed as deduction in case of Unit 2 is only 6,000 [i.e. $20,000 \times \frac{1}{2} \times 60\%$].



3. Interest on loan is divided in unit A and unit B in 1:1 as both units are of equal dimension.
Computation of income from house property of Mr. Ajnabi for the A.Y. 2024-25

Particulars	Working	Unit 1		Unit 2	
Gross Annual Value	1		Nil		1,00,000
Less : Municipal Tax	2		Nil		6,000
Net Annual Value			Nil		94,000
24(a) Standard Deduction		Nil		28200	
24(b) Interest on loan	3	20,000	20,000	20000	48,200
Income from house property			(-) 20,000		45,800

Conclusion : Income under the head Income from house property is 25,800 (being 45,800 - 20,000).

Q3 (a)

JUNE 2024

[7 MARKS]

7. Mrinal Thakur owns two houses. The particulars of the houses are as follows:

	House I (₹)	House II (₹)
	Let out	Self-Occupied
Municipal Valuation	8,00,000	15,00,000
Fair Rent	18,00,000	22,50,000
Standard Rent	15,00,000	18,00,000
Annual Rent Received	12,00,000	-
Municipal tax paid	1,20,000	1,50,000
Fire Insurance Premium		
i. Paid	80,000	1,20,000
ii. Due	-	-
Interest on loan (Taken for the purpose of constructions)	75,000	
Repairs	Nil	1,50,000

Mr. Thakur borrowed ₹ 10,00,000 @ 12% p.a. for the purpose of construction of House II. The amount was borrowed on 1.6.2013 and repaid on 17.9.2024. Construction of the house were completed on 1.4.2022. Construction of House I was completed in the year of 1996.

You are required to compute income from house property of Mr. Thakur for the Assessment Year 2024-25, if he has not opted for option given u/s 115BAC(6).

**Solution**

Computation of total income of Mr. Mrinal Thakur for the A.Y. 2024-25

Particulars	Details (₹)	Details (₹)	Details (₹)
Income from House Property			
House I: Let out u/s 23(1)			
Gross Annual Value (Working)		15,00,000	
Less: Municipal Tax		1,20,000	
Net Annual Value		13,80,000	
Less: Deduction u/s			
24(a) Standard Deduction	4,14,000		
24(b) Interest on loan	75,000	4,89,000	8,91,000
House II: Self occupied u/s 23(2)(a)			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan		NA	Nil
Income from House Property			8,91,000

Working: Computation of GAV

Particulars	Explanation	House I (₹)
Municipal value (MV)		8,00,000
Fair rent (FR)		18,00,000
Standard rent (SR)		15,00,000
Reasonable Expected Rent [a]	Higher of MV & FR (subject to SR)	15,00,000
Annual Rent [b]		12,00,000
Gross Annual Value (GAV)	Higher of (a) and (b)	15,00,000



Q3 (a)

DECEMBER 2023 (set 1)

[7 MARKS]

8. Patil owns two house properties in Mumbai. He submits the following information relating to the financial year 2022-23.

	House I	House II
Municipal Value	7,50,000	8,75,000
Fair rent	8,50,000	9,75,000
Standard rent under RCA	8,00,000	8,25,000
Annual rent	9,00,000	NA(Self occupied for residence)
Municipal Tax	75,000	87,500
Interest on borrowed capital	60,000	40,000

There is unrealized rent in respect of let-out house property ` 75,000. However, no steps are taken to make the defaulting tenant vacate the house. Half of the municipal tax is not yet paid. Compute income from house property for the assessment year 2023-24 if he has opted for section 115 BAC.

SOLUTION

House I:	
Reasonable Expected Rent	8,00,000
Actual Rent	9,00,000
Gross Annual value	9,00,000
(-) Municipal Tax (50%)	37,500
Net Annual Value	8,62,500
(-)Standard deduction 30%	2,58,750
(-) Interest	60,000
Let out	5,43,750
House II: Self-occupied u/s 115BAC	Nil
Income from House Property	5,43,750

**Q3 (a)****DECEMBER 2023 (set 2)****[7 MARKS]**

9. Mr. Rajesh owns two house properties both of which are let out. Compute his income from the following details:

Particulars	H1	H2
Situated at	Gaya	Mumbai
Gross Municipal value	1,00,000	2,00,000
Fair rent	95,000	2,10,000
Standard rent	90,000	2,00,000
Actual rent receivable	1,00,000	1,80,000
Unrealised rent of current year	8,000	2,000
Municipal tax	10%	1,000
Fire insurance	2,000	1,200
Repairs	Nil	2,000
Interest on loan for construction (@ 12%)	10,000	Nil

Other Information:

1. Loan taken for construction is still unpaid.
2. Municipal tax of H1 is still unpaid, while, that of H2 is half paid by tenant.

SOLUTION

(a) Computation of income from house property of Mr. Rajesh for the A.Y. 2023-24:

Particulars	Details (₹)	Amount (₹)	Amount (₹)
H1: Let out			
Gross Annual Value#		92,000	
Less : Municipal tax		Nil	
Net Annual Value		92,000	
Less : Deduction u/s 24:			
A. Standard deduction (30% of NAV)	27,600		
B. Interest on loan	10,000	37,600	54,400
H2: Let out			
Gross Annual Value#		2,00,000	
Less : Municipal tax		500	
Net Annual Value		1,99,500	
Less : Deduction u/s 24			
A. Standard deduction (30% of NAV)	59,850		



B. Interest on loan	Nil	59,850	1,39,650
Income from House Property			1,94,050

Note: Unpaid municipal tax and municipal tax paid by tenant is not allowed.

#. Computation of Gross Annual Value:

Particulars	Details	H1	H2
Reasonable Expected Rent	Higher of GMV or FR subject to SR	90,000	2,00,000
Actual Rent Receivable - Unrealised Rent		92,000	1,78,000
Gross Annual Value	Higher of above	92,000	2,00,000



Objectives

Q1. Chitra (age 33 years) received 5,00,000 by way of arrear rent from a nationalized bank in April, 2022. The arrear rent relates to assessment year 2021-22 and 2022-23. How much of arrear rent is chargeable to tax for the assessment year 2023-24?

- (A) NIL
- (B) 1,75,000
- (C) 3,50,000
- (D) 5,00,000

[PP Dec 2023]

Q2. Sunil, employed in a bank, availed housing loan in the financial year 2019-20. The interest on money borrowed for construction of residential house (self-occupied by him) for the previous year 2022-23 was 2,20,000. He has opted for section 115 BAC. How much of interest on housing loan is deductible?

- (A) NIL
- (B) ₹30,000
- (C) 2,00,000
- (D) 2,20,000

[PP Dec 2023]

Q3. Pre-construction interest on housing loan is eligible for _____ annual instalments.

[PP Dec 2023]

Q4. What is the maximum limit for deduction in respect of interest on moneys borrowed in the case of self-occupied property?

- (A) ₹1,00,000
- (B) ₹2,00,000
- (C) ₹3,00,000
- (D) ₹1,50,000

[PP June 2023]

Q5. The maximum of interest on loan borrowed for the purpose of repair of building deductible under section 24 is_____.

[PP June 2023]



Q6. Mr. A let out a property for a monthly rent of ₹30,000 during the whole of the financial year 2023-24. He paid municipal tax of ₹60,000 in December, 2023 for financial years 2021-2022, 2022-23 and 2023-24 being 20,000 per annum. How much is the income under the head 'house property' taxable in the hands of Mr. A?

- (A) ₹3,40,000
- (B) ₹3,00,000
- (C) ₹2,10,000
- (D) 1,92,000

[PP Dec 2022]

Modules MCQ's

Q7. The basis of chargeability of income under the head income from house property is

- (a) Rental value
- (b) Annual value
- (c) Value fixed by the government
- (d) None of the above

Q8. Income from vacant plot is taxable under the head-

- (a) Income from House Property
- (b) Income from Other Sources
- (c) Profits & Gains of Business or Profession
- (d) Capital Gains

Q9. House Property Income is exempt for-

- (a) Local Authority
- (b) Charitable Trust
- (c) Political Property
- (d) All of the above.

Q10. Advance Municipal Tax paid-

- (a) Shall be allowed as deduction in the year of payment
- (b) can be claimed in the year in which it falls due
- (c) cannot be claimed
- (d) None of above



Q11. A has two house properties. Both are self-occupied. The Annual Value-

- (a) of both house shall be Nil
- (b) one house shall be Nil
- (c) of no house shall be Nil
- (d) Both (a) & (b)

Q12. "A" borrowed 5,00,000 at 12% p.a on 01-04-2015 for construction of house property which was completed on 15-03-2024 and let out. The amount is still unpaid. The deduction on account of interest for the previous year 2023-24 shall be-

- (a) 60,000
- (b) 96,000
- (c) 1,80,000
- (d) 2,40,000

Q13. Unrealized Rent is a deduction from-

- (a) Actual Rent
- (b) Net Annual Value
- (c) Income from the head House Property
- (d) None of above

Q14. Megha received 30, 000 as arrears of rent during the previous year 2023-24. The amount taxable under section 25A would be_____

- (a) Nil
- (b) 21,000
- (c) 30,000
- (d) 25,000

Q15. Ms. Shilpa let out a property for 20,000 per month during the year 2022-23. The municipal tax on the let-out property was enhanced retrospectively. Hence, she paid 60,000 as municipal tax which included arrears of municipal tax of 45,000. Her income from house property is-

- (a) 1,80,000
- (b) 1,26,000
- (c) 1,57,500
- (d) 1,36,500



Q16. Jaya and Vijaya are co-owners of a self-occupied property. They own 50% share each. The interest paid by each co-owner during the previous year 2023-24 on loan (taken for acquisition of property during the year 2004) is 2,05,000. The amount of allowable deduction in respect of each co-owner is -

- (a) 2,05,000
- (b) 1,02,500
- (c) 2,00,000
- (d) 1,00,000

**SOLUTIONS**

1. c	2. a	3. Five	4. b	5. 30,000	6. c	7. b	8. b	9. c	10. b
11. d	12. b	13. a	14. b	15. a	16. c				



INCOME FROM SALARY

BLAST FROM THE PAST

PAST PAPERS

Q2 (B)

DEC 2024

[7 MARKS]

Q1. Mr. Kaul, aged 60 years, retired from a private company on 1st February, 2024. He served as a General Manager in this company for 25 years and 6 months. He was drawing a basic salary of 95,000 p.m. since 1st January, 2022, dearness allowance of 12% of basic salary (30% forms part of the salary for retirement benefits). He received the following emoluments upon retirement:

(i) Gratuity: 25,00,000 (he is covered by the Payment of Gratuity Act.)

(ii) Leave Salary: 12,00,000

(He was entitled to 2 months leaves per year of service. He took a total of 12 months leave).

(iii) Commuted pension: ₹4,50,000

You are required to compute his income chargeable under the head 'Salary' for the Assessment Year 2024-25 assuming he opted out of default tax regime under section 115BAC of the Income Tax Act, 1961.

Solution

Computation of income from salary in the hands of Mr. Kaul	₹
Basic Salary	9,50,000
Dearness Allowance	1,14,000
Taxable Gratuity	9,65,385
Taxable Leave Encashment	2,15,800
Taxable commuted pension	3,00,000
Total	25,45,185
Less: Standard Deduction	50,000
Taxable salary	24,95,185

**Q3 (a)****JUNE 2024****[7 MARKS]**

Q2. Mrs Simran (aged 45 years) is the HR manager in Shiv Pvt. Ltd. She has given the details of her income for the previous year 2023-2024:

S. No	Particulars
(i)	Basic salary is 70,000 per month upto 31st July, 2023 and 75,000 per month from 1st August, 2023. Salary is due and paid on the last day of every month.
(ii)	Dearness allowance @ 25% of basic salary (not forming part of salary for retirement benefits).
(iii)	Bonus equal to one month salary is paid in July, 2023 on basic salary plus dearness allowance applicable for that month.
(iv)	Contribution of employer to recognized provident fund account of the employee @ 15% of basic salary.
(v)	Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 1st January, 2024 which is used for both official and personal purposes. Repair and running expenses of 27,000 from 1st January, 2024 to 31st March, 2024, were fully met by the employer. The motor car was self-driven by the employee.
(vi)	₹10,000 paid as Hostel expenses allowance for 2 children.
(vii)	₹48,000 paid as Education facility for 2 children in a school maintained by employer.

You are required to calculate the income chargeable to tax under the head salaries in the hands of Mrs Simran for the assessment year 2024-2025.

Assume Mrs Simran exercises the option of shifting out of the default tax regime provided under section 115BAC of the Income Tax Act, 1961. Indicate clearly the reasons for treatment of each item.

Solution:

Computation of income chargeable to tax under the head salaries in the hands of Mrs. Simran for the assessment year 2024-2025.

Particulars	Amount	Amount
Basic salary [(70,000*4 months) + (75,000*8)]		8,80,000
Dearness Allowance (8,80,000*25%)		2,20,000
Bonus (70,000 + (70,000*25%))		87,500



Contribution of Employer to RPF (8,80,000*15%)	1,32,000	
Less: Exemption upto 12% of Salary	(1,05,600)	26,400
Motor Car Allowance (2400*3)		7,200
Hostel Expenses allowance for 2 Children	10,000	
Less: Exemption (300* 12*2)	(7,200)	2,800
Education Facility for 2 Children	48,000	
Less: Exemption (1000 p.m*12*2)	(24,000)	24,000
Income from the head Salaries (Gross)		12,47,900
Less: Standard Deduction		(50,000)
Income from the head Salaries (Net)		11,97,900

**Q2 (b)****DEC 2023****[7 MARKS]**

Q.3 Mr. Sahil (aged 40 years) is a regular employee in X Pvt. Ltd. He has given the details of his income for the previous year 2022-23.

S. No	Particulars	Amt
(i)	Basic salary	3,00,000
(ii)	Educational allowance for 2 children	36,000
(iii)	Servant allowance	10,000
(iv)	Entertainment allowance	6,000
(v)	Medical facility for Mr. Sahil and his family members in a hospital maintained by the employer	18,000
(vi)	Free meals during the office hours (80 x 300 times)	24000
(vii)	Gift (wristwatch) on Deepawali.	7000
(viii)	Transport allowance (being used for office 10 residence & vice versa)	12000

You are required to calculate the income chargeable to tax under the head "Salary" in the hands of Mr. Sahil for the Assessment Year 2023- 24. Mr. Sahil does not opt to be taxed under section 115BAC of the Income-tax Act, 1961.

Solution:

Computation of income chargeable to tax under the head "Salary" in the hands of Mr. Sahil for the Assessment Year 2023-24.

Particulars	Amount	Amount
Basic salary		3,00,000
Educational allowance for 2 children	36,000	
Less: Exemption (100 x 12 x 2)	(2,400)	33,600
Servant allowance		10,000
Entertainment allowance		6,000
Medical facility for Mr. Sahil and his family members in a hospital maintained by the employer	18,000	
Less: Exemption	(18,000)	0
Free meals during the office hours (80 x 300 times)	24,000	
Less: Exemption (50x300)	(15,000)	9,000
Gift (wristwatch) on Deepawali.		7,000



Transport allowance (being used for office to residence & vice versa)		12,000
Income from the head salaries (Gross)		3,77,600
Less: Standard Deduction		(50,000)
Income from the head Salaries (Net)		3,27,600



Q 3(a)

DEC 2023

[9 MARKS]

Q4. Srivatsan joined Mercury Ltd. on 1st July 2022 as General Manager. He furnishes below his salary details for the year ended 31st March, 2023.

Particulars	₹
Basic salary	18,00,000
Dearness allowance (50% eligible for retirement benefits)	12,00,000
Reimbursement of actual medical expenditure of the employee's family.	60,500
Gymkhana club membership fee paid by the employer	39,500
Laptop and mobile phone provided by the employer (cost ₹90,000 and 60,000 respectively) to be used both for personal and official use.	
Mobile phone bills paid by the employer	29,400
Tax on non-monetary perquisite paid by the employer	35,000
Rent-free accommodation at Delhi owned by the employer provided for a monthly rent of 15,000 to the employee Srivatsan	
Furniture provided in the accommodation costing 5 lakhs was taken on hire by the employer and actual hire charges are ₹1,20,000 per annum.	
Motor car owned by the employer was used both for official and personal use. Entire running expenditure met by the employer being 1,40,000.	
Actual cost of motor car was 6 lakhs which was acquired on 01.07.2021 by the company.	

Compute salary income of Srivatsan for the assessment year 2023-24. Give brief reasons to support your calculations.

**Solution:****Computation of salary income of Srivatsan for the Asst. Year 2023-24**

Particulars		₹
Basic salary		18,00,000
Dearness allowance		12,00,000
Reimbursement of actual medical expenditure of the employee's family - it is a taxable perquisite		60,500
Gymkhana club membership fee paid by the employer - it is a taxable perquisite		39,500
Rent-free accommodation at Delhi owned by the employer:	3,60,000	
Add: Furniture hire charges paid by the employer	90,000	
	4,50,000	
Less: Amount recovered from employee	1,35,000	
		3,15,000
Motor car owned by the employer used both for official and personal use:		
Motor car with cubic capacity up to 1.6 litres:		
Perquisite value	16,200	
Perquisite value	24,300	
OR		
Motor car with cubic capacity above 1.6 litres		
Perquisite value	21,600	
Perquisite value	29,700	



Q3 (a)

June 2023

[9 MARKS]

Q5. Sekhar employed as chief engineer in Kohli Co. Ltd., Mumbai furnishes the following information relating to the financial year 2023-24

- Basic Salary= 2,00,000 p.m.
- Dearness Allowance (forms part of retirement benefit) = 1,00,000 p.m.
- Production Commission (annual payment) = 5,00,000
- Bonus 3,00,000
- Mobile phone bills reimbursed by employer = 47,000 (used for both personal and official purposes)

Rent-free accommodation provided by the employer. Rent paid to owner by the employer, 4,80,000 for the previous year 2023-24.

Amount of expenditure Incurred by employer for 1 week training in Germany for travel, stay and food expenses 5,00,000.

Contribution of employer to recognized provident fund and approved superannuation fund @12% each of basic salary and DA.

During the year he was transferred to a factory located in Chennai and was provided hotel accommodation from 1st May, 2023 to 30th June, 2023. The cost of accommodation was 60,000 per month. He continued to retain his rent-free accommodation at Mumbai during the said period.

He is provided with a motor car (engine cubic capacity exceeds 1.6 litres) for exclusive personal use for the entire previous year. Expenditure towards running and maintenance met by employee. Actual cost of motor car 6 lakh acquired on 10th April, 2021 by the employer. Actual expenditure incurred by employee during the year 51,000.

Compute income from salary of Sekhar for the assessment year 2024-25. Assume that he has opted for section 115BAC.

**Solution:**

Computation of income from salary of Sekhar for Assessment year 2024-25

Particulars	Amt (₹)
Basic salary (2,00,000 × 12)	24,00,000
Dearness Allowance (1,00,000 × 12)	12,00,000
Bonus	3,00,000
Production Commission	5,00,000
Employer's Contribution to Provident fund (12% of Basic Salary + DA) is exempted	Nil
Employer's Contribution to approved superannuation fund (12% of Basic Salary + DA)	4,32,000
Perquisites	
Value of motor car provided to employee (WN1)	1,11,000
Value of Rent-free Accommodation (WN2)	4,80,000
Value of Hotel Accommodation (least of the following)	1,20,000
Actual hotel charges (60,000 × 2 months)	1,20,000
24% of Salary (2 months)	1,76,000
Expenditure Incurred by employer for 1 week training in Germany	5,00,000
Gross Salary	60,43,000
Less: Standard Deduction under section 16(ia)	50,000
Taxable Salary	59,93,000

WN1- Value of Motor Car provided to Employee exclusively for personal use10% of car's original cost $10\% \times 6,00,000 = 60,000$

Running expense cost to employer = ₹51,000

Total Value of perquisite to be added = ₹1,11,000

WN2- Value of Rent-free furnished accommodation

Particulars	
Basic salary (2,00,000 × 12)	24,00,000
Dearness Allowance (1,00,000 × 12)	12,00,000
Bonus	3,00,000
Production Commission	5,00,000
Salary for valuation of rent-free accommodation	44,00,000
15% of salary	6,60,000
Actual rent paid by the employer	4,80,000
The least of the above is taxable perquisite	4,80,000



MODEL QUESTION PAPERS

Q2 (b)

JUNE 2025

[7 MARKS]

Q6. Mr. Bharat of Siliguri is offered an employment by Vimal & Co. Ltd., Kolkata on a basic salary of ₹5,500 p.m. Other allowances are dearness allowance (not forming part of salary for retirement benefits) ₹4,000 p.m., medical allowance ₹1,000 p.m. and bonus being 1 month's basic salary. The company gives an option to him either to take a rent-free accommodation in Kolkata of the fair rental value of ₹1,000 p.m. or to accept a cash house rent allowance of ₹1,000 p.m. He decides to accept house rent allowance and takes a house in Kolkata at a monthly rent of ₹1,000. He has opted for old regime. Discuss with reason whether he has made a wise choice from tax advantage view.

Solution:

Computation of Gross Taxable Salary of Mr. Bharat for the A.Y.2025-26

Particulars	Amount	When he takes HRA		When he takes RFA	
		Amount ₹	Amount ₹	Amount ₹	Amount ₹
Basic			66,000		66,000
Bonus			5,500		5,500
Dearness allowance			48,000		48,000
Medical allowance			12,000		12,000
HRA		12,000			
Less: Minimum of the following					
a) Actual amount received	12,000				
b) 50% of salary	33,000				
c) Rent paid over 10% of salary	5,400	5,400	6,600		Nil
Rent free accommodation (being 10% of salary)			Nil		8,350
Gross Taxable Salary			1,38,100		1,39,850

Note: Salary for the purpose:



Particulars	Accommodation ₹	HRA ₹
Basic salary	66,000	66,000
Medical Allowance	12,000	-
Bonus	5,500	-
Total	83,500	66,000

Comment: The above computation indicates that if the assessee chooses rent-free accommodation, then his gross taxable salary increases by ₹1,750 (being ₹1,39,850 - ₹1,38,100), which may increase his tax bill. Hence, assessee has taken right decision.



Q2 (b)

Dec 2024 S2 & Dec 2023

[7 MARKS]

Q7. Following are the particulars of income of Mrs. S. Choudhury for the Previous Year 2022-23:

1. Basic salary @ ₹ 15,000 per month.
2. Dearness Allowance @ 60% of salary.
3. Medical Allowance @ 600 per month (Actual expenditure ₹ 5,000).
4. House Rent Allowance received @ ₹ 6,000 per month and she pays rent of ₹7,200 per month for her house in Durgapur.
5. City compensatory allowance ₹ 1,500 per month.
6. She owns a car which she is using for official purposes. Her employer reimburses her @ ₹ 3,000 per month.
7. She is contributing ₹ 2,100 per month towards a recognized provident fund. The employer is also contributing the same amount. Interest credited to R.P.F @ 11% ₹ 2,200.
8. She paid ₹ 1,800 as professional tax during the year.

Compute income from salary of Mrs. Choudhury for the assessment year 2023-24.

Solution:

Computation of Taxable Salary of Mrs. S Choudhury for the A.Y.2023-24:

Particulars	Working	Details (₹)	Amount (₹)	Amount (₹)
Salaries				
Basic				1,80,000
Allowances				
Dearness allowance	60% of basic		1,08,000	
Medical Allowance			7,200	
City compensatory allowance			18,000	
House rent allowance		72,000		
Less : Exempted u/s 10(13A)				
Minimum of the following :				
A. Actual HRA	72,000			
B. 40% of (Basic + DA)	1,15,200			
C. Rent paid - 10% (Basic + DA)	57,600	57,600	14,400	1,47,600



Perquisites u/s 17(2):				
Car facility			-	-
Employer's contribution to RPF		25,200		
Less : Exempted u/s 10(12)	12% of (Basic + DA)	25,200		
Interest on RPF		2,200		
Less : Exempted	Up to 9%	1,800	400	400
Gross taxable salary		3,27,600		
Less : Deduction u/s:				
16(ia) Standard Deduction			50,000	
16(iii) Professional tax			1,800	51,800
Taxable Salary				2,75,800


Q2 (b)
DEC 2024
[7 MARKS]

Q8. Mrs. X is working with ABC Ltd. since last 30 years 9 months. Her salary structure is as under: Basic 5,000 p.m. Dearness allowance 3,000 p.m

On 15/12/2023, she died. Discuss the treatment of gratuity in following cases:

Case 1: Mrs. X retired on 10/12/2023 & gratuity ₹ 4,00,000 received by her husband (legal heir) as on 18/12/2023.

Case 2: Husband of Mrs. X received gratuity on 18/12/2023 falling due after death of Mrs. X. Mrs. X is covered by the Payment of Gratuity Act.

Solution:

In Case 1, Computation of taxable gratuity in hands of Mrs. X for the A.Y. 2024-25

Particulars	Details (₹)	Amount (₹)
Total Gratuity received		4,00,000
Less : Minimum of the following is exempted as per Sec 10(10)(ii):		
a) Actual gratuity received	4,00,000	
b) Statutory Amount	20,00,000	
c) $15/26 \times \text{completed year of service} \times \text{salary p.m.}$ $[15/26 \times 31 \times 8,000]$	1,43,077	1,43,077
Taxable Gratuity		2,56,923

In Case 2, Since gratuity falls due after the death of Mrs. X hence the same is not taxable in hands of Mrs. X. The said gratuity is not taxable even in hands of husband of Mrs. X.



Q3 (a)

JUNE 2024

[7 MARKS]

Q9. Mr. R. Singh is the employee of BPL India Ltd. He furnished the under-noted particulars of his income for the previous year 2023-24. Compute his income from salary for the assessment year 2024-25

1. Basic salary ₹ 60,000 p.m.
2. Dearness Allowance ₹ 20,000 p.m. (forming part of Salary)
3. Medical allowance paid ₹ 2,000 p.m.
4. He and his employer each contributed 14% of Salary to a Recognized Provident Fund (RPF)
5. Interest credited to the fund @ 11% is ₹ 12,100 during the year.
6. His personal electric bill amounted to ₹ 20,000 p.a. out of which he paid ₹ 5,000 and balance paid by his employer.
7. He is provided with a small car with a driver both for private and official use. All expenses are met by his employer.
8. He took a new life insurance policy of LIC during the year and premium was paid by his employer ₹ 40,000.
9. Professional tax was paid by his employer ₹ 2,400

Solution:

Computation of Taxable Salary of Mr. R Singh for the A.Y. 2024-25

Particulars	Workings	Details (₹)	Amount (₹)	Amount (₹)
Basic	₹ 60,000 × 12			7,20,000
Allowances:				
Dearness allowance	₹ 20,000 × 12		2,40,000	
Medical allowance	₹ 2,000 × 12		24,000	2,64,000
Perquisites u/s 17(2):				
Electric Bill	₹ 20,000 - ₹ 5,000		15,000	
Car Facility	(₹ 1,800 + ₹ 900) × 12		32,400	
LIC premium paid			40,000	
Professional Tax			2,400	89,800
Contribution to RPF	14% of salary	1,34,400		
Less: Exempted	12% of salary	1,15,200	19,200	
Interest on RPF @ 11%		12,100		
Less: Exempted upto 9.5%		10,450	1,650	20,850
Gross Taxable Salary				10,94,650
Less: Deduction u/s				
16(ia) Standard Deduction			50,000	



16(iii) Professional tax	Not available in Default tax regime		NA	50,000
Taxable Salary				10,44,650

Salary for the purpose of:

Particulars	RPF (₹)
Basic	7,20,000
DA	2,40,000
Total	9,60,000

Q2 (b)

Dec 2023

[7 MARKS]

Q10. Vimala employed as Technical consultant in Chahal Ltd., Cochin furnishes the following particulars relating to the financial year 2022-23:

- (i) Basic Salary 1,20,000 Pm
 - (ii) Annual commission 6,00,000
 - (iii) Annual bonus 2,00,000
 - (iv) Cash gift 1, 50, 000
 - (v) Contribution to recognized provident fund @ 15% of basic salary each by both employer and employee
 - (vi) Rent free accommodation provide by employer and rent paid by employer ₹ 30,000 p.m.
- Compute income from salary for the assessment year 2023-24, if she has not opted for section 115 BAC.

Solution:

Computation of Income from Salary of Vimala

Basic Pay	14,40,000
Commission	6,00,000
Bonus	2,00,000
Gift	1,50,000
RPF (14,40,000 X 3%)	43,200
Accommodation [15% of 2240000 or 30,000 X12]	3,36,000
Gross Salary Income	27,69,200
(-) Standard Deduction	50,000
Taxable Income from Salary	27,19,200



Quick MCQ's

Q1. R acquired an asset for 5,22,000 which includes 72,000 as GST for which R has claimed input tax credit. The actual cost of acquisition to be included in the block of asset under the Income-tax Act, 1961 for the assessment year 2024-25 shall be:

- (a) 5,22,000
- (b) 4,50,000
- (c) 5,94,000
- (d) NIL

[PP June 2024]

Q2. Ganesh (aged 45 years), employed in Moses Ltd., has received children education allowance of 2,000 per month. He has 3 school going children. How much of education allowance is taxable under the Income-tax Act, 1961 for the assessment year 2024-25?

- (a) 24,000
- (b) 13,200
- (c) 21,600
- (d) 20,400

[PP June 2024]

Q3. Taxable value of perquisite being sweat equity shares allotted by the employer is

- (A) fair market value subject to standard deduction of ₹50,000.
- (B) the fair market value of such shares as on the date when such option is vested to the employee as reduced by the amount paid.
- (C) the fair market value of such shares as on the date when such option is exercised by the employee as reduced by the amount paid.
- (D) Not taxable in hands of employee.

[PP June 2023]

Q4. If an employee opts for section 115BAC he is not entitled to claim exemption for leave travel allowance.

- (a) True
- (b) False

[PP June 2023]



Q5. Rent-free official residence provided to Judge of High Court is an exempt perquisite.

- (a) True
- (b) False

[PP June 2023]

Q6. Mr. Laloo Singh, received hostel allowance of 1,000 p.m. He has three children. None of his children are studying. The taxable hostel allowance if he opts for old regime will be:

- (a) 8,400
- (b) 12,000
- (c) 4,800
- (d) Nil

[MQP Dec 2024]

Q7. Mr. Amit has retired from his job on 31/3/2023. From 1/4/2023, he was entitled to a pension of ₹ 12,500 p.m. What would be his income under the head "Salaries" for the A.Y. 2024-25, if he has not exercised the option available u/s 115BAC(6)?

- (a) ₹ 1,00,000
- (b) ₹ 1,50,000
- (c) ₹ 50,000
- (d) Nil

[MQP June 2024]

Q8. Rohit earns monthly salary of 1,75,000. What is his tax liability if he has opted for section 115 BAC for the assessment year 2023-24?

- (a) 4,44,600
- (b) 4,60,200
- (c) 3,82,200
- (d) 3,66,600

[MQP Dec 2023]



Module MCQ's

9. Salary received by the Partner of a Firm is charged under the head

- (a) Salaries
- (b) Business Income
- (c) Other Sources
- (d) Its exempt from tax

10. Salary is a taxable on

- (a) Receipt basis
- (b) due basis
- (c) due to receipt basis whichever is earlier
- (d) due or receipt basis whichever is later.

11. Arrears of Pension is taxable on

- (a) receipt basis
- (b) due basis
- (c) due or receipt basis whichever is earlier
- (d) due or receipt basis whichever is later

12. The Notified amount of Gratuity that is exempt

- (a) ₹ 10,00,000
- (b) ₹ 20,00,000
- (c) ₹ 2,00,000
- (d) ₹ 5,00,000

13. Uncommuted Pension received by a Government Employee is-

- (a) Exempt
- (b) Taxable
- (c) Partially Taxable
- (d) None of the above



14. Encashment of Leave Salary at the time of retirement is fully exempt in the case of -

- (a) Central Government Employee
- (b) State Government Employee
- (c) Both Central and State Government Employees
- (d) Government Employee and Employee of Local Authority.

15. Interest credited to Statutory Provident Fund shall be -

- (a) Fully Exempt
- (b) Exempt upto 12% p.a.
- (c) Fully Taxable
- (d) Exempt upto 9.5% p.a

16. Interest credited to Recognized Provident Fund is -

- (a) Fully Taxable
- (b) Fully Exempt
- (c) Exempt upto 12% of Salary
- (d) Exempt upto 9.5% p.a.

17. For an employee in receipt of Hostel Expenditure Allowance for his 3 children, the maximum annual allowance exempt u/s 10(14) is -

- (a) ₹ 10, 8000
- (b) ₹ 7,200
- (c) ₹ 9, 600
- (d) ₹ 3, 600

**Solutions:**

1. c	2. c	3. c	4.a	5.a	6. c	7. a	8. c	9.b	10.c
11.c	12.b	13.b	14.d	15.a	16.d	17.b			