

## **Assessment Year - 2025-26**

### **Volume - 2**

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## **CHAPTER – 12**

## **DEPRECIATION**

### **Conditions for claiming depreciation:**

- Should be the owner of the asset (joint ownership is also recognized)
- The asset must be put to use in business (not active use but passive use)
- The assets should fall within the eligible classification of assets

### **Important points:**

- Depreciation claim is mandatory (not an option)
- Registration is not compulsory to claim depreciation
- Allowed on the system of “block of assets”
- Allowed on the basis of “written down value” method
- No depreciation is allowed on land
- No depreciation for assets purchased by way of cash exceeding Rs.10,000

### **Block of Assets:**

**“Block of Assets” means a group of assets falling within a class of assets comprising,**

- a) tangible assets, being building, machinery, plant or furniture;
- b) intangible assets, being know-how, patents, copyrights, trademarks, licences, franchises or any other business or commercial rights of similar nature, not being goodwill of a business or profession; in respect of which the same percentage of depreciation is prescribed.

**note: An assessee may have 9 different blocks of assets as under**

Buildings	-----	3 blocks (5%, 10%, and 40%)
Furniture and fittings	-----	1 block 10%
Plant and machinery	-----	4 blocks (15%, 20%, 30%, 40%)
Intangible assets	-----	1 block 25%

Plant includes ships, vehicles, books, scientific apparatus and surgical equipments.

Building includes roads, bridges, culverts, wells and tube wells.

Goodwill does not qualify for depreciation.

### **How to compute depreciation?**

Written down value as on 1.4.2024	xxx
Add: Purchases to the block	xxx
	xxx
Less: Amount realized through sale, etc.	xxx
Less: Depreciation as per section 32	xxx
Written down value as on 31.3.2025	xxx

If the asset is acquired during the previous year (first year) and put to use for:

- a. Less than 180 days: Only 50% of the depreciation is allowed
- b. 180 days or more: Full depreciation is allowed

**note:** The above provision is only for year of purchase and not for subsequent years. For subsequent years, full depreciation is allowed.

**note:** No depreciation if WDV is reduced to zero or where the block ceases to exist.

In other words, depreciation is allowed only if the following two conditions are satisfied:

- a) Block should exist (i.e. there should be an asset in the block)
- b) Written down value of the block should not be zero.

### **On sale of entire block or part of the block:**

**A. Where ENTIRE block is sold: The result is either STCG or STCL**

If the sale value > the opening w.d.v. *plus* additions: STCG

If the sale value < the opening w.d.v. *plus* additions: STCL

**B. Where PART of the block is sold:**

If sale value is less than w.d.v. of the block: Depreciation is allowed

If sale value is more than w.d.v. of the block: Short-term capital gain

### **Depreciation on Actual Cost:**

Revaluation of assets does not have any impact under the IT Act. Depreciation is allowed only on the actual cost of the asset and not on the revalued figure.

### **Is it mandatory to claim depreciation or is it an option?**

Yes it is mandatory for the assessee to claim depreciation. Depreciation shall be allowed whether or not the assessee has claimed depreciation in computing his total income.

**note:** GST paid on purchase of an asset shall not be included in the cost if ITC is availed.

**note:** Any subsidy or grant received from the Government in connection with purchase of an asset shall be reduced from the cost of such asset.

### **Rates of depreciation:**

Computers: 40%;	Cars: 15%;	Buildings (commercial):	10%;
Furniture: 10%;	Ships: 20%	Residential quarters:	5%;
Aeroplanes: 40%;	Books: 40%	Plant and machinery (generally):	15%
		Books (annual publication):	40%
Life savings medical equipment: 40%			
Purely temporary erections such as wooden structures: 40%			

***note:*** Motor cars acquired during the period from 23.08.2019 to 31.03.2020 and put to use before 31.03.2020 shall qualify for 30% depreciation.

***note:*** Motor buses, motor lorries, motor taxis used in the business of running them on hire, acquired during the period from 23.08.2019 to 31.03.2020 and put to use before 31.03.2020 shall qualify for 45% depreciation.

### **ADDITIONAL DEPRECIATION on new plant and machinery:**

#### **Conditions for claiming additional depreciation – Section 32(1)(ia)**

- It should be:
  - a manufacturing unit; or
  - an assessee engaged in the business of generation or transmission or distribution of power.
- Rate of additional depreciation is 20% of cost of new plant and machinery acquired and installed in a previous year.

#### **Additional Depreciation is NOT available in the following cases:**

- Not available for assets like building or furniture
- Not available for assets like ships or aircrafts
- Should not be a second-hand machinery
- Machinery or plant used in any office premises or any residential premises
- Office appliances or road transport vehicles.
- Machinery or plant where whole of the cost is allowed as deduction in one year.

***note:*** If the new machinery is put to use for less than 180 days: Additional depreciation is allowed @ 10% (50% of 20%) and balance 10% shall be allowed in the next year.

***note:*** Additional depreciation is allowed every year on the new investment made.

***note:*** Additional depreciation is not available under Default Tax Regime.

***CBDT Circular:*** Business of *printing or printing and publishing* amounts to manufacture or production of any article or thing and is therefore eligible for additional depreciation.

**Problems:**

1. The following are the assets owned by X as on 1.4.2024:

Asset	Rate of Depreciation
Building A	10%
Building B	10%
Building C	5%
Building D	40%
Machinery A	15%
Machinery B	15%
Machinery C	40%
Machinery D	15%
Car X	15%
Furniture and fixtures	10%
Patent rights	25%
Technical know-how	25%

**Classify the assets into different block of assets.**

2. The w.d.v. of a block (machinery, rate of depreciation 15%) as on 31.03.2024 is Rs.3,20,000. A machinery costing Rs.50,000 was acquired on 01.09.2024 but put to use on 01.11.2024. During January, 2025, part of this block was sold for Rs.2,00,000. The depreciation for A.Y.25-26 would be:-
- A. 21,750                      B. 25,500                      C. 21,125                      D. None of these
3. A motor car is the only asset in a block. Cost Rs.2,00,000. Rate of depreciation is 15%. 20% is disallowed for estimated personal use. WDV of the block is Rs.....

**ASSETS MEANT FOR PERSONAL USE AND LATER BROUGHT INTO BUSINESS:**

**BUILDING used for personal purpose and subsequently brought into business use:**

The cost of the building as reduced by notional depreciation calculated up to the year of bringing the asset to business use will be the cost for the purpose of claiming depreciation.

However, this provision does not apply to any other asset (for eg. car, computer, furniture) and therefore the original cost will be the cost for the purpose of depreciation.

4. Ram introduced his building costing Rs.10,00,000 acquired in April, 2020 into business newly commenced by him from 01.04.2024. The actual cost of building for the purpose of depreciation for the assessment year 2025-26 would be Rs.
- A. 10,00,000                      B. 5,90,490                      C. 6,56,100                      D. None of these

5. A car purchased by Dr.S on 10.08.2021 for Rs.5,25,000 for personal use is brought into professional use on 01.07.2024, when its market value is Rs.2,50,000. Compute the actual cost of the car and the amount of depreciation for the Assessment Year 2025-26 assuming the rate of depreciation is 15%.

6. Mr.X furnishes the following details pertaining to the financial year 2024-2025:-

Description	Plant	Building	Patents
Rate of depreciation	15%	10%	25%
Opening balance as on 01.04.2024	14,50,000	25,00,000	15,00,000
Acquired before 30.09.2024	12,00,000	nil	5,00,000
Acquired after 01.12.2024	4,00,000	18,00,000	nil
One of 2 patents transferred in March 2025	nil	nil	3,00,000

A machinery acquired in July 2024 (original cost Rs.1,50,000) was destroyed by fire and the assessee received compensation of Rs.50,000 from the insurance company. Newly acquired building given above includes value of land of Rs.3,00,000. **Calculate the eligible depreciation claim for the assessment year 2025-26.**

7. A newly qualified Chartered Accountant Mr.Dhaval, commenced practice and has acquired the following assets in his office during F.Y. 2024-25 at the cost shown against each item. Assume that all the assets were purchased by way of account payee cheque. Calculate depreciation that can be claimed from his professional income for A.Y. 2025-26:

Sl. No.	Description	Date of acquisition	Date when put to use	Amount
1.	Computer including computer software	27.09.2024	1.10.2024	35,000
2.	Computer UPS	02.10.2024	8.10.2024	8,500
3.	Computer printer	01.10.2024	1.10.2024	12,500
4.	Books (other than annual publications are of Rs.12,000)	01.04.2024	1.04.2024	13,000
5.	Office furniture (acquired from a practicing CA)	01.04.2024	1.04.2024	3,00,000
6.	Laptop	26.09.2024	8.10.2024	43,000

**SHARING OF DEPRECIATION IN THE CASE OF CONVERSION OR TAKE OVER:**

Total depreciation allowable in the year of **CONVERSION** to the **PREDECESSOR** and the **SUCCESSOR** is to be restricted to depreciation allowable as if conversion had not taken place and such depreciation is to be apportioned on the basis of **NUMBER OF DAYS** used by each of them.

8. Mr.Gopi carrying on business as proprietor converted the same into a limited company by name Gopi Pipes (P) Ltd. from 01.07.2024. The details of the assets are given below:

	Rs.
Block - I WDV of P&M (rate of depreciation @ 15%) on 01.04.2024	12,00,000
Block - II WDV of building (rate of depreciation @ 10%) on 01.04.2024	25,00,000

The company Gopi Pipes (P) Ltd. acquired P&M in December 2024 for Rs.10,00,000. It has been doing the business from 01.07.2024. Compute the quantum of depreciation to be claimed by Mr.Gopi and successor Gopi Pipes (P) Ltd. for the assessment year 2025-2026.

Assume that plant and machinery were purchased by way of account payee cheque. Note: Ignore additional depreciation.

9. M/s.R & Co., a sole proprietary concern is converted into a company, R Ltd. with effect from 29.11.2024. The written down value of assets as on 01.04.2024 is as follows:

Item	Rate of depreciation	WDV as on 01.04.2024
Building	10%	3,50,000
Furniture	10%	50,000
Plant and Machinery	15%	2,00,000

Further, on 15.10.2024, M/s.R & Co. purchased a plant for Rs.1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth Rs.50,000 (rate of depreciation 15%). Compute the depreciation available to: (i) M/s.R & Co. & (ii) R Ltd. for A.Y.2025-2026.

**Problems on Additional Depreciation:**

10. Mr.X, a manufacturer, has opted for OTR, furnishes the following particulars:

Opening WDV of the block of plant and machinery	Rs.5,00,000
Purchase of plant and machinery (put to use before October 1, 2024)	Rs.2,00,000
Sale proceeds of plant and machinery which became obsolete (it was purchased on 01.04.2022 for Rs.5,00,000)	Rs.5,000

Further, out of purchase of plant and machinery, machinery of Rs.20,000 has been installed in office and another machinery of Rs.20,000 was used previously for the purpose of business by the seller. **Compute depreciation and additional depreciation for the A.Y. 2025-26.**

11. Mr.A is engaged in the business of generation and distribution of electric power. He opts to claim depreciation on written down value for income tax purposes. From the following details, compute the depreciation allowable for the A.Y.2025-26:

i. Opening WDV of block (15% rate)	42,50,000
ii. New machinery purchased on 12.10.2024	10,00,000
iii. Machinery imported from China on 12.04.2024. This machine had been used only in China earlier and the assessee is the first user in India	9,00,000
iv. New computer installed in generation wing of the unit on 15.07.2024	2,00,000

All assets were purchased by A/c payee cheque. Ignore default tax regime.

12. Mr.Venus., engaged in manufacture of pesticides, furnishes the following particulars relating to its manufacturing unit at Chennai, for the year ending 31.3.2025:

	(in lakhs)
Opening WDV of Plant and Machinery	25.25
New machinery purchased on 1.9.2024	10
New machinery purchased on 1.12.2024	8
Computer purchased on 3.1.2025	4

**Additional information:**

- All assets were purchased by A/c. payee cheque
- All assets were put to use immediately.
- New machinery purchased on 01.12.2024 and computer has been installed in the office.

During the year ended 31.3.2024, a new machinery had been purchased on 31.10.2023, for Rs.10 lacs. Additional depreciation, besides normal depreciation, had been claimed thereon. Depreciation rate for machinery may be taken as 15%.

Compute the depreciation available to the assessee as per the provisions of the Income-tax Act, 1961 and the WDV of different blocks of assets as on 31.3.2025. Ignore Default TR.

13. Mr.Gamma, a proprietor started a business on 01.01.2024 for manufacture of tyres and tubes for motor vehicles. The manufacturing unit was set up on 01.05.2024. He commenced his manufacturing operations on 01.06.2024. The total cost of the plant and machinery installed in the unit is Rs.120 crore. The said plant and machinery included second hand machinery bought for Rs.20 crore and new machinery for scientific research relating to the business of the assessee acquired at a cost of Rs.15 crore.

Compute the amount of depreciation allowable under section 32 for Assessment Year 2025-26. Assume that all the assets were purchased by of account payee cheque. Mr.Gamma has exercised the option of shifting out of the default tax regime provided u.s.115BAC(1A).



14. Mr.R resides in Delhi. As per new rule in the city, private cars can be plied in the city only on alternate days. He has purchased a car on 21.09.2024, for the purpose of his business as per following details:

Cost of car (excluding GST)	12,00,000
Add: Delhi GST at 14%	1,68,000
Add: Central GST at 14%	<u>1,68,000</u>
Total price of car	<u>15,36,000</u>

He estimates the usage of the car for personal purposes will be 25%. He is advised that since the car has run only on alternate days, half the depreciation, which is otherwise allowable, will be actually allowed. He has started using the car immediately after purchase. Determine the depreciation allowable on car for the AY 2025-26, if this is the only asset in the block. Rate of depreciation may be taken at 15%.

15. Mr.Tenzingh is engaged in composite business of growing and curing (further processing) coffee in Coorg, Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31.3.2025 are given below:

	Rs.
WDV of car as on 1.4.2024	3,00,000
WDV of machinery as on 1.4.2024 (15% rate)	15,00,000
Expenses incurred for growing coffee	3,10,000
Expenditure for curing coffee	3,00,000
Sale value of cured coffee	22,00,000

Besides being used for agricultural operations, the car is also used for personal use; disallowance for personal use may be taken at 20%. The expenses incurred for car running and maintenance are Rs.50,000. The machines were used in coffee curing business operations.

Compute the income arising from the above activities for the assessment year 2025-26.

16. A manufacturing company was transporting two of its machines from unit 'A' to unit 'B' (which is at a distance of 100 miles) on September 1, 2024 by a truck. The written down value of this block of assets as on 01.04.2024 is Rs.4,80,000.

On account of a civil disturbance, both the machines were damaged. The insurance company paid Rs.5,00,000 for the damaged machineries. On these facts, for submitting the return of income for the previous year ending March 31, 2025, your advice is sought as to:

- Whether the damage of machines results in any transfer?
- How the amounts received from the insurance company are to be treated for taxability?

17. Compute the quantum of depreciation available u/s.32 of the Income-tax Act, 1961 in respect of the following items of Plant and Machinery purchased by Mr.Gupta, who has set up a manufacturing unit in Andhra Pradesh to manufacture textile fabrics during the year 2024-25. Also compute the WDV of the block of assets as at the year end.

Particulars	Amount (Rs. in Crore)
New Machinery installed on 01.05.2024	84

**Items purchased after 30<sup>th</sup> November, 2024:**

Lorries for transporting goods to sales depots	3
Fork-lift-trucks, used inside factory	4
New imported machinery	12

The new imported machinery arrived at Chennai port on 30.03.2025 and was installed on 03.04.2025. All others items were installed and put to use during the year ended 31.03.2025. Mr.Gupta has shifted out of the default tax regime.

**18. Mr.Prem has following assets as on 01.04.2024:**

- A machinery costing ₹4 lakhs which was used for scientific research related to business and deduction u.s.35 was allowed ₹ 40,000
- A laptop received as a gift from his friend costing ₹ 60,000. It was purchased on 01.04.2023 by his friend
- A temporary wooden structure costing ₹ 70,000 erected in December 2024 which was used for business purposes.

Compute the depreciation allowed on these assets for financial year 24-25.

*Jan 2025*

**MCQs:**

1. Additional depreciation on the factory building constructed during the PY 2024-25 and put to use for manufacturing of garments on 1st February, 2025 having cost of Rs.100 lakhs shall be allowed in AY 2025-26 at a rate of:
 

(a) 20%	(c) 10%
(b) 15%	(d) Nil
2. Madhu Ltd. owns machinery (rate of depreciation is 15%) the written down value of which as on 1st April, 2024 Rs.30,00,000. Due to fire, entire assets in the block were destroyed and the insurer paid Rs.25,00,000. The eligible depreciation in respect of this machinery is:
 

(a) Rs.4,50,000
(b) Rs.75,000
(c) Rs.5,00,000
(d) Nil

3. Ramson Industries acquired a factory building for self-use in November, 2024. The value of land underneath the building was Rs.5 lakh and value of building was Rs.10 lakh. The amount of eligible depreciation allowable for assessment year 2025-26 is:
- Rs.1,50,000
  - Rs.25,000
  - Rs.1,00,000
  - Rs.50,000
- 
4. The WDV of the block of asset of P & M depreciated @ 15% as on 1st April, 2024 was of Rs.13,50,000. Out of this block, one machine was sold on 1<sup>st</sup> July, 2024 for Rs.4,50,000 and a new machine of Rs.7,50,000 was purchased on 1st August, 2024 which could be put to use from 1st March, 2025. The amount of depreciation (excluding additional depreciation) to be claimed on the block of plant & machinery in the computation of income for A.Y. 2025-26 shall be:
- Rs.1,35,000
  - Rs.2,47,500
  - Rs.1,91,250
  - Rs.2,53,125
- 
5. Zed Ltd., a domestic company engaged in manufacturing activity acquired a plant for Rs.5 lakhs on 7.1.2025 which is eligible for depreciation @ 15%. It paid Rs.4 lakh through ECS system from bank and balance Rs.1 lakh in cash on 23.02.2025. The plant was put to use on 12.3.2025. The amount of depreciation (normal and additional) on this plant for AY 2025-26 shall be:
- Rs.40,000
  - Rs.30,000
  - Rs.70,000
  - Rs.60,000
- 
6. Mr.X, a retailer acquired furniture on 10<sup>th</sup> May 2024 for Rs.10,000 in cash and on 15<sup>th</sup> May 2024, for Rs.15,000 and Rs.20,000 by a bearer cheque and account payee cheque, respectively. Depreciation allowable for A.Y.2025-26 would be:-
- Rs.2,000
  - Rs.3,000
  - Rs.3,500
  - Rs.4,500
- 
7. Depreciation whether to be allowed on the purchase and installation of a fire extinguisher by a practicing CA in his office, even when the same is not put to use or used during the year of acquisition as stipulated under section 32:
- No, failure to use for the profession
  - Yes, kept stand by, treated as passive use and eligible for deprn @ 15%
  - Yes, allowable @ 10% of the cost
  - Yes, allowable @ 50% of the cost
-

Loss under the head	How to set-off current year losses?	If carried forward, how to set-off?	No. of years cfd	Whether return has to be filed in time?
<b>House property</b> (SOP or LOP)	Inter-source adjustment (no limit)  Inter-head adjustment (max Rs.2 lakhs)	Only against HP income	8	Can be a belated return
<b>Business Loss:</b> Non-speculative business	Inter-source adjustment Inter-head adjustment	Only against Business income	8	Yes
Speculative business loss	Only against speculative business income	Only against speculative business income	4	Yes
Specified business loss under section 35 AD	Only against specified business income	Only against specified business income	Indefinitely	Yes
<b>Capital Loss:</b> Short-term capital loss	Against any capital gains	Only against capital gains	8	Yes
Long-term capital loss	Against LTCG only	Only against LTCG	8	Yes
<b>Other Sources:</b> Loss from the activity of owning and maintaining race horses	Income from the activity of owning and maintaining race horses	Income from the activity of owning and maintaining race horses	4	Yes

## **CHAPTER – 13      SET-OFF AND CARRY-FORWARD OF LOSSES**

### **Step 1: Inter-source Adjustment:**

Set-off within the same head of income

### **Step 2: Inter-head Adjustment:**

Set-off against income from any other head of income

### **Step 3: Carry forward of a loss:**

Unabsorbed loss (if any) will be carried forward.

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<b><u>House property loss:</u></b>	<b><u>Default tax regime</u></b>	<b><u>Optional tax regime</u></b>
A. SOP loss	deduction not allowed u.s.24, hence no question of set off	deduction allowed u.s.24 hence set off permitted
B. LOP loss	deduction allowed u.s.24 ISA (allowed; no limit) IHA (not allowed)	deduction allowed u.s.24 ISA (allowed; no limit) IHA (allowed but max 2 lakhs)

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Once a particular loss is carried forward, it can be set off only against the income from the same head in the forthcoming assessment years.

Business loss cannot be set-off against salary income.

Loss of a discontinued business can be carried forward and be set-off against income from any other business.

Loss from a specified business can be set off against income from any other specified business, irrespective of whether the later is eligible for deduction u.s.35AD.

**Meaning of unabsorbed depreciation:** Business profits are insufficient to absorb the entire amount of depreciation. Unabsorbed depreciation can be carried forward for any number of years and can be set off against any head of income.

**Meaning of Speculative business:** Profit or loss made in a business without taking delivery at the time of purchase (or) giving delivery at the time of sale but the contract is ultimately settled.

**Loss from trading in DERIVATIVES** is **not** a speculative transaction. The same is treated as non-speculative business loss.

No loss can be set off against casual income. Similarly, loss from gambling, card games, etc. can neither be set off nor carried forward.

**Compulsory filing of loss returns (Section 80):** In order to claim the benefit of carry forward of a loss, the assessee should file his loss return on or before the “due date”. However, loss under the head “house property” & “unabsorbed depreciation” can be carried forward even if the return is filed after the “due date”.

**Order of set off if business profits are insufficient:**

- A. Current year depreciation;  
Current year capital expenditure on scientific research;  
Current year expenditure on family planning
- B. Brought forward business loss
- C. Unabsorbed depreciation;  
Unabsorbed capital expenditure on scientific research;  
Unabsorbed family planning expenditure

**1. From the following information, compute total income of Mr.A for the A.Y.2025-26.**

Income from salary (after standard deduction)	6,80,000
Income from house property	40,000
Business loss (non-speculative)	(-) 1,80,000
Loss from a specified business referred to in section 35AD	(-) 60,000
Short-term capital loss	(-) 60,000
Long-term capital gains	1,40,000
Loss from gambling	(-) 30,000

**2. Mr.Brajesh is a partner in a partnership firm named XYZ Associates. He provides the details regarding his income and losses for the year ending 31.03.2025:**

- Salary from XYZ Associates Rs.3,75,000 which was claimed by the firm in its return and allowed as deduction.
- Brought forward business loss from A.Y.24-25 Rs.6,25,000
- Loss on sale of shares listed in NSE Rs.1,50,000. Shares were held for 15 months and STT paid on sale and acquisition.
- Long-term capital gain on sale of his house Rs.2,50,000
- Rs.51,000 received in cash from friends in party
- Rs.30,000 (gross) towards dividend on listed equity shares of domestic companies
- Loss from speculative business brought forward from AY 2022-23 Rs.2,50,000
- Life Insurance Premium paid (10% of the capital sum assured) Rs.1,00,000

Compute total income of Mr.Brajesh for the AY 2025-26 and show the items eligible for carry forward. (Ignore provisions of Default Tax Regime).

**3. The following are the details of Mr.S, a resident Indian, relating to the year ended 31.03.2025:**

Income from salaries (after standard deduction)	Rs.2,30,000
Loss from house property	Rs.2,10,000
Loss from cloth business	Rs.2,40,000
Income from speculation business	Rs.30,000
Loss from specified business covered by section 35AD	Rs.20,000
Long-term capital gain from sale of urban land	Rs.3,60,000
LTCL from sale of listed shares in stock exchange (STT paid)	Rs.1,10,000

Loss from card games	Rs.32,000
Income from betting (gross)	Rs.45,000
Life Insurance Premium paid	Rs.45,000

**Compute the total income and show the items eligible for carry forward both under optional tax regime and default tax regime.**

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**4. Mr.Sohan submits the following details of his income for the assessment year 2025-26.**

Income from salary (after standard deduction)	Rs.3,00,000
Loss from let out house property	Rs.40,000
Income from sugar business	Rs.50,000
Loss from iron ore business b/f (discontinued in 2020-21)	Rs.1,20,000
Short term capital loss u.s.111A	Rs.70,000
Long term capital gain from shares (STT paid)	Rs.50,000
Income received from lottery winning (gross)	Rs.50,000
Winnings in card games (gross)	Rs.6,000
Bank interest on fixed deposit	Rs.5,000
Dividend from domestic companies	Rs.5,000
Agricultural income	Rs.20,000

**Calculate gross total income and losses to be carried forward, assuming that he has exercised the option of shifting out of the default tax regime provided u.s.115BAC (1A).**

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**5. Mr.X furnishes the following details for the year ending 31.03.2025:**

Short term capital gain	Rs.1,40,000
Loss from speculative business	Rs.60,000
Long term capital gain on sale of land	Rs.30,000
Long term capital loss on sale of listed shares (STT not paid)	Rs.1,00,000
Income from business of textile (after allowing current year depreciation)	Rs.50,000
Income from activity of owning and maintaining race horses	Rs.15,000
Income from salary (after standard deduction)	Rs.1,00,000
Loss from house property	Rs.40,000

**Following are the carried forward losses:**

- a. Losses from activity of owning and maintaining race horses (A.Y.2022-23) Rs.25,000
- b. Carried forward loss of textile business of the A.Y.2017-18 Rs.60,000

**Compute GTI of Mr.X and the cfd losses for the A.Y. 2025-26. Assume that he has exercised the option of shifting out of the default tax regime provided u.s.115BAC (1A).**

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**6. X, a businessman of Delhi, furnishes the following, determine the net income of Mr.X:**

Income from house property (computed) Rs.60,000

Business profits (before claiming the following deductions) Rs.34,000

Current depreciation allowance Rs.8,000

Current scientific research expenditure Rs.6,000

Unabsorbed depreciation allowance of the previous year:

21-22 Rs.13,000 and 14-15 Rs.3,500

Unabsorbed business losses of the previous year:

21-22 Rs.9,000 and 14-15 Rs.4,000

**7. Mr.R submits the following information for the financial year ending 31.03.2025. He desires that you should compute the total income and the losses that can be cfd. under Default TR.**

He has two houses:

House I: Income after all statutory deductions	Rs.72,000
House II: Current year loss	(Rs.30,000)

He has three proprietary businesses:

**a. Textile business:**

Discontinued from 31.12.2024 - Current year loss	Rs.40,000
Brought forward business loss of A.Y.2021-22	Rs.95,000

**b. Chemical business:**

Discontinued from 01.03.2023 - hence no profit or loss	Nil
Bad debts allowed in earlier year recovered in this year	Rs.35,000
Bfd business loss of the A.Y. 2023-24	Rs.50,000

**c. Leather business income: Profit for the current year** Rs.1,00,000

**d. Share of profit in a firm in which he is a partner since 2009** Rs.16,550

Short-term capital gain Rs.60,000

Long-term capital loss Rs.35,000

Contribution to LIC towards premium Rs.10,000

**Late filing of income tax return: Effect on losses:**

- 8. Mr.X filed his return of income for the assessment year 2024-25 after the expiry of due date for filing the return, showing business loss of Rs.3.35 lakhs, unabsorbed depreciation of Rs.1 lakh, loss from house property of Rs.75,000 and loss of Rs.1.30 lakhs under the head "capital gains". What is the effect of such return of income?**



**9. Compute GTI of Mr.M for the A.Y. 2025-26 from the following particulars:**

House property income as computed under the head "IFHP"	Rs.2,70,000
Income from growing and manufacturing coffee (cured, roasted & grounded)	Rs.1,00,000
Income from textile business before adjusting the following	Rs.90,000
(a) Brought forward business loss	Rs.70,000
(b) Current year depreciation	Rs.30,000
(c) Brought forward unabsorbed depreciation	Rs.1,40,000
Short term capital gain – jewellery	Rs.1,60,000
Long term capital loss – listed equity shares (STT paid)	Rs.40,000
Long term capital gains – Debentures	Rs.2,00,000
Dividend on shares held as stock in trade	Rs.10,000
Dividend from a company carrying on agricultural operation	Rs.12,000

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**10. Mr. Aditya furnishes the following details for the year ended 31.03.2025:**

Loss from speculative business A	25,000
Income from speculative business B	5,000
Loss from specified business covered under section 35AD	20,000
Income from salary (after standard deduction)	3,00,000
Loss from house property	2,50,000
Income from trading business	45,000
Long-term capital gain from sale of urban land	2,00,000
Long-term capital loss on sale of shares (STT not paid)	75,000
Long-term capital loss on sale of listed shares in recognized stock exchange (STT paid at the time of acquisition and sale of shares)	1,02,000

Following are the brought forward losses:

- (1) Losses from owning and maintaining of race horses pertaining to A.Y. 2023-24: Rs.2,000.
- (2) Brought forward loss from trading business Rs.5,000 relating to A.Y. 2020-21.

Compute the total income of Mr.Aditya and show the items eligible for carry forward, assuming that he has exercised the option of shifting out of the default tax regime provided u.s.115BAC (1A).

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**11. Ms.Pooja provides the following information for the year ended on 31<sup>st</sup> March, 2025:**

Income from salary (computed)	Rs.2,20,000
Income from house property (let out) (net annual value)	Rs.1,50,000
Share of loss from firm in which she is a partner	Rs.10,000
Loss from specified business covered under section 35AD	Rs.20,000
Income from textile business before adjusting the following items:	Rs.3,00,000
a) Current year depreciation	Rs.60,000
b) Unabsorbed depreciation of earlier year	Rs.2,25,000
c) Brought forward loss of textile business of the A.Y.2023-24	Rs.90,000

Long term capital gain on sale of debentures	Rs.75,000
Long term capital gain on sale of listed equity shares (STT paid)	Rs.1,50,000
Long term capital loss on sale of equity shares (STT not paid)	Rs.1,00,000
Dividends from units of UTI	Rs.5,000

During the previous year 2024-25, Ms.Pooja has repaid Rs.5,25,000 towards housing loan from a bank. Out of this Rs.3,16,000 was towards payment of interest and rest towards principal.

Compute the gross total income (optional tax regime) and ascertain the amount of loss that can be cfd. Ms.Pooja has always filed her return within due date specified u.s.139(1) of the IT Act.

- 12.** Mr.T, a resident individual, furnishes the following particulars of his income and other details for the previous year 24-25:

Income from salary (computed)	Rs.25,00,000
Business loss before providing current year depreciation (Business discontinued on 31.05.2024)	Rs.1,20,000
Current year depreciation	Rs.80,000
Interest from fixed deposit	Rs.12,14,000
Interest on loan in respect of self-occupied property	Rs.2,15,000
Income from specified business (not eligible for deduction u.s.35AD)	Rs.20,000
Brought forward losses (pertaining to AY 2024-25)	
Unabsorbed depreciation	Rs.58,000
Loss from specified business (eligible for deduction u.s.35AD)	Rs.24,000

You are required to compute his total income for A.Y.2025-26 in such a way that his tax liability is minimized. He has opted out of Default Tax Regime.

- 13.** Gopal, a resident aged 50 years furnishes the following information for the year ended 31.03.2025:

Income by way of salary (computed)	Rs.2,75,000
Income from house property (computed)	(Rs.1,85,000)
Business income – Retail business	Rs.1,20,000
Business income – wholesale business	(Rs.1,00,000)
Brought forward business loss (AY 2023-24)	(Rs.1,35,000)
LTCG from sale of listed equity shares (STT paid)	Rs.2,00,000
Lottery winning (gross)	Rs.45,000
Contribution to provident fund and NSC	Rs.1,50,000
Income of minor daughter from special talent	Rs.2,00,000
Interest from bank received by minor daughter made out of her special talent	Rs.15,000

Compute his income tax liability assuming that he has opted out of default tax regime and his wife does not earn any income.

14. The following information is furnished by Mr.Shankar for the financial year 2024-25:

Particulars	Rs.
Income from let out house property (computed)	3,50,000
Interest paid on housing loan for self-occupied property	2,00,000
Income from Textile business	5,75,000
Brought forward business loss of Assessment Year 2021-22	1,05,000
Short-term capital loss	1,70,000
Brought forward long-term loss from Assessment Year 2023-24	90,000
Long-term capital gain on sale of house	75,000
Interest on enhanced compensation from Government for acquisition of land in 2020	5,00,000
Dividend received from ABC Ltd. Andhra Pradesh	15,000
Deposit made on 20.01.2025 in his Public Provident fund account	75,000
Loss from owning and maintaining race horse of A.Y. 2023-24	20,000
Loss from Gambling	8,000

Mr.Shankar filed the return of income for assessment year 2021-22 after the expiry of due date for filing the return. Compute the total income of Mr.Shankar for the assessment year 2025-26 under proper heads and also state the loss that can be carried forward. Assume Optional Tax Regime.

15. Mr.Jai, a resident individual furnishes the following particulars of his income and other details for the previous year 2024-25:

Income from the activity of owning and maintaining race horses	Rs.40,000
Income from crossword puzzle solving	Rs.30,000
Income from agricultural land in Haryana	Rs.25,000
Dividend income from domestic company (gross)	Rs.15,000
(expenditure incurred in collecting the aforesaid dividend)	Rs.2,500
Income from cycling business	Rs.1,50,000
Loss from warehousing facility for storage of edible oils	Rs.1,00,000
Share of loss from PR associates, a firm (having 4 equal partners)	Rs.23,000

The following items have been b/fd. from the AY.2022-23:

Brought forward loss from house property	Rs.1,00,000
Loss from the activity of owning and maintaining race horses	Rs.37,000
Loss from gambling	Rs.10,000
Unabsorbed depreciation	Rs.15,000
Speculation loss	Rs.20,000

Mrs.Jai (wife of Mr.Jai) got a salary of Rs.1,20,000 from PR associates during the 2024-25. She is not qualified for the job. Compute the gross total income of Mr.Jai for the AY 2025-26 ignoring the default tax regime.

(7 marks – Nov 2023)

**MCQs**

1. Mr.A incurred short-term capital loss of Rs.10,000 on sale of shares through the National Stock Exchange. Such loss:-
  - (a) can be set-off only against short-term capital gains
  - (b) can be set-off against both short-term capital gains and long-term capital gains.
  - (c) can be set-off against any head of income.
  - (d) not allowed to be set-off.

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2. According to section 80, no loss which has not been determined in pursuance of a return filed in accordance with the provisions of section 139(3), shall be carried forward. The exceptions to this are –
  - (a) Loss from specified business under section 73A
  - (b) Loss under the head "Capital Gains" and unabsorbed depreciation
  - (c) Loss from house property and unabsorbed depreciation
  - (d) Loss from speculation business under section 73

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3. Brought forward loss from house property of Rs.3,10,000 of A.Y. 2023-24 is allowed to be set-off against IFHP of A.Y. 2025-26 of Rs.5,00,000 to the extent of (under optional tax regime):—
  - (a) Rs.2,00,000
  - (b) Rs.3,10,000
  - (c) Rs.2,50,000
  - (d) Rs.1,00,000

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4. Virat runs a business of manufacturing of shoes since the P.Y. 2022-23. During the P.Y. 2022-23 and P.Y. 2023-24, Virat had incurred business losses. For P.Y. 2024-25, he earned business profit (computed) of Rs.3 lakhs. Considering he may/may not have sufficient business income to set off his earlier losses, which of the following order of set off shall be considered: (He does not have any other income).
  - (a) First adjustment for loss of P.Y. 2022-23, then loss for P.Y. 2023-24 and then unabsorbed depreciation, if any.
  - (b) First adjustment for loss of P.Y. 2023-24, then loss for P.Y. 2022-23 and then unabsorbed depreciation, if any.
  - (c) First adjustment for unabsorbed depreciation, then loss of P.Y. 2023-24 and then loss for P.Y. 2022-23, if any.
  - (d) First adjustment for unabsorbed depreciation, then loss of P.Y. 2022-23 and then loss for P.Y. 2023-24, if any.

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5. Mr.Ravi incurred loss of Rs.4 lakh in the P.Y. 2024-25 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?
  - (i) Profit of Rs.1 lakh from apparel business
  - (ii) Long-term capital gains of Rs.2 lakhs on sale of jewellery
  - (iii) Salary income of Rs.1 lakh

Choose the correct answer:

  - (a) First from (ii) and thereafter from (i); the remaining loss has to be carried forward.
  - (b) First from (i) and thereafter from (ii) and (iii)
  - (c) First from (i) and thereafter from (iii); the remaining loss has to be carried forward
  - (d) First from (i) and thereafter from (ii); the remaining loss has to be carried forward

6. During the A.Y.2024-25, Mr.A has a loss of Rs.8 lakhs under the head "Income from house property" which could not be set off against any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr.A has already expired and Mr.A forgot to file his return of income within the said due date. However, Mr.A filed his belated return of income for A.Y.2024-25. Now, while filing return of income for A.Y.2025-26, Mr.A wishes to set off the said loss against income from house property for the P.Y. 2024-25. Determine whether Mr.A can claim the said set off.

- (a) No, Mr.A cannot claim set off of loss of Rs.8 lakhs during A.Y. 2025-26 as he failed to file his return of income u/s 139(1) for A.Y. 2024-25.
  - (b) Yes, Mr. A can claim set off of loss of Rs.2 lakhs, out of Rs.8 lakhs, from its income from house property during A.Y. 2025-26, if any, and the balance has to be carried forward to A.Y.2026-27.
  - (c) Yes, Mr. A can claim set off of loss of Rs.2 lakhs, out of Rs.8 lakhs, from its income from any head during A.Y 2025-26 and the balance, if any, has to be carried forward to A.Y. 2026-27.
  - (d) Yes, Mr.A can claim set off of loss of Rs.8 lakhs during A.Y. 2025-26 from its income from house property, if any, and the balance has to be carried forward to A.Y.2026-27.
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7. Mr.Rohan incurred loss of Rs.3 lakh in the P.Y. 2024-25 in derivative trading business. Against which of the following income during the same year, can he set-off such loss?

- (a) profit of Rs.1 lakh from wholesale cloth business
  - (b) long-term capital gains of Rs.1.50 lakhs on sale of land
  - (c) speculative business income of Rs.40,000
  - (d) All of the above
- 

8. If a person is eligible to claim:

- (1) Unabsorbed depreciation
- (2) Current scientific research expenditure
- (3) Current depreciation
- (4) Brought forward business loss

The order of priority to set-off would be —

- (a) (4), (3), (2) & (1)
  - (b) (4), (3), (1) & (2)
  - (c) (3), (2), (4) & (1)
  - (d) (1), (2), (3) & (4)
- 

9. Mathur Storage (P) Ltd. engaged in chain cold storage has brought forward business loss of Rs.12 lakhs relating to assessment year 2024-2025. During the previous year 2024-2025, its income from the said business is Rs.9 lakhs. It also has profit from trade in food grains of Rs.6 lakhs.

The total income of the company for the assessment year 2025-2026 is:

- (a) Rs.15 lakhs
  - (b) Rs.6 lakhs
  - (c) Rs.9 lakhs
  - (d) Rs.3 lakhs
-

## **CHAPTER – 14**                      **CLUBBING OF INCOME**

### **Transfer of income alone without transfer of asset:**

Transfer of income alone without transfer of asset under an agreement, arrangement, settlement, etc., will be clubbed in the hands of the transferor.

1. Mr.V has transferred through a duly registered document the income arising from a godown, to his son, without transferring the godown. In whose hands will the rental income from godown be charged?
2. X has a fixed deposit of Rs.5,00,000 in SBI. He instructs the bank to credit the interest on the deposit @ 8% p.a. to the savings bank account of Y, son of his brother, to help him in his education. Discuss the tax treatment of the interest income.

### **Revocable Transfer Vs. Irrevocable Transfer:**

**Revocable Transfer:** Income will be clubbed in the hands of the transferor

**Irrevocable Transfer:** Income will NOT be clubbed. Taxed in the hands of transferee

“Revocable” means the transferor has the right to take back the asset during the life time of the transferee.

### **SALARY INCOME OF SPOUSE:**

Salary received by spouse will be clubbed if the following conditions are satisfied:

- If the assessee has “**substantial interest**” in a concern where the spouse is employed; and
- If remuneration is received by the spouse from such concern “**without any technical or professional knowledge or experience**”

Where both husband and wife have substantial interest and both are getting remuneration from a concern without any technical or professional knowledge or experience:

Income shall be clubbed in the hands of that spouse whose other income is greater without taking in to account the above remuneration.

### **Meaning of “Substantial Interest”**

#### **In the case of a company:**

If an individual beneficially holds (individually or along with his relatives) 20% or more of equity shares in the company at any time during the previous year.

#### **In any other case:**

If an individual is entitled to 20% share in the profits of the concern.

3. Mr.A holds 25% shares of X (pvt) Ltd. Mrs.A is working as a computer software programmer in X (pvt) Ltd. at a salary of Rs.30,000 p.m. She is, however, not qualified for the job. The other income of Mr.A and Mrs.A are Rs.7,00,000 & Rs.4,00,000, respectively. Compute gross total income of Mr.A and Mrs.A for the A.Y.2025-26 if they are paying tax under default tax regime. Will your answer be different if Mrs.A was qualified for the job?
- 
4. Mr.B along with his father holds shares carrying 30% voting power in Y Ltd. Mrs.B is working as accountant in Y Ltd. getting income under the head salary (computed) of Rs.3,44,000 without any qualification in accountancy. Mr.B also receives Rs.30,000 as interest on securities. Mrs.B owns a house which she has let out. Rent received from tenants is Rs.6,000 p.m. Compute gross total income of Mr.B and Mrs.B for A.Y. 2025-26.
- 

### **HOUSE PROPERTY TRANSFERRED TO SPOUSE – DEEMED OWNER:**

‘Deemed Owner’ provisions shall apply in the following cases:

- a. Where a house is transferred for an inadequate consideration; or
- b. Where there is no agreement between them to live apart.

In other words, ‘deemed owner’ provisions shall ***not*** apply if the house is transferred for an adequate consideration or in connection with an agreement between them to live apart.

### **5. State whether “deemed owner” provisions are applicable or not:**

X owns two houses:

House 1: It is transferred for an adequate consideration to Mrs.X on 1.12.2024. This house is let out at Rs.10,000 p.m. to a tenant.

House 2: X gifts (out of natural love and affection) this house to his wife Mrs.X on 1.10.2024. There is no agreement between them to live separately.

Briefly state the income-tax consequences showing clearly the person in whose hands the same is chargeable to tax.

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### **INCOME FROM BUSINESS – CLUBBING PROVISIONS WHEN APPLICABLE?**

**Amount to be clubbed in the hands of the spouse is determined as follows:**

- a. In the case of existing business: Ratio that existed as on the 1<sup>st</sup> day of the previous year
- b. In the case of new business: Ratio that existed as on the 1<sup>st</sup> day of commencement of business.

6. Mrs.A started a business in 2022. Her capital in the business as on 1.4.2023 stood at Rs.3,00,000. Mr.A (her husband) gifted a sum of Rs.2,00,000 to Mrs.A on 10.12.2023, which was also invested in the aforesaid business on the same date. She earned a profit of Rs.1,50,000 and Rs.3,90,000 during the previous year 2023-24 and 2024-25 respectively. Compute the amount of the income to be clubbed in the hands of Mr.A.

7. Mr.A started a proprietary business on 20.04.2023 with a capital of Rs.5,50,000. His wife Smt.P gifted Rs.2,00,000 on the occasion of his birthday on 28.07.2023, out of which he introduced Rs.1,00,000 into his proprietary business.

Details of his income from business are given below:

Financial Year	(Loss)	Income
2023-24	Rs.1,50,000	
2024-25		Rs.4,00,000

He did not withdraw any amount from the business for his personal use. Determine the amount chargeable to tax in the hands of Mr.A and the amount liable for clubbing in the hands of his wife.

8. Mr.Vaibhav started a business on 01.04.2023 with a capital of Rs.5,00,000. He incurred a loss of Rs.2,00,000 during the year 2023-24. To overcome the financial position, his wife Mrs.Vaishaly, a software engineer, gave a gift of Rs.5,00,000 on 01.04.2024, which was immediately invested in the business by Mr.Vaibhav. He earned a profit of Rs.4,00,000 during the year 2024-25.

Compute the amount to be clubbed in the hands of Mrs.Vaishaly for the A.Y.2025-26. If Mrs.Vaishaly gave the said amount as loan, what would be the amount to be clubbed?

### **INCOME FROM ASSETS TRANSFERRED TO SPOUSE WITHOUT ADEQUATE CONSIDERATION (CAPITAL GAINS AND INCOME FROM OTHER SOURCES):**

Any income from asset transferred without adequate consideration shall be clubbed in the hands of the transferor spouse.

#### **When income is NOT clubbed?**

- if the asset has been transferred for an adequate consideration; or
- if the transfer is in connection with an agreement to live apart (i.e. agreement to live separately)

**Note:** Clubbing provisions are attracted only if husband and wife relationship subsist both at the time of transfer of asset and at the time of accrual of income.

**Note:** Natural love and affection does not constitute adequate consideration.



**Whether income on income (ACCRETION) be clubbed?:**

Clubbing provisions will apply only in respect of income which arises out of assets transferred. However, income from accretion of the transferred asset will not be clubbed. In other words, where there is any **ACCRETION** to the asset transferred, income arising to the transferee from such accretion will not be clubbed.

Mr.X, had transferred Rs.50,00,000; 9% debentures of ABC Ltd to his wife Mrs.X. The interest on such debentures was received by Mrs.X during the year 2024-25. Later, she invested the same in a fixed deposit with SBI and earned Rs.40,000 as interest from the deposit. Discuss in whose hands will interest on debentures and interest on fixed deposit shall be assessed?

9. On 01.05.2024, Mr.Rama transferred the right to receive rental income arising from a factory godown owned by him, to his major son Mr.Lava, for a period of 10 years. The rental income derived is Rs.10,000 p.m.

On 12.03.2020, he gifted 2000 shares of face value of Rs.100 each in ITC Ltd., a listed company, to his wife Mrs.Seetha. Mr.Rama had purchased them on 19.02.2018 at Rs.110 each.

ITC Ltd. allotted bonus shares in the ratio of 1:1 on 12.04.2022. Mrs.Seetha sold all shares of the above company on 15.01.2025 in the National Stock Exchange for a net consideration of Rs.180 per share, paying the applicable STT thereon.

Discuss how the above items will be treated in the hands of Mr.Rama and Mrs.Seetha for the Assessment Year 2025-26.  
*(Computation of income is not required).*

**Income of spouse - provisions in brief:**

- |                            |   |
|----------------------------|---|
| <b>a. Salary:</b>          | If spouse is employed in a concern where the assessee has <u>substantial interest</u> and the spouse is not qualified for the job to justify the remuneration drawn. Clubbing provisions shall apply. |
| <b>b. House property:</b>  | Deemed owner provisions u.s.27 shall apply  |
| <b>c. Business Income:</b> | Existing business: Ratio as on the first day of the previous year<br>New business: Ratio as on the first day of commencement of business  |
| <b>d. Capital gains:</b>   | Will be clubbed if the asset has been transferred without adequate consideration  |
| <b>e. Other sources:</b>   | Will be clubbed if the asset has been transferred without adequate consideration  |

**Note:** Income includes loss. In other words if income is clubbed then loss should also be allowed to be set-off.

**INCOME FROM ASSETS TRANSFERRED TO SON'S WIFE:**

Any income from assets transferred (directly or indirectly) to son's wife without adequate consideration will be clubbed in the hands of the transferor. However, the relationship of father-in-law/mother-in-law and daughter-in-law should exist both at the time of transfer of asset and at the time of accrual of income.

10. Mr.A has gifted a house property valued at Rs.50 lakhs to his wife, Mrs.B, who in turn has gifted the same to Mrs.C, their daughter-in-law. The house was let out at Rs.25,000 per month throughout the year. Compute the total income of Mr.A and Mrs.C. Will your answer be different if the said property was gifted to his son, husband of Mrs.C?
- 
11. Mr.Shiva gifted a let-out building which fetches rental income of Rs.10,500 per month to his son's wife on 01.11.2024. The municipal tax of Rs.6,000 on the property was paid on 10.01.2025. The total income from all other sources (computed) amounts to Rs.2,60,000 except from above said property. His total income chargeable to tax is:
- Rs.3,11,450
  - Rs.3,44,000
  - Rs.3,80,000
  - Rs.3,33,500
- 

**CLUBBING OF INCOME OF A MINOR CHILD:**

The income of minor will be included in the income of that parent whose total income is greater. Income of the minor child will be clubbed after providing exemption u/s.10 (32) to the extent of Rs.1,500 for each child. Section 10(32) exemption is not available under the default tax regime.

**Income of minor child will not be clubbed in the following cases:**

- Income of minor child suffering from any disability specified u/s.80 U
  - Income of minor child on account of any manual work
  - Income of minor child on account of any skill, talent or experience.
12. Mr.G has four minor children consisting of 2 daughters and 2 sons. The annual income of 2 daughters was Rs.9,000 and Rs.4,500 and of sons were Rs.6,200 and Rs.4,300 respectively. The daughter who was having income of Rs.4,500 was suffering from a disability specified u.s.80 U. Work out the amount of income earned by minor children to be clubbed in the hands of Mr.G (OTR).
- 
13. Compute total income of Mr.A & Mrs.A under OTR from the following information:
- |  |             |
|--|-------------|
| Salary income (computed) of Mrs.A  | Rs.5,30,000 |
| Income from profession of Mr.A   | Rs.9,90,000 |
| Income of minor son B from company deposit                                 | Rs.15,000   |
| Income of minor daughter C from special talent                             | Rs.72,000   |
| Interest from bank received by C on deposit made out of her special talent | Rs.6,000    |
| Gift received by C from friend of Mrs.A                                    | Rs.20,000   |
-

14. Mr.Daniel and his wife Mrs.Helan furnish the following information:

Salary income (computed) of Mrs.Helan	Rs.4,60,000
Income of minor son B who suffers from disability specified u.s. 80 U	Rs.1,08,000
Income of minor daughter C from singing	Rs.86,000
Income from profession of Mr.Daniel	Rs.7,50,000
Income of minor married daughter A from company deposit	Rs.30,000

Compute the total income of Mr.Daniel and Mrs.Helan under OTR for the A.Y. 2025-26.

15. Mr.Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs.Dariya furnish the following information relating to the Assessment Year 2025-26.

	Rs.
Income of Mr.Mahadev – professional bhajan singer (computed)	5,65,000
Salary income of Mrs.Dariya (computed)	3,80,000
Loan received by Mrs.Dariya from Ramu & Jay (Pvt) Ltd. (Mrs.Dariya holds 35% shares of the Co. The Co. has incurred losses since its inception 2 years back)	2,50,000
Income of their minor son Golu from winning singing reality show on T.V.	2,50,000
Cash gift received by Golu from friend of Mr.Mahadev on winning the show	21,000
Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute taxable income of Mr.Mahadev & Mrs.Dariya under OTR for the A.Y. 2025-26.

16. Mr.S is a trader. Particulars of his income and those of the members of his family are given below. These relate to the previous year ended 31.03.2025:

Income from business – Mr.S	Rs.4,90,000
Salary derived from an educational institution by Mrs.S (computed)	Rs.3,50,000
Interest on company deposits derived by Master Deep (minor son). These deposits were made in the name of Deep by his father's father 6 years ago	Rs.12,000
Receipts from sale of paintings and drawings made by minor Deepthi (minor daughter of Mr. and Mrs.S and a noted child artiste)	Rs.60,000
Income by way of lottery earnings by Master Dippu (minor son of Mr.S)	Rs.6,000

Discuss whether the above will form part of the assessable income of any individual and also compute the assessable income of Mr.S. Ignore DTR.

17. Mr.A has three minor children – twin daughters, aged 12 years, and one son, aged 16 years. Income of the twin daughters is Rs.2,000 p.a. each and that of the son is Rs.1,200 p.a. Mrs.A has transferred her flat to her minor son on 01.04.2024 out of natural love and affection. The flat was let out on the same date and the rental income from flat is Rs.10,000 p.m. Compute the income, in respect of minor children, to be included in the hands of Mr.A and Mrs.A (assuming that Mr.A's total income is higher than Mrs.A's total income, before including the income of minor children). Both Mr.A and Mrs.A exercise the option of shifting out of the default tax regime provided u.s.115BAC (1A).
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18. During the p. y. 2024-25, the following transactions are noted from the records of X.

- a. X has a fixed deposit of Rs.5,00,000 in State Bank of India. He instructs the bank to credit the interest on the deposit at the rate of 9% from 01.04.2024 to 31.03.2025 to the savings bank account of Y, son of his brother, to help him in his education.
- b. X holds 75% share in a partnership firm. Mrs.X receives a commission of Rs.25,000 from the firm for promoting the sales of the firm. Mrs.X possesses no technical or professional qualification.
- c. X gifts a flat to Mrs.X on 01.04.2024, during the previous year. The flat generates a net income (computed) of Rs.52,000 to Mrs.X.
- d. X gifts Rs.2,00,000 to his minor son who invested the same in a business and he derived income of Rs.20,000 from the investment.
- e. X's minor son derives an income of Rs.20,000 through a business activity involving application of his skill and talent.

During the year X gets a pension of Rs.1,20,000 p.a. He has no other income. Mrs.X receives salary of Rs.2,40,000 p.a. from a part-time job. Discuss the tax implications of each transaction and compute the total income of X, Mrs.X and their minor child assuming optional tax regime is opted.

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### **Income of HUF:**

#### **Clubbing before partition:**

Where a member of HUF has converted or transferred his self-acquired property into joint family property (i.e. throwing such property into common stock of the family) for an inadequate consideration, income arising therefrom is taxable (clubbed) as the income of the transferor-member.

**Example:** X gifts his self-acquired property yielding an annual income of Rs.60,000 to his HUF, consisting of X, Mrs.X, his major son Y and minor son Z. Income of Rs.60,000 will be clubbed in the income of X (and not of the HUF).

#### **Clubbing after partition:**

If the converted property is subsequently partitioned among the members of the family, the income derived from such converted property as is received by the spouse and minor child of the transferor will be taxable as income of the transferor.

**Example:** Assume in the above example, that the property is partitioned equally among the family members, income derived from converted property by Mrs.X (i.e.  $\frac{1}{4}$  of Rs.60,000) and share of minor son (i.e.  $\frac{1}{4}$  of Rs.60,000) will be included in the income of Mr.X.

19. Mr.S is a member of HUF. It consists of himself, his wife Juhi and his major son Arjun and his minor daughter Aditi. Mr.S transferred his house property acquired through his personal income to the HUF without any consideration.

On 01.10.2024, HUF is partitioned and such property being divided equally. Net annual value of the property for the previous year 2024-25 is Rs.1,00,000. Determine the tax implications.

**Additional Problems:**

20. Details of Income of Mr.R and his wife Mrs.R for the previous year 2024-25 are as under:

- i. Mr.R transferred his self-acquired property without any consideration to the HUF of which he is a member. During the previous year 2024-25 the HUF earned an income of Rs.50,000 from such property.
- ii. Mr.R transferred Rs.4,00,000 to his wife Mrs.R on 01.04.2010 without any consideration which was given as a loan by her to Mr.Girish. She earned Rs.3,50,000 as interest during the earlier previous years which was also given as a loan to Mr.Girish. During the previous year 2024-2025 earned interest @ 11% per annum.
- iii. Mr.R and Mrs.R both hold equity shares of 27% and 25% respectively in AMC Limited. They are also working as employees in such Company. During the financial year 2024-25 they have withdrawn a salary of Rs.3,20,000 and Rs.2,70,000 respectively.
- iv. Mrs.R transferred 5,000 equity shares of RSB Ltd. on 17.09.2017 to Mr.R without any consideration. The Company issued 3,000 bonus shares to Mr.R in 2020. On 04.03.2025, Mr.R sold entire share holdings and earned Rs.5,20,000 as capital gains.

Apart from above income, Mr.R has income from commission Rs.4,00,000 and Mrs.R has interest income of Rs.3,30,000. Compute Gross Total income of Mr.R and Mrs.R for the A.Y. 2025-26 (OTR).

21. S. No.	Particulars	Amount (Rs.)
(a)	Salary income (computed) of Mrs.Anandi	9,60,000
(b)	Income of minor son "A" who suffers from disability specified in section 80U	3,08,000
(c)	Income of minor daughter "C" from script writing for Television Serials	1,86,000
(d)	Income from garment trading business of Mr.Dharmesh	17,50,000
(e)	Cash gift received by minor daughter "C" on 02.10.2024 from friend of Mrs.Anandi, on winning of a story writing competition	45,000

(f)	Income of minor son "B" from scholarship received from his school	1,00,000
(g)	Income of minor son "B" from fixed deposit with Punjab National Bank, made out of income earned from scholarship	5,000

Compute total income of Mr.Dharmesh and his wife Mrs.Anandi for Assessment Year 2025-26 assuming that they have opted to be taxed under optional tax regime.

**22.** Determine the Gross total income (OTR) of Shri Ram Kumar and Smt. Ram Kumar for the assessment year 2025-26 from the following:

- i. Salary received by Shri Ram Kumar from a company Rs.1,80,000 p.a. and Smt. Ram Kumar also doing job in a company and getting salary of Rs.2,40,000 p.a.
- ii. Shri Ram Kumar transferred a flat to his wife Smt. Ram Kumar on 01.09.2024 for adequate consideration. The rent received from this let-out flat is Rs.9,000 p.m.
- iii. Shri Ram Kumar and his wife Smt. Ram Kumar both are partners in a firm. Shri Ram Kumar received Rs.36,000 and Smt. Ram Kumar received Rs.64,000 as interest from the firm and also had a share of profit of Rs.12,000 and Rs.26,000 respectively.
- iv. Smt. Ram Kumar transferred 10% debentures worth Rs.3,00,000 to Shri Ram Kumar. The whole amount of Rs.3,30,000 invested by Shri Ram Kumar in the similar investments and earned income of Rs.39,000.
- v. Mother of Shri Ram Kumar transferred a property to Master Rohit (son of Shri Ram Kumar) in the year 2022 Master Rohit (aged 13 years) received Rs.15,000 as income from this property on 20<sup>th</sup> February, 2025.

**23. (i)** Mr.Raghav owns two house properties in Mumbai. The details of these properties are as under:-

	House 1 <u>Self-occupied</u>	House 2 <u>Let-out</u>
Rent received per month	Not applicable	Rs.60,000
Municipal taxes paid	Rs.7,500	Nil
Interest on loan (taken for purchase of property)	Rs.3,50,000	Rs.5,00,000
Principal repayment of loan (taken from HDFC bank)	Rs.2,00,000	Rs.3,00,000

**(ii)** Mr.Raghav had a house in Delhi. During financial year 2015-16, he had transferred the house to Ms.Vamika, daughter of his sister without any consideration. House would go back to Mr.Raghav after the life time of Ms.Vamika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs.Raghav. Rent received by Ms.Vamika during the previous year 2024-25 from such house property is Rs.5,50,000.

**(iii)** Mr.Raghav receives the following incomes from M/s.M Pvt. Ltd. during P.Y. 2024-25:

- Interest on debentures of Rs.7,50,000; and
- Salary of Rs.3,75,000.

He does not possess the adequate professional qualification commensurate with the salary received by him.

Shareholding of M/s.M Pvt. Ltd. as on 31.3.2025 is as under:-

	Equity shares	Preference shares
Mr.Raghav	Nil	Nil
Mrs.Raghav	2%	25%
Mr.Jai Kishan (brother of Mrs.Raghav)	98%	75%

**(iv)** Mr. and Mrs.Raghav form a partnership firm with equal share in profits. Mr.Raghav transferred a fixed deposit of Rs.1 crore to such firm. Firm had no income or expense other than the interest of Rs.9,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs.Raghav at the end of the year.

**(v)** Mr.Raghav holds preference shares in M/s.K Pvt. Ltd. He instructed the company to pay dividends to Ms.Geeta, daughter of his servant. The transfer is irrevocable for the life time of Geeta. Dividend received by Ms.Geeta during the previous year 2024-25 is Rs.13,00,000.

**(vi)** Other income of Mr.Raghav includes:-

Interest from saving bank account of Rs.2,00,000

Cash gift of Rs.75,000 received from daughter of his sister on his birthday.

**Compute total income of Mr.Raghav for the Assessment Year 2025-26. Ignore DTR.**

**24.** Mr.Gupta and his wife Mrs.Gupta are partners in a partnership firm holding 25% share each. During the FY 2024-25, the firm paid Rs.2,50,000 to each of them as remuneration. Apart from this, they provide you the following information in respect of FY 2024-25:

- i. Salary received by Mr.Gupta from his employer Rs.12,50,000.
- ii. Interest on fixed deposit earned by Mrs.Gupta Rs.14,00,000. (The fixed deposit was opened by using her "Stridhan")
- iii. Income of their three minor children Neeta, Meeta and Seeta was Rs.15,000, Rs.10,000 and Rs.2,000 respectively.

You are required to compute the gross total income of Mr. and Mrs.Gupta as per the provisions of Income-tax Act for the AY 2025-26. Ignore provisions of default tax regime.

**25.** From the following transactions compute the total income of Mr.Raman and his wife Savita for the Assessment year 2025-26:

- a) Mr.Raman had a fixed deposit of Rs.5,00,000 in the bank. He instructed the bank to credit the interest on deposit @ 8% from 01.04.2024 to 31.03.2025 to the savings account of his brother's son for his education.
- b) Savita is a B.com graduate and working in ABC Private Limited as an accountant with a monthly salary of Rs.25,000. Raman holds 30% equity shares of ABC Private Limited.
- c) Raman started proprietary business on 01.04.2005 with a capital of Rs.10,00,000. He incurred a loss of Rs.2,00,000 during the previous year 2023-24. To overcome the financial position, Savita gifted a sum of Rs.4,00,000 to him on 01.04.2024 which was immediately invested in the business by Mr.Raman. He earned a profit of Rs.3,00,000 during the previous year 2024-25.
- d) Sajan, younger son of Raman, aged 17 years won in a debate competition during the annual competitions held at his school and received a cash award of Rs.10,000 and he also earned interest of Rs.7,000 on balance maintained in his savings bank account.

**26.** Mr.Chaman who is 50 years old and his wife Mrs.Chaman who is 48 years old furnish the following information:

- a) Mr.Chaman's salary income (computed) – Rs.11,00,000
- b) Mrs.Chaman's income from Kathak performances – Rs.2,50,000. She is a professional Kathak dancer and pursue dancing as her profession.
- c) Mrs.Chaman earned long-term capital gains of Rs.5,50,000 from sale of shares.
- d) Mrs.Chaman gifted Rs.2,00,000 to Mr.Chaman out of her Stridhan on 01.04.2024, Mr.Chaman invested the entire amount in stock market but suffered a short-term capital loss of Rs.5,10,000.
- e) Miss Naina, their minor daughter, earned Rs.3,56,000 by performing in various quiz competitions held online during the year 2024-25. She kept that amount in savings bank account and earned interest of Rs.15,000 during the year 2024-25.
- f) Master Neelabh, their minor son earned Rs.35,000 from fixed deposit which was made out of cash he received on his birthday from his friends and family. Neelabh suffers from disability as mentioned u.s.80U. The medical certificate shows a disability of up to 75%.

Compute the total income in the hands of Mr. and Mrs.Chaman and their minor children for the Assessment Year 2025-26. Ignore default tax regime.



**27. Mr.Suraj, (39 years), his wife Megha (35 years) and minor son Dev (12 years), provide the following details of their income/losses for the previous year 24-25:**

**Mr.Suraj:**

- a) Salary received as a partner from a partnership firm Rs.6,15,000.  
He is a working partner in the firm and the salary is as per the limits prescribed under section 40(b)
- b) Income from house property:  
Brought forward loss from house A (let out) Rs.96,000  
Current year loss from house B (let out) Rs.2,30,000
- c) Interest received on enhanced compensation Rs.2,00,000  
It relates to transfer of a piece of land in financial year 19-20.  
Out of the above Rs.35,000 relates to previous year 24-25 and the balance relate to preceding previous year.
- d) Gift from grandfather's younger sister by cheque Rs.1,25,000
- e) Dividend on listed equity shares of domestic companies (gross) Rs.50,000
- f) On 1<sup>st</sup> December 2024, Mr.Suraj received Rs.75 lakhs as maturity proceeds from his life insurance policy which was taken on 1<sup>st</sup> May 2012.  
He paid Rs.6 lakhs as annual premium and the sum assured was Rs.65,00,000.

**Mrs.Megha:**

- a) Current year loss from business. (She carried on this business with funds which Mr.Suraj gifted to her) Rs.8,10,000.
- b) Mrs.Megha purchased a house property from her "Stridhan" and gifted the same to her minor son Dev on 1<sup>st</sup> April 2024 out of love and affection. The FMV of the house on the date of transfer was Rs.51 lakhs.

**Master Dev:**

Rent receipt from house property receipt from Mrs.Megha Rs.35,000 p.m.

Compute total income of Mr.Suraj, Mrs.Megha and Dev for assessment year 25-26 assuming Mr.Suraj has decided to pay tax under default tax regime provided under section 115 BAC, whereas Mrs.Megha and Dev have opted out of the default tax regime. Briefly explain the reasons for the treatment of each item.

**28. Mr.A transferred a house property to his wife in PY 2024-25 for inadequate consideration. She received a rent of ₹ 2 lakhs from letting out this property and spent ₹ 4,800 as municipal taxes. She deposited the same with bank and earned an interest of ₹ 15,000 during the PY 2024-25.**

Based on the above information, answer the following MCQs:

1. If Mr.A transfers the above property for inadequate consideration with an agreement to live apart, then the income of rent and interest will be chargeable to tax in the hands of:-
  - A. Mr.A – Nil and Mrs.A ₹ 1,36,640 under IFHP and ₹ 15,000 under IFOS
  - B. Mr.A ₹ 2,15,000 under clubbing provisions and Mrs.A – Nil
  - C. Mr.A – Rs.2 lakhs under IFHP and Mrs.A Rs.15,000 under IFOS
  - D. Mr.A – ₹ 1,36,640 under IFHP and Mrs.A Rs.15,000 under IFOS.
2. The income of rent and interest will be chargeable to tax in the hands of:-
  - A. Mr.A – Rs.2,15,000 as income of spouse clubbed under clubbing provisions
  - B. Mr.A - Rs.2 lakh under IFHP and Mrs.A Rs.15,000 under IFOS
  - C. Mrs.A – Rs.1,36,640 under IFHP and Rs.15,000 under IFOS
  - D. Mr.A – Rs.1,36,640 under IFHP and Mrs.A Rs.15,000 under IFOS.
3. If Mrs.A invests this rent amount in a business and incurs a loss of ₹ 20,000 and she has income from other business ₹ 4 lakhs. The income of rent and business will be chargeable to tax in hands of:
  - A. Mr.A ₹ 1,36,640 under IFHP and Mrs.A – Rs.3.80 lakhs under income from business
  - B. Mr.A Rs.1,22,640 under IFHP and Mrs.A ₹ 4 lakhs as business profits
  - C. Mrs.A ₹ 1,36,640 under IFHP and ₹ 3,80,000 as business profits
  - D. Mr.A Rs.1,80,000 under IFHP and Mrs.A ₹ 4 lakhs as business profits.

### **CROSS TRANSFERS:**

29. Mr.Vasudevan gifted a sum of Rs.6 lakhs to his brother's wife on 14.6.2024. On 12.7.2024, his brother gifted a sum of Rs.5 lakhs to Mr.Vasudevan's wife. The gifted amounts were invested as fixed deposits in banks by Mrs.Vasudevan and wife of Mr.Vasudevan's brother on 01.8.2024 at 7% interest. Discuss the consequences of the above under the provisions of the Income-tax Act, 1961 in the hands of Mr.Vasudevan and his brother.

#### **Solution:**

In the given case, Mr.Vasudevan gifted a sum of Rs.6 lakhs to his brother's wife on 14.06.2024 and simultaneously, his brother gifted a sum of Rs.5 lakhs to Mr.Vasudevan's wife on 12.07.2024. The gifted amounts were invested as fixed deposits in banks by Mrs.Vasudevan and his brother's wife.

**These transfers are in the nature of cross transfers.**

***If two transactions are inter-connected and are part of the same transaction, clubbing provisions would be attracted.*** Accordingly, the interest income arising to Mrs.Vasudevan would be included in the total income of Mr.Vasudevan and interest income arising in the hands of his brother's wife would be taxable in the hands of Mr.Vasudevan's brother, to the extent of amount of cross transfers i.e., Rs.5 lakhs.

This is because both Mr.Vasudevan and his brother are the **indirect transferors** of the income to their respective spouses with an intention to reduce their burden of taxation.

**Important:** However, the interest income earned by his spouse on fixed deposit of Rs.5 lakhs alone would be included in the hands of Mr.Vasudevan's brother and not the interest income on the entire fixed deposit of Rs.6 lakhs, since the cross transfer is only to the extent of Rs.5 lakhs.

30. Mr.K gifted a sum of Rs.9 lakhs to his brother's minor son on 1.5.2024. On the same date, his brother gifted debentures worth Rs.10 lakhs to Mrs.K. Son of Mr.K's brother invested the amount in fixed deposit with Canara bank at 9% per annum interest and Mrs.K received interest of Rs.81,000 on these debentures during the previous year 24-25. Discuss the tax implications under the provisions of the Income Tax Act, 1961.

**Solution:**

In the given case, Mr.K gifted a sum of Rs.9 lakhs to his brother's minor son on 1.05.2024 and simultaneously, his brother gifted debentures worth Rs.10 lakhs to Mrs.K on the same day. The gifted amount was invested as fixed deposit in Canara bank by his brother's son. **These transfers are in the nature of cross transfers.**

***If two transactions are inter-connected and are part of the same transaction, clubbing provisions would be attracted.*** Accordingly, the interest income arising to brother's minor son would be included in the total income of Mr.K and interest on debentures arising in the hands of Mrs.K would be taxable in the hands of his brother to the extent of amount of cross transfers i.e., Rs.9 lakhs.

This is because both Mr.K and his brother are the **indirect transferors** of the income to Mr.K's brother's son and to Mrs.K with an intention to reduce their burden of taxation.

**Important:** Clubbing is only to the extent of Rs.9 lakhs.

**MCQs:**

**1. Choose the correct answer:**

Income arising to a minor married daughter is:

- a) To be assessed in the hands of the minor married daughter
- b) To be clubbed with the income of that parent whose total income is higher
- c) Completely exempt from tax
- d) To be clubbed with the income of her husband

**option B**

2. Ram owns 500, 15% debentures of Reliance Industries Ltd. of Rs.500 each. Annual interest of Rs.37,500 was declared on these debentures for P.Y. 2024-25. He transfers interest income to his friend Shyam, without transferring the ownership of these debentures. While filing return of income for A.Y.2025-26, Shyam showed Rs.37,500 as his income from debentures. As tax advisor of Shyam, do you agree with the tax treatment done by Shyam in his return of income?

- (a) Yes, since interest income was transferred to Shyam therefore, after transfer it becomes his income.
- (b) No, since Ram has not transferred debentures to Shyam, interest income on the debentures is not taxable income of Shyam.
- (c) Yes, if debentures are not transferred, interest income on debentures can be declared by anyone, Ram or Shyam, as taxable income depending upon their discretion.
- (d) No, since Shyam should have shown the income as interest income received from Mr. Ram and not as interest income earned on debentures.

**option B**

3. On 20.10.2024, Pihu (minor child) gets a gift of Rs.20,00,000 from her father's friend. On the same day, the amount is deposited as fixed deposit in Pihu's bank account. On the said deposit, interest of Rs.13,000 was earned during the P.Y. 2024-25. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable.
- Income of Rs.20,11,500 shall be taxable in the hands of Pihu's father.
  - Income of Rs.20,13,000 shall be taxable in the hands of Pihu's father.
  - Income of Rs.20,11,500 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
  - Income of Rs.20,13,000 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
- Option C if OTR & Option D if DTR**
- 
4. Mr.Arvind gifted a house property to his wife, Ms.Meena and a flat to his daughter-in law, Ms. Seetha. Both the properties were let out. Which of the following statements is correct?
- Income from both properties is to be included in the hands of Mr.Arvind by virtue of section 64.
  - Income from property gifted to wife alone is to be included in Mr.Arvind's hands by virtue of section 64.
  - Mr.Arvind is the deemed owner of house property gifted to Ms.Meena and Ms.Seetha.
  - Mr.Arvind is the deemed owner of property gifted to Ms.Meena. Income from property gifted to Ms.Seetha would be included in his hands by virtue of section 64.
- option D**
- 
5. Mrs.Shivani, wife of Mr.Anurag, is a partner in a firm. Her capital contribution of Rs.5 lakhs to the firm as on 1.4.2023 included Rs.3.5 lakhs contributed out of gift received from Anurag. The firm paid interest on capital of Rs.50,000 and share of profit of Rs.60,000 during the F.Y.2024-25. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?
- Share of profit is exempt but interest on capital is taxable in the hands of Mrs.Shivani.
  - Share of profit is exempt but interest of Rs.39,286 is includible in the income of Mr.Anurag and interest of Rs.10,714 is includible in the income of Mrs.Shivani.
  - Share of profit is exempt but interest of Rs.35,000 is includible in the income of Mr.Anurag and interest of Rs.15,000 is includible in the income of Mrs.Shivani.
  - Share of profit to the extent of Rs.42,000 and interest on capital to the extent of Rs.35,000 is includible in the hands of Mr.Anurag.
- option C**
- 
6. Mr.Aarav gifted a house property valued at Rs.50 lakhs to his wife, Geetha, who in turn has gifted the same to her daughter-in-law Deepa. The house was let out at Rs.25,000 per month throughout the P.Y.2024-25. Compute income from house property for A.Y.2025-26. In whose hands is the income from house property chargeable to tax?
- Rs.3,00,000 in the hands of Mr.Aarav
  - Rs.2,10,000 in the hands of Mr.Aarav
  - Rs.2,10,000 in the hands of Geetha
  - Rs.2,10,000 in the hands of Deepa
- option B**
-

## **CHAPTER – 15**

## **CHAPTER VIA DEDUCTIONS**

- Deductions under chapter VIA cannot exceed Gross Total Income
- Deductions are **NOT** available against incomes that are taxed at **SPECIAL RATE**
- Deductions can be in respect of certain:
  - Expenditure incurred or payment made (eg. 80C, 80D); or
  - Incomes (eg. 80IA to 80TTB)
- Deduction in respect of certain incomes such as ~~80-IA, 80-IAB, 80-IAC, 80-IB, 80IBA, 80-IC, 80-IE, 80JJA, 80JJAA, 80LA, 80M, 80P, 80PA, 80QQB and 80RRB~~ shall be allowed only if the return of income is filed before 'due date'.
- Chapter VIA deductions are not available under the default tax regime except for Section 80CCD(2); Section 80CCH(2) and Section 80JJAA.

### **Section 80 C**

### **Deduction in respect of certain investments, deposits**

**To whom available:** Individuals and HUF (resident or non-resident)

**Amount of deduction:** Maximum Rs.1,50,000

**Condition:** Payment should be made on or before 31<sup>st</sup> March

#### **Investments which qualify for deduction under section 80 C:**

- Life insurance premium paid on the life of individual, spouse, children (minor or major; dependent or not)

<b><u>Policy issued:</u></b>	<b><u>Qualifying amount</u></b>
Before 01.04.2012	20% of sum assured or actual premium (w.e.l)
On or after 01.04.2012	10% of sum assured or actual premium (w.e.l)
<b><u>Policy on the life of any person suffering from any disability or disease:</u></b>	
Before 01.04.2012	20% of sum assured or actual premium (w.e.l)
Between 2012-13	10% of sum assured or actual premium (w.e.l)
On or after 01.04.2013	15% of sum assured or actual premium (w.e.l)

- Contribution to SPF or RPF out of salary
- Amount deposited in 15-year PPF (individual, spouse and children)
- Amount invested in NSC certificates (VIII issue) and interest accrued thereon
- Repayment of loan taken from banks for purchase or construction of a house
- Stamp duty (registration charges) paid on purchase or construction of a residential house
- Tuition fees for education of the children in India (max: 2 children) (full time education)

**Note:** The aggregate of section 80C, 80CCC and 80CCD(1) cannot exceed Rs.1,50,000

Section 80C - (Tier II account) only for Central Government employees.

**A. Additional deduction u.s.80CCD(1B) (apart from Rs.1,50,000):**

Section 80CCD(1B) provides for an additional deduction up to Rs.50,000 in respect of amount contributed under NPS. Hence an assessee can claim Rs.1,50,000 and also additional Rs.50,000 (in total Rs.2,00,000) to reduce his tax liability.

**B. Contribution by the EMPLOYER to the pension fund:**

Contribution by the employer is taxable under the head "SALARY" and such contribution is separately allowed as deduction under section 80CCD (2).

**For Government employees:** 14% of salary

**For Other employees:** 14% of salary (under DTR)  
10% of salary (under OTR)

**C. ON CLOSURE OR OPTING OUT OF NPS BY ANY ASSESSEE:-**

Section 10(12A) provides that any payment from NPS Trust on account of closure or his opting out of the pension scheme, **60%** of the total amount payable shall be exempt from tax.

**D. PARTIAL WITHDRAWAL – EXEMPTION ONLY IN CASE OF EMPLOYEES:**

Section 10(12B): In case of partial withdrawal by any employee: **25%** of amount contributed by the **employee** shall be exempt.

**Note:** Difference between 10(12A) and 10(12B): Section 10(12A) exemption is for all individuals (salaried or self-employed) but Section 10(12B) is only for 'salaried' individuals.

**Important:** However, the amount received by the nominee on the death of the assessee shall NOT be deemed to be the income of the nominee, hence exempt from tax.

**Summary: Amount received on closure or opting out of NPS:**

- 60% shall be exempt in case of total withdrawal for all assessee – Section 10(12A)
- 25% of the amount of contribution made by the employee shall be exempt in case of partial withdrawal – Sec 10(12B)
- Received by nominee on death of the assessee shall be fully exempt

**Section 80 CCE – Maximum deduction restricted to Rs.1,50,000:**

The aggregate of section 80C, section 80CCC and section 80CCD(1) cannot exceed Rs.1,50,000. Deduction u.s.80CCD(1B) and 80CCD(2) are separate deductions in addition to Rs.1,50,000.

**Important:** Section 80CCD(1B) and Section 80CCD(2) are not included in the above limit. They are separate deductions.

**Section 80 CCH:****Contribution to Agnipath Scheme**

To whom available: Individual contributing to Agniveer Corpus Fund (ACF)

Amount of deduction: Whole of the amount of contribution to ACF

**Central Government contribution to ACF:**

The entire contribution made by the Central Government to ACF is taxable under the head "salary" and such contribution is allowed as deduction under section 80CCH (2).

**Note:** Deduction u.s.80CCH (2) is also available under the default tax regime.

*(To induct young and talented individuals into the armed forces, the Central Government launched the Agnipath scheme on June 14th, 2020. Individuals aged between 17.5 years to 21 years will be eligible to apply for it. It is a tour-of-duty style scheme where individuals would be commissioned as soldiers into the three segments of the armed forces. After a job tenure of 4 years, 25% of "Agniveers" will get a chance to get converted to a regular armed forces cadre. Soldiers enrolled in this scheme will earn Rs.4.76 lakh annually (approx.). In the final year, this income will rise to almost Rs.6.92 lakh. The entire principal will accumulate interest over 4 years, and applicants will get a maturity corpus of almost Rs.10.04 lakh (plus applicable interest). To ensure all income under this scheme remains tax-free, the authorities introduced Section 80CCH.)*

**Section 80 D:****Health insurance premium paid to Insurance Company or to Central Government Health Schemes**

To whom available: Individuals and HUF (resident or non-resident)

Deduction on account of:

- Medical insurance premium paid; or
- Expenditure on preventive health check-up; or
- Medical expenditure on the health of a senior citizen not having a mediclaim policy.

**I. Amount of deduction:****Category I:**

For assessee, spouse and dependent children

Rs.25,000 (or) actual premium paid (whichever is less)  
(Rs.50,000 if the assessee is a resident senior citizen)

**Category II:**

For parents

Separate deduction of Rs.25,000 if policy is taken on the health of parents (**dependent or not**). Higher deduction of Rs.50,000 if parent is a resident senior citizen.

**Conditions:**

- Premium can be paid by any mode **EXCEPT** cash.
- Mediclaim Policy can be taken on the health of the individual, spouse, dependent children and parents.



**Premium in lumpsum paid to cover more than one year:**

In case of single premium health insurance policies having cover of more than one year, the deduction is allowed on proportionate basis for the number of years for which health insurance cover is provided.

**II. Deduction in respect of expenditure on preventive health check-up:**

The aggregate deduction on account of preventive health check-up of self, spouse, dependent children, parents cannot exceed Rs.5,000. This is within the overall limit of Rs.25,000 (or) Rs.50,000 mentioned above.

**Important:** Expenditure on preventive health check-up **can** be paid in cash.

**III. Medical expenditure incurred on the health of a SENIOR CITIZEN (WHO IS NOT COVERED BY ANY HEALTH INSURANCE) (as a welfare measure):**

Expenditure on medical treatment of senior citizen (resident) for whom health insurance is not available: Deduction is Rs.50,000 (or) actual medical expenditure (w.e.l.). Expenditure incurred should not be in cash.

<b><u>Provisions in brief:</u></b>	<b><u>For his family</u></b>	<b><u>For his parents</u></b>
a. Medical Insurance premium (no senior citizen)	Rs.25,000	Rs.25,000 (including expenses)
b. Medical Insurance premium (if parent is a senior citizen)	Rs.25,000	Rs.50,000 (including expenses)
c. Medical Insurance premium (if assessee is also a senior citizen)	Rs.50,000	Rs.50,000 (including expenses)

**Section 80 DD****Deduction in respect of expenditure incurred for dependent persons with disability**

**To whom available:** Resident individual or resident Huf

**Amount of deduction:** Rs.75,000 flat with less than 80% disability  
Rs.1,25,000 flat with 80% or more disability

note: Actual expenditure is not relevant

note: A Certificate from the medical authority should be produced.

note: 'Family' includes: Spouse, dependant children, dependant parents, dependant brothers and sisters of the individual.

**Section 80 DDB:**                      **Deduction in respect of expenditure incurred on medical treatment of specified diseases or ailments**

<b>To whom available:</b>	Resident individual or resident huf
<b>Amount of deduction:</b>	Rs.40,000 or actual expenditure (whichever is less) Rs.1,00,000 or actual expenditure (w.e.l for res. senior citizen)
<b>Condition:</b>	The assessee is required to obtain a <b>PRESCRIPTION</b> from a specialist doctor.  'Family' includes the assessee, spouse, dependent children, dependent parents, dependent brothers and sisters.

**Note:** Deduction will be reduced to the extent of amount received from Insurance Company or towards medical reimbursement from Employer.

Points	Section 80DD	Section 80DDB
• Assessee should be a:	Resident	Resident
• Suffering from:	Disability	Disease
• Actual expenditure:	Not relevant	Relevant
• Whether assessee is also included:	No	Yes
• Requirement:	Medical certificate	Prescription

**Section 80 E:**                      **Deduction i.r.o. loan taken for higher education**

<b>To whom available:</b>	Individuals only
<b>Amount of deduction:</b>	Actual amount of interest

- The loan can be for the assessee himself or his spouse or his children or a student for whom the assessee is the legal guardian.
- Loan can be borrowed from any financial institution or approved charitable institution
- Deduction is allowed for a period of 8 years
- Higher education in an educational institution can be in India or outside India

**“HIGHER EDUCATION”** means any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school or board recognized by the Government.

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**Section 80EE:**                      **Deduction i.r.o. interest on loan taken for acquisition of a residential house**

**To whom available:**                      Individuals only  
**Amount of deduction:**                      Maximum Rs.50,000 (in addition to Rs.2,00,000 u.s.24)  
**Period of benefit:**                      Till the repayment of loan

**Conditions:**

- The value of residential house does not exceed Rs.50,00,000
- The loan amount does not exceed Rs.35,00,000
- The loan is sanctioned during the previous year 2016-17
- The loan is borrowed from a bank or a housing finance company
- The assessee does not own any residential house on the date of sanction of loan

**Note:** The above deduction is only in respect of a self-occupied property

**Section 80EEA:**                      **Deduction i.r.o. interest on loan taken for acquisition of a residential house**

**To whom available:**                      Individuals only  
**Amount of deduction:**                      Maximum Rs.1,50,000 (in addition to Rs.2,00,000 u.s.24)  
**Period of deduction:**                      Till the repayment of loan

**Conditions:**

- The stamp duty value does not exceed Rs.45,00,000
- The loan should be sanctioned during the period 01.04.2019 to 31.03.2022
- The loan is borrowed from a bank or a housing finance company
- The assessee should not own any residential house on the date of sanction of loan

**Note:** The above deduction is available for both self-occupied and let-out properties

Points	Section 80EE	Section 80EEA
• Value of the property	Rs.50 lakhs	Rs.45 lakhs
• Deals with:	Actual purchase price	Stamp duty value
• Amount of loan:	Rs.35 lacs	Not specified
• Loan sanctioned during the period	2016-17	1.4.19 to 31.03.2022
• Amount of deduction:	Rs.50,000	Rs.1,50,000
• Deduction available:	Only for self-occupied	Both self and let out

**Section 80 EEB:**      **Deduction i.r.o. interest on loan taken for purchase of Electric Vehicle:**

To whom allowed:	Individuals only
Conditions:	<p><b>a.</b> Loan should be sanctioned during the period between 01.04.2019 to 31.03.2023</p> <p><b>b.</b> Loan should be sanctioned by a bank or by a Deposit taking NBFC (non-banking finance company)</p>
Amount of deduction:	Maximum deduction Rs.1,50,000 in respect of interest
Period of deduction:	Till the repayment of loan

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**Section 80 G:**      **Deduction in respect of Donations**

<b>To whom allowed:</b>	All Assesseees (individuals, huf, firms, companies)
<b>Conditions:</b>	<p>Donation should be made only to approved institutions;  Donation should not be in kind;  Donation up to Rs.2,000 can be in cash. Donations in excess of Rs.2,000 by cash not eligible for deduction.</p>
<b>Amount of deduction:</b>	<p><b>100% of donations made to the following funds:</b></p> <ul style="list-style-type: none"> <li>• Prime Minister's Citizen Assistance and Relief in Emergency Situations Fund (PM Cares Fund)</li> <li>• Prime Minister's National Relief Fund</li> <li>• National Children's Fund</li> <li>• National Defence Fund</li> <li>• Zila Saksharta Samiti</li> <li>• National Illness Assistance Fund</li> <li>• National or State Blood Transfusion Council</li> <li>• Gujarat Earth Quake Relief Fund</li> <li>• National Sports Fund</li> <li>• National Cultural Fund</li> <li>• National Trust for Welfare of Persons with Mental Retardation, Autism, Cerebral Palsy and multiple disabilities</li> <li>• Swachh Bharat Kosh</li> <li>• Clean Ganga Fund</li> <li>• National Fund for Control of Drug Abuse</li> </ul>

**50% of donation made to the following funds:**

- Prime Ministers Drought Relief Fund

**50% of qualifying amount if donations are made to the following:**

- Approved charitable institution for charitable purpose
- Any approved temples, mosque, church, gurudwara or any other place of national importance for repairs or renovation

**Qualifying amount:** Actual donation made (or) 10% of adjusted gross total income (whichever is less) will qualify for 50% deduction.

**Adjusted Gross Total Income means:** Gross total income (-) incomes taxed at special rates (-) all deductions u.s. 80 except 80G.

**Note:** If donations are made to the Government for the PROMOTION OF FAMILY PLANNING then **100%** of qualifying amount is allowed as deduction.

**Section 80 GG:**                      **Deduction in respect of House Rent paid**

**To whom allowed:** Individuals only

**Amount of deduction:** 25% of adjusted gross total income;  
Rs.5,000 per month;  
Rent paid (-) 10% of adjusted gross total income

*whichever is less is allowed as deduction*

**Conditions:**

- Deduction under this section is not available for salaried employees who receive HRA
- The assessee or his spouse or his minor child should not own any residential house at the place where the assessee is employed or where he carries on his business.
- The assessee should not own any self-occupied property in India.

**Adjusted Gross Total Income means:** Gross total income (-) incomes taxed at special rates (-) all deductions u.s. 80 except 80 GG.

**Section 80 GGB:**                      **Deduction in respect of contributions made by companies to any political party or an electoral trust:**

**To whom available:**                      Indian Company (not opting for section 115BAA/115BAB)

**Amount of deduction:**                      100% of contribution made

**Note:**    “Contribution” also includes expenditure incurred on advertisement in a souvenir or a brochure published by a political party.

**Important:**                                      No deduction if donations are in cash.

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**Section 80 GGC:**                      **Deduction in respect of contributions made by any person to political parties or to an electoral trust**

**To whom available:**                      Any assessee other than an Indian Company

**Amount of deduction:**                      100% of contribution made to a political party or to an electoral trust

**Important:**                                      No deduction if donations are in cash.

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**Section 80 JJAA:**                      **Deduction i.r.o new employment**

**To whom available:**                      All assesses to whom section 44AB applies (Tax Audit)

**Amount of deduction:**                      30% of **“additional employee cost”**.

**Period of deduction:**                      3 Assessment Years

1. **“Additional employee”:**                      An employee who is **newly employed** during the previous year

**Who is not an additional employee:**

- an employee whose total emoluments exceed Rs.25,000 per month; or
- an employee employed for a period of less than 240 days during the previous year  
(*150 days in case of an assessee engaged in the business of manufacturing of apparel or footwear or leather products*)
- an employee who does not participate in the recognized provident fund

2. **"Additional Employee Cost":** Total emoluments paid or payable to additional employees

**Condition:** Emoluments should not be paid in cash. However, in the case of first year of a new business the emoluments can be in cash.

**Important:** Deduction is also available under the Default Tax Regime.

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**Section 80 QQB:**      **Deduction in respect of royalty income of authors:**

**To whom available:** Resident Individual

**Conditions:** a) Should be a book on literary, artistic or scientific nature  
b) Income is derived by way of Royalty or Copyright fee

**Amount of deduction:** If received by way of lumpsum:

- Royalty income; or
- Rs.3,00,000 (whichever is less)

If not by way of lumpsum:

- Royalty income (not to exceed 15% of the value of books sold) (before allowing expenses); or
- Rs.3,00,000 (whichever is less)

**Note:** 'Books' here does not include journals, guides, newspapers, textbooks for school students, pamphlets, dairies and other publications of similar nature.

**Note:** Royalty earned outside India will qualify for deduction u.s.80QQB only if it is brought to India in convertible foreign exchange within a period of six months from the end of the previous year or within the time extended by RBI.

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**Section 80 RRB:**      **Deduction in respect of royalty income on Patents**

**To whom available:** Resident Individual

**Conditions:** a) Owner or Co-owner of a Patent  
b) Patent should be registered under the Patents Act, 1970

**Amount of deduction:** 100% of royalty income (or) Rs.3,00,000 (whichever is less)

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### **Section 80 TTA:**      **Deduction i.r.o. interest on SAVINGS account**

To whom available:	Individual or HUF other than a resident senior citizen
Amount of deduction:	Interest income (or) Rs.10,000 (whichever is less)
Income eligible:	Interest on savings account with a bank Interest on savings account with a post office Interest on savings account with a co-operative bank

#### **Important:**

Deduction under this section is not available for senior citizens. Senior citizens can claim deduction under section 80TTB.

Interest on ***post office savings account*** is also exempt u.s.10(15) up to Rs.3,500 in a single account and Rs.7,000 in a joint account. Deduction u.s.80TTA is in addition to the amount exempt.

### **Section 80 TTB:**      **Deduction i.r.o. interest on deposits in case of a senior citizen (both SAVINGS & TIME DEPOSIT):**

To whom available:	A resident senior citizen
Amount of deduction:	Interest income (or) Rs.50,000 (whichever is less)
Income eligible:	Interest on 'time deposit' or 'savings account' with a: <ul style="list-style-type: none"> <li><i>i.</i> Bank; or</li> <li><i>ii.</i> Post Office; or</li> <li><i>iii.</i> Co-operative banks</li> </ul>

Points	Section 80 TTA	Section 80 TTB
• To whom available	Not allowed for Snr Ctzns	Only for senior citizens
• Deals with:	Interest on savings a/c only	Any interest on savings/fixed/recurring
• Amount of deduction:	Rs.10,000 (max)	Rs.50,000 (max)

### **Section 80 U:**      **Deduction in case of an assessee with disability**

To whom available:	Resident Individual
Amount of deduction:	Rs.75,000 in case of a person with disability Rs.1,25,000 in case of a person with severe disability
Conditions:	Medical Certificate should be produced



### **Problems on Gross Total Income**

1. Mr.A, resident, aged about 61 years, has earned business income of Rs.1,35,000; lottery income of Rs.1,20,000 (gross) during the previous year 2024-25. He also has interest on fixed deposit of Rs.30,000 with banks. He invested an amount of Rs.1,50,000 in Public Provident Fund account. What is the total income of Mr.A for the A.Y.2025-26. Ignore the provisions of default tax regime.
- 
2. Compute the eligible deduction u.s. 80C for A.Y.2024-25 in respect of life insurance premium paid by Mr.G during the previous year 2024-25, the details of which are given hereunder, if Mr.G has exercised the option of shifting out of the default tax regime provided u.s.115BAC(1A):-

<i><b>Date of issue of policy</b></i>	<i><b>Insured in the name of</b></i>	<i><b>Actual capital sum assured</b></i>	<i><b>Insurance premium paid</b></i>
30.03.2012	Self	9,00,000	48,000
01.05.2018	Spouse	1,50,000	20,000
01.06.2021	Handicapped son	4,00,000	80,000

What will be the deduction if he pays tax under Default Tax Regime?

3. **Compute deduction allowed u.s.80 C (optional tax regime) from the following information:**

Income from salary (after standard deduction)	20,00,000
Income from other sources	80,000
LIP on his own life (sum assured Rs.1,00,000) (issued on 01.04.2011)	25,000
LIP on the life of his major married son (not dependent on A)	10,000
LIP on the life of daughter suffering from disability (sum assured Rs.1,00,000; issued on 01.04.2018)	18,000
Contribution to a Recognized Provident Fund	20,000
Amount deposited in 15-year PPF Account	15,000
Contribution to ULIP	10,000
Subscription to units of a Mutual fund notified u/s 10(23D)	25,000
Term deposit for 5 years with a scheduled bank	20,000
Deposit in Sukanya Samriddhi Scheme in the name of his girl child	10,000

Amount incurred on full time education of:

Child X: Rs.14,000; Child Y: Rs.7,000; Child: Z Rs.5,000

Repayment of housing loan taken from LIC (principal amount Rs.20,000 and interest Rs.40,000). He had taken loan from LIC for construction of a residential house which was completed in 1998 and which is being utilized by A for his own residence.

60,000

**4. Mr.S, aged 67 years, furnishes the following particulars for the year ending 31.03.2025:**

- a. LIP paid – Rs.50,000, policy assured for Rs.2,00,000. Policy was taken in 2011.
- b. Contribution to PPF – Rs.30,000 in the name of mother
- c. Tuition fee payment – Rs.10,000 each for 3 daughters pursuing full time graduation course in Chennai; Tuition fee for son pursuing MBA in a foreign university – Rs.1,00,000
- d. Housing loan principal repayment – Rs.84,000 to SBI. This property is under construction at Chennai as on 31.03.2025
- e. Principal repayment of housing loan taken from friend – Rs.50,000, property is self-occupied.
- f. Deposit under Senior Citizen Savings Scheme – Rs.50,000
- g. Deposits under Post Office Time Deposit Scheme (five years) – Rs.30,000
- h. Investment in National Savings Certificate – Rs.30,000
- i. Subscription to bonds issued by NABARD Rs.25,000
- j. Term Deposits of Rs.1,50,000 with a Scheduled bank for a period of 5 years. This deposit was pledged to avail education loan for his son. **Compute deduction eligible u.s.80 C (OTR).**

**Sec. 80 CCD**

5. The basic salary of Mr.A is Rs.1,00,000 p.m. He is entitled to dearness allowance, which is 40% of basic salary. 50% of dearness allowance forms part of pay for retirement benefits. Both Mr.A and his employer, ABC Ltd., contribute 15% of basic salary to the pension scheme referred to in section 80 CCD. Explain the tax treatment in respect of such contribution in the hands of Mr.A if he has exercised the option of shifting out of the default tax regime provided u.s.115BAC(1A).

What would be your answer if Mr.A pays tax under the default tax regime under section 115BAC?

6. Mrs.Sheela, widow of Mr.Satish (who was an employee of M/s. XYZ Ltd.), received Rs.7 lakhs on 1.05.2024, being amount standing to the credit of Mr.Satish in his NPS Account, in respect of which deduction has been allowed under section 80CCD to Mr.Satish in the earlier previous years. Such amount received by her as a nominee on closure of the account is deemed to be her income for A.Y.2025-26. State whether the statement is true or false.
7. Mr.D a salaried employee with HDFC Bank is a subscriber to a National Pension Scheme (NPS). The accumulated balance in his NPS account as on 31.01.2025 is Rs.50 lakhs. Out of which Rs.30 lakhs were contributed by his employer and the balance of Rs.20 lakhs is his own contribution. Compute the taxable amount on withdrawal in the following situations:
- a. On 28<sup>th</sup> February, 2025 he had opted out of the scheme and withdrew the entire amount of Rs.50 lakhs;
  - b. On 28<sup>th</sup> February, 2025 he made a partial withdrawal of Rs.20 lakhs out of contribution made by him to his NPS account.

**Sec 80 D:**

8. Mr.A, aged 40 years, paid medical insurance premium of Rs.20,000 during the previous year 2024-25 to insure his health as well as the health of his spouse. He also paid medical insurance premium of Rs.47,000 during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed Rs.3,600 to Central Government Health Scheme during the year on his health. He has incurred Rs.3,000 in cash on preventive health check-up of himself and his spouse and Rs.4,000 by cheque on preventive health check-up of his father. Compute the deduction u.s.80D for the A.Y.2025-26 if Mr.A has exercised the option of shifting out of the DTR u.s.115BAC(1A).
9. Mr.Y, aged 40 years furnishes the following information relating to premium on mediclaim policy paid by cheque for the year ending 31.03.2025:
- For self – Rs.15,000; b. for spouse, aged 37 years – Rs.7,000; c. for dependent father aged 63 years – Rs.52,000; d. for dependent mother-in-law, aged 57 years – Rs.5,000.
  - Cash paid for preventive health check up of self and spouse – Rs.6,000

Compute deduction u.s.80D. What would be your answer, in case the premium was paid in cash.

10. Mr.Y, aged 40 years, paid medical insurance premium of Rs.22,000 during the previous year 2024-25 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of Rs.33,000 during the year to insure the health of his mother, aged 67 years, who is not dependent on him. He incurred medical expenditure of Rs.20,000 on his father, aged 71 years, who is not covered under mediclaim policy. His father is also not dependent upon him. He contributed Rs.6,000 to Central Government Health Scheme. Compute the deduction u.s.80D for the A.Y.2025-26 if Mr.Y has exercised the option of shifting out of the DTR u.s.115BAC(1A).
11. Mr.A (aged 63), a resident Indian, paid for himself through account payee cheque, health insurance premium of Rs.2,10,000 for 5 years in one lump sum on 28.12.2024. The eligible amount of deduction u.s.80D for A.Y.2025-26 would be Rs.....
- |              |              |
|--------------|--------------|
| a. Rs.50,000 | c. Rs.30,000 |
| b. Rs.35,000 | d. Rs.42,000 |
12. Rajiv paid Rs.1,20,000 by cheque on 05.01.2025 towards medical insurance premium for his parents who are senior citizens and not dependent on him. The premium was to provide health insurance cover for 3 years. How much is deductible u.s.80D for the A.Y.2025-26?
- |              |              |
|--------------|--------------|
| a. Rs.40,000 | c. Rs.25,000 |
| b. Rs.30,000 | d. Rs.50,000 |
13. Mr.R (age 60 years) paid health insurance premium of Rs.38,000 by account payee cheque for self and wife. He paid Rs.1,500 in cash for his health check-up and Rs.4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of Rs.33,000 during the year to insure the health of his mother, aged 80 years, staying with his younger brother. He further incurred medical expenditure of Rs.25,000 on his father, aged 81 years, who is staying with him. His father is not covered under any Mediclaim policy. Compute deduction u.s.80D for A.Y.2025-26.

**Section 80 DD:**

14. Mr.X is a RESIDENT individual. He deposits a sum of Rs.50,000 with LIC every year for the maintenance of his disabled grandfather who is wholly dependent upon him. The disability is one which comes under the Persons with Disabilities (Equal Opportunities, Protection of Rights and Full Participation) Act, 1995. A copy of the certificate from the medical authority is submitted. Compute the amount of deduction available u.s.80DD for A.Y.2025-26, if Mr.X has exercised the option of shifting out of the default tax regime provided u.s.115BAC(1A).

What will be the deduction if Mr.X had made this deposit for his dependent father with severe disability?

15. Examine the allowability of the following if the assesses have opted for optional tax regime:

(i) Rajan, a resident individual, has to pay to a hospital for treatment Rs.62,000 and spent nothing for life insurance or for maintenance of dependent disabled.

(ii) Varun, a resident Indian, has spent nothing for treatment in the previous year and deposited Rs.25,000 with LIC for maintenance of dependent disabled.

(iii) Hari, a resident individual, has incurred Rs.20,000 for treatment and Rs.25,000 was deposited with LIC for maintenance of handicapped dependant.

**Section 80 DDB:**

16. Find out the amount of deduction under section 80DDB:

<b>Name of the taxpayer</b>	<b>X</b>	<b>Y</b>	<b>Z</b>	<b>A</b>	<b>B</b>
Residential status	Res	Res	Res	Res	Non-res
Expenditure incurred on dependent mother	90,000	26,000	70,000	1,00,000	34,000
Age of mother	89 years	59 yrs	64 yrs	63 yrs	65 yrs
Residential status of mother	Res	Non-res	Res	Non-res	Res

**Section 80 E:**

17. Mr.X has taken three education loans from a Bank on April 1, 2024. The details are below:

	<b>Loan 1</b>	<b>Loan 2</b>	<b>Loan3</b>
For whose education loan was taken	X	Son of X	Daughter of X
Purpose of loan	MBA	B. Sc.	B.A.
Amount of loan	5,00,000	2,00,000	4,00,000
Annual repayment of loan	1,00,000	40,000	80,000
Annual repayment of interest	20,000	10,000	18,000

**Find out the amount deductible u.s. 80 E for the A.Y. 2025-26 under optional tax regime.**

**Section 80EE:**

18. Mr.A purchased a residential house property for self-occupation at a cost of Rs.45 lakh on 1.4.2017, in respect of which he took a housing loan of Rs.35 lakh from Bank of India @ 11% p.a. on the same date. The loan was sanctioned on 28<sup>th</sup> March, 2017. Compute the eligible deduction in respect of interest on housing loan for A.Y. 2025-26 under the optional tax regime, assuming that the entire loan was outstanding as on 31.3.2025 and he does not own any other house property.

19. The following are the particulars relating to Mr.A and Mr.B, salaried individuals for A.Y.2025-26:

Particulars	Mr.A	Mr.B
Stamp duty value of the house	Rs.45 lakhs	Rs.48 lakhs
Amount of loan taken	Rs.43 lakhs	Rs.45 lakhs
Loan taken from	HFC	Deposit taking NBFC
Rate of interest	9% p.a.	9% p.a.
Date of sanction of loan	01.04.2021	01.04.2020
Date of disbursement of loan	01.05.2021	01.05.2020
Purpose of loan	Purchase of house for self-occupation	Purchase of house for self-occupation

Compute deduction u.s.80EEA under OTR for A.Y.2025-26 assuming no principal repayment is made.

20. In respect of loan of Rs.40 lakhs sanctioned by SBI in April, 2021 for purchase of residential house intended for self-occupation, compute the interest deduction allowable for A.Y.2025-26 under optional tax regime, assuming that the rate of interest is 8% p.a. and the loan sanctioned was 80% of the stamp duty value of the property. Assume that entire loan is outstanding.
- (a) Rs.2,00,000 u.s.24 and Rs.66,667 u.s.80EEA  
 (b) Rs.1,50,000 u.s.80EEA and Rs.1,16,667 u.s.24  
 (c) Rs.12,00,000 u.s.24 and Rs.50,000 u.s.80EEA  
 (d) Rs.2,00,000 u.s.24.
21. Mr.Ritvik has purchased his first house in Gwalior for self-occupation on 5.4.2021 for Rs.45 lakhs (stamp duty value being the same) with bank loan sanctioned on 30.3.2021 and disbursed on 3.4.2021. He paid interest of Rs.3.8 lakhs during the P.Y.2024-25. What is the tax treatment of interest paid by him under the optional tax regime?
- (a) Interest of Rs.2 lakhs allowable u.s.24  
 (b) Interest of Rs.2 lakhs allowable u.s.24 and Rs.1.8 lakhs allowable u.s.80EEA  
 (c) Interest of Rs.2 lakhs allowable u.s.24 and Rs.1.5 lakhs allowable u.s.80EEA  
 (d) Interest of Rs.1.5 lakhs allowable u.s.24 and Rs.1.5 lakhs allowable u.s.80EEA

**Section 80EEB:**

22. The following are the particulars relating to Mr.A and Mr.B, salaried individuals, for A.Y.2025-26:

	<b>Mr.A</b>	<b>Mr.B</b>
Amount of loan taken	Rs.20 lakhs	Rs.15 lakhs
Loan taken from	Deposit taking NBFC	Public Sector Bank
Date of sanction of loan	01.04.2020	30.3.2019
Date of disbursement of loan	01.05.2020	01.05.2019
Purpose of loan	Electric vehicle for personal use	Electric vehicle for personal use
Cost of electric vehicle	Rs.22 lakhs	Rs.18 lakhs
Rate of interest	10% p.a.	10% p.a.

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**Section 80 G:**

23. Compute deduction u.s.80 G of the IT Act in respect of Mr.X for A.Y. 2025-26:

Income from salary (computed) Rs.8,00,000. No other income for the assessee.

Deduction eligible under section 80 C Rs.1,50,000

Interest paid on loan taken on 01.08.2021 from SBI for purchase of Electric vehicle Rs.1,72,000

Donation to PM CARES fund Rs.20,000 by cheque

Donation to Swachh Bharat Rs.20,000 by cheque

Donation to Prime Minister's Drought Relief Fund Rs.20,000 by cheque

Donation to a registered charitable trust Rs.60,000 by cheque

Donation to a notified temple Rs.5,000 in cash.

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24. X (34 years), a resident individual, submits the following particulars:

Business income Rs.2,55,000;

Interest on debentures Rs.50,000;

Long-term capital gains on transfer of gold Rs.4,10,000;

Short-term capital gain on sale of shares taxable u.s.111A Rs.20,000;

Other short-term capital gain Rs.10,000;

Contribution towards PPF Rs.40,000;

Payment of medical insurance premium on own life Rs.28,000 through net banking

Interest paid on loan taken on 01.10.2022 from deposit taking NBFC for purchase of Electric car Rs.1,80,000 for personal use.

Donation to PM CARES fund Rs.4,000;

Donation to Swachh Bharat Kosh Rs.3,000;

Donation to Prime Minister's Drought Relief Fund Rs.6,000;

Donation to a poor boy for higher education Rs.5,000;

Donation to approved public charitable institution Rs.11,000;  
 Donation of clothes to an approved institution Rs.5,000;  
 Donation in cash to National Children Fund Rs.5,000  
**Compute total income. Ignore default tax regime.**

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**25.** Mr.Suraj, an Indian citizen, gives the following details of his income and expenses for p. y. 24-25:

Income from profession	Rs.11,70,000
Winnings from lottery	Rs.70,000
Contribution to ULIP 1971 plan for spouse	Rs.70,000
Cheque donation to National Defence Fund	Rs.60,000
Cheque donation to Government for promoting family planning	Rs.35,000
Cheque donation to approved public charitable institute	Rs.1,20,000

Compute the deduction u.s.80G allowable to him for A.Y.2025-26 under optional tax regime.

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**26.** Mr.Shiva aged 58 years, has gross total income of Rs.7,75,000 comprising of income from salary and house property. He has made the following payments and investments:

- a. Premium paid to insure the life of his major daughter (policy taken on 1.4.2018) (assured value Rs.1,80,000) – Rs.20,000.
- b. Deposit in PPF Rs.1,00,000
- c. LIC Pension Fund – Rs.60,000
- d. Medical Insurance premium for self – Rs.12,000; spouse – Rs.14,000.
- e. Donation to PM CARES fund – Rs.25,000 by way of cheque
- f. Donation to Prime Minister's Drought Relief Fund – Rs.25,000 by way of cheque
- g. Donation to approved institution for promotion of family planning – Rs.40,000 by cheque.
- h. Donation to a public charitable institution registered under 80G Rs.50,000 by cheque.

Compute the total income of Mr.Shiva for A.Y. 2025-26 if he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).

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### **Section 80 GG:**

**27. X, a professional tax consultant, based at New Delhi furnishes the following:**

Income from profession Rs.8,30,000  
 Short-term capital gain (covered by section 111A) Rs.4,000  
 Long-term capital gain Rs.10,000  
 Winning from lottery (gross) Rs.50,000  
 Income from other sources Rs.10,000

Medical insurance premium paid by credit card Rs.8,000  
 Expenses on preventive health check-up on his health paid in cash Rs.7,500  
 Interest paid on loan taken from SBI for purchase of Electric vehicle Rs.1,72,000 for personal use  
 Payment of house rent Rs.80,000  
 Deposit in PPF Rs.70,000

**Determine the amount of deduction under section 80 GG. Ignore default tax regime.**

**28. Mr.G (age 42), who is working in Delhi as a Manager of X Ltd. furnishes the following:**

Income from salary (computed) Rs.5,64,000; Interest on bank fixed deposit Rs.10,000; Winning from races (gross) Rs.7,000; He has taken on rent a furnished accommodation in Noida (UP) for which he pays Rs.6,000 p.m. as rent. Mr.G is not in receipt of HRA from his employer.

Neither he, nor his wife, nor any minor child, owns any residential accommodation at Delhi or Noida. However, his wife owns an accommodation in Bangalore, which she is claiming as self-occupied in her assessment. Compute total income of Mr.G assuming he donates Rs.6,000 to PM CARES fund and deposits Rs.20,000 in Suganya Samridhi Scheme. Ignore the provisions of default tax regime.

**Section 80 GGB:**

- 29.** During the previous year 2024-25, ABC Ltd., an Indian company,  
Contributed a sum of Rs.2,00,000 to an electoral trust by an account payee cheque; and  
Incurred an expenditure of Rs.25,000 on advertisement in a souvenir of a political party

Is the company eligible for deduction in respect of such contribution/expenditure? If so, what is the quantum of deduction? ABC Ltd. does not opt for section 115BAA/115BAB.

- 30.** Mr.Ray, a resident individual, aged 37 years gives the following information with respect to various loans taken by him from scheduled banks for various purposes:

1. A housing loan of Rs.36 lakhs taken on 15<sup>th</sup> March, 2022 for the purchase of a house to be used for self-residence at a cost of Rs.47 lakhs. The stamp duty value of the house was Rs.42 lakhs at the time of purchase. Amount of repayment of loan during the previous year 2024-25 was:

- a) Towards principal – Rs.1,25,000
- b) Towards interest – Rs.3,65,000

This the first and only residential house owned by Mr.Ray

2. A vehicle loan of Rs.16 lakhs taken on 31<sup>st</sup> October, 2022 for the purchase of electric vehicle for personal use. Amount of repayment of loan during the previous year 2024-25 was:
  - a) Towards principal – Rs.75,000
  - b) Towards interest – Rs.1,90,000

3. Besides these loans, he has also paid a sum of Rs.15,000 to a political party as contribution. The entire amount was paid in cash.

You are required to compute the amount of deduction(s) available to Mr.Ray under various provisions of the Income-tax Act, of A.Y.2025-26 so that he gets the maximum benefits assuming that he has opted for optional tax regime.



31. Mr.Raj, a resident in India, owns two house properties, one in Delhi and another in Kanpur. The property in Kanpur is self-occupied by Mr.Raj. However, the property in Delhi is let out throughout the year. The particulars of the Delhi house for the previous year 2024-25 are as under:

Standard rent	₹1,72,000 p.a.,
Municipal valuation	₹2,05,000 p.a.
Fair rent	₹1,95,000 p.a.
Rent received	₹15,000 p.m.

Municipal tax paid by Mr.Raj 5% of municipal valuation for Delhi house.

Municipal tax paid by Mr.Raj on 10.06.2024 for Kanpur house is ₹3,500.

Mr.Raj had taken a loan from SBI of ₹35 lakhs at 12% p.a. in April, 2021 for purchase of Delhi house. The stamp duty value of this house was Rs.40 lakhs.

Mr.Raj purchased a plot in Kanpur in May, 2022, and the construction of the Kanpur house, was begun in June 2022 and was completed in December, 2023. Mr.Raj took a loan of ₹25 lakhs at 10% on 1.7.2022 for construction of this house. No repayment has been done so far for both the loans.

During the previous year 24-25, Mr.Raj has earned a salary income of Rs.18 lakhs. Compute total income of Mr.Raj for assessment year 25-26 under both tax regimes.

### **Section 80 JJAA:**

32. X & Co. is a limited liability partnership (date of commencement of business May 1, 2024). It owns and operates retail outlets in different parts of North India. During the previous year 2024-25, it appoints the following persons:

<u>Date of appointment</u>	<u>No. of employees</u>	<u>Designation</u>	<u>Salary (per person)</u>
May 1, 2024	8	Storekeeper	Rs.18,000 p.m.
June 1, 2024	12	Salesperson	Rs.25,000 p.m.
July 1, 2024	4	Supervisor	Rs.28,000 p.m.
October 1, 2024	25	Helper	Rs.11,000 p.m.

All the above mentioned employees contribute towards recognized provident fund.

Determine the amount of deduction available u.s.80JJAA for the A.Y. 2025-26 under the following two situations:

1. Turnover of X & Co. for previous year 2024-25 is Rs.6 crores and tax audit is applicable
2. Turnover of X & Co. for previous year 2024-25 is Rs.90 lakhs and tax audit is not applicable.

33. Mr.A has commenced the business of manufacture of computers on 1.4.2024. He employed 350 new employees during the previous year 2024-25, the details of which are as follows:

<u>No. of employees</u>	<u>Date of employment</u>	<u>Regular/Casual</u>	<u>Monthly emoluments per employee</u>
75	1.4.2024	Regular	Rs.24,000
125	1.5.2024	Regular	Rs.26,000
50	1.8.2024	Casual	Rs.24,500
100	1.9.2024	Regular	Rs.24,000

The regular employees participate in recognized provident fund while the casual employees do not.

Compute the deduction, if any, available to Mr.A for A.Y.2025-26, if the profits and gains derived from manufacture of computers for that year is Rs.75 lakhs and total turnover is Rs.10.16 crores. What would be your answer if Mr.A has commenced the business of manufacture of footwear on 1.4.2024?

### **Section 80QCB:**

34. Mr.X, an author, received a lumpsum royalty of Rs.8,00,000 for assignment of interest in copyright to a publisher. The book is covered by section 80QCB. Expenditure incurred for earning such royalty is Rs.1,20,000. Compute deduction available u.s.80QCB for Mr.X for A.Y.2025-26.
35. Mr.Y, an author, received royalty of Rs.2,70,000 which is 18% on value of books sold. The book is covered by section 80QCB. Expenditure incurred for earning such royalty is Rs.10,000. The royalty is not a lumpsum payment. Compute deduction available u.s.80QCB for Mr.Y for A.Y.2025-26.
36. Mr.A earned royalty of Rs.2,88,000 from a foreign country for a book authored by him, being a work of literary nature. The rate of royalty is 18% of value of books. The expenditure incurred by him for earning this royalty was Rs.40,000. The amount remitted to India till 30<sup>th</sup> September, 2025 is Rs.2,30,000. Compute the amount includible in the gross total income of Mr.A and the amount of deduction which he will be eligible for under section 80QCB. Ignore default tax regime.

### **Problem on Section 80 TTA:**

37. Mr.R (42 years) furnishes the following information for the previous year 2024-25:  
Income from salary (computed) Rs.24,00,000; Dividend from domestic companies Rs.12 lakhs (interest paid on loan borrowed for investment in shares Rs.2,50,000); Interest on savings account with a bank Rs.6,000; Interest on post office savings account Rs.8,500. Compute total income. Ignore DTR.

### **Problem on Section 80 TTB:**

38. Mr.B (date of birth 01.04.1965) furnishes the following for the previous year 2024-25:  
Loan taken from a closely-held company in which he has 16% equity Rs.5,00,000. The accumulated profits of the company on the date of loan is Rs.40 lacs. He received Rs.4,00,000 on 01.12.2024 as interest for delay in payment of compensation by Railways in respect of compulsory acquisition of his vacant land. The land was acquired by Railways during the previous year 2021-22.

His other income details are:

Interest on fixed deposit with a bank (gross) Rs.62,000

Interest on savings account with a bank Rs.4,500

Interest on post office savings account Rs.9500.

Compute his total income for AY 2025-26. Ignore default tax regime.

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- 39.** Mr.Gurnam, aged 42 years, has salary income (computed) of Rs.5,50,000 for the previous year ended 31.03.2025. He has earned interest of Rs.14,500 on the saving bank account with State Bank of India during the year. Compute the total income of Mr.Gurnam for the assessment year 2025-26 from the following particulars assuming he has exercised the option of shifting out of the DTR:

(i) Life insurance premium paid to Birla Sun life Insurance in cash amounting to Rs.25,000 for insurance of life of his dependent parents. The insurance policy was taken on 15.07.2021 and the sum assured on life of his dependent parents is Rs.2,00,000.

(ii) Life insurance premium of Rs.19,500 paid on the life of his major son who is not dependent on him. The sum assured on life is Rs.3,50,000 and the life insurance policy was taken on 30.3.2012.

(iii) Life insurance premium paid by cheque of Rs.22,500 for insurance of his life. The insurance policy was taken on 08.09.2020 and the sum assured is Rs.2,00,000.

(iv) Premium of Rs.26,000 paid by cheque for health insurance of self and his wife. Rs.1,500 paid in cash for his health check-up and Rs.4,500 paid in cheque for health check-up for his parents, who are senior citizens.

(vi) Paid interest of Rs.6,500 on loan taken from bank for MBA course pursued by his daughter.

(vii) A sum of Rs.5,000 donated in cash to an institution approved for purpose of section 80G for promoting family planning.

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- 40.** Examine the following statements with regard to the provisions of the Income-tax Act, 1961:

(i) During the financial year 2024-25, Mr.Amit paid interest on loan availed by him for his son's higher education. His son is already employed in a firm. Mr.Amit will get deduction u.s.80E.

(ii) Subscription to notified bonds of NABARD would qualify for deduction under section 80C.

(iii) In order to be eligible to claim deduction under section 80C, investment/contribution/ subscription etc. in eligible or approved modes, should be made out of income chargeable to tax.

(iv) Where an individual repays a sum of Rs.30,000 towards principal and Rs.14,000 as interest in respect of loan taken from a bank for pursuing eligible higher studies, the deduction allowable under section 80E is Rs.44,000 irrespective of the tax regime.

(v) Mr.Vishal, a Central Government employee, contributed Rs.50,000 towards Tier II account of NPS. The same would be eligible for deduction u.s.80CCD. Is the statement true or false.

41. For A.Y. 2025-26, the GTI of Mr.Chaturvedi, a resident, was Rs.8,18,240 which includes LTCG of Rs.2,45,000 taxable u.s.112 and STCG of Rs.58,000. The GTI also includes interest income of Rs.12,000 from savings account with banks and Rs.40,000 interest on fixed deposits with banks.

Mr.Chaturvedi has invested in PPF Rs.1,20,000 and also paid a medical insurance premium Rs.51,000. Mr.Chaturvedi also contributed Rs.50,000 to Public Charitable Trust eligible for deduction u.s.80G by way of an account payee cheque. Compute the total income and tax thereon of Mr.Chaturvedi, who is 70 years old as on 31.3.2025, in a tax efficient manner.

42. Mr.Rajmohan whose gross total income was Rs.6,40,000 for the financial year 2024-25 furnishes you the following information:

- Stamp duty paid on acquisition of residential house (self-occupied) Rs.50,000.
- Five-year Post-Office Time Deposit Rs.20,000.
- Donation to a recognized charitable trust Rs.25,000 eligible for deduction u.s. 80G.
- Interest on loan taken for higher education of spouse paid during the year Rs.10,000.

Compute total income of Mr.Rajmohan for A.Y. 2025-26. Ignore DTR.

43. Discuss with reason the quantum of deduction allowable under Chapter VI-A of the Income-tax Act, 1961 in respect of the following cases, ignore default tax regime.

- Balu paid Rs.60,000 towards tuition fee for his brother's son who is dependent on him.
- Dinakar incurred Rs.70,000 towards cancer treatment of his mother (age 63).
- Elango repaid Rs.30,000 of education loan and interest of Rs.12,000 taken from SBI for his son's engineering course in IIT, Kanpur.
- Fathima borrowed Rs.25 lakhs for purchase of electric vehicle from SBI and repaid Rs.2,00,000 towards loan and interest of Rs.1,70,000.

44. Compute the eligible deduction under Chapter VI-A for the A.Y. 2025-26 of Ms.Roma, aged 40 years, who has a gross total income of Rs.15,00,000 for the A.Y. 2025-26 and has exercised the option of shifting out of the default tax regime provided u.s.115BAC(1A). She provides the following information about her investments during the P.Y. 2024-25:

Life Insurance premium paid (policy taken on 31.03.2012 and sum assured is Rs.4,40,000)	Rs.35,000
Public Provident Fund contribution	Rs.1,50,000
Repayment of housing loan to SBI, Chennai	Rs.20,000
Payment to LIC Pension Fund	Rs.1,40,000
Mediclaime Policy taken for self, wife and dependent children, premium paid by cheque	Rs.30,000
Medical Insurance premium paid by cheque for parents (senior citizens)	Rs.52,000

## **CHAPTER – 16A:                      ADVANCE TAX PROVISIONS**

The total income of an assessee for the previous year is taxable in the relevant assessment year. For example, the total income for the P.Y. 24-25 is taxable during the A.Y. 25-26. However, income-tax is recovered from the assessee in the previous year itself through:-

- a. Tax deduction at source (TDS);
- b. Tax collection at source (TCS);
- c. Advance tax

Advance tax is payable by every person where the final tax payable after adjusting TDS is **Rs.10,000 or more**. Advance payment of tax is also known as “Pay as you Earn” scheme.

The assessee is required to estimate his CURRENT INCOME for the year under various heads and pay advance tax on due dates. However, in the case of income by way of CAPITAL GAINS and CASUAL INCOME, assessee is required to pay advance tax only after such income is earned.

**Note: Tax paid before 31<sup>st</sup> March of the relevant previous year is called “Advance Tax”**

e.g. tax paid between 01.04.2024 and 31.03.2025 shall be treated as advance tax paid for the previous year 2024-25. Any tax paid after 31<sup>st</sup> March is called as Self-assessment tax.

**What is self-assessment tax?**

‘Self-Assessment Tax’ means final tax payable by the assessee on the returned income after adjusting TDS, TCS and Advance tax.

**Important:** Tds credit can be taken only if it is deducted by the payer. If tax is not deducted at source then no credit can be taken by the assessee.

**Advance tax payable by assessee covered u.s.44AD & 44ADA:**

An assessee who has opted Section 44AD or Section 44ADA, shall pay the whole amount of Advance Tax in one installment on or before 15<sup>th</sup> March.

**NOT APPLICABLE FOR SENIOR CITIZENS:**

**Advance tax provisions are NOT applicable** in the case of a RESIDENT SENIOR CITIZEN not having income by way of business or profession.

**For all assessee:**

**Advance tax is payable as follows:**

- On or before June 15
- On or before September 15
- On or before December 15
- On or before March 15

**For all assessee**

15% (15%) of advance tax  
 30% (45%) of advance tax  
 30% (75%) of advance tax  
 25% (100%) of advance tax

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**1. Under DTR, whether the following assesses are liable to pay advance tax for AY 2025-26.**

- Where the total income of Mr.X (a non-resident) is Rs.4,00,000 (tds: nil).
  - Where the total income of Mr.Y (a resident) is Rs.8,00,000 (tds: Rs.21,200)
  - Turnover of Mr.A Rs.2,50,00,000 (cash receipts are < 5% of total receipts). He has opted for section 44AD. When he is required to pay advance tax?
  - Gross receipts of a Doctor Rs.74,00,000 (cash receipts are < 5% of total receipts). He has opted for section 44ADA. When he is required to pay advance tax?
  - Mr.A owns 7 heavy commercial vehicles and he has opted for section 44AE. When he is required to pay advance tax?
  - A senior citizen (resident) having pension income of Rs.3 lakhs and property income of Rs.5 lakhs.
- 

**2. Mr.A, whose total sales is Rs.301 lakhs, declares profit of Rs.10 lakhs for the F.Y. 2024-25. He is liable to pay advance tax:—**

- (a) in one installment
- (b) in two installments
- (c) in three installments
- (d) in four installments

**3. Mr.Raj (a non-resident and aged 65 years) is a retired person, earning rental income of Rs.50,000 per month from a property located in Delhi. He is residing in Canada. Apart from rental income, he does not have any other source of income. Is he liable to pay advance tax (DTR) in India?**

- (a) Yes, he is liable to pay advance tax in India as he is a non-resident and his tax liability in India exceeds Rs.10,000.
- (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than Rs.10,000.
- (c) No, he is not liable to pay advance tax in India as he has no income chargeable under the head "Profits and gains of business or profession" and he is of the age of 65 years.
- (d) Both (b) and (c)

**4. The benefit of payment of advance tax in one installment on or before 15th March is available to assessee computing profits on presumptive basis:—**

- (a) only under section 44AD
- (b) under section 44AD and 44ADA
- (c) under section 44AD and 44AE
- (d) under section 44AD, 44ADA and 44AE

5. Mr.J, a resident Indian aged 60 years, won Rs.9 lakhs and Mr.V, a resident Indian aged 55 years, won Rs.8 lakhs from lotteries. Tax deductible at source under section 194B was duly deducted. Assuming that this is the only source of income of Mr.J and Mr.V for A.Y. 25-26, are Mr.J and Mr.V liable to pay advance tax for that year?
- No, Mr.J and Mr.V are not liable to pay advance tax.
  - Yes, Mr.J and Mr.V are liable to pay advance tax.
  - Mr.J is liable to pay advance tax but Mr.V is not liable to pay advance tax.
  - Mr.V is liable to pay advance tax but Mr.Jay is not liable to pay advance tax.
- 

6. The following details are provided by Mr.P, an individual, for the assessment year 2025-26.
- |                                  |             |
|----------------------------------|-------------|
| Total estimated tax payable      | Rs.2,00,000 |
| TDS (estimated but not deducted) | Rs.55,000   |
- Determine the advance tax payable with their due dates for the assessment year 2025-2026.
- 

7. The estimated Total Income of Mr.R is Rs.9,00,000 which includes Rs.1,00,000 on account of LTCG on sale of jewellery earned on 26.09.2024. Compute the advance tax payable by R, assuming Rs.11,000 has been deducted at source on other income. Ignore DTR.
- 

8. Mr.A, aged 35 years, a resident individual, is a dealer of garments. During the previous year 2024-25, total turnover of his business was Rs.105 lakhs (out of which Rs.15 lakhs was received by way of account payee cheques and balance in cash). Mr.A has opted for optional tax regime. What would be your advice to Mr.A relating to the provisions of advance tax with its due date along with the amount payable, assuming that he wishes to make maximum tax savings without getting his books of account audited.
- 

9. Mr.K furnished the following information for the year ended 31.03.2025:

Income from business	Rs.40,000
Lottery winnings (gross)	Rs.6,00,000
Income by way of salary (computed)	Rs.90,000
Loss from house property	Rs.20,000

Compute his total income, tax liability and advance tax obligations under DTR.

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## **INTEREST UNDER SECTION 234 A, B & C:**

### **Interest u.s.234 A:**

- |                              |  |
|------------------------------|--|
| a. When interest is charged: | If return is not filed before <u>due date</u> and tax is still due                     |
| b. Rate of Interest:         | 1% p.m. or part of a month on the tax due  |
| c. Period of interest:       | From 1 <sup>st</sup> day immediately following the <u>due date</u> till taxes are paid |

**note:** Self-assessment tax paid before the due date and return submitted after due date:  
If the entire amounts of taxes are paid before the due date of filing return, no interest shall be charged for mere delay in filing the tax return.

**note:** Interest is to be calculated on the amount of tax due rounded off in multiples of Rs.100 ignoring fraction. For eg. Tax due Rs.35730 or Rs.35,780; Interest will be computed on Rs.35,700.

- 10.** Taxable income of Mr.A for the year ending 31.03.2025 is Rs.15,00,000. Tax deducted at source is Rs.35,600. Advance tax paid is Rs.50,000. Due date of filing return of income is 31<sup>st</sup> July, 2025. Self-assessment tax including interest was paid on 25<sup>th</sup> September 2025 and return was filed by Mr.A on the same day. Compute the interest payable u.s.234 A. Mr.A pays tax as per the default tax regime.

Would your answer differ if he had paid the self-assessment tax on 25.07.2025 but filed his return of income on 31.12.2025.

### **Interest u.s.234 B:**

a. When interest is charged: Failure to pay advance tax **(or)** advance tax paid is less than **90%** of the “assessed tax”.

b. Rate of Interest: 1% p.m. or part of a month of the tax due commencing from 1<sup>st</sup> April of the relevant assessment year and ending till the entire tax is paid.

Note: For A.Y.2025-26, interest will be charged from 01.04.2025, if advance tax is not paid before 31.03.2025.

Note: “Assessed tax” means Original tax (-) TDS

- 11.** Tax on total income of Mr.X for the previous year 2024-25 is Rs.4,80,000. Tax deducted at source Rs.80,000. Compute interest under section 234B in the following situations if:

- a.** No advance tax is paid by Mr.X and self-assessment tax is paid on 10.09.2025; or
- b.** Advance tax paid on 31.03.2025 is Rs.3,75,000



**Interest u.s.234 C:**

a. When interest is charged: If the installments paid are not proper (i.e. amount paid is less than the installment due)

b. Rate of Interest: 1% p.m. or part of a month

note: Interest u.s.234 C will be charged only up to 31<sup>st</sup> March of the relevant previous year.  
Interest u.s.234 B will be charged from 1<sup>st</sup> of April of the relevant assessment year.

**Note: An assessee is required to pay first two installments of 15% and 45% of the "assessed tax" in advance on the due dates. However, interest u.s.234C shall not be charged if the assessee had paid atleast 12% and 36% of the "assessed tax".**

12. Original tax due Rs.1,00,000; Tax deducted at source Rs.40,000; Compute interest payable under section 234C in the following situations if:

a. No advance tax is paid by the assessee; or

b. Advance tax paid on:

15.06.2024	Rs.5,000
15.09.2024	Rs.10,000
15.12.2024	Rs.15,000
15.03.2025	Rs.20,000

c. Advance tax paid on:

15.06.2024	Rs.8,000
15.09.2024	Rs.14,000
15.12.2024	Rs.18,000
15.03.2025	Rs.14,000

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13. Mr.Jay having total income of Rs.8,70,000, did not pay any advance tax during the previous year 24-25. He wishes to pay the whole of the tax, along with interest if any, on filing the return in the month of July, 2025. What is the total tax which Mr.Jay has to deposit as self-assessment tax along with interest, if he files the return on 29.07.2025? Assume he has shifted out of default tax regime u.s.115BAC(1A).

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14. Ms.Priya, aged 61 years, has total income of Rs.7,50,000 including income from profession, for A.Y.25-26, and has paid advance tax of Rs.10,000 on 13.12.2024. She paid her taxes due and has filed her return of income on 15.06.2025. Calculate the self-assessment tax payable and the interest thereon u.s.234A, 234B and 234C, if any by Ms.Priya.

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<b><u>Section</u></b>	<b><u>Item</u></b>	<b><u>Limit</u></b>	<b><u>Tds rate</u></b>	<b><u>Remarks</u></b>
<b>192</b>	Salary	basic exemption	Slab rate	At the time of payment
<b>192A</b>	P.F. amount	Rs.50,000 or more	10%	Premature withdrawal
<b>193</b>	Int on securities	Rs.5,000	10%	***
<b>194</b>	Dividend	Rs.5,000	10%	***
<b>194A</b>	Interest	Rs.5,000/Rs.40,000	10%	On time deposits (50k for senr cit)
<b>194B</b>	Casual Income	>Rs.10,000	30%	At the time of payment
<b>194BA</b>	Online gaming	no limit	30%	Amount in the users account
<b>194BB</b>	Horse races	>Rs.10,000	30%	At the time of payment
<b>194C</b>	Contract payment	>Rs.30,000 or Rs.1 lakh	1% or 2%	Nil for transport operators
<b>194D</b>	Insurance commission	>Rs.15,000	5% or 10%	Payment or credit (w.e.earlier)
<b>194DA</b>	Life Insc maturity	Rs.1 lac or more	5% or 2%	No tds if exempt u.s.10(10D)
<b>194G</b>	Commn on sale of lottery	>Rs.15,000	5% or 2%	Payment or credit (w.e.earlier)
<b>194H</b>	Commission/Brokerage	>Rs.15,000	5% or 2%	Payment or credit (w.e.earlier)
<b>194I</b>	Rent	>Rs.2,40,000 p.a.	10%	2% for plant and machinery
<b>194IA</b>	Purchase of land or bldg	Rs.50 lakhs or more	1%	purchase consdn (or) SDV (weh)
<b>194IB</b>	Payment of rent	> Rs.50,000 p.m.	5% or 2%	Applicable for non-audit cases
<b>194J</b>	Professional services	>Rs.30,000	10% or 2%	
	Director fee	no limit specified		Payment or credit (w.e.earlier)
<b>194K</b>	Income from mutual funds	> Rs.5,000	10%	****
<b>194LA</b>	Compensation from Govt	> Rs.2,50,000	10%	****
<b>194M</b>	Contract/Prof fee/Commn	> Rs.50 lakhs	5% or 2%	Applicable for non-audit cases
<b>194N</b>	Cash withdrawal	> 1 crore; > 20 lacs	2% or 5%	By Banks, Post office or Co-op banks
<b>194P</b>	Exemption from filing	as applicable	as applicable	Specified senior citizen (75 years)
<b>194Q</b>	On purchases	> Rs.50 lakhs	0.1%	Turnover of p.y.23-24 > Rs.10
<b>194R</b>	On benefit or perk	> Rs.20,000	10%	In respect of PGBP

## **CHAPTER – 16B:                      TAX DEDUCTED AT SOURCE**

### **1. When tax is required to be deducted at source?**

Tax is required to be deducted at source either *at the time of payment (or) at the time of credit*, whichever is earlier. However, in few cases, tax shall be deducted only at the time of payment.

### **2. State whether an “individual” is required to comply with tds provisions.**

Companies & Firms have to compulsorily comply with TDS provisions. “Individuals” are required to deduct tax at source only if Turnover/Sales/Gross receipts during the immediately preceding financial year has exceeded Rs.1 crore in case of business or Rs.50 lakhs in case of profession.

### **3. When tds is required to be remitted to the Government?**

The TDS amount has to be remitted within **ONE WEEK FROM THE END OF THE MONTH** during which such tax was liable to be deducted. However, tds for the month of MARCH, can be remitted before 30<sup>th</sup> of April.

### **4. Failure to furnish PAN will attract higher rate of tds – Section 206AA.**

Every person shall furnish his PAN to the person responsible for deducting such tax. In case there is a failure to do so, tax shall be deducted at the **HIGHER** of the following rates:

- at the rate prescribed in the Act; or
- at the rate of 20% (5% in case of section 194Q)

### **5. Higher rate of tds for non-filers of income-tax return – Section 206AB.**

TDS on amount payable to a **specified person** shall be at **HIGHER** of the following rates:

- at twice the rate prescribed in the relevant provisions of the Act; or
- at 5%

#### **Important:**

*If both sections are applicable (section 206AA and 206AB); the higher of the two rates shall apply. Section 206AB is not applicable for section 192, 192A, 194B, 194BA, 194BB or 194N*

#### **Specified person:-**

A person who has not filed his income-tax returns for last two previous years and the aggregate of tds and tcs is Rs.50,000 or more in **each** of these two previous years.

### **6. What are the due dates for filing e-tds returns.**

<b><i>Quarter ending</i></b>	<b><i>Due date</i></b>
30 <sup>th</sup> June	On or before 31 <sup>st</sup> July
30 <sup>th</sup> September	On or before 31 <sup>st</sup> October
31 <sup>st</sup> December	On or before 31 <sup>st</sup> January
31 <sup>st</sup> March	On or before 31 <sup>st</sup> May of the following financial year

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**OTHER POINTS:**

- a. Tax shall be deducted only on business payments and not on personal payments
  - b. No TDS shall be made on payments made to Government, Banks
  - c. TDS is only on the **INCOME** portion excluding GST
- 

**Problems:**

1. Mr.Y, an individual whose total sales in business during the year ending 31.03.2024 was Rs.7.20 crores, pays Rs.9 lakhs by cheque on 1.1.2025 to a contractor for construction of his business premises in full and final settlement. Whether Y has to deduct tds?
  2. SBI pays Rs.1,00,000 p.m. as rent to the Central Government for a building in which one of its branches is situated. Whether SBI has to deduct tax at source?
  3. Mrs.Rakshita, a Chartered Accountant has raised a fee bill on LMN Pvt. Ltd., for Rs.3,00,000 and in addition, has charged separately GST of 18% i.e. Rs.54,000, the total amount of the bill being Rs.3,54,000. The amount of tax to be deducted at source by LMN Pvt. Ltd. is:
 

a) Rs.30,000 @ 10%	c) Rs.35,400 @ 10%
b) Rs.31,200 @ 10.4%	d) Rs.6,000 @ 2%
- 

**Section 192:**

Time of deduction:  
Rate of TDS:  
Limit:

**TDS ON SALARIES:**

At the time of payment  
Slab rates  
If salary exceeds basic exemption

**Note:** No loss can be declared to the employer except loss from house property.

**Note:** "Individuals" are required to deduct tax at source on salary payments irrespective of whether the turnover of immediately preceding previous year exceeded 1 crore or not.

4. Mr.A, the employer, pays gross salary including allowances and monetary perquisites amounting to Rs.7,30,000 to his General Manager. Besides, the employer provides non-monetary perquisites to him whose value is estimated at Rs.1,20,000. The General Manager is exercising the option to shift out of the default tax regime and pay tax under the optional tax regime as per the normal provisions of the Act. What is the tax implication in the hands of Mr.A, the employer and General Manager, the employee?
-

**Section 192A:**

Time of deduction:

Rate of TDS:

Limit:

**PREMATURE WITHDRAWAL FROM PROVIDENT FUND:**

At the time of payment

10%

Rs.50,000 or more

**Note:**

Tax shall be deducted on the amount withdrawn only in case where the employee has **not** completed **five** years of continuous service (No TDS in cases of termination due to ill health, contraction or discontinuance of business, cessation of employment).

5. Mr.Sharma, an employee of M/s.ABC Ltd. since 10.04.2021 resigned on 31.03.2025 and withdrew Rs.60,000 being the balance in his EPF account. State with reasons whether the provisions of Chapter XVII-B are attracted and if so, what is the net amount receivable by Mr.Sharma? Would your answer differ if the termination of employment was due to his ill health?

**Section 193:**

Time of deduction:

Rate of TDS:

Limit:

**INTEREST ON SECURITIES**

Payment or credit (whichever is earlier)

10%

If income exceeds Rs.5,000

**Section 194:**

Rate of TDS:

Limit:

**DIVIDEND TO RESIDENT SHAREHOLDERS**

10%

If income exceeds Rs.5,000

**Section 194A:**

Time of deduction:

Rate of TDS:

Limit:

**INTEREST OTHER THAN INT ON SECURITIES**

Payment or credit (whichever is earlier)

10%

If the amount exceeds Rs.5,000

**Note:**

Banks, post office or co-operative banks are required to deduct tax only if the interest income on "Time" deposit exceeds Rs.40,000 (**Rs.50,000 for senior citizen**).

**Note:**

"Time" deposits include "fixed" deposits and "recurring" deposits.

**Note:** TDS is not attracted in the following cases:

- a. Interest on savings account;
- b. Interest on the compensation amount awarded by the Motor Accidents Claims Tribunal where interest payment does not exceed Rs.50,000.

6. Examine the TDS implications under section 194A in the cases mentioned hereunder:

On 1.10.2024, Mr.H made a six-month fixed deposit of Rs.10 lakhs @ 9% p.a. with ABC Co-operative Bank. The fixed deposit matures on 31.03.2025.

On 1.6.2024, Mr.G made three nine month fixed deposit of Rs.3 lakh each carrying interest @ 9% p.a. with 'A' Branch, 'B' Branch and 'C' Branch of SBI, a bank which has adopted CBS. The fixed deposits mature on 28.02.2025.

On 1.10.2024, Mr.R started a 6 months recurring deposit of Rs.2,00,000 per month @ 8% p.a. with PQR Bank. The recurring deposit matures on 31.03.2025 and interest amount is Rs.28,000.

7. Nathan Gramin Bank, which does not have core banking facility, has paid the following amounts as interest to Mrs.H, a resident individual on 31.03.2025:

Particulars	Branch I	Branch II
Interest on fixed deposit	Rs.24,000	Rs.28,000
Interest on recurring deposit	Rs.14,000	Rs.9,200
Total	Rs.38,000	Rs.37,200

What is the amount of tax to be deducted at source? Will the answer differ, if the bank has core banking facility?

**Section 194B:**

Time of deduction:

Rate of TDS:

Limit:

**TDS ON CASUAL INCOME**

At the time of payment

30% with or without PAN

If income exceeds Rs.10,000

**Note:** In a case where the winnings are in kind, the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid in respect of the winnings.

8. X won the first prize in a lottery ticket on 15.01.2025 and the prize was a Car worth Rs.5 lakhs. What is the procedure to be adopted before handing over the car to X?

9. A TV channel pays Rs.15,00,000 on 1.11.2024 as prize money to the winner of a quiz programme, "who will become a millionaire"?

**Section 194BA:**

Time of deduction:

Rate of TDS:

Limit:

**TDS ON WINNINGS FROM ONLINE GAMES**

At the end of the F.Y. or at the time of withdrawal (earlier).

30% with or without PAN

On the net winnings in a person's user account

**Section 194BB:**

Time of deduction:

Rate of TDS:

Limit:

**TDS ON WINNINGS FROM HORSE RACE**

At the time of payment

30% with or without PAN

If income exceeds Rs.10,000

**Section 194C:****PAYMENT TO CONTRACTORS & SUB-CONTRACTORS**

1. Contract of WORK:

Payment to a *contractor* or to a *sub-contractor* for carrying out any **WORK** (including supply of labour for carrying out any work), in connection with a *contract* or a *sub-contract*.

2. Rate of TDS:

1% in case payment is made to an individual or huf

2% in case payment is made to others (eg. firm or company)

No tds if payment is made to a truck operator, if he furnishes PAN and also gives a declaration that he does not own more than ten trucks.

3. Limit for deduction:

Single contract exceeding Rs.30,000 or the aggregate of all the contracts exceeds Rs.1,00,000 in a year

4. Time of deduction:

Payment or credit (whichever is earlier)

**Note:** "Work" includes:

- advertising;
- broadcasting and telecasting including production of programmes;
- catering;
- carriage of goods or passengers by any mode of transport other than by railways;
- manufacturing or supplying a product according to the requirement or specification of the customer by using material purchased from such customer or its associate, being a person related to the customer.

**Explanation:**

However, "WORK" does not include manufacturing or supplying a product according to the requirement or specification of a customer by using material purchased from a person other than such customer or associate of such customer. Such a contract is a contract for 'sale'.

**Note:** Where any sum paid to the contractor by an individual is incurred exclusively for **PERSONAL PURPOSES**, tax shall not be deducted at source.

10. Godrej Ltd. gives cloth to Mr.X and asks Mr.X to stitch shirts as per the specifications given by Godrej Ltd. Mr.X charges in his invoice Rs.200 per shirt for stitching 3,000 shirts and raises a bill for Rs.6,00,000. Discuss whether Godrej Ltd. has to deduct tax at source.

11. By virtue of an agreement with a nationalized bank, a catering organization (a sole proprietary concern) receives a sum of Rs.50,000 p.m. towards supply of food, water, snacks, etc, during office hours to the employees of the bank.
12. ABC Ltd. makes the following payments to Mr.X, a contractor, for contract work during the previous year 2024-25:
- Rs.20,000 on 1.05.2024  
Rs.25,000 on 1.08.2024  
Rs.28,000 on 1.12.2024
- On 1.3.2025, a payment of Rs.30,000 is due to Mr.X on account of a contract work. Discuss whether ABC Ltd. is liable to deduct tax at source u/s.194 C from payments made to Mr.X.
13. State the concessions granted to transport operators in the context of cash payments u/s.40A(3) and deduction of tax at source u/s.194C.

**Section 194D:****TDS ON INSURANCE COMMISSION**

Time of deduction:	Payment or credit (whichever is earlier)
Rate of TDS:	5% if the payee is a non-corporate resident 10% if the payee is a domestic company
Limit:	If payment exceeds Rs.15,000

**Section 194DA:****MATURITY AMOUNT FROM INSURANCE COMPANY**

Time of deduction:	At the time of payment
Rate of TDS:	5% on the amount of "INCOME" 2% from 01.10.2024
Limit:	Maturity amount is Rs.1,00,000 or more
<b>Note:</b>	Maturity amount received from Insurance company is exempt u.s.10(10D) if certain conditions are satisfied. No tax shall be deducted if the maturity amount is exempt.
<b>Note: 'INCOME' means:</b>	<b><i>Amount received on maturity (-) total premium paid</i></b>



**14. Examine the applicability of Section 194DA in the following cases:**

- a. Mr.X, a resident, is due to receive Rs.4,50,000 on 30.6.2024, towards maturity proceeds of LIC policy taken on 1.7.2021, for which the sum assured is Rs.4,00,000 and the annual premium is Rs.1,25,000.
- b. Mr.Y, a resident, is due to receive Rs.3,95,000 on 31.12.2024 on LIC policy taken on 31.12.2011, for which the sum assured is Rs.3,50,000 and annual premium is Rs.26,100.
- c. Mr.Z, a resident, is due to receive Rs.95,000 on 01.8.2024 towards maturity proceeds of LIC policy taken on 1.8.2017 for which the sum assured is Rs.90,000. The annual premium was Rs.10,000.

- 15.** Mr.X, a resident, is due to receive Rs.4.50 lakhs on 31.3.2025, towards maturity proceeds of LIC policy taken on 1.4.2022, for which the sum assured is Rs.4 lakhs and the annual premium is Rs.1,25,000. Mr.Z, a resident, is due to receive Rs.95,000 on 1.8.2024 towards maturity proceeds of LIC policy taken on 1.8.2018 for which the sum assured is Rs.90,000 and the annual premium is Rs.10,000.

- (a) Tax is required to be deducted on income payable to Mr.X and Mr.Z.
- (b) Tax is required to be deducted on income payable to Mr.X.
- (c) Tax is required to be deducted on income payable to Mr.Z.
- (d) No tax is required to be deducted on income payable to either Mr.X or Mr.Z.

**Section 194G:****COMMISSION ON THE SALE OF LOTTERY TICKETS**

Time of deduction:	Payment or credit (whichever is earlier)
Limit for deduction:	Commission exceeding Rs.15,000
Rate of TDS:	5% till 30.09.2024 and 2% from 01.10.2024

**Section 194H:****TDS ON COMMISSION OR BROKERAGE**

Time of deduction:	Payment or credit (whichever is earlier)
Limit for deduction:	Commission exceeding Rs.15,000
Rate of TDS:	5% till 30.09.2024 and 2% from 01.10.2024

**Section 194I:**

Time of deduction:

Limit for deduction:

Rate of TDS:

**Note:****CBDT Circular:****CBDT Circular:****CBDT Circular:****Note:****TDS ON RENT**

Payment or credit (whichever is earlier)

Rent exceeding Rs.2,40,000 p.a. for each co-owner

**10%** in case land and building or furniture  
**2%** in case of plant and machinery

“Rent” means any payment under a lease or sub-lease

Payments made by the customers on account of cooling charges to the Cold Storage owners cannot be treated as rent. In such cases, tds is required to be deducted u.s.194C and not u.s.194I.No tds on remittance of 'Passenger Service Fees' by an Airline to an Airport Operator.No tds on 'lumpsum lease premium' or 'one-time upfront lease charges' paid for acquisition of long term lease, which are not in the nature of rent.

No tds if the house owner furnishes declaration in Form 15G/15H to the tenant.

**SECTION 194-IA:**

Time of deduction:

Limit for deduction:

Rate of TDS:

**Note:****Note:****Note:****TDS ON TRANSFER OF IMMOVABLE PROPERTY**

Payment or credit (whichever is earlier)

Rs.50 lakhs or more

1% of consideration (or) stamp duty value (whichever is higher)

Not applicable for agricultural land situated in a rural area.

“Consideration” includes all charges of the nature of club membership fee, car parking fee, electricity or water facility fee, maintenance fee, etc.

From 01.10.2024, where there is more than one transferor or transferee, consideration shall be the **aggregate**.

16. Mr.R sells his house property in Chennai as well as his agricultural land in rural area for a consideration of Rs.60 lakhs and Rs.15 lakhs respectively to Mr.S on 1.8.2024. He purchased the house property and land in 2023 for Rs.40 lakhs and Rs.10 lakhs respectively. The Stamp Duty Value on the date of transfer was Rs.85 lakhs and Rs.20 lakhs. Determine the tax implications in the hands of Mr.R and Mr.S and the TDS implications, assuming both are resident Indians.

17. Param Construction Ltd. sells a flat to Mr.Mani for Rs.48 lakhs on 15.01.2025. The agreement to sell provides that in addition, Mr.Mani has to pay maintenance charges (Rs.5,000 per month) for 24 months in advance, Rs.2,00,000 for car parking to be used exclusively by him and Rs.1,00,000 for club membership fees to Param Construction Ltd. before the flat is registered in the name of Mr.Mani. The flat is registered on 30.03.2025. Is Mr.Mani required to deduct tax at source?

18. Mr.Ram acquired a house property at Chennai from Mr.Satyam, a resident, for a consideration of Rs.85 lakhs on 23.8.2024. On the same day, Mr.Ram made two separate transactions, thereby acquiring an urban plot in Gwalior from Mr.Vipun, a resident, for a sum of Rs.50 lakhs and rural agricultural land from Mr.Danish, a resident, for a consideration of Rs.75 lakhs.

Which of the following statements are correct assuming that in the consideration amounts as aforementioned all the charges incidental to transfer of the immovable property are included?

- (a) No tax deduction at source is required in respect of any of the three payments.
- (b) TDS @ 1% is attracted on all the three payments.
- (c) TDS @ 1% on Rs.85 lacs and Rs.50 lacs are attracted. No tds on payment of Rs.75 lacs for acquisition of rural agricultural land
- (d) TDS @ 1% on Rs.85 lacs is attracted. No tds on payments of Rs.50 lacs and Rs.75 lacs

## **SECTION 194IB:**

## **TDS ON RENT PAID ON IMMOVABLE PROPERTY**

### **Applicable for:**

Individuals & HUF (*other than those whose turnover or sales or gross receipts during the immediately preceding financial year has exceeded Rs.1 crore in case of business or Rs.50 lacs in case of profession. Such assesses are required to deduct tds u.s.194I*)

### **Rate of tds:**

**5%** till 30.09.2024  
**2%** from 01.10.2024

### **Limit:**

Rent should exceed Rs.50,000 per month or part of the month

### **Time of deduction:**

Last month of the previous year or the last month of tenancy, if the property is vacated (whichever is earlier)

### **Important:**

The amount of tds shall not exceed last month rent.

### **Deposit of tds:**

Within 30 days from the end of the month. TAN not required.

**19.** Mr.A, a Chartered Accountant, employed as CFO with Google India Ltd draws a salary of Rs.5,00,000 p.m. He has taken on rent an independent house from Mr.B. Determine the amount of TDS u.s.194-IB for the financial year 2024-25 under the following situations:

- a.** If the amount of rent is Rs.55,000 p.m.
  - b.** If the amount of rent is Rs.55,000 p.m. and Mr.B does not furnish PAN;
  - c.** If the amount of rent is Rs.55,000 p.m. and Mr.A vacates the property by 31<sup>st</sup> July, 2024 and Mr.B does not furnish PAN;
  - d.** In case Mr.A is carrying on the profession of Chartered Accountancy (instead of employment) and his gross receipts from the practice for the year ended 31<sup>st</sup> March, 2024 is Rs.60,00,000 and the rent paid for his residence to Mr.B is Rs.55,000 p.m.
- 

**20.** Mr.P is a professional who is responsible for paying Rs.2,00,000 as rent for use of building to Mr.Harshit, a resident, for the month of February, 2025. The gross receipts of Mr.P are as under:

From 01.04.2023 to 31.03.2024: Rs.55,00,000

From 01.04.2024 to 28.02.2025: Rs.45,00,000

Whether Mr.P is responsible for deducting any tax at source from the rent of Rs.2,00,000 payable to Mr.Harshit?

- (a) Tax at source is required to deducted u.s.194I @ 10%
  - (b) Tax at source is required to deducted u.s.194IB @ 5%
  - (c) Tax at source is required to deducted u.s.194IB @ 7.5%
  - (d) No tax is required to be deducted at source
- 

**21.** Mr.R, Mr.M and Mr.S, jointly owned a flat in Mathura, which was let out to Dr.Rajesh from 01.04.2024. The annual rent paid by Dr.Rajesh for the flat was Rs.5,40,000, credited equally to each of their account. Mr.Rajesh approached his tax consultant to seek clarity in relation to deduction of tax on payment of the rent. He informed his consultant that he occupied such flat for his personal use and his receipts from his profession during the previous year 2023-24 was Rs.58 lakhs. As tax consultant, choose the correct answer:—

- (a) No tax at source is required to be deducted since the rental payments are towards flat occupied for personal purpose.
- (b) Tax is required to be deducted at source since the rent payment exceeds Rs.2,40,000 and Dr.Rajesh is an individual having gross receipts from profession exceeding Rs.50 lakh in the preceding financial year.
- (c) No tax is required to be deducted at source since the rent credited to each co-owner is less than Rs.2,40,000.
- (d) No tax is required to be deducted at source since Dr.Rajesh's gross receipts during the preceding financial year were less than Rs.1 crore.

**Section 194J:****TDS ON PROFESSIONAL OR TECHNICAL SERVICES****1. Payments covered:**

- a.** Fees for professional services; or
- b.** Fees for technical services; or
- c.** Royalty; or
- d.** Non-compete fees; or
- e.** Remuneration to director; or
- f.** Call centre services

**2. Limit for deduction:**

Amount exceeding Rs.30,000 in aggregate in a year. The limit of Rs.30,000 is applicable separately for each of the items mentioned above.

However, there is no such exemption limit for deduction of tax on any remuneration payable to a director.

**3. Rate of TDS:****10% in case of:**

- a)** Fees for professional services;
- b)** Other royalty;
- c)** Non-compete fees;
- d)** Remuneration to director;
- e)** Multiple businesses including call centre services

**2% in case of:**

- a)** *fees for technical services; or*
- b)** *royalty in the nature of consideration for sale, distribution or exhibition of **cinematographic films**; or*
- c)** *an assessee engaged **ONLY** in the business of call centre services.*

**Important:**

Individuals and huf are required to deduct tax at source only if Turnover or Sales or Gross receipts during the immediately preceding financial year has exceeded Rs.1 crore in case of business or Rs.50 lakhs in case of profession respectively.

**Important:**

Where any sum paid by an individual is incurred exclusively for **PERSONAL PURPOSES** of such individual, tax shall not be deducted at source.

- 22.** X Ltd credited Rs.28,000 towards fees for professional services and Rs.22,000 towards fees for technical services to the account of ABC Ltd in its books of account on 6.9.2024. The total sum of Rs.50,000 was paid by cheque to ABC Ltd on 18.12.2024. Examine whether tds is applicable.
-

23. XYZ Ltd is a back office engaged as a call centre for ICICI with effect from 01.06.2024. During the financial year 2024-25, ICICI has paid a sum of Rs.2 crores towards call centre services provided by XYZ Ltd. Determine the amount of TDS u.s.194J. Would your answer differ if XYZ Ltd is also engaged in the business of providing cab services to HDFC Ltd.

24. a) Mr.X paid fees of Rs.40,000 to Mr.Y, who is engaged only in the business of operation of call centre on 15.12.2024. Tax is to be deducted by Mr.X @ of:—

(a) 10%  
(b) 5%

(b) 1%  
(d) 2%

- b) XYZ Ltd paid non-compete fee to DEF Ltd for not marketing their products in North-Eastern States Rs.10 lakhs. The non-compete agreement bars DEF Ltd for a period of 5 years ending 31.03.2030. State whether tds has to be deducted by XYZ Ltd on payment made to DEF Ltd.

**Section 194LA:**

**PAYMENT OF COMPENSATION BY GOVERNMENT ON ACQUISITION OF IMMOVABLE PROPERTY**

When to deduct tax:	At the time of payment
Limit for deduction:	Should exceed Rs.2,50,000
Rate of TDS:	10%

**Section 194M:**

**Contract payments, Professional payments or Commission payments:**

Who will deduct tax:	Individuals or HUF (if not subject to tds u.s.194C or 194J or 194H)
Limit:	Should exceed Rs.50 lakhs
Rate of Tds:	5% till 30.09.2024 2% from 01.10.2024

**Note:** If the turnover of the assessee in his business exceeds Rs.1 crore or gross receipts in his profession exceeds Rs.50 lacs during the immediately preceding previous year 23-24 and such expenditure is not a personal payment then Section 194C or Section 194J or Section 194H shall be applicable.

**Note:** TAN is not required.

25. Examine whether tds provisions would be attracted in the following cases and if so, under which section. Also specify the rate of tds applicable in each case.

**Mr.GANESH**, an individual carrying on retail business with turnover of Rs.2.5 crores in the previous year 2023-24 made the following payments:

- A. Contract payment for repair of residential house Rs.5 lakhs.
- B. Payment of commission to Mr.Vinodh for business purpose Rs.80,000

**Mr.RAJESH**, a wholesale trader whose turnover was 95 lakhs in P.Y.2023-24 made contract payment for reconstruction of residential house Rs.20 lakhs in January, 2025; Rs.15 lakhs in February, 2025 and Rs.20 lakhs in March, 2025.

**Mr.SATISH**, a salaried individual paid brokerage for buying a residential house in March, 2025 amounting to Rs.51 lakhs.

**Mr.DHEERAL**, a pensioner made contract payment during October-November, 2024 for reconstruction of residential house amounting to Rs.48 lakhs.

### **Section 194N:**

### **TDS on CASH withdrawal:**

Who will deduct tds:	Banks, Post Offices or Co-operative banks
Limit:	Cash withdrawal exceeds <b>Rs.1 crore</b> in aggregate from one or more accounts maintained with a bank by any person
Rate of TDS:	<b>2%</b> on the amount exceeding Rs.1crore.
<b>Important:</b>	For recipients who have not filed income tax returns for last 3 years, the tds rate is <b>2%</b> for cash withdrawal exceeding Rs.20 lakhs and <b>5%</b> for cash withdrawals exceeding Rs.1 crore.
<b>Note:</b>	In case withdrawal is made by a co-operative society, tds provisions shall apply only if amount exceeds <b>Rs.3 crore</b> .

26. Mr.A has two bank accounts maintained with ICICI Bank and HDFC Bank. From 01.04.2024 till 31.03.2025, Mr.A withdrew the following amounts as cash from both the said accounts:

HDFC Bank:	Rs.50 lakhs
ICICI Bank:	Rs.120 lakhs

Compute the amount of tax to be deducted at source u.s.194N by HDFC Bank and ICICI Bank, respectively, while making payment in cash to Mr.A.

- a) Rs.1,00,000 and Rs.2,40,000
- b) Nil and Rs.40,000
- c) Nil and Rs.2,40,000
- d) Rs.50,000 and Rs.1,20,000

27. Mr.Nihar maintains a Savings a/c and a Current a/c with Axis Bank Ltd. The details of withdrawals on various dates during the previous year 2024-25 are as follows:

Date of cash	Savings account	Current account
05.04.2024	15 lacs	
10.05.2024		22 lacs
25.06.2024	20 lacs	
17.07.2024		5 lacs
28.10.2024	35 lacs	
10.11.2024		38 lacs
12.12.2024	25 lacs	

Mr.Nihar regularly files his return of income. Is Axis Bank Limited required to deduct tax at source on the withdrawals made by Mr.Nihar during the p.y. 24-25? If yes, what would the amount of tax deducted at source?

- (a) Tds of Rs.4,60,000 is required to be deducted
- (b) No, tds is not required to be deducted as the cash withdrawal does not exceed Rs.1 crore neither in savings account nor in current account
- (c) Tds of Rs.3,00,000 is required to be deducted
- (d) Tds of Rs.1,20,000 is required to be deducted

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### **Section 194P:**

### **In case of a specified senior citizen and exemption from filing of IT return:**

Who should deduct:	Specified Bank (pension and interest income received with the same bank).
Limit and tds rates:	Basic exemption limit and applicable slab rates (after chapter VIA deductions and rebate u.s.87A)
Specified Senior Citizen:	<ul style="list-style-type: none"> <li>- <i>Should have completed 75 years of age</i></li> <li>- <i>Having income by way of Pension; and</i></li> <li>- <i>Income by way of Interest on any account maintained with the specified bank in which he is receiving pension</i></li> <li>- <i>Should have no other income except pension and interest</i></li> <li>- <i>Has furnished declaration to the Specified Bank</i></li> </ul>

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**28.** Mr.Sharma, a resident Indian aged 77 years, gets pension of Rs.52,000 p.m. from the UP-State Government. The same is credited to his savings account in SBI, Lucknow Branch. In addition, he gets interest @ 8% on fixed deposit of Rs.20 lakh with the said bank. Out of the deposit of Rs.20 lakh, Rs.2 lakh represents five-year term deposit made by him on 1.4.2024. Interest on savings bank credited to his SBI savings account for the P. Y.2024-25 is Rs.9,500.

- 1) From the above facts, compute the total income and tax liability of Mr.Sharma for the A.Y. 2025-26, assuming that he has exercised the option of shifting out of DTR.
- 2) What would be the amount of tax deductible at source by SBI, assuming that the same is a specified bank? Is Mr.Sharma required to file his return of income for A.Y.2025-26, if tax deductible at source has been fully deducted? Examine.
- 3) Is Mr.Sharma required to file his return of income for A.Y. 2025-26, if the fixed deposit of Rs.20 lakh was with Canara Bank instead of SBI, other facts remaining the same?

### **Section 194Q:**

### **Tds on PURCHASE of GOODS**

Who should deduct:	"Buyer" of goods whose total sales, gross receipts or turnover from business exceeds Rs.10 crore during the F.Y. immediately preceding the F.Y. in which the purchases are made.
Limit:	Aggregate value of purchases should exceed Rs.50 lakhs
Rate of tds:	0.1% of sum exceeding Rs.50 lakhs (5% if PAN not furnished)
Time of deduction:	Payment or credit, whichever is earlier
Non-applicability of tds:	<b>a)</b> if tds is deductible under any other provisions of this Act; or <b>b)</b> if tcs is collectible u.s.206C, other than section 206C(1H) <b>c)</b> if seller is a person whose income is exempt (e.g. u.s.10)
<b>Important:</b>	In case of a transaction to which both section 194Q and section 206C(1H) applies, tax is required to be deducted u.s.194Q.

**29.** Mr.Gupta, a resident Indian, is in retail business and his turnover for F.Y. 2023-24 was Rs.12 crores. He regularly purchases goods from another resident, Mr.Agarwal, a wholesaler, and the aggregate payments during the F.Y.2024-25 was Rs.95 lakhs (Rs.20 lakhs on 01.06.2024, Rs.25 lakhs on 12.08.2024, Rs.22 lakhs on 23.11.2024 and Rs.28 lakhs on 25.03.2025). Assume that the said amounts were credited to Mr.Agarwal's account in the books of Mr.Gupta on the same date. Mr.Agarwal's turnover for F.Y. 2023-24 was Rs.15 crores.

- (1) Based on the above facts, examine the TDS/TCS implications, if any, under the IT Act, 1961
- (2) Would your answer be different if Mr.Gupta's turnover for F.Y. 2023-24 was 8 crores, all other facts remaining the same?
- (3) Would your answer to (1) and (2) change, if PAN has not been furnished by the buyer or seller, as required?

**Section 194R:****Tds on benefit or perquisite in respect of PGBP**

Who should deduct:

Any person who provides any benefit or perquisite whether convertible into money or not, arising from business or the exercise of a profession.

Rate of tds:

10% of value or aggregate of value of such benefit

**Note:**

**In kind:** Before providing such benefit or perquisite, ensure that tax has been paid in respect of such benefit or perquisite

**No tds:**

**a)** If value or aggregate of value does not exceed Rs.20,000

**b)** In case of individuals/huf where turnover < Rs.100 lacs from business or gross receipts < Rs.50 lacs from profession during the immediately preceding previous year.

**Not tds on:**

Sales discount, cash discount and rebate to customers

Issue of bonus shares and right shares by a public company

**Tds shall apply on:**

Incentives in the form of car, TV, computer, gold chain, mobile phone, etc

Sponsors a trip for the recipient upon achieving certain targets

Provides free ticket for an event (e.g. tickets for IPL match)

Gives medical samples free to medical practitioners

- 30.** Miss Tara, a resident individual aged 32 years, is a social media influencer. She makes videos reviewing various electronic items and posts those video on social media. On 1<sup>st</sup> December 2024, XYZ Ltd., an Indian company manufacturer of electronic cars gave her a brand new car having fair market value of Rs.15 lakhs to promote on her social media page. She used that car for 7 months for her personal purposes, recorded a video reviewing the car and then returned the car to the company. You are required to discuss the applicable provisions in the Income-tax Act regarding the deduction of tax at source in respect of such transaction.

**Additional Problems:**

**31.** State with reasons, whether tax deduction at source provisions are applicable to the following transactions and if so, the rate of tax deduction:

- a. An Insurance Company paid Rs.50,000 as Insurance Commission to its agent Mr.Hari
  - b. Interest on compensation amount awarded by the Motor Accidents Claims Tribunal to Mr.R: Rs.70,000
  - c. AB Ltd. allowed a discount of Rs.50,000 to XY & Co. (a firm) on prompt payments of its dues towards supply of automobile parts.
- 

**32.** Ashwin doing textiles business furnishes you the following information:

Turnover for the financial year:

2023-24	Rs.4,05,00,000
2024-25	Rs.4,45,00,000

State whether the provisions of tax deduction at source are attracted for the following expenses incurred during the financial year 2024-25:

- |   |             |
|---|-------------|
| a. Interest paid to Indian Bank on term loan  | Rs.92,800   |
| b. Advertisement expenses to R (two individual payments of Rs.24,000 and Rs.34,000) | Rs.58,000   |
| c. Shop rent paid to (one payee)  | Rs.2,50,000 |
| d. Brokerage paid to B, a sub-broker (after 1.10.2024)                              | Rs.16,000   |
- 

**33.** State the applicability of TDS provisions and TDS amount in the following cases:

- a. Rent paid for hire of machinery by B Ltd. to Mr.Raman Rs.2,80,000
  - b. Fee paid to Dr.R by Sundar (HUF) Rs.1,00,000 for surgery performed to a member of the family.
  - c. ABC Ltd paid Rs.19,000 to one of its Directors as sitting fees on 01.01.2025
  - d. Mr.X sold his house to Mr.Y on 01.02.2025 for Rs.60 lakhs (SDV on the date of sale Rs.72 lakhs)
- 

**34.** State in brief the applicability of tax deduction at source provisions, the rate and the amount of tax deduction in the following cases for the financial year 2024-25:

1. Payment made by a company to sub-contractor Rs.3,00,000 with outstanding balance of Rs.1,20,000 shown in the books as on 31.03.2025
2. Winning from horse race Rs.1,50,000
3. Winning from online gaming Rs.12,00,000 in the user account. Amount withdrawn from the user account is Rs.7,00,000 on 31.12.2024 and balance Rs.5,00,000 available in the user account as on 31.03.2025.
4. Rs.2,00,000 paid to Mr.A, resident Individual on 22.02.2025 by the State of Uttar Pradesh on compulsory acquisition of his urban land.

**35.** Compute the amount of tds on the following payments made by M/s.S Ltd during the financial year 2024-25 as per the provisions of the Income-tax Act, 1961.

<b>S. No.</b>	<b>Date</b>	<b>Nate of Payment</b>
1.	01.10.2024	Paid Rs.2 lacs to Mr.R a transporter who owns 6 trucks and having PAN. Declaration is also given by Mr.R.
2.	01.11.2024	Payment of fee for technical services of Rs.25,000 and Royalty of Rs.20,000 to Mr.Shyam who is having PAN
3.	30.06.2024	Payment of Rs.25,000 to X Ltd for repair of building
4.	01.01.2025	Payment of Rs.2,00,000 made to Mr.A for purchase of diaries made according to specifications of S Ltd. However, no material was supplied for such diaries to Mr.A by S Ltd.
5.	01.01.2025	Payment of commission of Rs.16,000 to Mr.Y
6.	01.01.2025	Fees paid to Mr.K Rs.25,000 who is a Director of S Ltd. Mr.K is not an employee of S Ltd.

**36.** Examine whether tax is required to be deducted at source from the following payments made by P Ltd. if so, state the amount of tax to be deducted.

- a. Commission of Rs.18,000 paid to Mr.V, an agent on 01.01.2025;
- b. Payment of Rs.3 lacs to M/s.Graphic Printers for purchase of calendars according to specifications of P Ltd. No materials were supplied by P Ltd. to M/s.Graphic Printers.
- c. Royalty from writing books of Rs.32,000 paid to Mr.R, a resident of India.

**37.** State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2024-25 under the Income-tax Act, 1961. Assume that all payments are made to residents:

- i. Sanjay, a resident individual, not deriving any income from business or profession makes payments of Rs.12 lakh in January, 2025, Rs.20 lakh in February, 2025 and Rs.20 lakh in March, 2025 to Mohan, a contractor for reconstruction of his residential house.
- ii. ABC Ltd. makes the payment of Rs.1,50,000 to Ramlal, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN.

**38.** State in brief the applicability of provisions of tax deduction at source, the rate and amount of tax deduction in the following cases for the financial year 2024-25 under Income Tax Act, 1961. Assume that all payments are made to residents:

- i. Mr.Mahesh has paid Rs.6,00,000 on 05.10.2024 to M/s.Fresh Cold Storage Pvt. Ltd, for preservation of fruits and vegetables. He is engaged in the wholesale business of fruits & vegetable in India having turnover of Rs.3 Crores during the previous year 2023-24.
  - ii. Mr.Ramu, a salaried individual, has paid rent of Rs.60,000 per month to Mr.Shiva from 1<sup>st</sup> July, 2024 to 31<sup>st</sup> March, 2025. Mr.Shiva has not furnished his PAN.
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**39.** Compute the amount of TDS under the following situations:

- i. Rs.51,000 paid to Mr.R, a resident individual as interest income on compensation awarded by Motor Accidents Claims Tribunal by a transport company.
  - ii. Mr.K, deposited Rs.30 lakhs @ 10% p.a. with Dagru Co-operative Bank Ltd for one Year.
  - iii. Mr.R, deposited Rs.1,00,000 @ 12% p.a. for half year in Growth Investment LLP.
- 

**40.** Briefly discuss the provisions of tax deducted at source in respect of the following payments:

- i. Mr.Raju (a resident aged 54 years) has maintained two fixed deposits in two different branches of BFG Bank of India (working on core banking solution). During the year 2024-25, the bank paid Rs.32,000 and Rs.17,000 as interest on these fixed deposits.
  - ii. Mr.Avinash pays Rs.55,00,000 on 01.11.2024 to Mr.Harsh, for supply of labour for carrying out the construction work of his factory. During the PY 2023-24, Mr.Avinash was not liable for tax audit under section 44AB.
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**41.** Examine the TDS implications in the following cases, assuming that the deductees are residents and having PAN which they have duly furnished to the respective deductors.

- i. Mr.Tandon received a sum of Rs.1,75,000 as pre-mature withdrawal from Employees Provident Fund Scheme before continuous service of 5 years on account of termination of employment due to ill-health.
- ii. A sum of Rs.42,000 has been credited as interest on recurring deposit by a banking company to the account of Mr.Hasan (aged 63 years). Assume shifted out of DTR.
- iii. Ms.Kaul won a lucky draw prize of Rs.21,000. The lucky draw was organized by M/s. Maximus Retail Ltd. for its customer.

- iv. Finance Bank Ltd. sanctioned and disbursed a loan of Rs.10 crores to Borrower Ltd. on 31.8.2024. Borrower Ltd. paid a sum of Rs.1,00,000 as service fee to Finance Bank Ltd. for processing the loan application.
  - v. Mr.Ashok, working in a private company, is on deputation for 3 months (from December 2024 to February, 2025) at Hyderabad where he pays a monthly house rent of Rs.52,000 for those three months, totalling to Rs.1,56,000. Rent is paid by him on the first day of the relevant month.
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**42.** Examine TDS/TCS implications in case of following transactions, state the rate and amount to be deducted, in case TDS/TCS is required to be deducted/collected.

- i. M/s.AG Pvt. Ltd. took a loan of Rs.50,00,000 from Mr.Haridas. It credited interest of Rs.79,000 payable to Mr.Haridas during the previous year 2024-25. M/s AG Pvt. Ltd. is not liable for tax audit during previous years 2023-24 and 2024-25.
  - ii. Mr.Prabhakar is due to receive Rs.6 lakh on 31.3.2025 towards maturity proceeds of LIC policy taken on 1.4.2021, for which the sum assured is Rs.5 lakhs and the annual premium is Rs.1,40,000.
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**43.** Examine the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2024-25:

- (a) Gupta & Co. (firm) engaged in wholesale business, assigned a contract for construction of its godown building to Mr.Ravi. The firm paid an aggregate of Rs.10,00,000 to Mr.Ravi during the year.
  - (b) Y and Co. engaged in real estate business, conducted a lucky dip and gave a Maruti Car worth Rs.5,00,000 to the prize winner.
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**44.** Mr.X, a salaried individual, pays rent of Rs.55,000 p.m. to Mr.Y from June, 2024. Is he required to deduct tax at source? If so, when is he required to deduct tax? Also compute the amount of tax to be deducted at source. Would your answer change if Mr.X vacated the premises on 31<sup>st</sup> December, 2024? Also, what would be your answer if Mr.Y does not provide his PAN to Mr.X?

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**45.** Ms.Aruna is a Chief Executive Officer of a multi-national company. She hires Mr.Suresh for supply of her housing staff (like gardener, chefs and drivers, etc.) and makes the following payments to him: Rs.25,00,000/- on 10<sup>th</sup> October, 2024 and Rs.30,00,000 on 22<sup>nd</sup> November, 2024. Determine the amount of tax to be deducted/collected at source, if any.

Would your answer be different, if Ms.Aruna is a business woman and her books are not audited in immediately preceding financial year and payment to Mr.Suresh is for business purposes.

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- 46.** Examine whether TDS provisions would be attracted in the following cases, and if so, under which section. Also specify the rate of TDS and amount required to be deducted at source as applicable in each case. Assume that all payments are made to residents.

S. No.	Particulars of the payer	Nature of payment	Aggregate of payments made in the F.Y. 2024-25 (Amt in Rs.)
(A)	Mr.Kale, receiving pension from Central Government	Contractual payment made during April 2024 for reconstruction of his residential house in AP	52,50,000
(B)	Mr.Rahul, a wholesale trader of spices whose turnover was Rs.5 crores F.Y. 2023-24	Contract payment for construction of office godown during January to March 2025 to Mr.Akhilesh, an individual	50,00,000
(C)	Mr.Golu, an individual carrying garment trading business with turnover of Rs.95 lakhs in F.Y. 2023-2024	Payment of commission to Mr.Vinay for securing a contract from a big business house in November 2024	1,20,000
(D)	XYZ Urban Co-operative bank	Payment by way of cash withdrawal, by ABC & Co. a partnership firm, amounting Rs.1.2 crores during FY 2024-25. ABC & Co. has filed its tax returns for the last 3 financial years within time.	1,20,00,000

- 47.** Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to AY 2025-26:

**a)** ABC Ltd is a producer of natural gas. During the year it sold natural gas worth Rs.26,50,000 to M/s.Deep Co. a partnership firm. It also incurred Rs.1,70,000 as freight for the transportation of gas. It raised the invoice and clearly segregated the value as well as the transportation charges.

**b)** ABC LLP paid job charges to XYZ, a partnership firm for doing embroidery work on the fabric supplied by the ABC LLP during the previous year 2024-25 as under:

Bill No.	Date	Amount (Rs.)
1	30.04.2024	27,000
57	30.06.2024	25,000
105	30.09.2024	28,000
151	30.12.2024	32,000

**48.** Examine the applicability and the amount of TDS in the following cases for F.Y.2024-25:

- a) S and Co. Ltd. paid Rs.25,000 to one of its Directors as sitting fees on 02.02.2025.
- b) Rs.2,20,000 paid to Mr.Mohan, a resident individual, on 28.02.2025 by the State of Haryana on compulsory acquisition of his urban land.
- c) Mr.P, a resident Indian, dealing in hardware goods has a turnover of Rs.12 crores in the previous year 2023-24. He purchased goods from Mr.Agarwal a resident seller, regularly in the course of his business. The aggregate purchase made during the previous year 2024-25 on various dates is Rs.80 lakhs which are as under:

10.06.2024	Rs.25,00,000
20.08.2024	Rs.27,00,000
12.10.2024	Rs.28,00,000

He credited Mr.Agarwal's account in the books of accounts on the same date and made the payment on the 28.02.2025 Rs.80 lakhs. Mr.Agarwal's turnover for the F.Y. 2023-24 is Rs.20 crores.

**49.** Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y.2025-26 (State applicable provision and give brief reasons for your answer, wherever applicable).

- a. XYZ, a resident partnership firm is in retail business buying fabric material regularly from ABC, a resident proprietorship firm. Details of transactions during P.Y.2024-25 are as given:

Particulars	Date of payment	Amount (Rs.)
Advance payment	01.04.2024	Rs.40,00,000
Payment for supplies	02.07.2024	Rs.20,00,000
Advance payment	04.08.2024	Rs.12,00,000

XYZ achieved gross turnover of Rs.12 crore from the business during the financial year 2023-24 and gross business turnover for financial year 2024-25 turns out to be Rs.9 crore. Gross business turnover of ABC for the financial year 2023-24 was Rs.6 crore.

Will your answer be the same, if the gross turnover of XYZ during the financial year 23-24 includes Rs.4 crore towards supply of material for charitable purpose?

- b. MJ, a part-time director of ABC Pvt Ltd. was paid an amount of Rs.2,49,000 as commission on sales (which was not in the nature of Salary) for the period 01.04.2024 to 31.03.2025.
- c. Mr.Kumar, a resident senior citizen, aged 86 years, is a retired State Government employee. He gets pension of Rs.72,000 p.m. He has his saving account with Bank of Baroda, a bank notified by the Central Government u.s.194P, has received the interest on saving account Rs.15,000 during the P.Y. 2024-25. His pension is also credited in this account. In the same bank he has deposited Rs.10 lakh in a Term Deposit @ 7% p.a. simple interest on 01.07.2024. He has no other income. He has opted for optional tax regime. Discuss requirement of filing of income tax return also.



50. Examine the applicability of TDS or TCS as per the Income Tax Act, 1961 for the assessment year 2025-26 in the following independent situations.

ABC Ltd paid rent of ₹ 75,000+18% GST per month to Mr.Ram for the office premises from 01.04.2024 to 31.03.2025. Mr.Ram has furnished his PAN and also filed his return of income before due date regularly. **Sep 2024**

51. Mr.Ganesh whose professional receipts for the year ended 31.3.2024 were ₹ 1.25 crores has made payment to Mr.Rajesh (a Chartered Accountant) during P.Y. 2024-25, who has multi faced activities. Examine whether TDS provisions are applicable for following payments made by Mr.Ganesh to CA Mr.Rajesh:

- a. Professional fee for consultation - ₹ 32,450 on 15.6.2024 including GST paid at 18%
- b. Royalty for use of computer software by various clients of Mr.Rajesh - ₹ 2,50,000 on 03.03.2025.
- c. Fees for technical services related to business of Mr.Ganesh - ₹20,000 on 15.12.2024
- d. Fees for teaching accountancy to his son ₹ 40,000 on 31.10.2024.

52. Determine the liability of deduction of tax at source u.s.194N by the bank/co-operative bank in the following cases:

<i>Person making the withdrawal</i>	<i>Bank/Co-op Bank</i>	<i>Date of withdrawal</i>	<i>Amount of withdrawal</i>	<i>Default in filing ITR</i>
Mr.Hari	SBI	01.07.2024	Rs.1,10,00,000	No
Mr.Pranav	SBI	01.08.2024	Rs.90,00,000	No
ABC Co-op society	SBI	01.09.2024	Rs.2,70,00,000	No
XYZ Co-op society	MNO Co-op bank	01.09.2024	Rs.3,10,00,000	No
Mr.Vaibhav	MNO Co-op bank	01.09.2024	Rs.2,10,00,000	No
A Ltd	MNO Co-op bank	01.10.2024	Rs.1,05,00,000	No
DEF & Co. (firm)	MNO Co-op bank	01.02.2025	Rs.90,00,000	Yes
Mr.Varun	BOI	01.02.2025	Rs.1,20,00,000	Yes
Mr.Rakesh	BOI	01.02.2025	Rs.45,00,000	Yes
PQR Co-op society	BOI	01.02.2025	Rs.3,30,00,000	Yes

**OTHER PROVISIONS IN TDS:****LATE FILING OF TDS RETURN:**

Late fee of Rs.200 per day subject to a maximum of tds amount u.s.234E

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**FAILURE TO DEDUCT TDS (OR) FAILURE TO DEPOSIT TDS AMOUNT ON TIME:****Failure to deduct tds:**

Shall attract simple interest @ 1% p.m. or part of a month commencing from the date on which the liability to deduct tds arises to the date on which such tax was actually deducted.

**Failure to deposit tds on time:**

Shall attract simple interest @ 1.5% p.m. or part of a month from the date on which tax was deducted to the date on which such tax is actually paid.

53. An amount of Rs.40,000 was paid to Mr.X on 01.07.2024 towards fees for professional services without deduction of tax at source. Subsequently, another payment of Rs.50,000 was due to Mr.X on 28.02.2025, from which tax @ 10% (amounting to Rs.9,000) on the entire amount of Rs.90,000 was deducted. However, this tax of Rs.9,000 was deposited only on 22.06.2025. Compute the interest chargeable under section 201(1A).
-

**Answers to problems in TDS:**

1. Total turnover of Mr.Y for the previous year 23-24 had exceeded Rs.1 crore. Hence, tds provisions are attracted for P.Y. 2024-25. Mr.Y is required to deduct tax at source on the payment made to the contractor.
2. Payments made to Government or Banks are not subject to tds. Hence, SBI is not required to deduct tax at source on payments made to Central Government.
3. Option A: (10% on fees amount excluding GST) (3,00,000 x 10%) u.s.194J

4. Gross salary including non-monetary perks	8,50,000
Less: Std deduction	50,000
Income from salary and Total Income	<u>8,00,000</u>

Tax on the above (OTR)	8,00,000	
On	<u>5,00,000</u>	12,500
On balance	3,00,000 x 20%	<u>60,000</u>
		72,500
	Add: 4% cess	<u>2,900</u>
	Tax due	75,400
	Less: Tax on NMP paid by employer	<u>11,310</u> (120000 x 9.425%)
	TDS to be made	<u>64,090</u>

Average rate of tax:  $\frac{\text{Tax}}{\text{TI}} \times 100$        $\frac{75,400}{8,00,000} \times 100$  is 9.425%

**Tax treatment:**

In the hands of the employee: Tax on non-monetary perquisites paid by employer is a tax free perk  
 In the hands of the employer: Rs.11,310 paid by employer shall be disallowed while computing PGBP u.s.40(a)(v).

5. Mr.Sharma has not completed continuous service of 5 years. Tds u.s.192A @ 10%. Limit Rs.50,000 or more; Amount receivable by Mr.Sharma is Rs.54,000 (60,000 – 6,000). If the termination of employment was due to ill health then amount receivable by Mr.Sharma is not subject to tds. He will receive the entire amount of Rs.60,000.
6. **a.** Tax is required to be deducted u.s.194A @ 10% by the co-operative bank on the interest payment if the amount of interest exceeds Rs.40,000. Interest amount Rs.45,000 (10 lakhs x 9% x 6/12). Tds amount Rs.4,500.

**b.** Since the bank has adopted core banking solutions, the aggregate amount of interest on fixed deposits from all the branches of SBI should be considered for the limit. Total interest Rs.60,750 (> Rs.40,000) from all the branches of SBI. Tax has to be deducted @ 10% on Rs.60,750; Rs.6,075 has to be deducted at source.  $(300000 \times 9\% \times 9/12) \times 3$

**c.** 'Time Deposits' also include 'Recurring Deposits'. Limit Rs.40,000. No tax has to be deducted on interest of Rs.28,000.

**7. Case A: No core banking facility (Rs.40,000 limit applies branch-wise):**

Branch I: Total interest (Rs.38,000) does not exceed Rs.40,000, hence tds u.s.194A is nil

Branch II: Total interest (Rs.37,200) does not exceed Rs.40,000, hence tds u.s.194A is nil

**Case B: If core banking facility is adopted (aggregate should be considered):**

The aggregate amount of interest income from all the branches of the bank should be considered for tds. The aggregate interest of both the branches is Rs.75,200 which is more than the limit of Rs.40,000. Hence tds u.s.194A @ 10% is Rs.7,520.

**Note: "Time deposit" includes both "fixed deposit and recurring deposit".**

**8.** Tax on casual income u.s.194B @ 30% if the amount of winnings exceed Rs.10,000. However, in case where the winnings are in kind, the person responsible for paying shall, before releasing the winnings, ensure that tax has been paid in respect of the winnings. Amount of tds Rs.1,50,000.

**9.** Section 194B; Limit Rs.10,000; Tds rate 30% with or without pan; Tds amount Rs.4,50,000.

**10.** Godrej Ltd has to deduct tax u.s.194C. The material (cloth) is supplied by Godrej Ltd. Mr.X has to do only the stitching job. Hence it is a 'contract of work'. Tax will be deducted @ 1% on the payment made, as the contractor is an individual. Tds amount Rs.6,000.

**11.** "Work" includes catering also. Hence tax is required to be deducted at source @ 1% on the payment made u.s.194C. Tds Rs.500 p.m.  $(Rs.50,000 \times 1\%)$ .

<u>Date</u>	<u>Amount</u>	<u>TDS</u>	<u>Payment made</u>
1.05.2024	20,000	nil	20,000
1.08.2024	25,000	nil	25,000
1.12.2024	28,000	nil	28,000
1.03.2025	<u>30,000</u>	1030	28,970
<b>Total</b>	<b><u>1,03,000</u></b>		

Liability to deduct tds arises at the time of payment (or) at the time of credit (whichever is earlier).

**13.** Cash payment can be made up to Rs.35,000 without attracting disallowance u.s.40A(3). Payment can be made without tds if the transport operator furnishes PAN and gives a declaration that he does not own more than 10 trucks. Section 194C.

- 14. A.** Policy issued after 01.04.2012 (i.e. on 01.07.2021)  
 Premium paid is Rs.1,25,000 which is > 10% of sum assured (Rs.40,000)  
 Tds @ 5% on **INCOME** of Rs.75,000 as maturity amount exceeds Rs.1,00,000.  
 Income: Rs.4,50,000 (-) Rs.3,75,000 (Rs.1,25,000 x 3) = Rs.75,000  
 TDS amount u.s.194DA is Rs.3,750. (75,000 x 5%)  
 Maturity amount is not exempt u.s.10(10D) ~ Annual Premium paid > 10% of sum assured.
- B.** Policy issued before 01.04.2012. (i.e. on 31.12.2011)  
 Premium paid is Rs.26,100 which is < 20% of sum assured (Rs.70,000)  
 Therefore, maturity amount is exempt u.s.10(10D). No Tds.
- C.** Policy issued after 01.04.2012. (i.e. on 01.8.2017)  
 Premium paid is Rs.10,000 which is > 10% of sum assured (Rs.9,000)  
 Therefore, maturity amount is taxable.  
 However, maturity amount does not exceed Rs.1,00,000.  
 TDS amount u.s.194DA is Nil.

**15. Option B**

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**16. In the hands of Mr.R:**

- A. Capital Gains on sale of house:**  
 Sale consideration (as per section 50C)                      85 lakhs                      (85/60 x 100 > 110%)  
 Less: Cost of acquisition    40 lakhs  
 Short term capital gain (< 24 months)                      45 lakhs
- B. On sale of agricultural land in rural area:**  
 Not a capital asset. No capital gain.

**In the hands of Mr.S:**

- A. Income from other sources:**  
 The house is purchased for an inadequate consideration. Hence the difference between stamp duty value and purchase price is taxable. (difference is > 10% and also > Rs.50,000)  
 Taxable amount Rs.25 lakhs (85 – 60)
- B. Agricultural land in rural area is not a capital asset. Not taxable.**
- C. TDS provisions:**  
 U/s.194IA tax has to be deducted at source @ 1% of purchase price or SDV (whichever is higher). Tds @ 1% on Rs.85 lacs is Rs.85,000.
- 

- 17. Section 194IA; Limit Rs.50 lacs or more; Tds rate is 1% on the entire consideration paid including maintenance charges, car parking fees and club membership fees. Total consideration paid is Rs.52,20,000 and tds @ 1% is Rs.52,200.**

**18. Option C**

19. Tds Rs.23,100  $(55,000 \times 6 \times 5\%) + (55,000 \times 6 \times 2\%)$  shall be deducted in the month of March, 2025 being the last month of the previous year.

Tds Rs.55,000  $(55,000 \times 12 \times 20\%) = \text{Rs.1,32,000}$ ; (but cannot exceed rent payable for the last month). TDS rate is 20% if PAN is not furnished.

Tds Rs.44,000  $(55,000 \times 4 \times 20\%)$  to be deducted at the time of vacating the property being July 2024. TDS rate is 20% if PAN is not furnished.

**Gross Receipts** of Mr.A from profession exceeds Rs.50 lakhs for the year ended 31.03.2024. Hence, tax has to be deducted at source under section **194I**. TDS 10%. Tds amount  $(55,000 \times 12 \times 10\%)$  Rs.66,000. Exceeds limit of Rs.2,40,000. Tds to be deducted every month.

20. Option D; Gross receipts of PY 23-24 > Rs.50 lakhs; Section 194I is applicable. Does not exceed Rs.2,40,000; hence no tds.

21. Option C; Section 194I is applicable. Does not exceed Rs.2,40,000 for each co-owner; hence no tds

22. Section 194J; Limit Rs.30,000 should be considered separately for each item. Fees for professional services < Rs.30,000 and fees for technical services < Rs.30,000; tds nil.

23. Only call centre services:

Tds @ 2% u.s.194J on Rs.2 crores is Rs.4,00,000

If XYZ Ltd is also engaged in providing CAB services (multiple businesses):

Tds shall be deducted @ 10% u.s.194J on Rs.2 crores which is Rs.20,00,000

24. A. Option D – 2%                      B. Under section 194J @ 10% on Rs.10 lacs Rs.1 lacs

25. **Mr.Ganesh: The turnover in his business exceeded Rs.1 crore during the p.y.23-24. Hence, Tds provisions are attracted for P.Y.24-25.**

**Contract payment for his residential house:**

Section 194C is not attracted as it is a personal payment

No tds under section 194M as the amount does not exceed Rs.50 lakhs. Hence tds: nil

**Payment of commission to Mr.Vinodh for business purpose:**

Section 194H: Tds @ 2% on Rs.80,000. Limit Rs.15,000; Tds amount Rs.1,600

**Mr.Rajesh: Contract payment for reconstruction of residential house:**

Section 194C is not applicable as turnover of Mr.Rajesh in his business during the p.y.23-24 has not exceeded Rs.1 crore. It is also a personal payment.

Section 194M: The aggregate amount exceeds Rs.50 lacs. Tds @ 2% on Rs.55 lacs: Rs.1,10,000

**Satish: Payment of brokerage for buying a residential house:**

Section 194H is not applicable as Mr.Satish is a salaried employee.

Section 194M: Amount exceeds Rs.50 lacs. Tds @ 2% on Rs.51 lacs: Rs.1,02,000.

**Dheeraj: Contract payment made during Oct-Nov. 2024 for reconstruction of res house:**

Section 194C is not applicable as Mr.Dheeraj is a pensioner.

Section 194M: Amount does not exceed Rs.50 lacs. Hence no tds

26. Option B: Nil and Rs.40,000 (HDFC – nil and ICICI Rs.20 lacs x 2%) (no tds up to Rs.1 crore)

**Note:** In case the assessee has not filed his income-tax returns for the last three years and the time allowed for filing belated return has expired then tds u.s.194N will be as follows:

HDFC Bank (50 lacs – 20 lacs) x 2% = 60,000

ICICI Bank (100 lacs – 20 lacs) x 2% = 1,60,000 + (120 lacs – 100 lacs) x 5% = 1 lac = Rs.2.6 lacs

27. Option D      tds u.s. 194N (160 lakhs – 100 lakhs) x 2% = Rs.1,20,000

Note: In case the assessee has not filed his income-tax returns for the last three years and the time allowed for filing belated return has expired then tds u.s.194N will be as follows:

Tds (100 lacs – 20 lacs) x 2% = Rs.1,60,000 + (60 lacs x 5%) = Rs.3 lacs    Total tds: Rs.4,60,000

- |     |                                |   |
|-----|--------------------------------|---|
| 28. | 1. Income from salary          | 574000 (after std deduction of Rs.50,000) |
|     | Income from other sources      |   |
|     | a) Interest on fixed deposit   | 160000                                    |
|     | b) Interest on savings account | <u>9500</u>                               |
|     | Gross total income             | 743500                                    |
|     | Less: Section 80C              | 150000                                    |
|     | Less: Section 80TTB            | <u>50000</u>                              |
|     | Total Income                   | <u>543500</u>                             |
|     | Tax on the above               | Rs.19,450 (rounded off)                   |

2. SBI, being a specified bank, is required to deduct tax at source u.s.194P and remit the same to the Central Government. In such case, Mr.Sharma is not required to file his return of income.

3. If the fixed deposit of Rs.20 lakhs is with Canara Bank other than SBI, then, Mr.Sharma would not qualify as a “specified senior citizen”. In this case, Mr.Sharma would have to file his return of income, since his total income (without giving effect to deduction under Chapter VIA) exceeds the basic exemption limit.

29. 1. Since Mr.Gupta's turnover for F.Y.2023-24 exceeds Rs.10 crores and payments made by him to Mr.Agarwal, a resident seller exceeds Rs.50 lakhs in the P.Y.2024-25, he is liable to deduct tax @ 0.1% of Rs.45 lakhs (being the sum exceeding Rs.50 lakhs) in the following manner:-

No tax is to be deducted u.s.194Q on the payments made on 01.06.2024 and 12.08.2024, since the aggregate payments till that date i.e. Rs.45 lakhs, has not exceeded the threshold of Rs.50 lakhs.

Tax of Rs.1,700 (i.e. 0.1% of Rs.17 lakhs) has to be deducted u.s.194Q from the **payment/credit** of Rs.22 lakhs on 23.11.2024 (22 lakhs – 5 lakhs, being the balance unexhausted threshold limit).

Tax of Rs.2,800 (i.e. 0.1% of Rs.28 lakhs) has to be deducted u.s.194Q from the **payment/credit** of Rs.28 lakhs on 25.03.2025.

**NOTE:** In this case, since both section 194Q and 206C(1H) applies, tax has to be deducted u.s.194Q.

2. If Mr.Gupta's turnover for the F.Y.2023-24 was only Rs.8 crores, TDS provisions u.s.194Q would not be attracted. However, TCS provisions u.s.206C(1H) would be attracted in the hands of Mr.Agarwal, since his turnover exceeds Rs.10 crores in the F.Y. 2023-24 and his **receipts** from Mr.Gupta exceed Rs.50 lakhs. ('receipt' basis).

No tax is to be collected u.s.206C(1H) on 01.06.2024 and 12.08.2024, since the aggregate receipts till that date i.e. Rs.45 lakhs, has not exceeded the threshold of Rs.50 lakhs.

Tax of Rs.1,700 (i.e. 0.1% of Rs.17 lakhs) has to be collected u.s.206C(1H) on 23.11.2024 (22 lakhs – 5 lakhs, being the balance unexhausted threshold limit).

Tax of Rs.2,800 (i.e. 0.1% of Rs.28 lakhs) has to be collected u.s.206C(1H) on 25.03.2025.

3. In case (1), if PAN is not furnished by Mr.Agarwal to Mr.Gupta, then, Mr.Gupta has to deduct tax @ 5%, instead of 0.1%. Accordingly, tax of Rs.85,000 (i.e. 5% of Rs.17 lakhs) and Rs.1,40,000 (5% of Rs.28 lakhs) has to be deducted by Mr.Gupta u.s.194Q on 23.11.2024 and 25.03.2025 respectively.

In case (2), if PAN is not furnished by Mr.Gupta to Mr.Agarwal, then Mr.Agarwal has to collect tax @ 1% instead of 0.1%. Accordingly, tax of Rs.17,000 (i.e. 1% of Rs.17 lakhs) and Rs.28,000 (1% of Rs.28 lakhs) has to be collected by Mr.Agarwal u.s.206C(1H) on 23.11.2024 and on 25.03.2025, respectively.

- 
- |     |   |                                |
|-----|---|--------------------------------|
| 30. | Since the car is returned to the company: | No tds (not a benefit)         |
|     | If the car is not returned but retained:  | Attracts tds (it is a benefit) |
- 

31. Section 194D; Limit Rs.15,000; Tds rate 5%; Tds amount Rs.2,500  
 Section 194A; Limit Rs.50,000; Tds rate 10%; Tds amount Rs.7,000  
 Discount to customers not subject to tds.
-



32. Turnover during the immediately preceding previous year 23-24 exceeds Rs.1 crore. Hence, Tds provisions are applicable for P.Y.2024-25 (A.Y.2025-26).

- a. Payment to banks are not subject to tds.
- b. Section 194C; Limit Rs.30,000 in case of a single contract or Rs.1,00,000 in case of all the contracts during the year; Tds rate 1%; Tds amount Rs.340
- c. Section 194I; Limit Rs.2,40,000; Tds rate 10%. Tds amount Rs.25,000
- d. Section 194H; Limit Rs.15,000; Tds rate 2%; Tds amount Rs.320

33. Section 194I; Limit Rs.2,40,000; Tds rate 2%; Tds amount Rs.5,600

TDS u.s.194J is not attracted since the payment is for personal purpose and tds u.s.194M is not attracted as aggregate amount does not exceed Rs.50 lakhs.

Section 194J;	Limit not specified;	Tds rate 10%;	Tds Rs.1,900
Section 194IA;	Limit Rs.50 lakhs or more;	Tds rate 1% on SDV;	Tds Rs.72,000

34. Section 194C; Limit Rs.30,000 or Rs.1,00,000; Tds rate 1%; Tds Rs.4,200 (420000 x 1%); Payment or credit (whichever is earlier)

Section 194BB; Limit Rs.10,000; Tds rate 30%; Tds amount Rs.45,000

Section 194BA: Tds at the time of withdrawal on 31.12.2024 is Rs.2,10,000 (Rs.7 lacs x 30%) and tds on the balance Rs.5,00,000 in the user account at the end of the previous year on 31.03.2025 which is Rs.1,50,000. Tds 30%.

Section 194LA; Limit Rs.2,50,000; Tds rate 10%; Tds amount nil

35. a. No tds (PAN and declaration is furnished) – Section 194C  
 b. No tds (limit Rs.30,000 should be applied for each and every item separately) – Section 194J  
 c. Amount does not exceed Rs.30,000. No tds u.s.194C  
 d. Contract of sale. No tds (not a contract of work). No material was supplied by the customer  
 e. Tds u.s.194H @ 2% Rs.320; limit is Rs.15,000  
 f. Tds u.s.194J @ 10% Rs.2,500 (limit not specified)

36. a. Tds u.s.194H @ 2% Rs.360 (limit is Rs.15,000)  
 b. Contract of sale. No tds (not a contract of work). No material was supplied by the customer  
 c. Tds u.s.194J @ 10% Rs.3,200 (2% in case of royalty in relation to cinematographic films)

37. i) Section 194C is not applicable as it is a personal payment  
Section 194M is applicable. Limit > Rs.50 lacs; Tds rate @ 2% on 52 lacs is Rs.1,04,000
- ii) Section 194C; PAN not furnished. Tds @ 20% on Rs.1,50,000 is Rs.30,000
- 
38. i) Tds u.s.194I is not attracted as payment made to Fresh Cold Storage Pvt Ltd is not in the nature of rent. It is cooling charges paid for preservation of fruits and vegetables. However, tds is required to be deducted u.s.194C @ 2%. **CBDT Circular.** Tds amount (6 lacs x 2%) is Rs.12,000.
- ii) Tds u.s.194IB; Limit > Rs.50,000 p.m.; tds (60000 x 9 x 20%) Rs.1,08,000; but cannot exceed Rs.60,000 being last month rent; PAN not furnished. Tds u.s.194IB is Rs.60,000
- 
39. Section 194A; Limit Rs.50,000; Tds rate 10%; Tds amount Rs.5,100  
Section 194A; Limit Rs.40,000 (co-operative bank); Tds rate 10%; Tds Rs.30,000 (3 lacs x 10%)  
Section 194A; Limit Rs.5,000; Tds rate 10%; Tds amount Rs.600 (100000 x 12% x 6/12) x 10%
- 
40. a) U.s.194A; Limit all the branches in aggregate Rs.40,000; tds rate 10%; tds amount Rs.4,900 (Total interest Rs.49,000). The bank has adopted core banking facility.
- b) Section 194C is not applicable as turnover of Mr.A during the p.y. 23-24 has not exceeded Rs.100 lakhs. Tds is attracted u.s.194M as payment > Rs.50 lacs. Tds @ 2% on Rs.55 lacs is Rs.1,10,000.
- 
41. i. Section 192A; not taxable as termination was due to ill-health of Mr.Tandon  
ii. Section 194A; Limit Rs.50,000 (senior citizen); tds rate 10% and tds amount Rs.0 (OTR)  
iii. Section 194B; Limit Rs.10,000; tds rate 30% and tds amount Rs.6,300  
iv. No tds on payment made to banks (Finance Bank Ltd).  
v. Section 194IB; limit should exceed Rs.50,000 p.m. tds rate 2%; tds amount 156000 x 2% Rs.3120
- 
42. i) Section 194A; Limit Rs.5,000; tds rate 10%; tds amount Rs.7,900. AG Pvt Ltd, being a company is compulsorily required to comply with tds provisions whether or not subject to tax audit.
- ii) Policy issued after 01.04.2012; 10% of sum assured is Rs.50,000 and premium paid is Rs.1,40,000. Since premium paid > 10% of sum assured, tds is attracted. It is not exempt u.s.10(10D). Tds @ 2% of income. Income is Rs.40,000 (6 lacs - 560000). Tds amount Rs.800. Maturity amount also exceeds Rs.1 lakh. Section 194DA.
- 
43. i. Section 194C; Limit Rs.30000; tds rate is 1% and tds amount Rs.10,000. Tds provisions are compulsory in the case of a firm.
- ii. Winnings in kind; Section 194B; Limit Rs.10,000 and tds rate is 30%; tds amount Rs.1,50,000. Tax should be deposited with the Government and then the prize is to be released to the winner.
-

44. Rent paid by Mr.X exceeds Rs.50,000 p.m. Hence, he is required to deduct tax at source u.s.194IB. Mr.X is required to deduct tds from the amount of rent payable in March, 2025. Amount of tds Rs.17,600  $(55,000 \times 4 \times 5\%) + (55,000 \times 6 \times 2\%)$ .

If Mr.X vacated the premises on 31.12.2024 then he is required to deduct tax from the amount of rent payable in December, 2024. Tds  $(55,000 \times 4 \times 5\%) + (55,000 \times 3 \times 2\%)$  Rs.14,300.

**Case 1:** If Mr.Y does not provide his PAN to Mr.X, tax would be deductible @ 20%. Tax would be Rs.1,10,000  $(55,000 \times 10 \times 20\%)$  but the same has to be restricted to Rs.55,000 being the rent for March, 2025. Tds cannot exceed the amount of rent. **In case 2:** Rs.77,000 but restricted to Rs.55,000.

45. Being a salaried employee, Section 194C is not attracted. She is however, required to deduct tax at source u.s.194M in case the total payment exceeds the limit of Rs.50 lakhs. Tds rate is 2%. Tds amount is Rs.1,10,000  $(Rs.55 \text{ lakhs} \times 2\%)$ .

If Ms.Aruna is a business women:

The answer shall be the same. Books are not audited in the immediately preceding financial year (i.e. turnover was < Rs.100 lakhs). Hence Section 194C is not applicable. However, tds is required to be deducted u.s.194M. Tds amount is Rs.1,10,000.

46. Mr.Kale: Section 194C is not applicable. Reason: being a personal payment. Section 194M is therefore applicable. Exceeds Rs.50 lacs. Tds @ 5% on Rs.52,50,000 is Rs.2,62,500.

Mr.Rahul: Turnover of P.Y. 23-24 > Rs.100 lacs. Business payment (office godown). Tds u.s.194C @ 1% on Rs.50 lacs is Rs.50,000.

Mr.Golu: Turnover of P.Y. 23-24 < Rs.100 lacs. Section 194H is not applicable. Section 194M is not applicable as the payment does not exceed Rs.50 lacs. Tds is nil.

XYZ Urban Co-op Bank: Section 194N;  $(120 \text{ lacs} - 100 \text{ lacs}) \times 2\%$  is Rs.40,000

47. a) The seller of gas sells as well as transports the gas to the purchaser till the point of delivery, where the ownership of gas to the purchaser is simultaneously transferred, the manner of raising the sale bill, does not alter the basic nature of such contract which remains essentially a 'contract of sale' and not a 'works contract'. Hence no tds. **CBDT Circular**

Since the question is silent on the timing of the transfer of ownership of the gas to the purchaser, an assumption that the ownership of the gas to the purchaser is transferred before its transportation is possible. In such case, the transportation of gas after transfer of ownership may be considered as a separate contract for transportation of gas i.e. 'works contract' u.s.194C, hence tds @ 2% has to be deducted on Rs.1,70,000 i.e. Rs.3,400.

**b)** Job charges – contract of work. Section 194C – Single contract > Rs.30,000 or aggregate should > Rs.1,00,000.

Bill No.	Amount	Tds
1	27000	0
57	25000	0
105	28000	0
151	<u>32000</u>	2240
	<u>112000</u>	

**48. a)** Section 194J; no exemption limit; tds rate 10%; tds amount Rs.2,500

**b)** Section 194LA; Limit Rs.2,50,000; tds rate 10%; tds amount Nil (does not exceed the limit)

**c)** Section 194Q is applicable as the turnover of Mr.P during the p.y. 23-24 > Rs.10 crores. Tds has to be deducted @ 0.1% on the amount exceeding Rs.50 lakhs. Liability to deduct tax arises at the time of credit or at the time of payment whichever is earlier. Tds Rs.3,000 (80 lacs – 50 lacs) x 0.1% which shall be deducted as follows:

Date	Purchases	tds
10.06.2024	25,00,000	nil
20.08.2024	27,00,000	Rs.200 (52 lacs – 50 lacs) x 0.1%
12.10.2024	28,00,000	Rs.2,800 (28 lacs x 0.1%)

**Note:** Turnover of Mr.Agarwal during the p.y.23-24 > Rs.10 crores. TCS u.s.206C(1H) is attracted @ 0.1%. However, if both Section 194Q and Section 206C(1H) are attracted, tds shall be deducted u.s.194Q.

**49. a)** XYZ is required to deduct tax at source since gross turnover of the financial year 23-24 had exceeded Rs.10 crores. Tax has to be deducted u.s.194Q @ 0.1% on the amount of purchases exceeding the limit of Rs.50 lakhs. Liability to deduct tds arises at the time of payment or at the time of credit (whichever is earlier).

Particulars	Date of payment	Amount	Tds
Advance payment	01.04.2024	Rs.40 lacs	Nil (< Rs.50 lacs)
Payment for supplies	02.07.2024	Rs.20 lacs	Rs.1000 (60 lacs – 50 lacs) x 0.1%
Advance payment	04.08.2024	Rs.12 lacs	Rs.1200 (12 lacs x 0.1%)

**Note:** No, in such case, the amount of turnover of XYZ would not exceed Rs.10 crores in F.Y.23-24, since Rs.4 crores towards supply of material for charitable purpose, being a non-business entity, would not be considered for the purpose of turnover. Accordingly, XYZ is not required to deduct tds.

**b)** Director's remuneration; tds u.s.194J; tds rate 10%; no exemption limit. Tds @ 10% on Rs.2,49,000 is Rs.24,900.

c) Pension (72000 x 12)	864000
Less: Std deduction	<u>50000</u>
Income from salary	814000
Income from other sources:	
i) Int on savings account	15000
ii) Int on fixed deposit	<u>52500</u> (10 lacs x 7% x 9/12)
Gross Total Income	881500
Less: Section 80TTB (OTR)	<u>50000</u>
<b>Total Income</b>	<b><u>831500</u></b>

**Tax on the above:**

831500	
<u>500000</u>	nil
331500 x 20%	<u>66300</u>
	66300
Add: 4% cess	<u>2652</u>
Total tax	<b><u>68950</u></b>

Mr.Kumar is a specified senior citizen. He has no other income other than pension and interest income. His pension income and interest income is credited in the same bank (Bank of Baroda). BOB will act as specified bank and deduct tax from his income. As a result, filing of income tax return is not required by Mr.Kumar.

50. ABC Ltd is required to deduct tax at source u.s.194-I @ 10% on rent of Rs.75,000 per month exclusive of GST component, since the aggregate rent of Rs.9,00,000 during the financial year exceeds the threshold limit of Rs.2,40,000. Tax has to be deducted at the time of payment or credit, whichever is earlier. Tds amount Rs.90,000.

51. Professional receipts of Mr.Ganesh for previous year ending 31.03.2024 exceeded Rs.50 lakhs. TDS provisions are applicable.

a) Professional fee excluding GST (32,450 x 100/118) is Rs.27,500 which is less than the limit of Rs.30,000. Hence, tds is not required to be deducted.

b) Tds on royalty @ 10% if the amount exceeds Rs.30,000. Tds amount Rs.25,000

c) Fees for technical services does not exceed Rs.30,000; hence no tds.

d) Fees for teaching accountancy for his son is a personal expenditure, hence no tds.

**52. Tds amount u.s.194N:**

Mr.Hari	-	Rs.20,000 (Rs.10 lacs x 2%)
Mr.Pranav	-	Nil (withdrawals < 1 crore)
ABC Co-operative society	-	Nil (withdrawals < 3 crore)
XYZ Co-operative society	-	Rs.20,000 (Rs.10 lacs x 2%)
Mr.Vaibhav	-	Rs.2,20,000 (Rs.1,10,00,000 x 2%)
A Ltd	-	Rs.10,000 (Rs.5 lacs x 2%)
DEF (firm)	-	Rs.1,40,000 (Rs.70 lacs x 2%)
Mr.Varun	-	Rs.2,60,000 (Rs.80 lacs x 2%) + (Rs.20 lacs x 5%)
Mr.Rakesh	-	Rs.50,000 (Rs.25 lacs x 2%)
PQR Co-operative society	-	Rs.7,10,000 (Rs.2,80,00,000 x 2%) + (30,00,000 x 5%)

- 53.** Interest on failure to deduct tds:  $40,000 \times 10\% \times 1\% \times 8 \text{ months}$  = Rs.320  
(01.07.2024 to 28.02.2025)
- Interest on delay in depositing tds amount:  $90,000 \times 10\% \times 1.5\% \times 4 \text{ months}$  = Rs.540  
(28.02.2025 to 22.06.2025)
- Total Interest payable = **Rs.860**

## **CHAPTER – 16C: TAX COLLECTION AT SOURCE**

### **WHAT IS TCS?**

TCS means collection of tax at source at prescribed rates by the *seller from the buyer* of certain specified:

- i. Goods u.s.206C(1); or*
- ii. Services u.s.206C(1C); or*
- iii. a motor vehicle u.s.206C(1F); or*
- iv. Purchase of overseas tour package u.s.206C(1G); or*
- v. Overseas remittances under LRS of RBI u.s.206C(1G); or*
- vi. Sale of goods above Rs.50 lacs u.s.206C(1H)*

Goods specified under section 206C(1):

#### **Nature of Goods specified**

#### **Rates with PAN**

(a) Alcoholic liquor for human consumption	1%
(b) Scrap	1%
(c) Minerals, being coal or lignite or iron ore	1%
(d) Timber or any other forest produce	2.5%
(e) Tendu leaves	5%

**TCS liability:** At the time of debit or at the time of receipt, whichever is earlier

#### **Higher rate of TCS if PAN is not furnished:**

Applicable rate is: Twice the normal rate or 5% (whichever is higher)

#### **Non-applicability of TCS [Section 206C(1A)]**

No TCS if the goods referred to in section 206C(1) are to be utilised for the purpose of manufacturing, processing or producing *articles or things or for the purposes of* generation of power and NOT *for trading purposes*. The resident buyer is required to furnish a declaration in writing in duplicate in the prescribed form that the goods are to be utilised for the purpose of manufacturing and not for trading.

#### **Problem:**

M/s.PMPC, a Partnership firm, is engaged in the manufacture of cardboard carton boxes used in packaging industry. During the year, it has sold cutting waste generated amounting to Rs.30 lakhs to XYZ Ltd, a paper manufacturing company. XYZ Ltd uses such cutting waste purchased as raw material for its production. Discuss the implication with respect to tcs.

**Answer:** A seller is required to collect tax @ 1% from the buyer on sale of scrap. However, tax is not required to be collected at source if the resident buyer furnishes a declaration in the prescribed form that such scrap is to be utilised for the purpose of manufacturing of any article or thing. Hence no tcs.

**Section 206C (1C)** provides for collection of tax by every person who grants a lease or a licence or otherwise transfers any right or interest in any:

- parking lot or
- toll plaza or
- a mine or a quarry

to another person for the use of such parking lot or toll plaza or mine or quarry for the purposes of business. The applicable TCS rate is 2%. (5% without PAN).

**Problem:**

State Government of Tamil Nadu grants a lease of coal mine to ABC Ltd., an Indian company, on 01.02.2025 and charged Rs.8 crores for the lease.

**Answer:**

**Lease of Mine:** State Government is required to collect tcs @ 2%. TCS is Rs.16 lakhs.

**Problem:**

KLS Ltd. gives a multilevel parking building in front of a shopping mall in Delhi to PQR Ltd. on a lease of 90 years. PQR Ltd. is liable to pay Rs.3 crores as one time lease premium.

**Answer:**

Every person who grants a lease in respect of a “**parking lot**” to another person for the use of such parking lot shall collect tax at source @ 2%. (5% if PAN not furnished). KLS Ltd shall collect 2% of Rs.3 crores as tax from PQR Ltd.

**MOTOR CAR - Section 206C(1F)** provides that every person, being a seller, who receives any amount as consideration for sale of a **MOTOR VEHICLE** of the value exceeding Rs.10 lakhs, shall collect tax from the buyer @ 1% of the sale consideration. (5% without PAN).

***\*\*\* With effect from 01.01.2025, the scope of section 206C(1F) has been expanded to include every person, being a seller, who receives any amount as consideration for sale of any other notified goods (high value goods – luxury goods) exceeding Rs.10 lakhs, at the time of receipt of such amount, collect tax from the buyer @ 1% of the sale consideration.***

**OTHER PROVISIONS IN RESPECT OF TCS ON SALE OF MOTOR VEHICLE:**

- a. TCS is applicable only at **retail level** and not on sale of motor vehicles by manufacturers to dealers or distributors.
- b. It is applicable on sale of **any motor vehicle** (luxury or non-luxury) of the value exceeding Rs.10 lakhs.
- c. It is applicable on **each sale** of a Motor Vehicle and **not on aggregate value** of sale during the year.



d. Provisions are applicable whether the payment is made in cash or by any other mode.

e. An **individual**, if his turnover in business exceeds Rs.1 crore or gross receipts exceeds Rs.50 lakhs in profession in the immediately preceding financial year, is also liable to collect tax at source @ 1% on sale of motor car by him.

1. When a motor car is sold for Rs.12 lakhs by a dealer to a buyer holding PAN, the amount of tax collectible at source shall be:

- |                       |                    |
|-----------------------|--------------------|
| (a) Rs.12,000 (1%)    | (c) Rs.24,000 (2%) |
| (b) Rs.1,20,000 (10%) | (d) Nil            |

2. What are clarifications made by CBDT with respect to Section 206C (1F) relating to the following issues:

- i. Whether TCS on sale of motor vehicle is applicable only to luxury car?
- ii. Whether TCS is applicable on each sale or aggregate value of sale of motor vehicle, exceeding Rs.10 lakhs?
- iii. Whether TCS is applicable in case of an individual?
- iv. Whether TCS on sale of motor vehicle is at retail level also or only by manufacturer to distributor or dealer?

**Answer:**

- i. It is applicable on sale of **any motor vehicle** (luxury or non-luxury)
- ii. It is applicable on **each sale** and **not on aggregate value** of sale.
- iii. An **individual**, if his turnover in business exceeds Rs.1 crore or gross receipts in profession exceeds Rs.50 lakhs in the immediately preceding financial year, is also liable to collect tax at source @ 1% on sale of motor car by him.
- iv. TCS is applicable only at **retail level** and not on sale of motor vehicles by manufacturers to dealers or distributors.

3. ***Car Ltd. sells 20 BMW cars for Rs.100 lakhs each plus 18% GST to M Pvt. Ltd. (Car Dealer).***

**Answer:-** TCS @ 1% will not be applicable on this transaction as the transaction is within dealers and not with consumer of the car. However, TCS/TDS @ 0.1% will be applicable on this transaction under section 194Q and 206C(1H) subject to terms and conditions.

**OVERSEAS TOUR PACKAGE – Section 206C(1G)****TCS rate:**

- 5% up to Rs.7 lakhs
- 20% thereafter

*e.g. Mr.A plans for an overseas tour to USA with his family. He pays Rs.12 lakhs to SOTC (an overseas tour operator) for arranging the tour. Is SOTC required to collect tax from Mr.A?*

**LRS OF RBI – OVERSEAS REMITTANCES – Section 206C(1G)**

<b><u>Purpose of remittance</u></b>	<b><u>Up to Rs.7 lakhs</u></b>	<b><u>Above Rs.7 lakhs</u></b>
<b>(i)</b> Medical treatment or for Education	Nil	5%
<b>(ii)</b> Education financed by a loan from any financial institution	Nil	0.5%
<b>(iii)</b> Other purposes (gift, purchase of shares, immovable property)	Nil	20%

**Important:**

Threshold of Rs.7 lakhs for LRS is **combined threshold** for applicability of TCS irrespective of the purpose of remittance. (LRS – Liberalised Remittance Scheme of RBI).

**CBDT:** Section 206C(1G) would not apply to a person (buyer) who is a non-resident.

**Section 206C (1H):****Who will collect TCS:****TCS on sale of goods:**

Seller from buyer provided, turnover of the seller exceeded Rs.10 crores in the immediately preceding previous year.

**Limit:**

Amount received in excess of Rs.50 lakhs (“receipt” basis)

**TCS rate:**

0.1% on consideration received in excess of Rs.50 lakhs  
If PAN not furnished tcs rate is 1%

**Section not applicable:**

- If TCS is collected u.s.206C (1); 206C (1F) and 206C(1G)
- If buyer has deducted tds u.s.194Q
- On goods exported out of India
- If buyer is a person whose income is exempt (e.g. u.s.10)

**Provisions of Section 194Q and Section 206C(1H) in brief:**

<b><u>Particulars</u></b>	<b><u>Section 194Q</u></b>	<b><u>Section 206C(1H)</u></b>
• TDS/TCS	On purchase	On sale
• Liability on:	Buyer	Seller
• Turnover of PY 23-24:	> Rs.10 crores	> Rs.10 crores
• Tds / tcs rate:	0.1%	0.1%
• Without PAN:	5%	1%
• Liability to deduct or collect:	payment or credit (wel)	At the time of "receipt"
• Limit:	> Rs.50 lakhs	> Rs.50 lakhs

a) If both Sec.194Q and Sec.206C(1H) are attracted; tds will be u.s.194Q

b) TCS u.s.206C(1H) shall not be applicable if tcs is collected under any other section [(e.g. section 206C(1) or 206(1F)].

4. Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the Assessment year 2025-26.

- i. Mr.Kalpiti bought an overseas tour programme package for Singapore for himself and his family of Rs.5 lakhs on 01.11.2024 from an agent who is engaged in organizing foreign tours in course of his business. He made the payment by an account payee cheque and provided PAN to the seller. Assume Kalpiti is not liable to deduct tax at source under any other provisions of the Act.
- ii. Mr.Anu is doing business of textile as a proprietor. His turnover in the business is 11 crores in the previous year 2023-24. He received payment against sale of textile goods from Mr.Ram Rs.75 lakhs against the sales made to him in the previous year and preceding previous years. (Assuming all the sales are domestic sales and Mr.Ram is not liable to deduct tax on the purchase from Mr.Anu).

**Answer:**

i) U/s.206C(1G): TCS @ 5% on the amount collected by the AGENT. Amount of tcs (5 lacs x 5%) Rs.25,000. **NOTE:** Up to Rs.7 lakhs, tcs shall be 5% and thereafter, tcs shall be 20%.

ii) U/s.206C(1H): Turnover of Mr.Anu exceeded Rs.10 crores during the p.y. 2023-24. He is required to collect tax @ 0.1% on the amount received in excess of Rs.50 lacs from Mr.Ram. Amount of tcs (75 lacs – 50 lacs) x 0.1% is Rs.2,500.

5. State Government of Madhya Pradesh grants a lease of coal mine to ABC Co. Ltd., an Indian company, on 01.10.2024 and charged Rs.8 crores for the lease.

ABC Co. Ltd. sold coal for Rs.2 crores to Mahapower Ltd., another Indian company, during the previous year 2024-25. Mahapower Ltd furnishes a declaration to ABC Co. Ltd. that the coal is to be utilized for the purpose of generation of power. The turnover of ABC Co. Ltd. and Mahapower Ltd. for the F.Y. 2023-24 amounted to Rs.11 crores and Rs.12 crores, respectively.

What is the amount of tax required to be deducted or collected at source in respect of the above transactions, if any?

**Answer:**

State Government of MP is required to collect tcs @ 2% on granting of lease of coal mine to ABC Co. Ltd. TCS @ 2% on Rs.8 crores is Rs.16 lacs.

U/s.206C(1), tcs is required to be collected by ABC Co. Ltd. on sale of coal @ 1% on Rs.2 crores. However, Mahapower Ltd has furnished a declaration to ABC Co. Ltd that the coal is to be utilized for the purpose of generation of power. Hence, ABC Co. Ltd. shall not collect tax u.s.206C(1).

However, Mahapower Ltd (buyer turnover > Rs.10 crores during p.y. 23-24) is required to deduct tds u.s.194Q @ 0.1% on the amount exceeding Rs.50 lacs. Amount of tds u.s.194Q is Rs.15,000

6. Examine the applicability of provisions relating to deduction/collection of tax at source and compute the liability, if any, for deduction/collection of tax at source in the following cases for financial year ended 31st March, 2025 as per provisions contained under the IT Act, 1961:

- a) Mr.Devansh, an Indian Citizen, residing in New York, came to India on a visit on 15.2.2025. He paid Rs.6 lakhs to a tour operator, M/s. Journey Trip, based in Mumbai for a tour package to Malaysia for 1 week. He left for Malaysia on 1.3.2025 and returned to India on 8.3.2025. Thereafter, he was in India up to 5.4.2025 on which date he took his return flight to New York. He does not have any source of income in India.
- b) XYZ Ltd. was incorporated on 1.4.2024 for trading goods. Its turnover for the P.Y. 2024-25 is Rs.12 crores. During the P.Y.2024-25, it purchased goods from M/s. White Ride, the details of which are as follows:

On 1.8.2024 for Rs.25,00,000;  
 On 15.9.2024 for Rs.30,00,000 and  
 On 15.12.2024 for Rs.15,00,000.

The above dates represent the date of credit to the account of M/s. White Ride. Payment is made after one month (i.e., on the same date in the immediately following month). M/s White Ride's turnover for the F.Y. 2023-24 and F.Y. 2024-25 was Rs.11 crores and Rs.9.7 crores, respectively.

**Answer:**

- a) U/s.206C(1G), the tour operator is required to collect tax from the purchaser of overseas tour package. **NOTE:** Up to Rs.7 lakhs, tcs shall be 5% and thereafter, tcs shall be 20%.

**CBDT Circular:** Mr.Devansh, an Indian citizen came to India and has stayed for 39 (Feb 14 days & March 25 days) during the p.y. 24-25. He is a non-resident for A.Y.2025-26. He has no income in India for the p.y. 2024-25. Hence, the tour operator is not required to collect tax from Mr.Devansh.

- b) Section 194Q shall be applicable only if turnover of XYZ Ltd (buyer) has exceeded Rs.10 crores during the immediately preceding f.y. 2023-24. Since XYZ Ltd was incorporated on 01.04.2024, it is not required to deduct tax at source u.s.194Q. **CBDT Circular.**

TCS u.s.206C(1H) shall be applicable if the turnover of M/s.White Ride's (seller) during the immediately preceding f.y. 2023-24 has exceeded Rs.10 crores. Turnover was Rs.11 crores during the p.y. 2023-24 and therefore, tcs is attracted @ 0.1% on the amount received ("receipt" basis) exceeding Rs.50 lakhs.

Amount received	Date of receipt	TCS
Rs.25 lakhs	01.09.2024	nil (does not exceed Rs.50 lakhs)
Rs.30 lakhs	15.10.2024	Rs.500 (Rs.55 lacs – Rs.50 lacs) x 0.1%
Rs.15 lakhs	15.01.2025	Rs.1500 (Rs.15 lacs x 0.1%)

7. Examine the applicability of TCS as per the Income Tax Act, 1961 for the A.Y. 2025-26 in the following independent situations.

- a) M/s.Fastest Ltd. is an Indian car manufacturer. During the F.Y. 2024-25, it sold cars for ₹150 lakhs to M/s.Race LLP, a distributor of cars where the sale price of each car was ₹ 7.5 lakhs. The turnover for the F.Y. 2023-24 of M/s.Fastest Ltd. was ₹ 15 crores and M/s.Race LLP was Rs.8 crores. What shall be the TCS/TDS implications on M/s.Fastest Ltd and M/s.Race LLP?
- b) XYZ Pvt Ltd sells two cars to Mrs.A costing ₹ 4 lakhs and ₹ 12 lakhs respectively on 01.05.2024 and 25.12.2024. Mrs.A has furnished her PAN and filed her return of income regularly before the due date.

**Answer:**

- a) M/s.Fastest Ltd is not required to collect tax at source u.s.206C(1F) on sale of cars of ₹150 lakhs to M/s.Race LLP, since such sale is to a distributor and sale price of each car does not exceed Rs.10 lakhs.

M/s.Race LLP is also not required to deduct tax at source u.s.194Q, since its turnover, being a buyer in the PY. 23-24 does not exceed ₹10 crores.

However, M/s.Fastest Ltd is required to collect tax at source u.s.206C(1H) @ 0.1% on the sale consideration exceeding Rs.50 lakhs i.e. on Rs.100 lakhs since turnover of M/s.Fastest Ltd exceeds Rs.10 crores and TCS u.s.206C(1F) and TDS u.s.194Q is not applicable

- b)** XYZ Pvt Ltd is not required to collect tax at source on sale of car of ₹4 lakhs to Mrs.Anju since its value does not exceed ₹10 lakhs.

However, it is required to collect tax u.s.206C(1F) @ 1% on the total sale consideration of ₹12 lakhs since the value of this car exceeds Rs.10 lakhs. Tax has to be collected at the time of receipt of ₹ 12 lakhs.

- 8.** Amin Co. (p) Ltd is a dealer of motor cars manufactured by Zeet Ltd. Amin Co. (P) Ltd paid through banking channel Rs.110 lakhs to Zeet Ltd. for purchase of cars in January 2025. Of the total motor cars so purchased, 4 motor cars cost Rs.11 lakhs each and 7 motor cars are for the balance amount. Decide whether any TDS/TCS provisions will apply. Will your answer be different if Amin Co. (P) Ltd. is not a dealer of motor cars and had acquired the same for the purpose of plying cars on hire?

**Answer:**

- A.** If Amin Co (P) Ltd is a dealer of motor cars: No TCS u.s.206C1(F)  
If section 206C(1F) is not applicable then tds shall be deducted u.s.194Q by the buyer.  
If section 194Q is not applicable then tcs shall be collected u.s.206C(1H) by the seller

- B.** If Amin Co (P) Ltd is not a dealer of motor cars but uses for plying cars on hire:  
TCS u.s.206C(1F): cost of each car > Rs.10 lacs; tcs (11 lakhs x 4 x 1%) Rs.44,000

For the remaining 7 cars: TCS is nil (cost is < 10 lakhs each) u.s.206C(1F).

If section 206C(1F) is not applicable then tds shall be deducted u.s.194Q @ 0.1% on Rs.16 lacs (i.e. 66 lacs – 50 lacs) by the buyer.

If section 194Q is not applicable then tcs u.s.206C(1H) @ 0.1% on the amount received in excess of Rs.50 lakhs shall be collected by the seller.

**CBDT Circulars:**

- 1.** *Whether the threshold of Rs.7 lakhs, for TCS to become applicable on LRS, applies separately for various purposes like education, health treatment and others? For example, if remittance of Rs.7 lakhs under LRS is made in a financial year for education purpose and other remittances in the same financial year of Rs.7 lakhs is made for medical treatment and Rs.7 lakhs for other purposes, whether the exemption limit of Rs.7 lakhs shall be given to each of the three separately?*

It is clarified that the threshold of Rs.7 lakhs for LRS is **COMBINED THRESHOLD** for applicability of TCS on LRS irrespective of the purpose of the remittance. Thus in the given example, up to Rs.7 lakhs remittance under LRS during a financial year shall not be applicable for TCS. However, subsequent Rs.14 lakhs remittance under LRS shall be liable for TCS in accordance with the TCS rates applicable for such remittance (0.5% or 5% or 20% as the case may be).

2. *There is threshold of Rs.7 lakhs per remittance under LRS for TCS to become applicable while there is another threshold of Rs.7 lakhs for purchase of overseas tour program package where reduced rate of 5% of TCS applies. Whether these two thresholds apply independently?*

Yes, these two thresholds apply independently. For LRS, the threshold of Rs.7 lakhs applies to make TCS applicable. For purchase of overseas tour program package, the threshold of Rs.7 lakhs applies to determine the applicable TCS rate as 5% or 20%.

3. *Whether the threshold of Rs.7 lakhs, for TCS to become applicable on LRS, applies separately for each remittance through different authorised dealers? If not, how will authorise dealer know about the earlier remittances by that remitter through some other authorised dealer?*

It is clarified that the threshold of Rs.7 lakhs for LRS is qua remitter and not qua authorised dealer. It is clarified that the details of earlier remittances under LRS by the remitter during the financial year may be taken by the authorised dealer through an undertaking at the time of remittance. If the authorised dealer correctly collects the tax at source based on the information given in this undertaking, he will not be treated as “assesse in default”. However, for any false information in undertaking, appropriate action may be taken against the remitter under the Act.

9. Mr.Sunil took an education loan of Rs.8 lakhs on 01.07.2024 from State Bank of India, Chennai for his son's MBA from University of Oxford, UK and remitted the said amount through the same bank, which is an authorised dealer, under the Liberalised Remittance Scheme of RBI (LRS). He, further, remitted Rs.2 lakhs on 15.10.2024 to his son for his personal expenditure, out of his personal savings, through Bank of India, Chennai, which is also an authorised dealer, under LRS. Mr.Sunil also remitted Rs.6 lakhs on 28.03.2025 out of his personal savings, under LRS through union Bank of India, Chennai for his sister's medical treatment in London.

Mr.Sunil has furnished undertaking containing the details of earlier remittance to Bank of India and Union Bank of India.

What is the amount of tax to be collected from Mr.Sunil in respect of the remittance of amounts to his son and sister?

- a) TCS @ 0.5% of Rs.1 lakh in respect of remittance for son's education; @ 5% of Rs.2 lakhs in respect of remittance for son's personal expenditure and 5% of Rs.6 lakhs in respect of remittance for sister's medical treatment.

- b) TCS @ 0.5% of Rs.1 lakh in respect of remittance for son's education; @ 20% of Rs.2 lakhs in respect of remittance for son's personal expenditure and 5% of Rs.6 lakhs in respect of remittance for sister's medical treatment.
- c) TCS @ 0.5% of Rs.1 lakh in respect of remittance for son's education; no TCS in respect of remittance for son's personal expenditure and sister's medical treatment since each transaction is of less than Rs.7 lakhs.
- d) TCS @ 0.5% of Rs.1 lakh in respect of remittance for son's education; @ 5% of Rs.1 lakh in respect of remittance for sister's medical treatment.

**Option B**

### **Higher rates of TCS for non-filers of income-tax return and non-furnishers of PAN:**

**Section 206CC:** If PAN is not furnished: TCS will be twice the normal rates or 5% (1% u.s.206C(1H) (whichever is higher). (maximum tcs rate shall not exceed 20%).

**Section 206CCA:** (non-filers of ITR): TCS from a "**specified person**" will be twice the normal rates or 5% (whichever is higher). (maximum tcs rate shall not exceed 20%).

In case both the above sections are applicable, tcs will be the higher of the two rates provided in section 206CC and section 206CCA.

### **Specified person:-**

A person who has not filed his income-tax returns for last two previous years

**AND**

the aggregate of tds and tcs is Rs.50,000 or more in **each** of these two previous years.

### **Examples:**

<b><u>Section</u></b>	<b><u>Normal rates</u></b>	<b><u>PAN not furnished</u></b>	<b><u>Non-filer of ITR</u></b>
206C(1)	5% (tendu leaves)	10% or 5% (weh)	10% or 5% (weh)
206C(1F)	1% (motor car)	2% or 5% (weh)	2% or 5% (weh)
206C(1G)	20%	40% or 5% (weh) (max tcs rate 20%)	40% or 5% (weh) (max tcs rate 20%)
206C(1H)	0.1%	0.2% or 1% (weh)	0.2% or 5% (weh)

**Important:** In the above section 206C(1H), if a person has not furnished PAN and also has not filed income-tax returns; highest of the two rates shall apply (i.e. 1% or 5%) 5%.



## **CHAPTER – 17**

## **FILING OF RETURNS**

### **Due date of filing return of income – Section 139(1):**

- |   |                           |
|---|---------------------------|
| a) An assessee who is required to furnish Transfer Pricing Report   | 30 <sup>th</sup> November |
| b) Any Company (other than 'a' above)   | 31 <sup>st</sup> October  |
| c) A person whose accounts are required to be audited under the IT Act or under any other law                           | 31 <sup>st</sup> October  |
| d) A partner of a firm (working or sleeping) where the firm is subject to audit under the IT Act or under any other law | 31 <sup>st</sup> October  |
| e) In the case of any other assessee  | 31 <sup>st</sup> July     |
- 

### **Who are required to furnish return of income?**

1. Every COMPANY or a FIRM is compulsorily required to file return of income irrespective of income or loss.
  
2. Every other person (individual or huf) is required to furnish return of income if his total income **without giving effect** to:
  - a. Chapter VI-A deductions; and
  - b. Exemptions under section 54, 54B, 54D, 54EC, 54F;

exceeds the basic exemption (i.e. Rs.2,50,000 under OTR or Rs.3 lacs under DTR)

### **3. Mandatory filing of IT returns in certain cases:**

An individual who is not required to furnish a return u.s.139(1), is required to file income-tax return before the due date, if such person:

- a. has ***deposited*** an amount or aggregate of the amounts ***exceeding Rs.1 crore*** in one or more ***current accounts*** maintained with a banking company or a co-operative bank; or
- b. has incurred ***expenditure*** of an amount or aggregate of the amounts ***exceeding Rs.2 lakhs*** for himself or any other person for ***travel to a foreign country***; or
- c. has incurred ***expenditure*** of an amount or aggregate of the amount ***exceeding Rs.1 lakh*** towards ***consumption of electricity***; or

- d. if his **total sales**, turnover or gross receipts in business > **Rs.60 lakhs** during the previous year or total gross receipts in profession > **Rs.10 lakhs** during the previous year; or
- e. if the **aggregate** of TDS and TCS during the previous year is **Rs.25,000 or more** (Rs.50,000 or more for senior citizen); or
- f. Amount deposited in **savings bank** account is **Rs.50 lakhs or more** during the previous year.

**4. Mandatory filing of return by resident person in certain cases:**

An individual, being a resident and ordinary resident in India, who is not required to furnish a return under section 139(1) and who at any time during the previous year:

- a) holds, as a BENEFICIAL OWNER, any asset (including financial interest in any entity) located outside India or has signing authority in any account located outside India; or
- b) is a BENEFICIARY of any asset (including financial interest in any entity) located outside India,

shall furnish, on or before the due date, a return in respect of his income or loss for the previous year.

- a) '**Beneficial owner**' means an individual who has provided, directly or indirectly, consideration for the asset for the immediate or future benefit, direct or indirect, of himself or any other person.
- b) '**Beneficiary**' means an individual who derives benefit from the asset during the previous year and the consideration for such asset has been provided by any person other than such beneficiary.

**Late fee for delay in filing return of income – Section 234F:**

Total income exceeds Rs.5 lakhs	:	Rs.5,000
Total income of a person does not exceed Rs.5 lakhs	:	Rs.1,000

**Problems:**

1. *Mr.R furnishes the following particulars for the year ending 31.03.2025:  
Income from other sources Rs.2,20,000; LTCG on sale of residential house Rs.72 lakhs  
Exemption available u.s.54 Rs.72 lakhs  
Examine whether Mr.R should file return of income for A.Y.2025-26.*

2. Mr.A furnishes the following particulars for the year ending 31.03.2025:  
Income from business Rs.3,30,000; Income from other sources Rs.10,000;  
LTCG on sale of urban land Rs.24 lakhs. Amount invested in NHAI bonds Rs.23 lakhs  
Deductions under Chapter VI A Rs.2,00,000.  
Examine whether Mr.A should file return of income for A.Y.2025-26.
3. Mr.R has taxable income of Rs.1,75,000 during the p.y. 2024-25. He is required to file his IT return only if:
- He has deposited an amount exceeding Rs.....in his current account in a bank; or
  - His electricity bill exceeds Rs.....; or
  - His expenditure on foreign travel exceeds Rs.....; or
  - Total turnover in his business has > ..... during the previous year; or
  - Gross receipts in his profession has > ..... during the previous year; or
  - Aggregate of tds and tcs is Rs..... or more during the previous year
  - Amount deposited in savings bank account is Rs.....or more during the p. y.
4. Mr.Dinesh, a resident in India, has gross total income of Rs.2,30,000 comprising of interest on saving a/c and rental income during the previous year 2024-25. He incurred expenditure of Rs.2,00,000 for his son for a study tour to Europe. Is he required to file return of income for the assessment year 2025-26? If yes, what is the due date?
- Yes, 31<sup>st</sup> July of A.Y.
  - Yes, 30<sup>th</sup> September of A.Y.
  - Yes, 31<sup>st</sup> October of A.Y.
  - No, he is not required to file return of income.
5. In the following cases relating to P.Y. 2024-25, the total income of the assessee or the total income of any other person in respect of which he/she is assessable under Income-tax Act does not exceed the basic exemption limit.
- You are required to state with reasons, whether the assessee is still required to file the return of income or loss for A.Y.2025-26 in each of the following independent situations:
- Manish & Sons (HUF) sold a residential house on which there arose a long term capital gain of Rs.12 lakhs which was invested in Capital Gain Bonds u/s.54EC so that no long term capital gain was taxable.
  - Mrs.Archana was born in Germany and married in India. Her residential status under section 6(6) of the Income-tax Act. 1961 is 'resident and ordinarily resident'. She owns a car in Germany which she uses for her personal purposes during her visit to her parents' place in that country.
  - Sudhakar has incurred an expenditure of Rs.1,20,000 towards consumption of electricity, the entire payment of which was made through banking channels.

6. In each of the following independent situations, you are required to examine whether these persons are required to file their return of income or loss for A.Y. 25-26 if their total income for the P.Y. 24-25 do not exceed the basic exemption limit:

(i) The turnover of Mr.A's business is Rs.65 lakhs during the P.Y. 24-25

(ii) Mr.Subash has incurred a total expenditure of ₹ 90,000 towards consumption of electricity during the P.Y. 24-25

(iii) Mr.Deepak has savings bank account in SBI and HDFC and current account in Axis bank with opening balance of Rs.20 lakhs, Rs.10 lakhs and Rs.30 lakhs respectively. He deposited Rs.40 lakhs in SBI account, Rs.25 lakhs in HDFC account and Rs.75 lakhs in Axis account during the previous year 24-25.

(iv) Mr.Kumar, aged 50 years, has withdrawn cash of ₹ 1.20 crores during the P.Y. 24-25 from his savings account in HDFC bank. Mr.Kumar regularly filed his return of income till A.Y. 24-25.

7. Mr.Y has a total income of Rs.4,50,000 for A.Y.2025-26. He furnishes his return of income for A.Y. 2025-26 on 2<sup>nd</sup> December, 2025. He is liable to pay fee of:- (a) Rs.1,000 u.s.234F (b) Rs.5,000 u.s. 234F (c) Rs.10,000 u.s. 234F (d) Not liable to pay any fee.

8. Mr.Z, a salaried individual, has a total income of Rs.8 lakhs for A.Y. 2025-26. He furnishes his return of income for A.Y. 2025-26 on 28<sup>th</sup> August, 2025. He is liable to pay fee of:- (a) Rs.1,000 u.s.234F (b) Rs.5,000 u.s.234F (c) Rs.10,000 u.s.234F (d) Not liable to pay any fee.

9. Discuss, with reasons, whether the following statement is correct:  
Mahesh, a resident and ordinary resident in India and having a house property and a bank account outside India, is not required to file return of income for Assessment Year 2025-26, if his total income is below the maximum amount not liable to tax.

**Solution:**

The statement is not correct. Mahesh is a resident and ordinary resident for A.Y.2025-26. He has a house property and a bank account outside India. Hence, he is required to file return of income for A.Y.2025-26 even if his total income is below the basic exemption.

10. Mr.Vikas, a resident in India aged 80 years, is having a house property in Mumbai. He has let out the house property to ABC Ltd for a rent of Rs.50,000 per month from 01.04.2024. He does not have any other source of income. Is Mr.Vikas required to file his return of income for A.Y.2025-26. If yes, why?

- 11.** Mr.Ravi, a resident Indian aged 52 years, gifted a sum of Rs.30 lakhs to his wife Mrs.Sudha on the occasion of her 50<sup>th</sup> birthday. Out of the said sum, Mrs.Sudha purchased a car for Rs.29,52,000 inclusive of RTO charges of Rs.2,15,000, insurance of Rs.51,575, extended warranty of Rs.25,255 and accessories charges of Rs.35,460 during the P.Y. 2024-25. These charges were shown separately in the invoice. Mrs.Sudha's furnished her Aadhaar No. to the dealer.

*She is a housewife and does not have any income except rental income of Rs.25,000 p.m. in respect of a house property gifted to her by her father. Mr.Ravi is of the opinion that his wife is not required to furnish return of income, since her total income does not exceed the basic exemption limit. Examine.*

- 12.** A person other than a company or a firm who is otherwise not required to furnish the return of income, needs to furnish return of income provided they fulfill certain conditions prescribed. Enumerate. **OR**

*CBDT has vide Notification No.37/2022 dated 21.4.2022, inserted rule 12AB, notified which are all the person other than a company or firm who is not required to file return of income u.s.139(1) must file the return of income. State who are required compulsorily to file return of income*

- 13.** State with reason whether the following persons are required to file their return of income as per the provisions of the Income Tax Act, 1961 for the assessment year 2025-26:-

**i)** Mr.Aneesh aged 31 years, who opted for default tax u.s.115BAC(1A) had a total income of Rs.2,90,000 for the previous year 2024-25.

**ii)** Smt.Patel, aged 65 years, has a TDS credit of ₹ 55,000 during the previous year 2024-25.

**iii)** The gross receipts of Mr.Ajit, aged 45 years and architect for the previous year 2024-25 was Rs.12 lakhs, but his profit from profession was only ₹ 2,25,000 and he has no other income.

### **BELATED RETURN u.s.139 (4)**

A belated return can be filed at any time:

- a. before three months prior to the end of the relevant assessment year (i.e. 31.12.2024);
- or
- b. before the completion of the assessment (whichever is earlier).

*Mr.A, who has only salary income for the p. y. 2024-25 (AY 2025-26) ought to have filed return of income on or before 31.07.2025, being the time limit allowed u.s.139(1). In case if he has not filed the return on or before 31.07.2025, he may file a belated return on or before 31.12.2025, which is before three months prior to the end of the relevant assessment year. In case assessment is completed by the A.O., say by 10.12.2025, the corresponding time limit for furnishing belated return u.s.139(4) also concludes by 10.12.2025.*

- Note:**
- a. A belated return can attract interest u.s.234A if there is any tax due
  - b. A belated return shall attract late fee
  - c. Losses cannot be carried forward

### **REVISED RETURN u.s.139 (5)**

If an assessee, after furnishing the return of income, discovers **ANY OMISSION OR ANY WRONG STATEMENT** in the return filed, he may furnish a revised return.

A revised return can be filed at any time:

- a. before three months prior to the end of the relevant assessment year (i.e. 31.12.2025);  
or
- b. before completion of assessment (whichever is earlier).

Revised return filed shall replace the original return for all purposes.

**Note:**

- a. A revised return can be revised again.
- b. A belated return can also be revised.

**Problems:**

- 14.** *Mr.Y filed a return of income on 28.11.2025 (belated return) for A.Y.25-26 returning a taxable income of Rs.10,00,000. Later, on 01.12.2025 he filed a revised return declaring a reduced taxable income of Rs.6,00,000. As on 01.12.2025 assessment order was not passed. Advise on the validity of the return?*

**Solution:**

*A belated return can also be revised. A revised return can be filed before three months prior to the end of the relevant assessment year (i.e. before 31<sup>st</sup> December, 2025). A revised return was filed by the assessee on 01.12.2025 reducing the taxable income to Rs.6,00,000. A revised return filed shall replace the original return for all purposes. The return filed is a valid return in law.*

- 15.** *Mr.V exercised the option of shifting out of the default tax regime provided u.s.115BAC(1A) and submits his return of income under the optional tax regime on 12.09.2025 for A.Y.2025-26 consisting of income under the head "Salaries", "house property" and bank interest. On 21.12.2025, he realized that he had not claimed deduction u.s.80TTA in respect of his interest on savings bank account. He wants to revise his return of income. Can he do so? Discuss. Would your answer be different if he discovered this omission on 21.03.2026?*

**Solution:**

*Mr.V is not subject to Tax Audit. Due date for filing return of income for A.Y.2025-26 is 31<sup>st</sup> July, 2025.*

*A return furnished u.s.139(1) or a belated return u.s.139(4) can be revised. Therefore, Mr.V can revise the return of income filed by him in September 2025, to claim deduction u.s.80TTA, since*

*the time limit for filing a revised return is before three months prior to the end of the relevant assessment year, which is 31.12.2025.*

*However, he cannot revise his return of income had he discovered this omission only on 21.03.2026, since it is beyond 31.12.2025.*

- 16.** *Vegetable Ltd. filed its return of income for the A.Y.2024-25, on 15<sup>th</sup> December 2024. On 2<sup>nd</sup> January 2025, the accountant of Vegetable Ltd. realized that he had forgotten to claim a genuine business expenditure amounting to ₹ 15 lakhs. He wants to file revised return to claim such expenditure as the assessment is not yet completed. Whether the action of the accountant of Vegetable Ltd is valid?*

**Solution:**

*The due date of filing return of income of Vegetable Ltd for the A.Y. 2024-25 is 31.10.2024 since it is a company. Return of income was filed on 15.12.2024 which is a belated return. Belated return can also be revised. Revised return should be filed before 31.12.2024 or before completion of assessment, whichever is earlier. However, it cannot file a revised return on 02.01.2025 since it is beyond 31.12.2024. Hence, the action of accountant of Vegetable Ltd is not valid.*

- 17.** *Explain with brief reasons whether the return of income can be revised u.s.139(5) of the Income-tax Act, 1961 in the following cases:*
- Belated return filed under section 139(4).*
  - Return already revised once under section 139(5).*
  - Return of loss filed under section 139(3).*

**Sum no.2; page 8.13**

**Solution:**

*Any person who has furnished a return u.s.139(1) or 139(4) can file a revised return at any time before three months prior to the end of the relevant assessment year or before completion of assessment, whichever is earlier, if he discovers any omission or any wrong statement in the return filed earlier. Accordingly,*

- A belated return filed u.s.139(4) can be revised.*
- A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if the assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier.*
- A return of loss filed u.s.139(3) is deemed to be return filed u.s.139(1), and therefore, can be revised u.s.139(5).*

**Updated Return u.s.139(8A):**

Updated return of income can be filed by the assessee within 24 months from the end of the relevant assessment year.

Updated return can be filed irrespective of whether the assessee has filed his return or not for that Assessment Year. *For e.g. For A.Y. 2022-23, an assessee can file an updated return before 31<sup>st</sup> March, 2025 voluntarily irrespective of whether he has filed his income tax return or not for A.Y. 2022-23.*

**Updated return cannot be filed if such a return:**

- a) is a loss return; or
- b) has the effect of decreasing the total tax liability; or
- c) results in refund or increases the refund due.

**Additional income-tax payable at the time of updated return:**

- a) **25%** of aggregate of tax and interest payable, if such return is furnished after the expiry of time available under section 139(4) or 139(5) and before completion of the period of 12 months from the end of the relevant assessment year; or
- b) **50%** of aggregate of tax and interest payable, if such return is furnished after the expiry of 12 months from the end of the relevant assessment year but before completion of the period of 24 months from the end of the relevant assessment year.

**18.** *State whether the following statements are true or false:*

- a) *Updated return can be filed within 24 months from the end of the relevant assessment year.*
- b) *Updated return for A.Y.2022-23 can be filed before 31<sup>st</sup> March, 2025.*
- c) *An updated return for A.Y.2022-23 can be filed by the assessee only if he has filed his ITR earlier.*
- d) *An updated return cannot result in refund or increase in refund.*

**19.** *What is the time limit within which an updated return can be filed? Also enumerate the circumstances in which updated return cannot be furnished?*

**20.** *Mr.Sunil has filed his return of loss for A.Y.2024-25 on 31.7.2024 and received a total refund of Rs.44,500. On 15.9.2025, he would like to furnish his updated return of income for additional income. In case he furnished his updated return of income for additional income, he would be liable to pay Rs.57,000 towards tax and Rs.6,700 towards interest for additional income to be reported in updated return. Compute the additional income-tax payable by Mr.Sunil at the time of filing his updated return.*

- (a) Rs.27,050
  - (b) Rs.15,925
  - (c) Rs.14,250
  - (d) Rs.31,850
-



**21. Rani, an Indian resident aged 34 years did not file her return of income for the A.Y. 2022-23, 2023-24 and 2024-25. She gives the following information regarding each of the A.Y:-**

**A.Y.2022-23:**

- (i) Tax payable on the total income of Rani ₹ 14,50,000
- (ii) TDS deducted ₹ 5 lakhs

**A.Y.2023-24:**

- (i) Tax payable on the total income of Rani ₹ 5,60,000
- (ii) TDS deducted ₹ 10,00,000

**A.Y.2024-25:**

- (i) Tax payable on the total income of Rani ₹ 6,30,000.
- (ii) TDS deducted ₹ 2 lakhs
- (iii) Interest payable u.s.234A, 234B and 234C ₹ 90,000 (calculated till 31<sup>st</sup> May 2025)
- (iv) Self-assessment tax paid ₹ 1,00,000

*She approaches you to file updated return u.s.139(8A) on 16.05.2025. You are required to prepare a suggestion to be given to her in this respect. Your suggestion should include the financial aspect also (like payment of tax) briefly outlining the relevant provisions of the Income-tax Act.*

**Solution:**

An updated return can be furnished for the previous year relevant to the assessment year at any time within 24 months from the end of their relevant assessment year.

Accordingly, the following are the suggestions to Rani with respect to updated return on 16.05.2025 for A.Y. 2022-23, A.Y.2023-24 and A.Y.2024-25:

**A.Y. 2022-23:**

Since the period of 24 months from the end of A.Y. 2022-23 expired on 31.03.2025, updated return cannot be furnished on 16.05.2025 for A.Y. 2022-23.

**A.Y. 2023-24:**

For A.Y. 2023-24, updated return can be furnished up to 31.03.2026. Thus, updated return can be furnished on 16.05.2025. However, updated return cannot be furnished for the purpose of claiming refund of Rs.4,40,000 (Rs.5,60,000 (-) tds of Rs.10 lacs).

**A.Y. 2024-25:**

For A.Y. 2024-25, updated return can be furnished up to 31.03.2027. Thus, updated return can be furnished on 16.05.2025. Since updated return would be furnished before the expiry of 12 months from the end of 31.03.2025, additional income tax would be payable @ 25% of aggregate of tax (after taking into consideration tds and self-assessment tax paid) and interest payable.

Rani is required to pay additional income-tax of Rs.1,05,000 i.e. 25% of Rs.4,20,000 [(Rs.6,30,000 – Rs.2,00,000 – Rs.1,00,000) + Rs.90,000] and late fee of Rs.5,000.

**DEFECTIVE RETURN:**

The A.O. may intimate the defect in the return of income to the assessee. The assessee may be called upon to rectify the defect within 15 days from the date of intimation. The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee.

If the return is not so rectified within 15 days or within the extended time, the AO shall treat the return of income as an invalid return.

Where, however, the assessee rectifies the defect after the expiry of the period of 15 days or within the extended period, but before assessment is made, the Assessing Officer can condone the delay and treat the return as a valid return.

**22.** *Due to some inconsistent information provided in the return of income furnished under section 139(1), the Assessing Officer considers it defective u.s.139(9) of the Income-tax Act, 1961.*

- (ii) How, the Assessing Officer would deal with the issue?*
- (iii) What are the consequences if defect is not rectified within the time allowed?*
- (iv) Specify the remedies available if not rectified within time allowed by the Assessing Officer?*

**Solution:**

- (i) Where the Assessing Officer considers that the return of income furnished by the assessee is defective,*

- he may intimate the defect to the assessee and*
- give him an opportunity to rectify the defect within a period of 15 days from the date of such intimation.*

*The Assessing Officer has the discretion to extend the time period beyond 15 days, on an application made by the assessee.*

- (ii) If the defect is not rectified within the period of 15 days or such further extended period, then, the return would be treated as an invalid return. The consequential effect would be the same as if the assessee had failed to furnish the return.*

- (iii) The Assessing Officer has the power to condone the delay and treat the return as a valid return, if the assessee has rectified the return after the expiry of 15 days or the further extended period, but before the assessment is made.*
-

## **PERMANENT ACCOUNT NUMBER (PAN)**

***The following persons are required to apply and obtain PAN***

- a.** Every person whose total income or the total income of any other person in respect of which he is assessable under this Act during any previous year exceeded basic exemption limit; or
- b.** Any person carrying business or profession whose turnover or gross receipts is likely to exceed Rs.5,00,000 in any previous year; or
- c.** Every person, being a resident, other than an individual, which enters into a financial transaction of an amount aggregating to Rs.2,50,000 or more in a financial year; or
- d.** Every person who is the managing director, director, partner, trustee, author, founder, karta, chief executive officer, principal officer or office bearer of the person mentioned in (c) above or any person competent to act on behalf of such person.

**Rule 114BA:**                **Should apply for PAN atleast 7 days before the date he intends to deposit, withdraw, etc:**

- i.** Every person, who intends to **deposit cash** in his one or more accounts with a bank or co-operative bank or post office (Rs.20 lakhs or more during a financial year).
- ii.** Every person, who intends to **withdraw cash** in his one or more accounts with a bank or co-operative bank or post office (Rs.20 lakhs or more during a financial year).
- iii.** Any person, who intends to **open a current account or cash credit account** with a bank or a co-operative bank or a post office.

**PAN is required for the following purposes:**

- a.** Purchase of UNITS OF MUTUAL FUND exceeding Rs.50,000
- b.** Purchase of DEBENTURES of a company exceeding Rs.50,000
- c.** Purchase of RBI BONDS exceeding Rs.50,000
- d.** Purchase of SHARES in a company exceeding Rs.2,00,000
- e.** Sale or purchase of SHARES NOT LISTED exceeding Rs.1,00,000 per transaction.
- f.** Sale or purchase of any IMMOVABLE PROPERTY; Value or SDV exceeding Rs.10 lakhs
- g.** Sale or purchase of MOTOR VEHICLE other than a two wheeler (no minimum amount)
- h.** Making an application for issue of a CREDIT CARD or a DEBIT CARD
- i.** Opening a DEMAT account
- j.** To open a savings a/c. with a bank or a co-operative bank (other than a Basic Savings A/c)
- k.** CASH DEPOSIT exceeding Rs.50,000 with a bank/post office during any one day

- l.* TIME DEPOSIT WITH a Bank or a Post Office or a Nidhi or a NBFC exceeding Rs.50,000 or aggregate exceeding Rs.5 lakhs during a financial year
- m.* Payment of LIFE INSURANCE PREMIUM aggregating to more than Rs.50,000 in a year
- n.* Payment in CASH exceeding Rs.50,000 to a HOTEL or RESTAURANT against a bill or bills at any one time.
- o.* Payment in CASH exceeding Rs.50,000 in connection with TRAVEL TO ANY FOREIGN COUNTRY or payment for purchase of any FOREIGN CURRENCY at any one time.
- p.* Sale or purchase of goods or services of any nature other than those specified above for an amount exceeding Rs.2 lakhs per transaction.

**23.** *Pertaining to the following transactions, what is the, minimum amount above which quoting of Permanent Account Number is mandatory?*

- a.* Sale or purchase of Car
- b.* Payment in cash to a hotel or restaurant against a bill or bills at any one time.
- c.* Payment in cash in connection with travel to any foreign country.
- d.* Payment to the Reserve Bank of India for acquiring bonds issued by it.
- e.* A Time Deposit with a Post Office.
- f.* Payment as Life Insurance Premium to an insurer.
- g.* Sale or purchase of shares of a company not listed in a recognized stock exchange.
- h.* Sale or purchase of any immovable property.

**Solution:**

- a.* Quoting of PAN is compulsory (no minimum amount specified)
  - b.* Payment in CASH to hotels or restaurant if bill amount exceeds Rs.50,000 at one time
  - c.* Payment in CASH exceeding Rs.50,000 in connection with travel to any foreign country.
  - d.* Exceeding Rs.50,000
  - e.* Time deposit with a bank or a post office exceeding Rs.50,000 or aggregate exceeding Rs.5 lakhs during a financial year
  - f.* Payment of life insurance premium exceeding Rs.50,000 in a year to an insurer
  - g.* Applying for purchase of shares in an unlisted company exceeding Rs.1,00,000
  - h.* Sale or purchase of any immovable property value exceeding Rs.10 lakhs
-

24. Mr.Aakash has undertaken certain transactions during the F.Y. 2024-25, which are listed below. You are required to identify the transactions in respect of which quoting of PAN is mandatory in the related documents:-

S.No.	Transaction
1.	Payment of life insurance premium of Rs.45,000 in the F.Y. 2024-25 by account payee cheque to LIC for insuring life of self and spouse
2.	Payment of Rs.1,00,000 to a five-star hotel for stay for 5 days with family, out of which Rs.60,000 was paid in cash
3.	Payment of Rs.80,000 by ECS through bank account for acquiring the debentures of A Ltd., an Indian company
4.	Payment of Rs.95,000 by account payee cheque to Thomas Cook for travel to Dubai for 3 days to visit relatives
5.	Applied to SBI for issue of credit card.

**Answer:**

- PAN is not mandatory as life insurance premium paid does not exceed Rs.50,000
- PAN is mandatory as payment in cash exceeds Rs.50,000
- PAN is mandatory as payment exceeds Rs.50,000
- PAN is not mandatory as payment is not paid by cash
- PAN is mandatory for issue of credit card.

**SUBMISSION OF RETURNS THROUGH TAX RETURN PREPARERS (TRPs):**

“Tax Return Preparer” can be any individual, who has been authorized by the CBDT to assist the “specified class of persons” in preparing and filing their return of income and affix his signature on such return.

**“Specified class or classes of persons”** shall mean any person, other than

- a company or
- a person whose accounts are required to be audited u.s.44 AB or
- whose accounts are required to be audited under any other law for the time being in force

**Educational Qualification for TRPs**

“Tax Return Preparer” shall be an individual who holds a bachelor degree from a recognized Indian University or has passed the intermediate examination conducted by the Institute of Chartered Accountants of India or Institute of Company Secretaries of India or Institute of Cost Accountants of India.

However, TRPs do not include:

- a Chartered Accountant;
- a Legal Practitioner who is entitled to practice in any civil court in India and
- any officer of a Scheduled Bank with which the assessee maintains a current account or has other regular dealings.

25. Mrs.H, an individual, engaged in the business of Beauty Parlour, has got her books of account for the financial year ended on 31<sup>st</sup> March, 2025, audited u.s.44AB. Her total income for the A.Y.2025-26 is Rs.6,35,000. She wants to furnish her return of income for A.Y. 2025-26 through a tax return preparer. Can she do so?

**Sum no.3; page no.8.41**

**Solution:**

Section 139B provides a scheme for submission of return of income for any assessment year through a tax return preparer. However, it is not applicable to persons whose books of account are required to be audited under section 44AB. Therefore, Mrs.H cannot furnish her return of income for A.Y.2025-26 through a tax return preparer.

26. In the context of Tax Return Preparer scheme, 2006, explain the following:

- |   |         |
|---|---------|
| a) Eligible Persons                                   | 1 mark  |
| b) Educational qualifications of Tax Return Preparers | 1 mark  |
| c) Persons not entitled to act as tax return preparer | 2 marks |

27. Mahendra, a resident individual, aged 45 years earned a salary income of ₹ 2 crores during the F.Y. 2024-25. He also earned dividend from unlisted shares amounting to ₹ 4 lakhs. He wants to file his return of income for the A.Y. 2025-26 through a Tax Return Preparer. Can he do so?

**Section 140 – Who shall verify the return of income:**

<b><u>Assessee</u></b>	<b><u>Verified by</u></b>
<b>a. Individual</b>	the individual himself
When absent from India:	the individual himself; or any person duly authorized by him holding a valid power of attorney from the individual
Where he is mentally incapacitated:	his guardian; or any other person competent to act on his behalf
Where for any other reason he is not able to verify the return	any person duly authorized by him holding valid power of attorney from the individual
<b>b. HUF</b>	Karta
Where Karta is absent from India or is mentally incapacitated	Any other adult member (male or female) of the family
<b>c. Company</b>	Managing Director
Where MD is unable to verify	Any director or any other person as may be prescribed for this purpose

Where company is not resident in India MD or any person who holds a valid POA

When the company is in liquidation The liquidator

Where the management of the company has been taken over by Central Govt or any State Government under any law The principal officer of the company

Where an application for corporate insolvency resolution process has been admitted by the Adjudicating Authority under the Insolvency and Bankruptcy Code, 2016 Insolvency Professional appointed by such Adjudicating Authority

**d. Partnership firm** Managing Partner  
When the managing partner is unable to verify Any other partner (not being a minor)

**Limited Liability Partnership** Designated Partner  
When the designated partner is unable to verify Any Partner or any other person as may be prescribed for this purpose

**e. Local Authority** Principal Officer  
**f. Political party** Chief Executive Officer  
**g. Association of Persons** Any Member or Principal Officer

**Problems:**

**28.** Specify the persons who are authorized to sign the return of income.

- |                    |                    |
|--------------------|--------------------|
| a. Political Party | c. Local Authority |
| b. AOP             | d. LLP             |

**Solution:**

Political Party:	Chief Executive Officer of such party
AOP:	Any Member or Principal Officer
Local authority:	Principal Officer
LLP:	Designated partner

**29.** Where the Karta of an HUF is absent from India, the return of income can be signed by any male member of the family. Give reasoning for the statement to be true or false.

**Solution:** Any other adult member of HUF, can sign the return of income. Thus a male member who is not an adult cannot sign the return of income. An adult member, whether male or female, can sign the return of income.

- 30.** Mr.Kamal filed his Return of Income for the AY 2024-25 on 30.11.2024. Can he revise such return of income?

**Solution:** Yes. A belated return can be revised. A revised return can be filed before three months prior to the end of the relevant assessment year or before completion of assessment whichever is earlier. In this case, he can file a revised return on or before 31.12.2024 assuming assessment is not completed.

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- 31.** Explain the term “return of loss” under the Income-tax Act, 1961. Can any loss be carried forward even if return of loss has not been filed as required?

**Solution:**

A return of loss is a return which shows certain losses. Section 80 provides that the losses specified therein cannot be carried forward, unless such losses are determined in pursuance of return filed under the provisions of section 139(3).

Section 139(3) states that to carry forward the losses specified therein, the return should be filed within the time specified in section 139(1).

Following losses cannot be carried forward in the case of a belated filing:

Business loss; Speculative business loss; Specified business loss u.s.35AD; Loss under the head “capital gains” and loss from the activity of owning and maintaining race horses. However, loss from house property and unabsorbed depreciation can be carried forward even if return of loss has not been filed in time.

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## **QUOTING OF AADHAAR NUMBER [SECTION 139AA]**

**1. Mandatory quoting of Aadhaar Number:**

Every person is required to mandatorily quote Aadhaar Number on or after 01.07.2017:

- (a) in the application form for allotment of PAN; and
- (b) in the return of income.

**2. Mandatory quoting of Enrolment Id:**

If a person does not have Aadhaar Number, he is required to quote Enrolment ID of Aadhaar application form issued to him at the time of enrolment in the application form for allotment of PAN or in the return of income furnished by him. Enrolment ID means a 28 Enrolment Identification Number issued to a resident at the time of enrolment.

However, w.e.f. 1<sup>st</sup> October, 2024, the option of quoting Enrolment ID of Aadhaar application for allotment of PAN or in the return of income furnished is discontinued.

Further, a person who has been allotted PAN on the basis of Enrolment ID of Aadhaar application form filed before 1<sup>st</sup> October, 2024 has to intimate his Aadhaar Number, on or before a notified date, to the prescribed authority in the prescribed manner.



**3. Intimation of Aadhar Number to prescribed Authority:**

Every person who has been allotted PAN as on 01.07.2017 and who is eligible to obtain Aadhaar Number, has to intimate his Aadhaar Number to the prescribed authority on or before **31.03.2022**.

**4. Consequences of failure to intimate Aadhar Number:**

If a person fails to intimate the Aadhaar Number on or before 31<sup>st</sup> March, 2022, the PAN allotted to such person would become inoperative and he would be liable for payment of fee of Rs.1000 u.s.234H. If Aadhaar Number is intimated after 31<sup>st</sup> March, 2022, after payment of fee, his PAN would become operative within 30 days from the date of intimation of Aadhaar Number.

The consequences of inoperative PAN would be effective from the date specified by the Board i.e. 01.07.2023.

**5. The provisions of quoting Aadhar shall not apply in the following cases:**

- a. Individuals residing in the States of Assam, Jammu and Kashmir and Meghalaya;
- b. Non-resident;
- c. Very senior citizen;
- d. Not a citizen of India.

**32.** *Mr.A employed with B Pvt. Ltd. residing in Chennai, filed his return of income on 30<sup>th</sup> July. He has no other income other than salary. He however has failed to link his Aadhaar with PAN as on return filing date.*

1. *What is the last date for linking Aadhaar with PAN?*
2. *What is the consequences if he has linked Aadhaar with PAN on 31<sup>st</sup> October, 2023?*
3. *Are there any exceptions provided u.s.139AA from quoting of Aadhaar number?*

**Solution:**

- a) On or before 31<sup>st</sup> March, 2022.
- b) PAN will become inoperative if not linked before 31.03.2022. If Aadhaar is linked with PAN on 31<sup>st</sup> October, 2023, Mr.A is required to pay a late fee of Rs.1,000 u.s.234H and PAN will become operative within 30 days from the date Aadhaar was linked with PAN.
- c) Refer para 5 above

**33.** *Mr.Rahul, an Indian citizen residing in Mumbai, files his return of income every year on time. He has Aadhaar number as well. He has not intimated his Aadhaar number to the prescribed authority till August 2023. He approached you on 01.09.2023 and asked you the consequences for not doing so and the effective date from which those consequences would become effective. What would be your answer if Mr.Rahul wants to intimate his Aadhaar number to the prescribed authority now?*

**Solution:**

Where a person, who has been allotted PAN and is required to intimate his Aadhaar number, has failed to intimate the same on or before **31.03.2022**, the PAN of such person shall become in operative.

**Consequences of failure to intimate Aadhaar number:**

A person, whose PAN has become inoperative, would be liable for further consequences for the period commencing from the date specified by the Board till the date it becomes operative, namely:

- i. refund of any amount of tax or part thereof, due under the provisions of the Act shall not be made;
- ii. interest shall not be payable on such refund for the period, beginning with the date specified and ending with the date on which it becomes operative;
- iii. TDS and TCS shall be deducted or collected at higher rates

The consequences specified above will be effective from **1.7.2023**.

If Mr.Rahul wants to intimate his Aadhaar number to the prescribed authority on 1.9.2023, he would be liable to pay a fee of Rs.1,000 as specified u.s.234H. His PAN would become operative within 30 days from the date of intimation of Aadhaar number and would not be liable for the above consequences upon his span becomes operative.

**SELF-ASSESSMENT – SECTION 140A**

Where any tax is payable on the basis of any return required to be furnished under section 139, after taking into account:-

- (i) the advance tax paid,
- (ii) the tax deducted or collected at source

the assessee shall be liable to pay such tax together with interest and fees before furnishing the return.

**Order of adjustment of amount paid by the assessee:**

Where the amount paid by the assessee u.s.140A falls short of the aggregate of the tax, interest and fees, the amount so paid shall first be adjusted towards the fees payable and thereafter towards interest and the balance shall be adjusted towards the tax payable.

**Additional problems:**

34. Paras aged 55 years is resident of India. During the F.Y. 2024-25, interest of Rs.2,88,000 was credited to his Non-resident (External) Account with SBI. Rs.30,000, being interest on fixed deposit with SBI, was credited to his saving bank account during this period. He also earned Rs.3,000 as interest on this saving account. Is Paras required to file return of income? What will be your answer, if he had incurred Rs.3 lakhs as travel expenditure of self and spouse to US to stay with his married daughter for some time? Mr.Paras has shifted out of default tax regime.

*Sum no.1; page 8.8*

**Computation of total income of Mr.Paras for A.Y.2025-26:****Income from other sources:**

Interest earned from Non-resident (External) Account	exempt u.s.10(4)
Interest on fixed deposit with SBI	30,000
Interest on savings bank account	<u>3,000</u>
<b>Gross Total Income</b>	33,000
Less: Section 80TTA	<u>3,000</u>
<b>Total Income</b>	<u>30,000</u>

Interest from NRE A/c is exempt u.s.10(4), assuming that Mr.Paras has been permitted by RBI to maintain the aforesaid account.

Since the total income before giving effect to Chapter VI-A deductions is less than the basic exemption limit of Rs.2,50,000, he is not required to file return of income for A.Y.2025-26.

- b) If he has incurred expenditure of Rs.3 lakhs on foreign travel of self and spouse, he has to mandatorily file his return of income on or before the due date u.s.139(1).

35. Mr.Hari aged 57 years is a resident of India. He provides you the following details of his incomes pertaining to F.Y. 2024-25.

Interest on Non-Resident (External) Account maintained with State Bank of India as per RBI stipulations	Rs.5,35,000
Interest on savings bank account maintained with SBI	Rs.8,000
Interest on Fixed Deposits with Punjab National Bank	Rs.40,000

He seeks your advice on his liability to file return of income as per Income-tax Act, 1961 for the Assessment Year 2025-26. Mr.Hari has opted out of default tax regime.

What will be your answer, if he has incurred Rs.4 lakhs on travel expenses of his newly married son and daughter in law's honeymoon in Canada?

**Computation of total income of Mr.Hari for A.Y.2025-26:****Income from other sources:**

Interest earned from Non-resident (External) Account	exempt u.s.10(4)
Interest on fixed deposit with SBI	40,000
Interest on savings bank account	<u>8,000</u>
<b>Gross Total Income</b>	48,000
Less: Section 80TTA	<u>8,000</u>
<b>Total Income</b>	<u>40,000</u>

Interest from NRE A/c is exempt u.s.10(4), assuming that Mr.Hari has been permitted by RBI to maintain the aforesaid account.

Since the total income before giving effect to Chapter VI-A deductions is less than the basic exemption limit of Rs.2,50,000, he is not required to file return of income for A.Y.2025-26.

If he has incurred expenditure of Rs.4 lakhs on foreign travel of his son and daughter in law, he has to mandatorily file his return of income on or before the due date u.s.139(1).

- 36.** *Mrs.S is a US Citizen. She got married to Mr.R, an Indian citizen and resident of India, in the year 2018. Since then, she has been staying in India. She has a Bank account in US. She sold a residential house in US and earned a long term capital gain of Rs.2 lakhs. She invested the whole sale consideration in Capital Gain bonds u.s.54EC so that no long term capital gain is taxable. She does not have any source of income in India during the P.Y.2024-25. Is she required to furnish her return of income? If yes, can she furnish a belated return?*

**Solution:**

*Mrs.S is a resident and ordinary resident for A.Y.2025-26. Her taxable income without giving effect to Section 54EC is Rs.2 lakhs (less than basic exemption limit). However, she has a bank account in US. Hence, she is required to file her income tax return for A.Y.2025-26.*

*A belated return can be filed at any time:*

- before three months prior to the end of the relevant assessment year (i.e. 31.12.2025); or*
- before the completion of the assessment (whichever is earlier).*

*Therefore, Mrs.S can file a belated return before 31.12.2025.*

## **CHAPTER 18A: SPECIAL ECONOMIC ZONE – 10AA**

### **Deduction u/s.10AA:**

### **Units located in SEZ and deriving profits from export:**

#### **To whom available:**

Any assessee engaged in manufacture or production of any article or thing or any service in a SEZ on or after 01.04.2005 but before 01.04.2021.

This deduction is not available under the default tax regime.

#### **Amount of deduction:**

100% of export profits for first five years commencing from the year of manufacture.

50% of export profits for next five years

50% of export profits (or) amount transferred to “SEZ Re-investment Reserve Account” whichever is less shall be allowed as deduction for another five years.

### **Computation of deduction u.s.10AA:**

$$\text{Profits of SEZ unit} \quad (x) \quad \frac{\text{Export turnover of SEZ unit}}{\text{Total turnover of SEZ unit}}$$

**Return of Income:** To be filed before due date u.s.139(1).

**“Export Turnover”** means amount brought into India in convertible foreign exchange within **6 months** from the end of the previous year or within the time permitted by the RBI.

**“Export Turnover”** does not include:

Freight, telecommunication charges and insurance charges for delivery of goods outside India.

- Mrs.V, a resident individual, is running a SEZ unit as well as a unit in Domestic Tariff Area (DTA). She furnishes the following details relating to the year ended 31.03.2025, pertaining to these two units

	(Rs. in lakhs)	
	DTA unit	SEZ unit
Export turnover	100	1000
Total turnover	400	1100
Net profit	50	220

Compute the deduction available u/s.10AA assuming Mrs.V has opted for optional tax regime:

- When the SEZ unit had been set up on 12.10.2017; and
- When the SEZ unit had been set up on 12.08.2020.

2. Mr.Rudra has one unit at Special Economic Zone (SEZ) and other unit at Domestic Traffic Area (DTA). He provides the following details for the previous year 2024-25.

Particulars	Mr.Rudra (Rs.)	Unit in DTA (Rs.)
Total Sales	6,00,00,000	2,00,00,000
Export Sales	5,60,00,000	1,60,00,000
Net Profit	80,00,000	20,00,000

Proceeds from export sales in SEZ received in convertible foreign exchange by 30.09.2025 is Rs.3,00,00,000. He has exercised the option of shifting out of the default tax regime. Calculate the eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2025-26 if both the units were set up and start manufacturing from 22.05.2016.

3. XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2016 and unit in DTA from 15.6.2019. Total turnover of XYZ Ltd. and Unit in DTA is Rs.8,50,00,000 and Rs.3,25,00,000, respectively. Export sales of unit in SEZ and DTA is Rs.2,50,00,000 and Rs.1,25,00,000, respectively and net profit of Unit in SEZ and DTA is Rs.80,00,000 and Rs.45,00,000, respectively.

XYZ Ltd. would be eligible for deduction under section 10AA for P.Y. 2024-25 for:-

- |                  |                  |
|------------------|------------------|
| (a) Rs.38,09,524 | (c) Rs.19,04,762 |
| (b) Rs.23,52,941 | (d) Rs.11,76,471 |

4. Mr.Suraj (aged 48 years) furnishes the following particulars for the previous year 2024-25 in respect of an industrial undertaking established in "Special Economic Zone" in March 2019. It began manufacturing in April 2019.

Particulars	(Rs.)
Total sales	85,00,000
Export sales [proceeds received in India]	45,00,000
Domestic sales;	40,00,000
Profit from the above undertaking	20,00,000

Export Sales of F.Y. of 2024-25 include freight and insurance of Rs.5 lacs for delivery of goods outside India.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:

- i. Compute the amount of deduction available u.s.10AA to Mr.Suraj for A.Y. 2025-26.
- |                  |                 |
|------------------|-----------------|
| (a) Rs.10,00,000 | (c) Rs.4,70,577 |
| (b) Rs.5,62,500  | (d) Rs.5,00,000 |

**CHAPTER 18B:****ALTERNATIVE MINIMUM TAX**

1. AMT provisions are not applicable under the Default Tax Regime.
2. AMT provisions shall apply to any person who has claimed deduction under:
  - a. Section 10AA; or
  - b. Section 35AD; or
  - c. Section 80JJAA, Section 80QQB & Section 80RRB
3. AMT provisions are applicable for all assesses (individuals, huf, firms) except companies.
4. **NO AMT:** AMT provisions shall NOT apply to an **Individual or HUF** if the Adjusted Total Income of such person does not exceed **Rs.20 lakhs.**
5. AMT rate is calculated @ 18.5% plus surcharge and education cess
6. **Adjusted Total Income u.s.115JC is computed as follows:**

Step 1: "Taxable Income" as per the normal provisions xxx

Step 2: Add: Deduction claimed (3 items):

u.s.10AA xxx

u.s.35AD (net of depreciation allowed) xxx

u.s.80JJAA, 80QQB & 80RRB xxx

Step 3: Adjusted Total Income xxx

7. **AMT CREDIT:** Excess tax paid on account of AMT shall be carried forward as "AMT Credit" for a period of **15 years** and can be set off against future tax liability.

8. **STEPS TO SOLVE PROBLEMS:**

- A. **Under Optional tax regime:**

Step 1: Compute total income and tax as per normal provisions

Step 2: Compute adjusted total income and AMT

Step 3: Tax liability is the higher of Step 1 and Step 2

- B. **Under Default tax regime**

Step 1: Compute total income and tax as per DTR

Step 2: AMT is not applicable under DTR

- C. Tax liability shall be A (OTR) or B (DTR) whichever is more beneficial to the assessee

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**PROBLEMS:****1. Compute the tax payable by Mr.A & by Mr.B for A.Y.2025-26:**

<b>Particulars</b>	<b>Mr.A</b>	<b>Mr.B</b>
Total Income (after deduction u.s.10AA)	40,00,000	10,00,000
Deduction claimed u/s.10AA	25,00,000	8,50,000

Also compute the amount of AMT credit to be carried forward. Ignore DTA.

**2. Mr.R (age 62 years) furnishes the following information for the year ending 31.03.2025:**

Income from business Rs.20,00,000 (set up in SEZ)  
 Deduction u.s.10AA Rs.10,00,000  
 Income from royalty (lump-sum) from books Rs.5,00,000 (qualifies for deduction u.s.80QCB)  
 Income from other sources Rs.1,00,000 (including interest on fixed deposit with SBI Rs.72,000)  
 Deduction u.s.80C Rs.1,50,000

Compute:

- (i) Total income and tax liability for AY 25-26 under the optional tax regime.
- (ii) Total income and tax liability for AY 25-26 under the default tax regime.
- (iii) Advice which is more beneficial.

**3. Mr.X, an individual set up a unit in SEZ in the financial year 2019-20 for production of washing machines. The unit fulfills all the conditions of Section 10AA.**

During the financial year 2023-24, he has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. He fulfills all the conditions of Section 35AD. Capital expenditure in respect of warehouse amounted to Rs.75 lakhs (including cost of land Rs.10 lakhs), the payment of which has been made by an account payee bank draft. The warehouse became operational with effect from 1<sup>st</sup> April, 2024 and the expenditure of Rs.75 lakhs was capitalized in the books on that date.

Relevant details for the financial year 2024-25 are as follows:

Profit of unit located in SEZ	Rs.40,00,000
Export sales of above unit	Rs.80,00,000
Domestic sales of above unit	Rs.20,00,000
Profit from operation of warehousing facility (before considering deduction u.s.35AD)	Rs.1,05,00,000

Compute:

- (i) Total income and tax liability for AY 25-26 under the optional tax regime.
- (ii) Total income and tax liability for AY 25-26 under the default tax regime.
- (iii) Advice which is more beneficial.



4. Mr.Bhagat, an individual aged 50 years, set up a unit in Special Economic Zone (SEZ) in F.Y.2019-20 for the production of computers. The unit fulfills all the conditions of section 10AA of the Income-tax Act, 1961.

During F.Y.2023-24, he set up a hospital in a district of Maharashtra with 110 beds for patients. He fulfills all the conditions of section 35AD. Capital expenditure in respect of the said hospital amounted to Rs.65 lakhs (comprising of cost of land Rs.15 lakhs and the balance was the cost of construction of building). The hospital became operational with effect from 1<sup>st</sup> April, 2024 and the expenditure of Rs.65 lakhs was capitalized in the books of accounts on that date.

Relevant details of F.Y.2024-25 are as follows:

Profit of unit located in SEZ	Rs.36 lakhs
Export sales of SEZ unit	Rs.75 lakhs
Domestic sales of SEZ unit	Rs.25 lakhs

Profit from operation of hospital facility (before considering deduction under section 35AD)	Rs.90 lakhs
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Compute:

- (i) Total income and tax liability for AY 25-26 under the optional tax regime.
- (ii) Total income and tax liability for AY 25-26 under the default tax regime.
- (iii) Advice which is more beneficial.

5. AMT liability are not attracted to: Choose the correct answer from the following:

- (A) Individual/AOP
- (B) HUF/BOI/Artificial Juridical person not paying tax under DTR
- (C) Individual/HUF/BOI/AOP
- (D) Individual/HUF/BOI/AOP paying tax under DTR

6. Mr.Uttam presents you following data related to his tax liability for A.Y. 2025-26:

Particulars	Rs. in lakhs
Tax Liability as per regular provisions of Income-tax Act. 1961	15
Tax Liability as per section 115JC	12
AMT credit brought forward from A.Y. 2024-25	5

What shall be the tax liability of Mr.Uttam for A.Y. 2025-26?

1. Rs.12 lakhs
2. Rs.15 lakhs
3. Rs.10 lakhs
4. Rs.7 lakhs

## **CHAPTER 18C: INCOMES EXEMPT U.S.10**

### **1. State with reasons in brief whether the following statements are true or false:**

- a.* Mr. A, a member of a HUF, received ₹ 1,00,000 as his share from the income of the HUF. The same is to be included in his chargeable income.
- b.* Share of profit received by a partner from his firm is exempt u.s.10(2A)
- c.* Interest on moneys standing to the credit of individual in his Non-resident (External) Account (NRE A/c) is exempt from tax.
- d.* Interest on post office savings account is exempt u.s.10(15).
- e.* Compensation on account of disaster received from a local authority by an individual or his/her legal heir is taxable
- f.* Maturity amount received from LIC is exempt but maturity amount received from keyman insurance policy is taxable.
- g.* Amount withdrawn from Public Provident Fund is exempt from tax.
- h.* Scholarship granted to meet the cost of education shall be fully exempt.
- i.* Daily allowance received by MP / MLA is fully exempt.
- j.* Pension received by a recipient of gallantry award is exempt from income-tax.
- k.* Pension received by the widow of the member of the armed forces, who died during the course of operational duties is exempt from tax.
- l.* Exemption is available to a Sikkimese individual, only in respect of income from any source in the State of Sikkim.
- m.* Income earned by a minor child is exempt up to Rs.1,500 u.s.10(32) under optional tax regime.
- n.* Agricultural land in urban area used for agricultural purposes by the assessee for 4 years was compulsorily acquired by Government of India and compensation fixed by it Rs.25 lacs.
- o.* Lumpsum amount received by a senior citizen from a bank under Reverse Mortgage Scheme is exempt from tax under section 10(43)
- p.* Amount received by a shareholder on buy-back of shares by a company is exempt from tax.
- q.* Allowances or perks paid by Government of India to an Indian citizen for rendering services outside India is fully exempt.

**Answer:**

- False:** Share received by member out of the income of the HUF is exempt u.s.10(2)
- True:** Share of profit received by a partner is exempt in his hands u.s.10(2A)
- True:** Interest earned by a non-resident Indian in his NRE a/c with a bank is fully exempt u.s.10(4)
- True:** Rs.3,500 in a single account and Rs.7,000 in a joint account is exempt u.s.10(15)
- False:** As per section 10(10BC), any amount received as compensation by an individual or his/her legal heir on account of any disaster from the Central Government, State Government or a local authority is exempt from tax.
- True:** Maturity amount received from LIC shall be exempt from tax u.s.10(10D) provided the premium paid does not exceed the prescribed %. Amount received from maturity of keyman insurance policy is taxable either under the head 'salaries' or 'PGBP' or 'IFOS'.
- True:** Any amount withdrawn from PPF shall be exempt from tax u.s.10(11)
- True:** The value of scholarship granted to meet the cost of education would be exempt from tax. Section 10(16)
- True:** Daily allowance received by MP or MLA shall be fully exempt u.s.10(17). This exemption is not available under the default tax regime.
- True:** Exempt from tax u.s.10(18). It includes pension received by an individual who has been awarded 'Param Vir Chakra' or 'Maha Vir Chakra' or 'Vir Chakra' (gallantry award).
- True:** Exempt from tax under section 10(19)
- False:** Income from any source in the State of Sikkim, dividend income and interest on securities is exempt in the hands of a Sikkimese individual. This exemption is not available to a Sikkimese woman who, on or after 1<sup>st</sup> April, 2008, marries a non-Sikkimese individual. Section 10(26AAA).
- False:** True. Such exemption is not available under the default tax regime.
- True:** Exempt u.s.10(37) – Refer capital gains (section 54B)
- True:** Exempt u.s.10(43) – Refer capital gains (reverse mortgage scheme)
- True:** Exempt u.s.10(34A) – Refer capital gains (buy-back)
- True:** Fully exempt u.s.10(7) – Refer salaries.
-

## **CHAPTER – 18D: INCOME DEEMED TO ACCRUE OR ARISE IN INDIA**

### **Income deemed to accrue or arise in India**

Any income accruing or arising to an assessee in any place outside India whether directly or indirectly through any “**business connection**” in India would be deemed to accrue or arise in India. Hence, taxable in India.

### **What is Business Connection?**

‘Business Connection’ shall include any business activity carried out through a person acting on behalf of the non-resident.

However, in the case of a **non-resident**, the following shall **NOT** be treated as business connection in India:

**1. Purchase of goods in India for export:**

In the case of a non-resident, no income shall be deemed to accrue or arise in India to him through or from operations which are confined to the purchase of goods in India for the purpose of export.

**2. Collection of news and views in India for transmission out of India:**

In the case of a non-resident, being a person engaged in business of running a news agency or of publishing newspapers, magazines or journals, no income shall be deemed to accrue or arise in India to him through or from activities which are confined to the collection of news and views in India for transmission out of India.

**3. Shooting of cinematograph films in India:**

In the case of a non-resident, no income shall be deemed to accrue or arise in India through or from operations which are confined to the shooting of any cinematograph film in India, if such non-resident is:

- a) an individual, who is not a citizen of India; or
- b) a firm which does not have any partner who is a citizen of India or who is resident in India; or
- c) a company which does not have any shareholder who is a citizen of India or who is a resident in India.

**4. Activities confined to display of rough diamonds in SNZs:**

In the case of a foreign company engaged in the business of mining of diamonds, no income shall be deemed to accrue or arise in India to it through or from the activities which are confined to display of uncut and unassorted diamonds in any special zone notified by the Central Government.

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**Problems:****1. Examine the tax implications of the following transactions for the A.Y.2025-26:**

*Government of India has appointed Mr.Rahul as an ambassador in Japan. He received salary of Rs.7,50,000 and allowances of Rs.2,40,000 during the previous year 2024-25 for rendering his services in Japan. He is an Indian Citizen having status of non-resident in India for the previous year 2024-25.*

*Ms.Juhi, a non-resident in India is engaged in operations which are confined to purchase of goods in India for the purpose of export. She has earned Rs.2,50,000 during the previous year 2024-25. Examine the tax implication.*

*Mr.James, a NRI, borrowed Rs.10,00,000 on 01.04.2024 from Mr.Akash who is also a non-resident and invested such money in the debentures of an Indian Company. Mr.Akash has received interest @ 12% per annum.*

*Mr.Naveen, a non-resident in India, has earned Rs.3,00,000 as royalty for a patent right made available to Mr.Rakesh who is also a non-resident. Mr.Rakesh has utilized patent rights for development of a product in India and 50% royalty is received in India and 50% outside India.*

**Answer:**

**Taxable:** Salary paid by GOI to an Indian citizen (non-resident), for rendering services outside India is deemed to accrue or arise in India. Hence, taxable in the hands of Mr.Rahul. However, allowances and perquisites paid/provided by the GOI is fully exempt from tax u.s.10(7).

**Not taxable:** In case of a non-resident, **NO** income shall be deemed to accrue or arise in India to her through or from operations which are confined to the purchase of goods in India for the purpose of export. Hence, Rs.2,50,000 earned during the previous year 2024-25 shall not be taxed in the hands of Ms.Juhi as it is NOT deemed to accrue or arise in India.

**Not taxable,** since interest payable by a non-resident to another non-resident would be deemed to accrue or arise in India only if the borrowed fund is used for the purposes of business or profession carried on by him in India. In this case, it is used for investing in debentures of Indian company for earning interest and not for the purposes of business or profession. Hence, it is **not taxable** in India.

**Taxable:** Royalty received by a non-resident from a non-resident is deemed to accrue or arise in India if the patents are utilized for the purpose of carrying on business in India. Mr.Rakesh has utilized patent rights for development of a product in India, hence, it is deemed to accrue or arise in India, hence taxable in the hands of Mr.Naveen (a non-resident).

**2. Discuss the taxability of the following items in the hands of different persons briefly explaining the applicable provisions of the Income-tax Act:**

*Mr.J, a non-resident is having a plot of land in Chennai. He sells this plot to another non-resident outside India. The consideration is received outside India in foreign currency.*

*Mr.A is having a house property in India. The property is let out by him to a foreign company. The rent agreement is entered outside India. Monthly rent is also received outside India.*

*Government of Rajasthan has borrowed money from ABC Express Bank, a foreign bank. The interest payable to ABC Express bank is remitted outside India.*

*Mr.B, a citizen of India, is appointed by Reliable Industries Ltd. in their Dubai Branch. Mr.B is a non-resident and receives salary outside India.*

**Answer:**

Capital asset is located in India. Income is deemed to accrue or arise in India. Hence, taxable in the hands of Mr.J.

House property is located in India. Hence, income is deemed to accrue or arise in India. Hence taxable in the hands of Mr.A.

Interest paid by Government of Rajasthan on money borrowed from ABC Express Bank, is deemed to accrue or arise from India. Hence, it is taxable in the hands of ABC Express Bank.

Services are rendered outside India and salary is also received outside India. Not deemed to accrue or arise in India, hence not taxable in the hands of a non-resident.

3. *Mr.Thomas, a non-resident and citizen of Japan entered into following transactions during the previous year ended 31.03.2025. Examine the tax implications in the hands of Mr.Thomas for the AY 2025-26 as per Income-tax Act, 1961. (Give brief reasoning)*

(a) *Interest received from Mr.Marshall, a non-resident outside India (the borrowed fund is used by Mr.Marshall for investing in Indian company's debt fund for earning interest).*

(b) *Received Rs.10 lakhs in Japan from a business enterprise in India for granting license for computer software (not hardware specific).*

(c) *He is also engaged in the business of running news agency and earned income of Rs.10 lakhs from collection of news and views in India for transmission outside India.*

(d) *He entered into an agreement with SKK & Co., a partnership firm for transfer of technical documents and design and for providing services relating thereto, to set up a Denim Jeans manufacturing plant, in Surat (India). He charged Rs.10 lakhs for these services from SKK & Co.*

**Answer:**

**Not taxable:** Interest payable by a non-resident to another non-resident would be deemed to accrue or arise in India only if the borrowed fund is used for the purposes of business or profession carried on by him in India. In this case, it is used for investing in Indian company's debt fund for earning interest and not for the purposes of business or profession. Hence, it is **not taxable** in India.

**Taxable:** Consideration received for grant of license for computer software is Royalty. Hence, the amount of Rs.10 lakhs payable by a resident (business enterprise in India) for grant of license for computer software would be royalty which is deemed to accrue or arise in India in the hands of Mr.Thomas, a non-resident, since it is for the purpose of business in India. Hence, the royalty received is taxable in India in the hands of Mr.Thomas.

**Not taxable:** No income shall be deemed to accrue or arise in India to Mr.Thomas through or from activities which are confined to the collection of news and views in India for transmission out of India. Hence, Rs.10 lakhs is **not taxable** in India in the hands of Mr.Thomas.

**Taxable:** Fees for technical services paid for services utilized in India. Deemed to accrue or arise in India. Hence, it is taxable in the hands of Mr. Thomas.

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**4. Discuss whether the following incomes are taxable or not in India:—**

1. A non-resident purchases goods from India and sells these goods abroad.
2. A non-resident is engaged in the business of publication of a magazine from Canada. Some of the news published in the magazine are collected from India.
3. X Ltd., a non-resident foreign company, is engaged in the business of shooting a cinematograph film in India. The film after its completion is sold to another non-resident outside India. None of shareholders of X Ltd. is an Indian citizen or resident in India.
4. A non-resident owns a commercial building in Bombay which is transferred to another non-resident outside India. The consideration is payable in a foreign currency outside India.
5. A non-resident owns a residential house in Delhi which is given on rent to a foreign embassy. Rent is, however, payable outside India in a foreign currency.
6. Interest on loan is paid by the Government of India to a non-resident outside India.
7. Y Ltd., a non-resident, gets royalty from Z Ltd., a non-resident, outside India. Royalty is, however, payable by Z Ltd. in relation to a business of manufacturing carried on by it in India.
8. A Ltd., a non-resident, gets interest from B Ltd., an Indian company, outside India. The capital was borrowed by B Ltd. for the purpose of a business carried on by it outside India.
9. C, a non-resident Indian, is presently appointed by the Government of India in its embassy at Saudi Arabia. Salary for rendering service is paid to him in a foreign currency outside India.
10. D, a non-resident Indian, is presently appointed by an Indian company in its foreign branch at Sudan. Salary is paid to him outside India in a foreign currency.

**Answers:**

- |                 |  |
|-----------------|--|
| 1. Not taxable  | Not deemed to accrue or arise in India |
| 2. Not taxable  | Not deemed to accrue or arise in India |
| 3. Not taxable  | Not deemed to accrue or arise in India |
| 4. Taxable      | Deemed to accrue or arise in India     |
| 5. Taxable      | Deemed to accrue or arise in India     |
| 6. Taxable      | Deemed to accrue or arise in India     |
| 7. Taxable      | Deemed to accrue or arise in India     |
| 8. Not taxable  | Not deemed to accrue or arise in India |
| 9. Taxable      | Deemed to accrue or arise in India     |
| 10. Not taxable | Not deemed to accrue or arise in India |
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## **CHAPTER – 19:**                    **TOTAL INCOME & TAX LIABILITY**

### **Problems on computation of total income and tax liability under both tax regimes:**

1. **Mr.PAWAN**, aged 36 years, a resident individual, furnishes the following particulars of his income for the previous year 24-25:

Annual value of let out property Rs.60,000;

Profit and gains from manufacturing business (after deducting normal depreciation of ₹ 8,000 and additional depreciation of ₹ 4,000) Rs.5,36,000

Interest received on fixed deposit from bank (gross) Rs.1,00,000

Interest received from company deposits (gross) Rs.60,000

Saving bank account interest received by minor son of Mr.Pawan Rs.1,000

He contributed the following amounts by cheque:

- Sukanya Samriddhi account scheme in the name of his minor daughter Rs.25,000;
- Own contribution to Recognized Provident fund Rs.30,000;
- Prime Minister's National Relief Fund Rs.20,000.

You are required to compute total taxable income and his tax liability for the assessment year 25-26 under the default tax regime under section 115BAC of the Income Tax Act 1961 and optional tax regime as per the normal provisions of the Act.

Advise Mr.Pawan, whether he should pay tax under default tax regime or normal provisions of the Act.

2. **Mr.ANAND**, an Indian resident, aged 52 years, gives the following information for the year ended 31<sup>st</sup> March, 2025:

**(a)** Income from manufacturing business (as per profit and loss account) Rs.10,60,000

**(b)** Depreciation as per books Rs.56,000

**(c)** Depreciation as per Income Tax Act Rs.77,000 (includes additional depreciation of ₹ 11,000)

**(d)** Loss from speculation business Rs.1,25,000

**(e)** Public provident fund investment Rs.1,50,000

**(f)** Medical insurance premium paid for self and spouse Rs.35,000

Compute the total income of Anand both as per default regime and normal provisions of the Act. Decide which option is better for Anand.



3. **Mr.RAM**, resident individual, aged 46 years, owns 2 residential house properties of which, one is used for own residential purpose and the other is let out for a monthly rent of ₹ 65,000. He bought these houses by taking housing loan from a nationalized bank. During the financial year 2024-25, he paid interest on housing loan amounting to ₹ 2,10,000 each for both the houses and total principal repayment of ₹ 2,50,000 for each house.

Mr.Ram is doing iron business by name M/s.Ram Enterprises in which his income (computed) amounts to ₹ 9,60,000.

You are required to calculate taxable income and tax liability of Mr.Ram for A.Y.2025-26 under DTR u.s.115 BAC and also under optional tax as per the regular provisions (old regime) of the Income Tax Act, 1961. Decide which option is better for Mr.Ram.

4. **Mr.ARUN** is working as a Senior Manager in ABCD Bank, a listed commercial bank, in Delhi since January 2009. Following are the details of his income for the previous year 2024-25:

House rent allowance	Rs.15,000 p.m.
Basic salary	Rs.20,000 p.m.
Dearness allowance (50% forms part of retirement benefits)	Rs.5,000 p.m.

Bank paid Rs.5,000 p.a. as premium on personal accident insurance policy taken for Mr.Arun.

The bank also allotted 2000 sweat equity shares to Mr.Arun in May 2024 @ Rs.1,300 per share. The fmV. of the share was Rs.1,500 on the date of exercise of option by Mr.Arun. He sold all the shares for Rs.2,100 on 31.03.2025 on registered stock exchange. Assume stt. has been paid.

He transferred Rs.50,000 p.m. as rent to the bank account of his mother, Mrs.Nirmal, who owned the house (municipal valuation Rs.2 lakh) in which he stayed at Delhi.

He also owns a house property at Kanpur, whose municipal valuation is Rs.2,60,000 p.a. The fair rent is Rs.2,20,000 p.a. and the standard rent fixed by the Rent Control Act is Rs.2,40,000 p.a. The property was let out for a rent of Rs.22,000 p.m. throughout the previous year. He also paid municipal taxes @ 10% of M.V. of the house at Kanpur during the previous year.

He has a son Aditya, aged 12 years having PAN, who is earning interest on a fixed deposit created by his late grandfather (Mr.Arun's father) in his name. Interest (net) credited by the bank during the year amounted to Rs.36,000.

He received the following gifts from his friends and relatives during the P.Y. 2024-25:

1. Gold chain from friend worth Rs.70,000
2. LED TV set from colleagues on completing 15 years in Bank Rs.1,00,000
3. Rs.51,000 in cash from married sister of wife.

**Compute Mr.Arun's total income and the gross tax liability for the A.Y. 2025-26 in a manner most beneficial to him.**

5. Ms.AANCHAL, aged 40 years is an advocate (Taxation). She keeps her books of accounts on cash basis. Her profit & loss account for the year ended March 31, 2025 is as follows:

**Profit and Loss Account for the year ending March 31, 2025**

Staff Salary	20,10,000	<u>Fees earned from:</u>	
Rent	9,00,000	Taxation services	20,00,000
Administrative expenses	6,50,000	Appeals	15,00,000
Incentive to office staff	2,00,000	Consultancy	<u>15,00,000</u>
Meetings, Seminars and conferences	1,70,000		50,00,000
Purchase of car (for official use) on 01.07.2024	3,00,000	Dividend from an Indian company (gross) on 01.07.2024	11,00,000
Repairs, maintenance and petrol of car	35,000	Interest on deposit certificates issued under gold monetization scheme, 2015	25,000
Travelling expenses	5,00,000	Gifts	1,00,000
Municipal tax paid in respect of HP	9,000	Honorarium received for valuation of answer papers	50,000
Net Profit	<u>15,91,000</u>	Rent received (HP)	<u>90,000</u>

**Other information:**

- a) Gifts represent fair market value of an 'iPhone 16 pro', which was given by one of her clients for successful presentation of case in the Income Tax Appellate Tribunal.
- b) Administrative expenses include Rs.50,000 paid to a tax consultant in cash for assisting Ms.Aanchal in one of the professional assignments.
- c) The travelling expenses include expenditure incurred on foreign professional tour of Rs.50,000 which was within the RBI norms.
- d) Ms.Aanchal paid medical insurance premium for her parents (senior citizens and not dependent on her) online amounting Rs.47,000. She also paid Rs.8,500 by cash towards preventive health check-up for herself and her spouse.
- e) Repairs and maintenance of car include Rs.25,000 for the period from 1.10.2024 to 30.09.2025.
- f) She has paid Rs.1,00,000 towards advance tax during the P.Y. 2024-25.

**Compute Total Income and Net Tax Payable as per the most beneficial taxation scheme for Ms.Aanchal for the A.Y. 2025-26.**

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

<b><u>Receipts</u></b>		<b><u>Payments</u></b>	
Opening balance	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2024 recd in April, 2024		Entertainment expenses	1,10,000
- IPD	40,000	Purchase of television	48,000
- OPD	<u>45,000</u>	Gift to daughter in law	60,000
	85,000	Interest on loan for repairs to property	65,000
Gift received from relatives of patients	45,000	Personal medical expenses	70,000
		Deposits in PPF	55,000
Dividend from shares (net)	18,900	Nursing home expenses	3,75,000
Fees received during the year	10,25,000	Prof. fees paid for consulting services	1,20,000
Honorarium for painting in Jai Hind Art School (net)	22,500	Purchase of furniture at home	1,35,000
Income tax refund (including interest of Rs.1,500)	12,100	Personal expenses	3,00,000
	<u>          </u>	Balance c/f	<u>2,04,500</u>

- a) He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- b) Salary includes Rs.60,000 paid to his sister who is a qualified nurse paid in cash.
- c) Entertainment expenses include Rs.25,000 for dinner to doctors in a five star hotel.
- d) Interest on loan for repairs to property includes Rs.40,000 for his residential property.
- e) His daughter in law earned income of Rs.10,000 from the amount received as gift.
- f) Fixed Assets values as on 01.04.2024 are as under:-  
Nursing Home Equipment Rs.2,20,000; Medical books (including annual publications Rs.10,000) Rs.35,000; Laptop Rs.40,000.
- g) Television purchased for nursing home purpose on 21.09.2024 is put to use on 03.10.2024.
- h) He has donated Rs.10,000 towards PM CARES Fund on 15.08.2024.

You are required to:

1. Compute the total income and tax payable by him for A.Y. 2025-26 as per the regular provisions of the Income-tax Act, 1961. Assume that he has opted for optional tax regime.
2. What will be his total income and tax payable, if he opts for the provisions of section 44ADA? Will it be more beneficial for him to adopt 44ADA?

**Solution 5:** PGBP Rs.7,88,800; Sum no.8; Page no.139 in our material – volume 1.  
PGBP as per section 44ADA is Rs.9,02,500.

7. **Mrs.NISHA**, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2023-24 was Rs.250 lakhs and in the current previous year 2024-25, it is Rs.600 lakhs. The net profit as per profit and loss account as on 31.03.2025 is Rs.5,61,000.

She provides the following additional information those were not considered while making the profit and loss account for the previous year 2024-25.

Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

<b>Date</b>	<b>PARTICULARS</b>	<b>AMOUNT</b>
01.04.2024	Opening written down value of machinery used for manufacturing purpose	4,75,000
03.07.2024	New machinery purchased during the year payment made by an account payee cheque	7,25,000
10.03.2025	Sold one of the old machine She does not have any other fixed asset employed in the business.	75,000

Received subsidy of 20% on new machine purchased on 03.07.2024 during the previous year under technology upgradation fund scheme from the Central Government.

She paid a job charges for the value addition on the fabrics Rs.90,000 without deduction of tax to job worker by an account payee cheque.

Commission paid to one agent allowed as deduction in earlier assessment year amounting Rs.50,000 has now been received back during previous year 2024-25 from the agent due to settlement with commission agent.

Rs.25,000 paid to creditor for goods in cash.

Incurred loss of Rs.1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange.

Interest received amounting Rs.2,00,000, duly authorized by partnership deed of M/s.Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.

She received Rs.60,000 by pre-mature withdrawals from deposit including interest of Rs.5,000 in post office time deposit, eligible for deduction under Section 80C.

She sold her gold bracelet (jewellery), used by her for personal purposes, on 01.05.2024 for Rs.18,00,000, which was acquired for Rs.45,200 on 01.03.2005. A diamond was embedded onto bracelet on 01.05.2007 of Rs.51,600. (CII: 2004-05:113; 2007-08:129 and 2024-25: 363)

She received a gold coin (bullion) worth Rs.55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2024-25.

She incurred long term loss from sale of shares of an Indian company. (STT is paid on the sale and purchase of the shares) Rs.75,000.

She deposited a sum of Rs.50,000 with LIC of India every year for the maintenance of her mother aged 70 years dependent upon him and suffering from severe disability.

She purchased a new residential house during the previous year and paid stamp duty and registration fee Rs.1,55,000 to get transfer the property in her name. Cost of the new residential property is Rs.15 lakhs.

**You are required to compute the total income and tax payable by Mrs.Nisha for A.Y. 2025-26. (Ignore the provisions of Default Tax Regime). Give brief note wherever necessary.**

**Solution 6:** PGBP Rs.3,27,500; Sum no.11; Page no.142 in our material – volume 1.

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

**Debits:**

- Rs.20,000 paid to a Gurudwara registered u/s.80 G of the Income-tax Act, in cash where no cheques are accepted.
- Rs.48,000 contributed to a university approved and notified u/s.35(1)(ii) to be used for scientific research.
- Interest paid Rs.1,67,000 on loan taken for purchase of E-vehicle from a bank. The E-vehicle was purchased for the personal use of his wife. Loan sanctioned during the P.Y.21-22.
- His firm has purchased timber under a forest lease of Rs.20,00,000 for the purpose of business.

**Credits:**

- Income of Rs.4,00,000 from royalty on patent registered under the Patent Act received from different resident clients. No TDS was needed to be deducted by any of the clients.
- He received Rs.3,00,000 from a debtor which was written off as bad in the year 2020-21. Amount due from the debtor (which was written off as bad) was Rs.5,00,000, out of which tax officer had only allowed Rs.3,00,000 as deduction in computing the total income for assessment year 2021-22.

- He sold some furniture to his brother for Rs.7,00,000. The fair market value of such furniture was Rs.9,00,000.

**Other information:**

- Mr.Krishna purchased a new car of Rs.12,00,000 on 1<sup>st</sup> September, 2024 and the same was put to use in the business on the same day. No depreciation for the same has been taken on car in the books of account.
- Mr.Krishna had sold a house on 30<sup>th</sup> March, 2022 and deposited the long term capital gains of Rs.25,00,000 in capital gain account scheme by the due date of filing return of income for that year. On 1<sup>st</sup> March, 2025, he sold another house property in which he resided for Rs.1 crore. He earned a long term capital gain of Rs.50,00,000 on sale of this property. On 25<sup>th</sup> March, 2025, he withdrew money out of his capital gain account and invested Rs.1 crore on construction of one house.
- Mr.Krishna also made the following payments during the previous year 2024-25: Lump-sum premium of Rs.30,000 paid on 30<sup>th</sup> March, 2025, for the medical policy taken for self and spouse. The policy shall be effective for five years i.e. from 30<sup>th</sup> March, 2025 to 29<sup>th</sup> March, 2030. Rs.8,000 paid in cash for preventive health check-up of self and spouse.

**Compute total income and tax payable by Mr.Krishna under optional tax regime for assessment year 2025-26. Ignore provisions of Alternative Minimum Tax.**

**Solution 7:**    *PGBP Rs.5,58,51,700; Sum no.13; Page no.144 in our material – volume 1.*

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9. **Mr.RAMAN**, a resident individual, aged 62 years, is engaged in the business of manufacturing and sales of spare parts for motor bikes, as a proprietor. He prepares his accounts on mercantile basis. This business is carried out on the ground floor of a two storied commercial building owned by him, the written down value of which is ₹    as on 1.4.2024. He prepares his accounts on accrual basis. The Statement of Profit and Loss for the previous year ended 31.03.2025 shows a net profit of ₹ 9.25 lakhs (before taxation and depreciation) after debiting/crediting the following items:
- Travelling expenses includes Rs.2,40,000 being expenditure incurred on a foreign tour to Taiwan for attending a business exhibition and meeting with vendors, out of which Rs.40,000 is incurred in Indian currency and Rs.2,00,000 in foreign currency. Mr.Raman has spent 10 days in Taiwan, out of which 4 days were utilized by him for attending marriage ceremony of a vendor's son.
  - Administrative expenses include ₹ 9,525 paid towards interest on delay in deposit of GST.
  - General expenses include a sum of ₹ 3,88,000 paid to a non-resident as fee for technical services without deduction of tax at source.

- d. Fire insurance premium of ₹ 66,000 for the entire building remained unpaid till 31.03.2025.
- e. Expenditure of ₹ 75,000, was paid to a scientific research association approved under section 35. Out of ₹ 75,000, ₹ 50,000 was utilized towards the purchase of land by the research association.
- f. He let out first floor of his commercial building to Mr.Aman on April 1, 2024 and received rent of ₹ 35,000 per month. Municipal taxes ₹ 20,000 relating to the building were paid equally by both Mr.Raman and Mr.Aman. Rent received was credited and municipal taxes of Rs.10,000 (relating to ground floor) was debited to the statement of Profit and Loss.
- g. He sold a piece of land for ₹ 44 lakhs on 12.04.2024. He had acquired the land for ₹ 40 lakhs on 1.01.2023. The gain of ₹ 4,00,000 is credited to the statement of profit and loss. (CII for F.Y.21-22: 317 and F.Y.24-25: 363)

**Additional Information:**

- a. Mr.Raman purchased raw material from M/s.Paul Industries, a micro enterprise, for ₹ 49,000 on 10.03.2025. However, the payment to M/s.Paul Industries was made on 05.04.2025 by cheque. No written agreement for payment existed between M/s.Paul Industries and Mr.Raman. Another supplier M/s.Kal Industries, a small enterprise, with whom also no written agreement existed for payment, was paid Rs.1,34,000 in cash on 05.04.2025 for purchase of raw material on 31.03.2025. Both M/s.Paul Industries and M/s.Kal Industries follow mercantile system of accounting.
- b. Mr.Raman acquired a registered trademark on July 15, 2024 for ₹ 2 lakhs. Mr.Raman started using this trademark for his business from January 15, 2025. Mr.Raman omitted to enter any transaction relating to this trademark in his books of accounts.
- c. Mr.Raman bought a car for personal use on 12<sup>th</sup> April 2021 for ₹ 5,40,000. He started using this car for business purposes from 01.04.2024. As on that day, the market value of the car was ₹ 2,10,000. Assume rate of depreciation to be 15%.
- d. He incurred ₹ 2,50,000 on the purchase of a new machinery to be used in the production of spare parts for motor bikes on 15.05.2024.
- e. He has paid tuition fee of ₹ 25,000 for the education of his daughter to a college.
- f. During the year, Mr.Raman has incurred ₹ 9,500 in cash for preventive health check-up where Rs.5,000 was for himself and ₹ 4,500 was for his parents who are super senior citizens.
- g. Donation paid to registered political party by way of cheque Rs.20,000.

Compute the total income and tax payable for assessment year 2025-26 by Mr.Raman under default tax regime and optional tax regime as per normal provisions of the Act. Which option is advantageous to Mr.Raman.

**Sept 2024**

10. Mr.Sahil, resident Indian aged 40 years, manufacturer at Chennai, gives the following manufacturing, trading and profit and loss account for the year ended 31.03.2025:

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

To Opening stock	71,000	By Sales	43,50,000
To Purchase of raw materials	17,20,500	By Closing stock	2,00,000
To Manufacturing wages	5,80,500		
To Gross Profit	21,78,000		
To Administrative charges	2,90,000	By Gross Profit	21,78,000
To SGST penalty paid (it is not compensatory in nature)	7,000	By Dividend	15,000
To GST paid	1,10,000	By Winning from lotteries (net of tds) (tds Rs.4,500)	10,500
To General expenses	55,000	By Profit on sale of shares	45,000
To Miscellaneous expenses	1,50,500		
To Loss on sale of shares	20,000		
To Interest to bank (on machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net profit	<u>13,56,000</u>		-----

Following are the further information:

- a) Administrative charges include Rs.46,000 paid as commission to brother of assessee. The commission amount at the market rate is Rs.36,000.
- b) The assessee paid Rs.33,000 in cash to a transport carrier on 26.12.2024. This amount is included in manufacturing expenses (assume that the provisions relating to tds are not applicable)
- c) A sum of Rs.4,000 p.m. was paid as salary to a staff throughout the year and this has not been recorded in books of account.
- d) Bank term loan interest actually paid up to 31.03.2025 was Rs.20,000 and the balance was paid in November, 2025.
- e) Miscellaneous expenses include Rs.10,000 contributed to PM National Relief Fund.
- f) Loss on sale of shares represents shares sold within a period of 6 months from the date of purchase.
- g) Profit on sale of shares represents shares held for 2 years & STT was paid on it.
- h) Housing loan principal repaid during the year was Rs.50,000 and it relates to residential property occupied by him. Interest on housing loan was Rs.2,60,000. Housing loan was taken from Canara Bank. (Value of house property is Rs.45 lakhs, loan amount Rs.25 lakhs and sanction date 31.03.2017). These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for Section 80EE deduction).



- i) Depreciation allowable under the Act to be computed on the basis of following information:

Plant and Machinery (depreciation @ 15%)	
Opening w.d.v. (as on 01.04.2024)	Rs.12,00,000
Additions during the year (used for > 180 days)	Rs.2,00,000
Total additions during the year	Rs.4,00,000
Note: Ignore additional depreciation.	

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

**Solution 10:** PGBP Rs.13,47,500; Sum no.15; Page no.146 in our material – volume 1.

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

<b>Expenditure</b>		<b>Income</b>	
To Employees remuneration	15,00,000	By Gross Receipts from profession	
To Office & Admn expenses	5,00,000	(last year Rs.75 lacs) (No TDS was	
To Rates and Taxes	15,000	deducted from any of the receipts)	60,60,000
To Interest expenses	80,000	By Interest on savings bank a/c	25,000
To Office rent	2,40,000	By Winning from lottery (net of cost	
To Insurance premium	72,000	of lottery tickets Rs.500)	99,500
To Professional fees	2,00,000	By Rent received	2,40,000
To Deprn on computers	1,20,000		
To Excess of income over exp	36,97,500		

The following details relates to FY 2024-25:

- i. Employees' Remuneration includes a sum of ₹ 3 lakhs paid to his wife, Mrs.Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.
- ii. Mr.Bhasin owns a big house with 2 independent units. Unit 1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit 2 (with the balance 50% of the floor area) is used by Mr.Bhasin as his residence-cum-office. Other particulars of the house are:
 

Municipal valuation Rs.3,60,000 p.a.  
 Fair rent 4,20,000 p.a.,  
 Standard rent under Rent Control Act Rs.4,00,000 p.a.
- iii. Rates and taxes include a sum of ₹10,000 paid as municipal taxes of the house.

- iv. Interest expenses represent interest on capital borrowed from a nationalized bank for the construction of the house. The construction was completed in FY 2012-13. Neither the loan nor the interest was paid till the due date of filing the return of income.
- v. Based on the actual rent received for Unit-1, Mr.Bhasin has debited ₹2,40,000 as notional rent for Unit 2 which is used for his profession.
- vi. The expense on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr.Bhasin for 3 years effective from 01.07.2024 to 30.06.2027 for himself, his spouse and 2 dependent children. The said insurance premium was paid through account payee cheque.
- vii. The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to Mr.Raunak an Indian resident on which no tax was deducted at source.
- viii. There was only one block containing computers which came into existence only on 02.04. 2024 when new laptops (for Rs.1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% in the entire cost of ₹ 2 lakhs and debited the amount to Income and Expenditure Account.
- ix. Mr.Bhasin has also taken a loan of ₹ 5 lakhs from a nationalized bank for higher education of his son. During FY 2024-25, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

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

12. From the following particulars furnished by Mr.Ganesh, aged 58 years, a resident Indian for the previous year ended 31.03.2025, you are requested to compute his total income and tax liability under normal as well as special provisions (AMT), if any, applicable to him for A.Y. 2025-26.
- i. He occupies ground floor of his residential building and has let out first floor for residential use at Rs.2,28,000 p.a. Municipal taxes paid Rs.60,000 for the current financial year.
  - ii. He owns an industrial undertaking established in a SEZ which had commenced operations during the financial year 2020-21. Total turnover of the undertaking was Rs.200 lakhs, which includes Rs.140 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the IT Act, 1961. Profit from this industry is Rs.25 lakhs.
  - iii. He received royalty of Rs.2,88,000 from abroad for a book authored by him on the nature of artistic. The rate of royalty is 18% of value of books and expenditure for earning this royalty was Rs.40,000. The amount remitted to India till 30<sup>th</sup> September, 2025 is Rs.2,30,000.
  - iv. Received Rs.40,000 as interest on saving bank deposits.

- v. He also sold his vacant land on 10.11.2024 for Rs.12 lakhs. The stamp duty value of land at the time of transfer was Rs.16.44 lakhs. The fmV of the land as on 01.04.2001 was Rs.10 lakhs. This land was acquired by him on 05.08.1995 for Rs.1.80 lakhs. He had incurred registration expenses of Rs.10,000 at that time. CII 2001-02 is 100 and 2024-25 is 363.
- vi. He paid the following amounts, out of his taxable income:
- Life insurance premium of Rs.39,000 paid on life insurance policy of son, who is not dependent on him.
  - Life insurance premium of Rs.48,000 on policy of his dependent father,
  - Tuition fees of Rs.42,000 for his three children to a school. The fees being Rs.14,000 p.a. per child.

**Compute:**

- Total income and tax liability (including AMT) for AY 25-26 under optional tax regime.
- Total income and tax liability for AY 25-26 under the default tax regime.
- Advice which is more beneficial.

**13. Mr.Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and Profit & Loss Account for the year ended 31.03.2025:**

**Trading and Profit & Loss Account**

Opening stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing stock	6,75,000
Freight & cartage	1,89,000		
Gross profit	<u>43,86,000</u>		
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax	1,62,525		
demand paid			
Miscellaneous expenses	7,88,475		
Net profit of the year	<u>50,85,000</u>		

Income-tax refund includes amount of Rs.4,570 of interest allowed thereon.

Bonus to staff includes an amount of Rs.7,500 relating to P.Y. 2023-24, paid in the month of December 2024.

Advertisement expenses include an amount of Rs.2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.

Miscellaneous expenses include:

- (a) amount of Rs.15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control;
- (b) amount of Rs.1,00,000 paid to Political Party by cheque.

Goods and Services Tax demand paid includes an amount of Rs.5,300 charged as penalty for delayed filing of returns and Rs.12,750 towards interest for delay in deposit of tax.

Mr.Kamal had purchased a warehouse building of Rs.20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2024 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".

Depreciation under the Income-tax Act, 1961 works out at Rs.65,000.

Interest on loans includes Rs.80,000 paid to Mr.X, a resident, on which tax was not deducted.

Compute total income and tax liability of Mr.Kamal for the A.Y. 2025-26 in a most beneficial manner.

**Solution:**      *PGBP Rs.29,79,050; Income from specified business Rs.2,50,000; Section 35AD Rs.20 lacs; PGBP (total) Rs.32,29,050; Sum no.9; Page no.140 in our material – volume 1.*

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