

2025



CMA INTER

DIRECT TAX SAVIOUR

(COVERAGE OF
STUDY MATERIAL
QUESTIONS,
PTPS & MTPS OF
ICMAI)

CA NIKUNJ GOENKA

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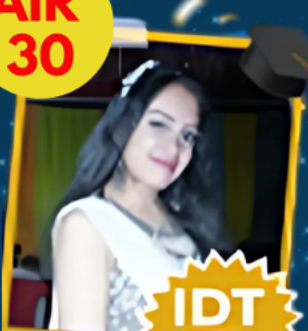
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CMA SAURABH BHATI

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CMA A JAHNAVI

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CMA ALAKMAR BAHIWALA

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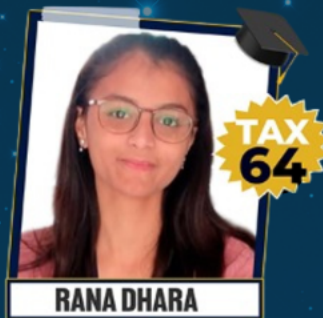
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RANA DHARA



AGRATA PHAGIWALA



RANA DHARA

IDT 87



KHUSHBU BANSAL
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IDT 81



JATIN KUMAR
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IDT 80



SAHIL SHRIKRISHNA
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IDT 79



SANDEEP SINGH
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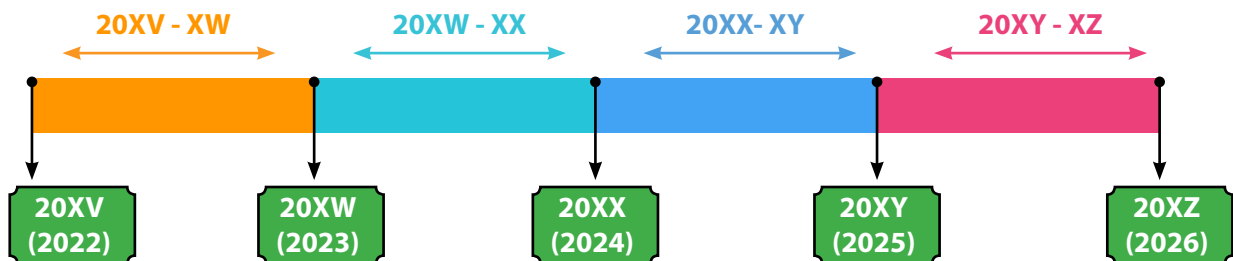
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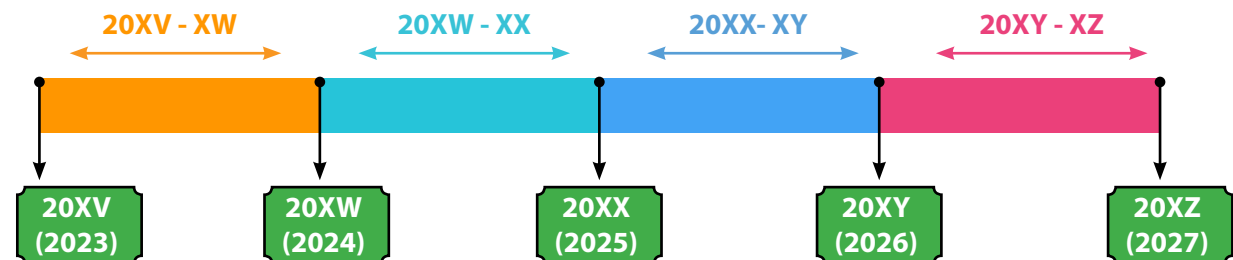
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Shortcuts used in PYs & AYs

Students Appearing in 2025 Exams



Students Appearing in 2026 Exams



Author's Note:

Dear Students,

It is my utmost pleasure to release this Direct Tax Saviour Book for Intermediate Course. It is recommended for all students appearing for CMA Inter Exams to refer this book as it gives an exhaustive coverage of questions asked by the Institute in the past terms.

We may have taken various assumptions in the answers in order to make the solutions workable as per your exams.

We have tried our best to keep the book error free. However, if any student comes across any errors, please do not hesitate to email @nikunjgoenka@gmail.com or Whatsapp us at 9007922093

How is this book different from the regular scanner available in the market?

-  Chapter-wise exam questions along with suggested answers
-  Questions not being part of the existing syllabus asked in past papers have been removed
-  Necessary changes in questions and answers are made to make them workable because of amendments in Tax Laws.

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What is this book?

Its your confidence booster- the **Income Tax Saviour**. A way to assess yourself whether you are ready for the exam or not.

Usually, due to non-availability of a compiled one stop book, the effort for the practice planned by the students does not take up any shape. This book will help you to make your practice productive without being dependent on any other source.

It is a compilation of the questions with answers of Income Tax of CMA Intermediate Syllabus from all of the following sources -

1. ICMAI Study Mat
2. MTPs and PTPs as on date
3. Exam Papers as on date

To make the best use of this book, stick to the steps given below:

Step 1 - Ensure that you are thorough with the concepts of a chapter.

Step 2 - Go through your Quick Revision notes of the chapter (full theory and practical)

Step 3 - Attempt the questions given here and make your own solution.

Step 4 - Tally your solution with the one what is given here and assess yourself.

Disclaimer

Nothing in this book, claims that the ICMAI will be rewarding marks to the candidates, exactly based on these presentations.

You may always solve the questions based on your own understanding and that is the only expectation of ICMAI from their candidates.

Some parts of questions & answers have been modified to make it relevant for exam term to the extent amendment has been made in subsequent Finance Acts. Accordingly, the answers have been modified by the author.

The questions and solutions of this book has been compiled from several reference materials issued by ICMAI. Few of the solutions and presentations have been improvised by the author in his own capacity to simplify the understanding.

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Chapter 1

Residential Status & Scope of Total Income

Q 1**ICMAI Study Material**

Sam came to India first time during the P.Y. 20XX-XY. During the previous year, he stayed in India for

1. 50 days;
2. 183 days;
3. 153 days.

Determine his residential status for the A.Y. 20XY-XZ.

Answer

- i. Since Sam resides in India only for 50 days during the P.Y. 20XX-XY, he does not satisfy any of the conditions specified in sec. 6(1). He is, therefore, a non-resident in India for the P.Y. 20XX-XY.
- ii. Since Sam resides in India for 183 days during the previous year 20XX-XY, he satisfies one of the conditions specified in sec. 6(1). He is, therefore, a resident in India for the P.Y. 20XX-XY.
- iii. Sam resides in India only for 153 days during the previous year 20XX-XY. Though he resided for more than 60 days during the previous year but in 4 years immediately preceding the previous year (as he came to India first time), he did not reside in India. Hence, he does not satisfy any of the conditions specified in sec. 6(1). Thus, he is a non-resident for the P.Y. 20XX-XY.

Q 2**ICMAI Study Material**

Andy, a British national, comes to India for the first time during 2020-21. During the financial years 2020-21, 2021-22, 2022-23, 2023-24 and 2024-25, he was in India for 55 days, 60 days, 80 days, 160 days and 70 days respectively. Determine his residential status for the assessment year 2025-26

Answer

During the previous year 2024-25, Andy was in India for 70 days & during 4 years immediately preceding the previous year, he was in India for 355 days as shown below:

Year	2020-21	2021-22	2022-23	2023-24	Total
No. of days stayed in India	55	60	80	160	355

Thus, he does not satisfy Sec.6(1) & consequently, he is a non-resident in India for the P.Y. 2024-25.

**Q 3****ICMAI Study Material**

Miss Pal, an Indian citizen, left India for first time on 1st April, 20XX for joining job in Tokyo. She came to India on 11th Jan, 20XY for only 170 days. Determine her residential status for P.Y. 20XX-XY.

Answer

Number of days Miss Pal stayed in India can be calculated as under:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
XX-XY	1	-	-	-	-	-	-	-	-	21	28	31	61
XY-XZ	30	31	29	-	-	-	-	-	-	-	-	-	90

Since she left India for employment purpose, hence for becoming resident she has to stay in India for at least 182 days. However, she is in India for only 81 days during the previous year, thus she is a non-resident for the P.Y. 20XX-XY.

Q 4**ICMAI Study Material**

Mr. X, aged 19 years, left India for first time on May 31, 20XX. Determine his residential status for the previous year 20XX-XY if:

- He left India for employment purpose
- He left India on world tour

Answer

During the previous year 20XX-XY, Mr. X was in India for 61 days as shown below –

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
XX-XY	30	31	-	-	-	-	-	-	-	-	-	-	61

- During the previous year 20XX-XY, X stayed in India for 61 days. Further, he was in India for more than 365 days during 4 years immediately preceding the relevant previous year (as he left India for first time).
- Since he left India for employment purpose, condition of sec. 6(1)(c) shall not be applicable on such assessee. He will be treated as resident in India, if and only if, he resided in India for at least 182 days during the previous year. Hence, Mr. X is a non-resident in India for the previous year 20XX-XY.

Q 5**ICMAI Study Material**

X came to India for first time on July 24, 2020. From July 24, 2020 to December 25, 2021, he was in India. Again, he came to India on August 5, 2024 for employment purpose & left India on November 25, 2024 permanently. Determine his residential status for the previous year 2024-25 assuming -

- He is a foreign citizen
- He is an Indian citizen



Answer

During the previous year 2024-25, X was in India for 113 days as shown below:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
XX-XY	-	-	-	-	27	30	31	25	-	-	-	-	113

Further, he was in India for more than 365 days during 4 years immediately preceding the previous year as shown below:

Year	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
20-21	-	-	-	8	31	30	31	30	31	31	28	31	251
21-22	30	31	30	31	31	30	31	30	25	-	-	-	269
22-23	-	-	-	-	-	-	-	-	-	-	-	-	-
23-24	-	-	-	-	-	-	-	-	-	-	-	-	-

As he satisfies conditions given in sec. 6(1)(c), he is a resident in India.

Further, he was resident during 2 out of 10 years immediately preceding the relevant previous year but he was in India only for 520 days in 7 years immediately preceding the relevant previous year. As he is not satisfying dual conditions of sec. 6(6), he is a resident but not ordinarily resident in India for the previous year 2024-25.

Note: His status shall remain same in both the cases as -

- Foreign citizens are not covered by 'exceptions to sec. 6(1)(c)'.
- Coming in India for employment purpose is not covered by 'exceptions to sec. 6(1)(c)'.

Q 6

ICMAI Study Material

X, a foreign citizen, resides in India during the previous year 2024-25 for 83 days. Determine his residential status for previous year 2024-25 assuming his stay in India during the last few previous years are as follows -

Year	Days	Year	Days	Year	Days	Year	Days
2009-10	220	2013-14	36	2017-18	137	2021-22	175
2010-11	15	2014-15	115	2018-19	265	2022-23	15
2011-12	257	2015-16	123	2019-2020	310	2023-24	67
2012-13	110	2016-17	65	2020-21	121		

Answer

During previous year 2024-25, X was in India for 83 days & during 4 years immediately preceding the previous year, he was in India for 378 days as shown below:

Year	2020-21	2021-22	2022-23	2023-24	Total
No. of days stayed in India	121	175	15	67	378



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Thus, he satisfies one of the conditions specified u/s 6(1) & consequently, he becomes resident in India in the P.Y. 2024-25. Further, to determine whether X is an ordinarily resident or not, he needs to satisfy both conditions laid down u/s 6(6).

Year	Presence in India (In Days)	Resident or Non resident	Condition satisfied to become a resident
2023-24	67	Resident	6(1)(c)
2022-23	15	Non-Resident	None
2021-22	175	Resident	6(1)(c)
2020-21	121	Resident	6(1)(c)
2019-20	310	Resident	Both
2018-19	265	Resident	Both
2017-18	137	Non-Resident	None
2016-17	65	Resident	6(1)(c)
2015-16	123	Resident	6(1)(c)
2014-15	115	Resident	6(1)(c)

Condition (i) of sec. 6(6) requires that an individual should be resident in India for at least 2 out of 10 years preceding the relevant previous year. X was resident in India for 8 out of 10 years immediately preceding the previous year. Thus, he satisfies this condition.

Condition (ii) of sec. 6(6) requires that an individual should be present in India for at least 730 days during 7 years preceding to relevant previous year. X was in India for 1090 days during 2017-18 to 2023-24. Hence, he satisfies this condition also. X satisfies condition (ii) of sec. 6(1) as well as both the conditions of sec. 6(6). Thus, he is a resident and ordinarily resident in India for the previous year 2024-25.

Q7

ICMAI Study Material

Ram provides following details of income, calculate the income which is liable to be taxed in India for the A.Y 20XY-XZ, assuming that –

1. He is an ordinarily resident
2. He is not an ordinarily resident
3. He is a non-resident.

Particulars	Amount
Salary received in India from a former employer of UK	1,40,000
Income from tea business in Nepal being controlled from India	10,000
Interest on company deposit in Canada (1/3rd received in India)	30,000
Profit from a business in Mumbai controlled from UK	1,00,000
Profit for the year 2013-14 from a business in Tokyo remitted to India	2,00,000
Income from a property in India but received in USA	45,000
Income from a property in London but received in Delhi	1,50,000
Income from a property in London but received in Canada	2,50,000
Income from a business in Zambia but controlled from Turkey	10,000



Answer

Calculation of income liable to be taxed in India of Ram for the AY 20XY-XZ

Particulars	Resident & Ordinarily resident	Resident but not ordinarily resident	Non-resident
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	Nil
Interest on company deposit in Canada – - 1/3rd received in India	10,000	10,000	10,000
- 2/3rd received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past Profit from a business in Tokyo remitted to India	Nil	Nil	Nil
Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Zambia but controlled from Turkey	10,000	Nil	Nil
Income liable to tax in India	7,35,000	4,55,000	4,45,000

Q 8

ICMAI Study Material

Miss Monica, a foreign national, comes India every year for 90 days since 2008-09.

1. Determine her residential status for the previous year 2024-25.
2. Will your answer differ, if she comes India for 100 days instead of 90 days every year.

Answer

1. Since Miss Monica stayed for 90 days during the previous year 2023-24 and for 360 days (90 days x 4 years) during the 4 years immediately preceding the previous year, hence, she is not satisfying any of the conditions of sec. 6(1). Thus, she is a non-resident for the previous year 2023-24.
2. Since Miss Monica stayed for 100 days during the previous year 2023-24 and for 400 days (100 days X 4 years) during the 4 years immediately preceding the previous year, hence, she is satisfying sec. 6(1)(c). Thus, she is resident for the previous year 2023-24. Further, she resides for only 700 days (100 days x 7 years) during the 7 years immediately preceding the previous year. Hence, she does not satisfy one of the conditions of sec. 6(6). Thus, she is resident but not ordinarily resident for the previous year 2023-24.

**Q 9****ICMAI Study Material**

Mr. Sid, a British national, joined XYZ Co. Ltd. as an engineer in India on 1st May, 2014. On 31st December, 2015, he went to Sri Lanka on deputation. On 1st April, 2020, he came back to India and left for Sri Lanka again on 31st May, 2020. He returned to India and joined his original post on 1st July, 2024. Determine his residential status for the A.Y. 2025-26.

Answer

Number of days Mr. Sid stayed in India in past few years can be calculated as under:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
24-25	-	-	-	31	31	30	31	30	31	31	28	31	274
23-24	-	-	-	-	-	-	-	-	-	-	-	-	-
22-23	-	-	-	-	-	-	-	-	-	-	-	-	-
21-22	-	-	-	-	-	-	-	-	-	-	-	-	-
20-21	30	31	-	-	-	-	-	-	-	-	-	-	61
19-20	-	-	-	-	-	-	-	-	-	-	-	-	-
18-19	-	-	-	-	-	-	-	-	-	-	-	-	-
17-18	-	-	-	-	-	-	-	-	-	-	-	-	-
16-17	-	-	-	-	-	-	-	-	-	-	-	-	-
15-16	30	31	30	31	31	30	31	30	31	-	-	-	275
14-15	-	31	30	31	31	30	31	30	31	31	28	31	335

On the basis of data drawn, residential status of Mr. Sid in last few years can be decided as under:

Year	Previous Year	Presence in India (In Days)	Resident or Non resident	Condition satisfied to become a resident
1	2023-24	0	NR	None
2	2022-23	0	NR	None
3	2021-22	0	NR	None
4	2020-21	61	NR	None
5	2019-20	0	NR	None
6	2018-19	0	NR	None
7	2017-18	0 = 61	NR	None
8	2016-17	0	NR	None
9	2015-16	275	R	6(1)(a)
10	2014-15	335	R	6(1)(a)

Since assessee resided in India for 274 days in the previous year 2023-24, hence he satisfies sec. 6(1)(a). Therefore, he is resident in India. Further, since he is resident in India for 2 years out of 10 years preceding the previous year (as shown in above working), but resided in India for less than 730 days out of 7 immediately preceding years, hence he does not satisfy one of the conditions of sec. 6(6), therefore, he is resident but not ordinarily resident. Conclusion: Resident but not ordinarily resident.

**Q 10****ICMAI Study Material**

What will be the tax liability of a resident individual, 52 years, having total income of:

- (a) ₹ 2,40,000 (b) ₹ 3,40,000 (c) ₹ 4,50,000 (d) ₹ 8,70,000 (e) ₹ 12,20,000 (f) ₹ 61,57,000 (g) ₹ 1,41,50,000

Answer

- (a) Nil (b) Nil (c) Nil (d) ₹ 89,960 (e) ₹ 1,85,640 (f) ₹ 18,98,582 or ₹ 18,98,580 (g) ₹ 48,52,770

Q 11**ICMAI Study Material**

- Mr. X, a foreign citizen, came in India for the first time on July 24, 2020. From July 24, 2020 to December 25, 2021, he was in India. Again, he came to India on August 5, 2024 for employment purpose and left India on November 25, 2024 permanently. Determine his residential status for the assessment year 2025-26.
- Determine the residential status of the following person for the assessment year 2025-26:
Mr. Balm came to India from England on 30th June, 2018 and after staying for three years in India he went to Germany on 1st July 2021. On 1st April, 2022, he again came back to India and stayed in India upto 31st July, 2023. On 1st August, 2023, he went to Denmark at a monthly salary of ₹ 8,00,000. He transferred to India on 1st January, 2025 and joined Delhi office of the same organization and started staying in India since then.
- Brown, a citizen of Bahama, came to India for the first time on 10th August, 2019 and stayed up to 5th March, 2020. Subsequently, he stayed in India during 2020-21, 21-22, 22-23, 23-24 and 24-25 for 120 days, 110 days, 100 days, 85 days and 62 days respectively. Determine his residential status for the A.Y. 2025-26

Answer

- Resident but not ordinarily resident;
- Resident and ordinarily resident;
- Resident but not ordinarily resident

Q 12**ICMAI Study Material**

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

- Interest earned in the USA ₹ 5,00,000 and credited in the USA.
- Interest received in India out of Fixed Deposit in Bank ₹ 1,20,000.

Determine his residential status and Tax Incidence in India for the A.Y. 20XY-XZ

Answer

Resident and ordinarily resident; ₹ 6,20,000/-

**Q13****ICMAI Study Material**

Mr. Ajnabi provides following information regarding his income of P.Y. 20XX-XY. Compute income liable to be charged in India in the following cases:

1. He is an ordinarily resident
2. He is not an ordinarily resident.
3. He is a non-resident

Particulars	Amount
Business income from USSR received in India	10,000
Business income earned in India received in Pakistan	20,000
Salary income from a company of UK situated in India	15,000
Interest on German Development Bond (2/5th received in India)	60,000
Income from agriculture in Nepal received there but later on remitted to India	1,81,000
Income from property in Jakarta received outside India	86,000
Income earned from business in UAE which is controlled from Delhi (₹ 15,000 received in India)	65,000
Past untaxed profit of 15-16 brought to India during previous year	10,43,000
Profit from a business in Madras and managed from outside India	27,000
Profit on a sale of a building in India but received in Sri Lanka	14,80,000
Pension from a former employer in India received in USSR	36,000

Answer

1. ₹ 19,80,000;
2. ₹ 16,77,000;
3. ₹ 16,27,000

Q14**ICMAI Study Material**

Arun, a citizen of India residing in Germany for the past 10 years, came back to India for the first time during January, 20XY. During the financial year 20XX-XY, he received the following income:

- He works in a company in Germany and earns a salary of Euro 1000 p.m.
- He owns agricultural land near Bangalore and a residential house in Delhi, which has been let out. While the agricultural income is being remitted to his account in Germany every year, the rental income of ₹ 84000 is being deposited in his bank account at Delhi; and
- He also owns shares in various Indian companies and receives dividend every year, which has been regularly deposited in his bank account at Delhi. During the year ₹ 22,000 has been credited on account of dividend. He seeks your advice in relation to the following:
 - a. What will be his residential status for the previous year 20XX-XY?
 - b. What will be his taxable income?



Answer

- a. During the relevant previous year, Mr. Arun neither satisfies sec.6(1)(a) (i.e. not resided for 182 days in India) nor satisfies sec.6(1)(c) (i.e. not resided in India for 365 days or more during 4 years immediately preceding the previous year), hence he is a non resident.
- b. Computation of income of Arun is as follow

Particulars	Working	Amount
Salary	As neither earned nor received in India	Nil
Agricultural Income	Exempt u/s 10(1)	Nil
Income From Let Out Indian House Property	As reduced by standard deduction @ 30%	58,800
Dividend		22,000
Total Income		80,800

Q 15

ICMAI Study Material

Mr. X is an Indian Citizen. He went to Japan on 1.1.2022 for employment in a Japanese Company for 3 years. On 1.10.2023, he came to India for a visit of 45 days. After the completion of the tenure of his service, he came back to India permanently from Japan on 03.01.2025. Determine his residential status for the A.Y. 2025-26

Answer

Resident and Ordinarily Resident

Q 16

PTP Dec 22

Determine the residential status in the following independent cases:

- Albert born and brought up in India left India on 05.11.2023 for the purpose of employment to Malaysia. He did not visit India up to 31.03.2024.
- Chander born and brought up in India was employed in Singapore since 01.04.2019. He stayed in India in every financial year for 70 to 80 days.
- Dilip a foreign citizen came to India for the purpose of employment in X Co. Ltd. and stayed in India from 05.06.2023 and remained in India up to 31.03.2024.

Answer

- His status is resident and ordinarily resident.
- His status would be non-resident.
- His status is resident but not ordinarily resident.

**Q 17****PTP June 23 (Old)**

With reasons determine the residential status in the following cases:

- (a) Ram an Indian citizen employed in a foreign country came to India on 1st November, 20XX and remained in India up to 5th March, 20XY. His total income is ₹27 lakh for the previous year ended 31st March, 20XY which included income in India of ₹15,20,000. He visits India every year for a stay of 125 days. He paid income-tax in respect of his foreign income in the said country.
- (b) Laxman a foreign citizen (not being a person of Indian origin) came to India for the first time on 20th November, 20XX and remained in India up to 31st March, 20XY. His total income is ₹26 lakh for the previous year ended 31st March, 20XY which included income in India of ₹14,50,000.
- (c) Dr. Bharat an Indian citizen living outside India came to India on 5th April, 20XX and remained in India up to 10th August, 20XX. During his stay in India, he earned income of ₹16,50,000. His stay in India was 60 days each in earlier financial years. There is no income-tax in the country in which he is a resident.

Answer**(a) Determination of residential status of Ram**

During the previous year 20XX-XY, he remained in India for 125 days. Therefore, Ram does not satisfy the first basic condition of section 6(1)(a). Since he is a person of Indian origin who comes on a visit to India, the second condition must be read as stay of 365 days in 4 previous years preceding the previous year 20XX-XY and stay exceeding 120 days where the income in India exceeds ₹15 lakh. Where the income does not exceed ₹15 lakh it should be read as 182 days. His income in India (other than income from foreign sources) exceeds ₹15 lakh and his aggregate stay in 4 previous years preceding the previous year must exceed 365 days and his stay in previous year 20XX-XY must also exceed 120 days to satisfy second basic condition - Clause (b) of Explanation 1 to section 6(1).

His aggregate stay in 4 previous years has exceeded 365 days since it is stated in the question that he stayed for 125 days in every previous year. He satisfies the second basic condition.

Therefore, he is a resident.

Further, as per section 6(6)(c) since he is a person of Indian origin having total income other than income from foreign sources (Indian income) exceeding ₹15 lakhs and has stayed for more than 120 days but less than 182 days, his status would be resident but not ordinarily resident (RNOR).

(b) Determination of residential status of Laxman

During the previous year 20XX-XY, Laxman remained in India for 132 days. Therefore, he does not satisfy the first basic condition of section 6(1)(a).

As regards the second basic condition, since he came to India for the first time in the previous year 20XX-XY he does not satisfy the second basic condition also.

Therefore, his status would be non-resident.

(c) Determination of residential status of Dr. Bharat

During the previous year 20XX-XY, Bharat remained in India for 128 days. Therefore, he does not satisfy the first basic condition of section 6(1)(a).



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Since he has stayed for only 60 days in the earlier financial years, he would not satisfy the second basic condition also (i.e. 365 days in 4 immediately preceding previous years)

However, as per section 6(1A) an individual being a citizen of India having total income other than income from foreign sources (Indian income) exceeding ₹15 lakh during the previous year **shall be deemed to be resident in India in that previous year, if he is not liable to tax in any other country or territory.**

Explanation to section 6(1A) says that for the removal of doubts, it is hereby declared that clause (1A) shall not apply in case of individual who is resident under section 6(1).

Therefore, applying section 6(1A) Bharat is a **deemed resident in India** for the previous year 20XX-XY as his income in India exceeds ₹15 lakhs and he is not liable to tax in any other country by reason of his domicile or residence.

However, as per section 6(6)(d) a person citizen of India who is deemed resident under 6(1A) shall be "resident but not ordinarily resident". Therefore, the residential status of Bharat shall be **"resident but not ordinarily resident"**.

Q 18

PTP June 23 (New)

Miss Dhvani, an individual and Indian citizen living in Singapore since year 2008 and never came to India for a single day since then. She earned the following incomes during the previous year

	Particulars	₹
(i)	Income accrued and arisen in India	8,00,000
(ii)	Income deemed to accrue and arise in India	6,00,000
(iii)	Income arising in Singapore from a profession set up in India	5,00,000
(iv)	Income accrued and arisen in Singapore but she is not liable to tax in Singapore	10,00,000

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

Answer

Miss Dhvani is an Indian citizen living in Singapore since 2008 who never came to India for a single day since then, she would not be a resident in India for the previous year on the basis of number of days of her stay in India as per section 6(1).

However, since she is an Indian citizen:

- having total income, other than the income from foreign sources, of ₹ 19 lakh, which exceeds the threshold of ₹15 lakh during the previous year; and
- not liable to tax in Singapore

She would be deemed resident in India for the previous year 2022-2023 by virtue of section 6(1A). A deemed resident is always a resident but not ordinarily resident in India (RNOR).
Total income = ₹ 19,00,000

**Q 19****MTP June 23 (New)**

Sri Sen went to England from India for higher education on 1st December, 2020. So long he was in England, he had a residence in India. In winter vacations, he came twice to India. First time he came on 1st January, 2022 and stayed for 20 days, and second time he came on 15th December, 2022 and stayed for 25 days. After completing the education, he came back to India forever on 30th December, 2023. Determine the residential status of Sri Sen for the A.Y. 2024-25.

Answer

During past few previous years, Sri Sen was in India as under:

P.Y.	Apr	May	June	July	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Total
23-24	-	-	-	-	-	-	-	-	2	31	28	31	92
22-23	-	-	-	-	-	-	-	-	17	8	-	-	25
21-22	-	-	-	-	-	-	-	-	-	20	-	-	20
20-21	30	31	30	31	31	30	31	30	1	-	-	-	245
19-20 and back	30	31	30	31	31	30	31	30	31	31	28 or 29	31	365 or 366

Accordingly, his residential status can be decided as under:

Previous Year	Presence in India (In Days)	Resident (R) or Non-resident (NR)	Condition satisfied to become a resident
2023-2024	92	R	6(1)(c)
2022-2023	25	NR	None
2021-2022	20	NR	None
2020-2022	245	R	None
2019-2020 & back	365 or 366	R	Both

From the above working, it is apparently clear that Sri Sen is satisfying sec. 6(1) and both conditions of sec. 6(6). Hence, he is resident and ordinarily resident in India.

Conclusion: Resident and ordinarily resident

Q 20**PTP Dec 23 (New)**

Savitri (aged 48 years) has following incomes for the previous year 20XX-XY:

S.No.	Particulars	₹
(i)	Rent from property let out in London (UK) credited to bank account in Singapore	3,00,000
(ii)	Salary income in Singapore credited to bank account in Chennai	7,00,000
(iii)	Bank interest in respect of fixed deposits with SBI, Chennai	1,20,000
(iv)	Dividend from Indian companies credited to bank account in India	70,000



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(v)	Interest on deposits with Indian companies credited to bank account outside India	30,000
(vi)	Royalty income from United Inc. USA credited to bank account in Singapore	5,00,000

Calculate the Gross Total Income for Assessment Year 20XY-XZ assuming that she is

- Resident and ordinarily resident;
- Resident but not ordinarily resident;
- Non-resident.

Answer

Total income of Savitri for the assessment year 20XY-XZ:

(i)	Resident and ordinarily resident	₹ 17,20,000
(ii)	Resident but not ordinarily resident	₹ 9,20,000
(iii)	Non-resident	₹ 9,20,000

Q 21

MTP June 24

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

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

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

Answer

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

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

Since, Mr. Roy resided in India for 186 days (as shown above) in the previous year 2023-24, hence he satisfies condition of sec. 6(1)(a). He is, therefore, a resident in India for the A.Y. 2024-25. Further, he is leaving India for the first time, hence he is also satisfying both the conditions mentioned u/s 6(6).

Thus, his residential status for the year is resident and ordinarily resident. Accordingly, tax incidence are as follow:

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

**Q 22****PTP June 24**

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

Particulars of income		₹
(i)	Income from salary (computed)	9,00,000
(ii)	Interest on bank fixed deposits in India	30,000
(iii)	Interest on bank deposits in Country X	50,000
(iv)	Income from rubber estate in Sri Lanka	2,00,000
(v)	Income from business in Malaysia	4,50,000
(vi)	Royalty income from a company in Dubai	1,20,000

Answer**Residential status of Vijay**

During the financial year 2023-24, Vijay remained in India for more than 182 days or more.

His stay in India during 4 previous years preceding the previous year 2023-24 was 142 days. He does not satisfy the second basic condition.

He was non-resident in F.Y.2020-21, F.Y.2021-22 and F.Y.2022-23 and does not satisfy the status of being non-resident in 9 out of 10 previous years preceding the previous year 2023-24.

Also, his stay in India was not less than 729 days in 7 previous years preceding the previous year 2023-24.

He satisfies both the additional conditions.

Therefore, his residential status is 'resident and ordinarily resident'.

	₹
Total Income	17,50,000



Q 23

MTP Dec 24

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

1. Interest on German Development Bonds (1/6 received in India) ₹ 30,000
2. Income from house property in India but received in Australia ₹ 40,000
3. Income from agriculture in America but received in India ₹ 60,000
4. Income from business in Canada but controlled from India ₹ 75,000
5. Income from business in Singapore but controlled from Sri Lanka ₹ 80,000

Calculate his taxable income, if he is:

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

Answer

Particulars	Resident and ordinarily resident (OR) (₹)	Resident but not ordinarily resident (NOR) (₹)	Non- resident (NR) (₹)
Interest on German Development Bonds (1/6)	5,000	5,000	5,000
Interest on German Development Bonds (5/6)	25,000	-	-
Income from house property in India but received in Australia	40,000	40,000	40,000
Income from agriculture in America but received in India	60,000	60,000	60,000
Income from business in Canada but controlled from India	75,000	75,000	-
Income from business in Singapore but controlled from Sri Lanka	80,000	-	-
Taxable Income	2,85,000	1,80,000	1,05,000

**Q 24****PTP Dec 24**

Briefly discuss with reference to Income Tax Act, 1961 whether the followings are capital / revenue receipts/ expenditure for the Assessment Year 2024-25:

- i. Mr. Ratan was employed with a start-up company. The company paid ₹ 12 lakh as salary to him out of the capital account balance.
- ii. Miss Sunita entered into a bond with her employer company whereby the employer company paid her salary in advance for 3 years, ₹ 30 lakh, on 30.06.2023.
- iii. Mr. Desai purchased a car for the purpose of his business from Mr. Dhawal, who is a car dealer.
- iv. Miss Shreya operates her profession from a rented office. She got this office painted and spent ₹ 1,00,000 on such painting. The paint will last for 5 years
- v. M/s ABC Ltd. entered into a purchase agreement with the builder of a factory building. On 31st October, 2023, the builder paid ₹10 lakh to M/s ABC Ltd. as compensation for delay in giving possession of the factory building. This compensation was decided as per the terms of the agreement between them.

Answer**Nature of expenditure and receipts**

- (i) Even though the salary is paid out of the capital account balance by the company, it will be treated as revenue expenditure in the hands of the company and it is a revenue receipt in the hands of the employee.
- (ii) Whether any income is received in lumpsum or in instalments, it will not make any difference as regards its nature. Thus, for the employee receiving lumpsum salary, it will be a revenue receipt.
- (iii) The amount spent on purchase of car by Mr. Desai is a capital expenditure for him and whereas the receipt from sale of car by Mr. Dhawal is a revenue receipt for him.
- (iv) Even if the benefit will last for more than one accounting year, such expenditure will be treated as revenue expenditure in the hands of Shreya.
- (v) The damages/ compensation is directly linked with the procurement of a capital asset, i.e., factory building. It is not a receipt in the course of profit earning process. Therefore, the amount received by ABC Ltd. is a capital receipt.

Alternative answer:

Since there is a view that the compensation received is a benefit arising from business taxable under section 28(iv) if any candidate answers with such reason that it is a revenue receipt due credit of 1 mark has to be given.

However, for the builder, it will be a revenue expenditure.



Q 25

MTP June 25

Ram provides the following details of income, calculate the income which is liable to be taxed in India for the A.Y. 2025-26 assuming that –

- He is an ordinarily resident
- He is not an ordinarily resident
- He is a non-resident.

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

Answer

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

Particulars	Resident & Ordinarily resident ₹	Resident but not Ordinarily resident ₹	Non- resident ₹
Salary received in India from a former employer of UK	1,40,000	1,40,000	1,40,000
Income from tea business in Nepal being controlled from India	10,000	10,000	Nil
Interest on company deposit in Canada	10,000	10,000	10,000
- 1/3rd received in India			
- 2/3rd received outside India	20,000	Nil	Nil
Profit from a business in Mumbai controlled from UK	1,00,000	1,00,000	1,00,000
Past profit for the year 2022-23 from a business in Tokyo remitted to India	Nil	Nil	Nil
Income from a property in India but received in USA	45,000	45,000	45,000
Income from a property in London but received in Delhi	1,50,000	1,50,000	1,50,000
Income from a property in London but received in Canada	2,50,000	Nil	Nil
Income from a business in Jambia but controlled from Turkey	10,000	Nil	Nil
Income liable to tax in India	7,35,000	4,55,000	4,45,000

**Q 26****PTP June 25**

Ms. Meena, a British citizen of Indian origin, came to India on 01.10.2024 and left India on 31.03.2025. She was also in India from 03.09.2019 to 15.02.2023. She provided the following details of her income for the Assessment Year 2025-26:

Sl. No.	Particulars	₹
(i)	Salary received in India (Computed)	8,00,000
(ii)	Income of preceding previous year from a property in London received in London and remitted to India in current year	38,500
(iii)	Income from house property in London received in India	4,23,500
(iv)	Profit from a business in Nepal controlled from India which is received in Nepal	3,25,000
(v)	Income from property in USA received in London	2,50,000
(vi)	Income from a house property in India received in London	3,00,000
(vii)	Income on company deposit in London (1/3rd received in India)	60,000

Incomes given above are computed after considering eligible deductions. You are required to determine residential status of Ms. Meena for the Assessment Year 2025-26 with proper reason and compute her total income which is taxable in India. (Ignore section 115BAC of the Income Tax Act 1961.)

Answer**Determination of residential status of Ms Meena for AY 2025-26**

No. of days of stay during the previous year 2024-25						
Oct	Nov	Dec	Jan	Feb	Mar	
31	30	31	31	28	31	Stay during the year 182 days
An Individual is said to be resident in India, if he satisfies any one of the conditions of section 6(1) viz.						
i) Stay in India in the previous year for a period of 182 days or more [sec 6(1)(a)]. OR						
ii) Stay in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year [sec 6(1)(c)].						
Both the date of departure as well as the date of arrival are considered to be in India.						
Ms. Meena satisfies one of the conditions specified in sec 6(1). She is therefore, a resident in India for the PY 2024-25.						
Further, as she is a resident in at least 2 out of 10 previous years preceding the relevant previous year; or her stay in India in the last 7 years preceding the relevant previous year is 730 days or more. (She was in India from 03.09.2019 to 15.02.2023).						
PY 2019-20 = 210; PY 2020-21 = 365; PY 2021-22 = 365; PY 2022-23 = 321; and PY 2023-24 = 0						
So, Ms. Meena is Resident and Ordinarily Resident in India for the PY 2024-25						



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Computation of total income of Ms Meena for the AY 2025-26:

Particulars	₹
Salary received in India	8,00,000
Income of preceding previous year from a property in London received in London remitted to India	Nil
Income from a property in London received in India	4,23,500
Profit from a business in Nepal controlled from India	3,25,000
Income from property in USA received in London	2,50,000
Income from a house property in India received in London	3,00,000
Income on company deposit in London (total)	60,000
Total Income	21,58,500



Chapter 2

Agricultural Income

Q1

PTP Dec 22

State which of the following would be agricultural income or otherwise:

- (i) Salary of plantation worker from Duncan o. Ltd. engaged in rubber plantation.
- (ii) Royalty income from Orissa Coal Mines Ltd.
- (iii) Interest on loan given to Ram Poultry Farming Ltd.
- (iv) Rent received for use of land for grazing of cattle by God Dairy Ltd.
- (v) Income from saplings and seedlings grown by Soundarya Nursery.
- (vi) Rent from farmhouse in the midst of agricultural land received by Banerjee.
- (vii) Compensation from insurance company for damage caused to standing crops due to cyclone received by Atul.
- (viii) Profit on sale of crops after harvest where the standing crops were purchased by Agro Fanns (P) Ltd.

Answer

Deciding whether agricultural income or not

- (i) Salary from company engaged in rubber plantation is not agricultural income as the salary income does not have direct nexus to basic or subsequent operations involved in agriculture
- (ii) Royalty income from coal mines is not agricultural income as royalty is computed on the output of coal taken out of the mine. There is no specific effort in creating the mine.
- (iii) Income from poultry farming is not agricultural income as it has no component of basic or subsequent operations with regard to land or the plants /trees.
- (iv) Income by way of rent from land used for grazing of cattle is an agricultural income. As the land was specifically used for growing grass.
- (v) Income from nursery is income from agriculture as the activity involved is systematic performance for sowing seeds and growing saplings in a specified environment.
- (vi) Rent from farm house which is located in the midst of land is part and parcel of agricultural land and therefore it is agricultural income.
- (vii) Compensation received from insurance company for crops damaged by cyclone is in lieu of agricultural income and therefore it partakes the character of income from agriculture.
- (viii) Purchase of standing crops and profit on sale of crops so cut off from the plants is not agricultural income.

**Q 2****PTP Jun 23 (Old)**

Compute income-tax liability in the following cases on the assumption that the taxpayers have not opted for section 115BAC:

- (i) Sachin (age 62) resident in India, has (i) business income from textiles of ₹7,40,000; and (ii) income from the business of growing and manufacturing rubber in Kerala of ₹2,00,000.
- (ii) Malik (age 55) resident in India has (i) loss from trade in leathers ₹70,000; and (ii) income from the business of growing and manufacturing tea in India ₹10,00,000.

Answer

(i)	Tax liability	₹ 95,160
(ii)	Tax liability	₹ 16,640

Q 3**MTP Jun 23 (Old)**

Parikshit (aged 25 years) is engaged in growing and manufacturing tea in India. His profit for the previous year 20XX-XY amounts to ₹10,00,000 which includes profit of ₹2,00,000 from sale of green leaves plucked in his own garden. He has no other income during the year. Compute the total income and total tax payable by Parikshit.

Answer

If the assessee himself grows tea leaves and manufactures tea in India, then, as per Rule 8 40% of profit on sale of tea is taxable as business income under the head "profits and gains from business or profession" and the balance 60% is agricultural income, which is exempt from income-tax under section 10(1).

Computation of tax payable by Parikshit for the Assessment Year 20XY-XZ

Particulars	₹
Profit	10,00,000
Less: profit on sale of green leaves being 100% agricultural income, exempted fully under section 10(1)	2,00,000
Composite business income	8,00,000
Less: 60% deemed to be agricultural income	4,80,000
Total income	3,20,000
The tax liability is to be computed applying the concept of partial integration since total income comprises of both agricultural income and non-agricultural income and agricultural income exceeds ₹ 5,000 and non-agricultural income exceeds the basic exemption limit of ₹ 2,50,000	



Tax on aggregate of agricultural income and non-agricultural income (₹ 2,00,000 + ₹ 4,80,000 + ₹ 3,20,000)	1,12,500
Less: Tax on agricultural income and basic exemption limit (₹ 6,80,000 + ₹ 2,50,000) i.e. ₹ 9,30,000	98,500
	14,000
Health and education cess (4%)	560
Total tax liability	14,560

Q 4

PTP Jun 23 (New)

Mr. Mahesh, a resident and ordinarily resident in India, has derived the following income for the year ended 31st March, 20XY:

	Particulars	₹
i.	Income from sale of tea grown and manufactured in Darjeeling	5,00,000
ii.	Income from sale of coffee grown and cured in Mangalore, Karnataka	3,00,000
iii.	Income from sale of coffee grown, cured, roasted and grounded in Bangladesh. Sale consideration was received in Mumbai	10,00,000
iv.	Income from sapling and seedling grown in a nursery at Mumbai. Basic operations were not carried out by him on land	1,00,000
v.	Income from sale of centrifuged latex processed from rub-her plants grown in Kerala	2,00,000

You are required to calculate the Total business income and agriculture income of Mr. Mahesh for the Assessment Year 20XY-20XZ. Mr. Mahesh does not opt to be taxed under section 115BAC.

Answer

Income of Mr Mahesh for the A.Y.20XY-20XZ:

Business Income	13,45,000
Agriculture Income	7,55,000

Q 5

MTP Jun 23 (New)

Mr. Tony had estates in Rubber, Tea and Coffee. He derives income from them. He has also a nursery wherein he grows plants and sells. For the previous year ending 31.3.20XY, he furnishes the following particulars of his sources of income from estates and sale of plants. Compute taxable income:

- Manufacture of Rubber ₹ 5,00,000.
- Manufacture of Coffee grown and cured ₹ 3,50,000.
- Manufacture of Tea ₹ 7,00,000.
- Sale of plants from nursery ₹ 1,00,000.

**Answer****Computation of income of Mr. Tony for the A.Y. 20XY-XZ**

Particulars	Agricultural Income	Business Income
Income from growing and manufacturing rubber [Rule 7A]		
65% of ₹ 5,00,000	3,25,000	
35% of ₹ 5,00,000		1,75,000
Income from growing and curing coffee ¹[Rule 7B(1)]		
75% of ₹ 3,50,000	2,62,500	
25% of ₹ 3,50,000		87,500
Income from growing and manufacturing tea [Rule 8]		
60% of ₹ 7,00,000	4,20,000	
40% of ₹ 7,00,000		2,80,000
Sale of plants from nursery	1,00,000	
Total	11,07,500	5,42,500

Q 6**PTP Dec 23 (Old)**

State with reasons whether the following are agricultural income or not:

- Interest on arrears of rent in respect of leased agricultural land
- Income from cultivation of jute in the State of West Bengal
- Income from sale of grass grown spontaneously
- Income from fishery
- Income from sale of saplings and seedlings grown in a nursery
- Income from salt produced by flooding the land with sea water

Answer

- Interest on arrears of rent in respect of leased agricultural land has no connection to the agricultural activity. Therefore, such interest income is not agricultural income.
- Income from cultivation of any crop whether cash crop or otherwise if entails basic and subsequent operations it is agricultural income. In this case cultivation of jute is agricultural income.
- Agricultural produce including grass if grown spontaneously, there is no human effort involved in it. Sale of grass which grows spontaneously is not agricultural income.
- Income from fishery is not related to basic and subsequent operations on land. Therefore, income from fishery is not agricultural income.

¹ Assume the coffee grown and cured is not roasted and grounded by the seller.



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- (v) Income from sale of saplings and seedlings grown in nursery requires efforts akin to basic and subsequent operations. Therefore, income from nursery is agricultural income.
- (vi) Producing salt by flooding sea water does not have the essential features of basic and subsequent operations. Therefore, income from salt produced by flooding land with seawater is not agriculture.

Q7

MTP Dec 23 (New)

Discuss the taxability of the following income:

- (i) A is employed in an agricultural farm and entrusted with tilling of land, his remuneration being 50% of the net profits earned by the farm.
- (ii) C receives a dividend of ₹ 12,000 from a company whose entire income is derived from agricultural operations only.
- (iii) F receives ₹ 600 on account of interest on loan on the mortgage of land which is used for agricultural purposes.
- (iv) G earns an income of ₹ 1,200 from lease of land for grazing of cattle required for agricultural operations.
- (v) Income from sale of trees of forest which are of spontaneous growth and in relation to which forestry operations alone are performed or Income from sale of wild grass of spontaneous growth.
- (vi) Income from poultry farming
- (vii) Income of ₹ 50,000 from agricultural land, the land is situated in Bangladesh.

Answer

- (i) Since Mr. A is an employee of the concern, therefore his income shall be taxable under the head 'Salaries' and shall not be treated as agricultural income. However, if Mr. A is a partner of the concern then such income shall be treated as agricultural income.
- (ii) Dividend received from a company (engaged in agricultural business) cannot be treated as agricultural income. Such dividend shall be taxable under the head "Income from other sources".
- (iii) Interest on loan on the mortgage of land used for agricultural purpose is not an agro-income.
- (iv) Any rent derived from land used for grazing of cattle, used for agricultural operation, is an agro-income
- (v) Income from sale of trees, grass grown spontaneously and without any human effort is non-agricultural income.
- (vi) Income from Poultry farming is not an agricultural income because such income is not derived from land.
- (vii) Since the land is situated outside India, hence income is not considered as agricultural income.



Income from Salaries

Q1

ICMAI Study Material

Mr. Oldman retired from his job after 29 years 6 months and 15 days of service on 17/12/20XX and received gratuity amounting ₹ 4,00,000. His salary at the time of retirement was basic ₹ 6,000 p.m., dearness allowance ₹ 1,200 p.m., House rent allowance ₹ 2,000, Commission on turnover 1%, Commission on profit ₹ 5,000. He got an increment on 1/4/20XX of ₹ 1,000 p.m. in Basic. Turnover achieved by assessee ₹ 1,00,000 p.m. Calculate his taxable gratuity if he is a —

- Government employee
- Non-Government employee, covered by the Payment of Gratuity Act;
- Non-Government employee not covered by the Payment of Gratuity Act

Answer

a. Government employee: Taxable amount: Nil as per section 10(10)(i).

b. & c. Other cases:

Computation of taxable gratuity of Mr. Oldman for the A.Y. 20XY-XZ:

Particulars	Case(b)		Case(c)	
	Details	Amount	Details	Amount
Gratuity received		4,00,000		4,00,000
Less: Min. of the following is exempted u/s 10(10)				
- Actual gratuity received	4,00,000		4,00,000	
- Statutory Amount	20,00,000		20,00,000	
- $15/26 \times$ completed year of service $\times$ salary p.m. [$15/26 \times 30 \times 7,200$]	1,24,615	1,24,615		
- $\frac{1}{2} \times$ completed year of service $\times$ salary p.m. [$\frac{1}{2} \times 29 \times 8,000$]			1,16,000	1,16,000
Taxable Gratuity		2,75,385		2,84,000

Workings for case (b):

- Completed year of service is 30 years.
- Salary here means (Basic + Dearness Allowance) last drawn. i.e. (₹ 6,000 + ₹ 1,200) = ₹ 7,200



Workings for case (c):

1. Completed year of service is 29 years.

2. Salary here means Basic + Dearness Allowance + Commission on turnover, being last 10 months average just preceding the month of retirement, as shown below:

Particulars	1 Feb ₹22	2 Mar	3 Apr	4 May	5 June	6 July	7 Aug	8 Sep	9 Oct	10 Nov	Total
Basic	5,000	5,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	6,000	58,000
D.A.	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	1,200	12,000
Commission	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	10,000
Total											80,000
Average salary = ₹ 80,000 / 10 months											8,000

Q 2**ICMAI Study Material**

Mr. Mugal joined Star Ltd. on 1/4/20XX. Details regarding his salary are as follows:

Particulars	Amount (in ₹)
Basic	5,000 p.m.
Dearness Allowance	2,000 p.m. (50% considered for retirement benefit)
Education Allowance	1,000 p.m. (he has 1 son and 3 daughters)
Hostel Allowance	2,000 p.m. (none of the children is sent to hostel)
Medical Allowance	1,000 p.m. (total medical expenditure incurred ₹ 3,000)
Transport Allowance	1,800 p.m. (being used for office to residence & vice versa)
Servant Allowance	1,000 p.m.
City compensatory Allowance	2,000 p.m.
Entertainment Allowance	1,000 p.m.
Assistants Allowance	3,000 p.m. (paid to assistant ₹ 2,000 p.m.)
Professional Development Allowance	2,000 p.m. (actual expenses for the purpose ₹ 8,000 p.m.)
Bonus	24,000 p.a.
Commission	9,000 p.a
Fees	5,000 p.a

Compute his gross taxable salary for the assessment year 20XY-XZ



Answer

Computation of gross taxable salary of Mr. Mugal for the A.Y. 20XY-XZ:

Particulars	Details	Amount	Amount
Basic Salary			60,000
Bonus			24,000
Commission			9,000
Fees			5,000
Allowances			
Dearness Allowance		24,000	
Education Allowance	12,000		
Less: Exemption ($\text{₹ } 100 \times 2 \times 12$)	2,400	9,600	
Hostel Allowance	24,000		
Less: Exemption ($\text{₹ } 300 \times 2 \times 12$)	7,200	16,800	
Medical Allowance		12,000	
Transport Allowance	21,600		
Less: Exemption	Nil	21,600	
Servant Allowance		12,000	
City Compensatory allowance		24,000	
Entertainment Allowance		12,000	
Assistance Allowance	36,000		
Less: Exemption (Being actual expenditure)	24,000	12,000	
Professional development allowance	24,000		
Less: Exemption (Actual expenditure max. of amount received)	24,000	Nil	1,44,000
Gross Taxable Salary			2,42,000

Q 3

ICMAI Study Material

Miss Sonal, being a citizen of India and Government employee has following salary details:

Particulars	Amount (in ₹)
Basic Salary	2,000 p.m.
Dearness Allowance	3,000 p.m.
Dearness Pay	1,000 p.m.
Fees	50,000 p.m.
House Rent Allowance	5,000 p.m. (Rent paid for Kolkata house ₹ 4,000 p.m.)
Children Education allowance	3,000 p.m. (She is having one adopted child)
Children allowance	1,000 p.m.



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Hostel allowance	2,000 p.m.
Dress Allowance	5,000 p.m. (Actual expenditure ₹ 10,000 p.m.)
Uniform Allowance	2,000 p.m. (Actual expenditure ₹ 1,000 p.m.)
Tiffin Allowance	1,000 p.m.
Education Allowance for her own education	2,000 p.m. (Actual expenditure ₹ 1,500 p.m.)

Answer

Particulars	Details	Amount	Amount
Basic Salary			24,000
Fees			50,000
Allowances			
Dearness Allowance		36,000	
Dearness Pay		12,000	
House Rent Allowance	60,000		
Less: Minimum of the following u/s 10(13A)			
Actual Amount Received ₹ 60,000			
50% of Salary, i.e. 50% of (24,000 + 36,000 + 12,000) ₹ 36,000			
Rent Paid – 10% of Salary (48,000 – 7,200) ₹ 40,800	36,000	24,000	
Children Education Allowance	36,000		
Less: Exemption (₹ 100 x 1 x 12)	1,200	34,800	
Children Allowance		12,000	
Hostel Allowance	24,000		
Less: Exemption (₹ 300 x 1 x 12)	3,600	20,400	
Dress Allowance (fully taxable)		60,000	
Uniform Allowance	24,000		
Less: Exemption (₹ 1,000 x 12)	12,000	12,000	
Tiffin Allowance		12,000	
Education allowance for own study	24,000		
Less: Exemption (₹ 1,500 x 12)	18,000	6,000	2,29,200
Gross Taxable Salary			3,03,200



Q 4

ICMAI Study Material

Taxable value of rent-free accommodation for the A.Y. 20XX-XY:

Particulars	Details	Amount	Amount
(a) Basic Salary	₹ 5,000 p.m	(a) Entertainment Allowance	₹ 1,000 p.m.
(c) Education Allowance	₹ 500 p.m. (he has 3 children)	(d) DA	₹ 3,000 p.m
(e) Fees	₹ 5,000 p.a.	(f) Bonus	₹ 10,000 p.a
(g) Professional tax of employee paid by employer ₹ 2,000 for the year			

(h) He has been provided a rent-free accommodation in Mumbai.

(i) 60% of DA only forms part of retirement benefits

Compute taxable value of accommodation in the hands of Mr. Chauhan in the following cases:

- The employer owns such accommodation.
- The employer hires such accommodation at a monthly rent of ₹ 900.

Answer

Taxable value of rent-free accommodation for the A.Y. 20XX-XY:

Particulars	Basis of determination	Taxable Perquisite
Owned by employer	15% of Salary (Working)	₹ 16,830
Hired by employer	15% of Salary or Actual rent paid by employer, whichever is lower	₹ 10,800

Working: Salary for the purpose of Rent-free accommodation:

Particulars	Details	Amount	Amount
Basic salary			60,000
Bonus			10,000
Fees			5,000
Allowances			
Dearness Allowances	₹ 36,000 x 60%	21,600	
Entertainment Allowances		12,000	
Education Allowance	₹ 6,000 – ₹ 2,400	3,600	37,200
Gross Taxable Salary			1,12,200

Note: Professional tax paid on behalf of employee is a perquisite; hence the same shall not be included in salary for the aforesaid purpose.

**Q 5****ICMAI Study Material**

Miss Stuti has the following salary structure:

Particulars	Amount (in ₹)
Basic salary	15,000 p.m.
Dearness Allowance	5,000 p.m. (not forming part of retirement benefit)
Hostel Allowance	1,000 p.m. (does not have any child)
Tiffin Allowance	500 p.m.
Transport Allowance	200 p.m.
Bonus	20,000 p.a.
Commission	15,000 p.a.
Free refreshment in office worth	5,000 p.a.
Mobile phone facility by employer	900 p.m.
Computer facility worth	10,000 p.a.

She has been provided a Rent-free Accommodation (owned by employer) in Kolkata. The house was allotted to her with effect from 1/5/20XX but she could occupy the same only from 1/6/20XX. Find her gross taxable salary.

Answer

Particulars	Details	Amount	Amount
Basic salary			1,80,000
Bonus			20,000
Commission			15,000
Allowances:			
Dearness Allowances		60,000	
Hostel Allowance (Fully taxable as she has no child)		12,000	
Tiffin Allowance		6,000	
Transport Allowance		2,400	80,400
Perquisite u/s 17(2) :			
Free Refreshment (not taxable)		Nil	
Mobile or telephone facility		Nil	
Computer facility		Nil	
Rent Free Accommodation	Working	29,425	29,425
Gross Taxable Salary			3,24,825

Working: Salary for the purpose of rent-free accommodation:

Basic Salary	1,80,000
Bonus	20,000



Commission	15,000
Allowances:	
Dearness allowance	Nil
Hostel Allowance	12,000
Tiffin Allowance	6,000
Transport Allowance	2,400
Total	2,35,400
Value of Rent-Free Accommodation (being $15\% \times ₹ 2,35,400 \times 10/12$)	29,425

Q 6

ICMAI Study Material

Miss Khushi has the following salary details:

1. Basic salary ₹ 6,000 p.m.
2. DA ₹ 3,000 p.m.
3. Academic development allowance ₹ 1,000 p.m., expenditure incurred ₹ 700 p.m.
4. Entertainment allowance ₹ 500 p.m

She has been provided with a rent-free accommodation in Purulia. On 1/7/20XX, she was posted to Kolkata. A new house further allotted to her on same date. But she surrendered her Purulia house only on 31/12/20XX. Rent paid by employer for Purulia House ₹ 500 p.m. while Kolkata house is owned by the employer. Find her gross taxable salary.

Answer

Particulars	Details	Amount	Amount
Basic salary			72,000
Allowances:			
Dearness Allowance		36,000	
Academic Development Allowance	12,000		
Less: Exempted to the extent of actual expenditure	8,400	3,600	45,600
Entertainment Allowance		6,000	
Perquisite u/s 17(2):			
Rent Free Accommodation	Working		13,320
Gross Taxable Salary			1,30,920

Working: Since Miss Khushi has been transferred from Purulia to Kolkata and she is provided with an accommodation at Kolkata also, the value of perquisite shall be taken for only one such house having lower value for a period not exceeding 90 days. Thereafter, the value of both such houses is taxable.



Valuation of rent-free accommodation:

Period	Particulars	Purulia house	Kolkata House	Taxable Amount
1/4/20XX - 30/6/20XX	She is having only Purulia house	15% of (₹ 1,17,600 x 3/12) or Rent paid by employer (₹ 500 x 3) whichever is lower	Not applicable	1,500
1/7/20XX - 30/9/20XX	She has both house but the house having lower value shall be taxable	₹ 1,500 (as calculated above)	15% of Salary ¹ i.e. ₹ 4,410	1,500
1/10/20XX - 31/12/20XX	She has both house and both shall be taxable	₹ 1,500 (as calculated above)	₹ 4,410 (as above)	5,910 (Note b)
1/1/20XY - 31/3/20XY	She has only Kolkata	Not applicable	₹ 4,410 (as above)	4,410
Taxable perquisite				13,320

Note:

- For the sake of simplicity, 3 months have been taken as equivalent to 90 days.
- After 90 days, value of both houses shall be considered.

1. Salary for valuation of rent- free accommodation:

Basic Salary	72,000
Allowances:	
Dearness allowance	36,000
Entertainment allowance	6,000
Academic development Allowance	3,600
Total	1,17,600



ICMAI Study Material

Mr. Vijay, manager, has been provided the following car facilities by Kishan Ltd. (his employer) :

Particulars	Car A	Car B	Car C
Owned by	Employer	Employer	Employer
Used for	Office as well as personal purpose		Personal purpose
Cost of car	3,00,000	5,00,000	2,00,000
Maintenance expenditure incurred by employer	50,000	60,000	-
Maintenance expenditure incurred by employee	-	-	40,000
Capacity of car	1.8 ltr.	1.4 ltr.	1.6 ltr.



Find taxable value of car facility.

Case a) Mr. Vijay holds 17% of equity share capital and 30% of preference share capital of Kishan Ltd. and his wife holds 13% equity share capital of the same company. Assume his total salary during the year other than perquisite is ₹ 40,000;

Case b) Mr. Vijay holds 25% equity share capital of the employer company.

Answer

Case a) Since Mr. Vijay is not a specified employee & employer owns all cars therefore car facility shall not be taxable.

Case b) Since Mr. Vijay holds substantial interest in employer-company hence he is a specified employee.

As employee has been provided 2 cars, used for office as well as for personal purpose, therefore he will have to opt one car as for office as well as personal purpose & the other car for personal purpose. In the given case, assessee has two options –

Option 1) Car A is used for office as well as personal purpose and car B is used for personal purpose.

Option 2) Car A is used for personal purpose and car B is used for office as well as personal purpose.

In any case, Car C is used for Personal purpose.

Particulars	Workings	Option 1			Option 2		
		Car A	Car B	Car C	Car A	Car B	Car C
Car used for		Both	Personal	Personal	Personal	Both	Personal
	₹ 2,400 x 12	28,800					
	10% of ₹ 5,00,000 + ₹ 60,000		1,10,000				
	10% of ₹ 2,00,000			20,000			20,000
	10% of ₹ 3,00,000 + ₹ 50,000				80,000		
	₹ 1,800 x 12					21,600	
Total		1,58,800			1,21,600		
As option 2 has lesser taxable value, hence assessee will opt for option 2 & taxable value shall be ₹ 1,21,600.							

**Q 8****ICMAI Study Material**

X Ltd. has sold the following assets to its employee, Mr. Amit. Compute taxable perquisite.

Assets	Date of purchase	Purchase value	Date of sale	Sale price
Computer	1/7/2020	2,00,000	18/8/2023	20,000
Car	1/4/2021	3,00,000	1/3/2024	50,000
Television	1/4/2018	50,000	1/4/2023	2,000
Sofa set	1/4/2008	80,000	1/7/2023	5,000

Answer

Computation of taxable value of perquisite in hands of Mr. Amit for the A.Y.2024-25:

Assets	Written down value	Sale value	Taxable perquisite
Computer	25,000 ¹	20,000	5,000
Car	1,92,000 ²	50,000	1,42,000
Television	25,000 ³	2,000	23,000
Sofa set	Nil ⁴	5,000	Nil
Taxable Perquisite			1,70,000

1. Calculation of WDV of Computer:

Particulars	Amount (in ₹)
Purchase value	2,00,000
Less: Depreciation from 1/7/2020 to 30/6/2021 @ 50%	1,00,000
WDV as on 1/7/2021	1,00,000
Less: Depreciation from 1/7/2021 to 30/6/2022 @ 50%	50,000
WDV as on 1/7/2022	50,000
Less: Depreciation from 1/7/2022 to 30/6/2023 @ 50%	25,000
WDV as on 1/7/2023	25,000
Less: Depreciation from 1/7/2023 to 18/8/2023 (as not being a complete year)	Nil
WDV as on the date of sale	25,000

2. Calculation of WDV of Car:

Particulars	Amount (in ₹)
Purchase value	3,00,000
Less: Depreciation from 1/4/2021 to 31/3/2022 @ 20%	60,000
WDV as on 1/4/2022	2,40,000
Less: Depreciation from 1/4/2022 to 31/3/2023 @ 20%	48,000
WDV as on 1/4/2023	1,92,000
Less: Depreciation from 1/4/2023 to 1/3/2024 (as not being a complete year)	Nil
WDV as on the date of sale	1,92,000



3. Calculation of WDV of television:

Particulars	Amount (in ₹)
Purchase value	50,000
Less: Depreciation from 1/4/2018 to 31/3/2023 @ 10%	25,000
WDV as on the date of sale	25,000

4. Depreciation on sofa set is charged @ 10% as per straight-line method. Since the asset is used for more than 10 years, hence its WDV will be Nil.

Q 9

ICMAI Study Material

Find taxable amount of perquisite in the following cases:

- Y has been allowed a fixed medical allowance of ₹ 2,000 p.m.
- Apart from reimbursement of petty medical bill of ₹ 25,000, Z and his family get medical treatment in a dispensary maintained by the employer. Value of facility provided to Z and his family members during the previous year are as follows:

Particulars	Amount (in ₹)
Z	2,000
Mrs. Z	5,000
Major son of Z (independent)	8,000
Minor daughter of Z	25,000
Dependent younger brother of Z	8,000
Independent younger sister of Z	10,000
Dependent sister-in-law	5,000

Answer

- Medical allowance is fully taxable, hence the taxable amount is ₹ 24,000
- Taxable perquisite in hands of Mr. Z is as under:

Particulars	Amount (in ₹)
Z	Nil
Mrs. Z	Nil
Major son of Z (independent)	Nil
Minor daughter of Z	Nil
Dependent younger brother of Z	Nil
Independent younger sister of Z	10,000
Dependent sister-in-law	5,000
Reimbursement of medical bill	25,000
Taxable Perquisite	40,000

**Q10****ICMAI Study Material**

Mr. Sharma has been appointed as an accountant of ABC Ltd as on 1/4/2021, since then he is working with the same company. The salary structure and increment details are as under:

Basic ₹ 5000 - 1000 - 8000 - 1500 - 14000

D.A. ₹ 3000 - 500 - 5000 - 1000 - 10000

He and his employer contribute to URPF 14% of basic and DA.

Every year 9% interest is credited to such fund. As on 1/4/2023, the fund gets recognition. Hence, the accumulated balance in URPF was transferred to RPF. Comment on tax treatment of such transferred balance.

Answer

Statement showing treatment of transferred balance :

Year	Employer's contribution to fund	Exempted amount considering the fund as RPF	Difference
2021-2022	14% of (60,000 + 36,000) i.e. ₹ 13,440	12% of ₹ 96,000 i.e. ₹ 11,520	₹ 1,920
2022-2023	14% of (72,000 + 42,000) i.e. ₹ 15,960	12% of ₹ 1,14,000 i.e. ₹ 13,680	₹ 2,280
Total			₹ 4,200

Current year (i.e. 2023-24) contribution shall be treated as RPF and taxable amount will be ₹ 2,640 [being (14 - 12)% of (₹ 84,000 + ₹ 48,000) i.e. 2% of ₹ 1,32,000]. Since interest rate is less than the exempted limit (i.e. 9%), hence interest portion is not taxable. Total taxable salary on account of provident fund for the A.Y. 2023-24 is ₹ 6,840 (being ₹ 4,200 + ₹ 2,640).

Q11**ICMAI Study Material**

Mr. Rohit a non-Government employee has the following salary details:

1. Basic Salary ₹ 5,000 p.m.
2. D.A. ₹ 2,000 p.m.
3. Entertainment Allowance ₹ 300 p.m.
4. Professional tax paid by employee ₹ 600
5. LIC Premium paid by employer ₹ 3,600
6. Income tax paid by employee ₹ 2,000
7. Professional tax paid by employer on behalf of employee ₹ 1,600

Find his taxable salary.



Answer

Computation of taxable salary of Mr. Rohit for the A.Y.20XY-XZ:

Particulars	Details	Amount
Basic Salary		60,000
Allowances:		
Dearness Allowance	24,000	
Entertainment Allowance	3,600	27,600
Taxable perquisite:		
Professional tax paid by employer	1,600	
LIC Premium paid by employer	3,600	5,200
Gross Taxable Salary		92,800
Less: Deduction u/s		92,800
16(ia) Standard Deduction	50,000	
16(ii) Entertainment allowance (Assessee is a Non-government employee)	Nil	
16(iii) Professional Tax (₹ 1,600 + ₹ 600)	2,200	52,200
Taxable Salary		40,600

Q12

ICMAI Study Material

Mr. Bharat of Siliguri is offered an employment by Vimal & Co. Ltd., Kolkata on a basic salary of ₹ 5,500 p.m. Other allowances are dearness allowance (not forming part of salary for retirement benefits) ₹ 4,000 p.m., medical allowance ₹ 1,000 p.m. and bonus being 1 month's basic salary. The company gives an option to him either to take a rent-free accommodation in Kolkata of the fair rental value of ₹ 1000 p.m. or to accept a cash house rent allowance of ₹ 1,000 p.m. He decides to accept house rent allowance and takes a house in Kolkata at a monthly rent of ₹ 1,000. Do you think he has made a wise choice from tax advantage view? State reasons.

Answer

Computation of Gross Taxable Salary of Mr. Bharat for the A.Y.20XY-XZ:

Particulars	When he takes HRA		When he takes RFA	
	Amount	Amount	Amount	Amount
Basic		66,000		66,000
Bonus		5,500		5,500
Dearness Allowance		48,000		48,000
Medical Allowance		12,000		12,000
HRA	12000			
Less: Minimum of the following:				
(a) Actual amount received	12,000			
(b) 50% of salary	33,000			
(c) Rent paid over 10% of salary	5,400	5,400	6,600	Nil



Rent free accommodation (being 15% of salary)		Nil		12,525
Net Taxable Salary		1,38,100		1,44,025

Note: Salary for the purpose:

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

The above computation indicates that if the assessee chooses rent-free accommodation, then his gross taxable salary increases by ₹ 5,925 (being ₹ 1,44,025 – ₹ 1,38,100), which may increase his tax bill. Hence, assessee has taken right decision.

Q13

ICMAI Study Material

Following are the particulars of income of Mrs. S. Choudhury for the Previous Year 20XX-XY:

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

Compute income from salary of Mrs. Choudhury for the assessment year 20XY-XZ.

Answer

Computation of Taxable Salary of Mrs. S Choudhury for the A.Y.20XY-XZ:

Particulars	Workings	Details	Amount	Amount
Salaries				
Basic Allowances:				1,80,000
Dearness allowance	60% of basic		1,08,000	
Medical Allowance			7,200	
City compensatory allowance			18,000	
House rent allowance		72,000		



Less: Exempted u/s 10(13A)				
Minimum of the following:				
a. Actual HRA	72,000			
b. 40% of (Basic + DA)	1,15,200			
c. Rent paid – 10% (Basic + DA)	57,600	57,600	14,400	1,47,600
Perquisites u/s 17(2):				
Car facility			-	-
Employer's contribution to RPF		25,200		
Less: Exempted u/s 10(12)	12% of (Basic + DA)	25,200		
Interest on RPF		2,200		
Less: Exempted	Upto 9%	1,800	400	400
Gross taxable salary				3,27,600
Less: Deduction u/s				
16(ia) Standard Deduction			50,000	
16(iii) Professional tax			1,800	51,800
Taxable Salary				2,75,800

Q14

ICMAI Study Material

In the above illustration, how shall your answer differ if Miss Sonal is working outside India and rent paid for the house in Japan.

Answer

Particulars	Amount (in ₹)
Basic Salary	24,000
Fees	50,000
Gross Taxable Salary	74,000

Note: Since, Miss Sonal, being Government-employee and citizen of India, is working outside India. Hence, all allowances paid to her by the Government are exempted u/s 10(7).

Q15

ICMAI Study Material

State whether the following receipts should be treated as salary or not?

- » A teacher receives emoluments in kind from school in which he teaches.
- » A teacher of a college receives fees from an University for checking answer sheets.
- » A payment made to the Member of the Parliament or the State legislature.

**Answer**

- » Yes, it is immaterial whether salary has been received in cash or in kind.
- » No, as employer – employee relationship does not exist between payer and payee. (College-teacher is not the employee of the University). Such receipt shall be taxable under the head 'Income from other sources'.
- » No, as employer-employee relationship does not exist.

A member of the Parliament or the State legislature is not treated as employee of the Government. Payment received by them shall be taxable under the head "Income from other sources".

Q 16**ICMAI Study Material**

Ashok, an employee of ABC Ltd., receives ₹ 8,05,000 as gratuity under the Payment of Gratuity Act, 1972. He retires on 10th September, 20XX after rendering service for 35 years and 7 months. The last drawn salary was ₹ 32,700 per month. Calculate the amount of gratuity chargeable to tax.

Answer

Particulars	Details	Amount
Gratuity received		8,05,000
Less: Minimum of the following is exempted as per Sec 10(10)(ii) :		
(a) Actual gratuity received	8,05,000	
(b) Statutory Amount	20,00,000	
(c) $15/26 \times \text{completed year of service} \times \text{salary p.m.}$ [$15/26 \times 36 \times ₹ 32,700$]	6,79,154	6,79,154
Taxable Gratuity		1,25,846

Q 17**ICMAI Study Material**

Mrs. X is working with ABC Ltd. since last 30 years 9 months. Her salary structure is as under:

Basic ₹ 5,000 p.m. Dearness allowance ₹ 3,000 p.m.

On 15/12/20XX, she died. State the treatment of gratuity in following cases:

Case 1: Mrs. X retired on 10/12/20XX & gratuity ₹ 4,00,000 received by her husband (legal heir) as on 18/12/20XX.

Case 2: Husband of Mrs. X received gratuity on 18/12/20XX falling due after death of Mrs. X.

Mrs. X is covered by the Payment of Gratuity Act.



Answer

In Case 1, Computation of taxable gratuity in hands of Mrs. X for the A.Y. 20XY-XZ:

Particulars	Details	Amount
Total Gratuity received		4,00,000
Less: Minimum of the following is exempted as per Sec 10(10)(ii):		
(a) Actual gratuity received	4,00,000	
(b) Statutory Amount	20,00,000	
(c) $15/26 \times$ completed year of service $\times$ salary p.m. [$15/26 \times 31 \times ₹ 8,000$]	1,43,077	1,43,077
Taxable Gratuity		2,53,923

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

Q18

ICMAI Study Material

- Mr. Bhanu is working in Zebra Ltd. since last 25 years 9 months. Company allows 2 months leave for every completed year of service to its employees. During the job, he had availed 20 months leave. At the time of retirement on 10/8/20XX, he got ₹ 1,50,000 as leave encashment. As on that date, his basic salary was ₹ 5,000 p.m., D.A. was ₹ 2,000 p.m., Commission was 5% on turnover + ₹ 2,000 p.m. (Fixed p.m.). Turnover effected by the assessee during last 12 months (evenly) ₹ 5,00,000. Bhanu got an increment of ₹ 1,000 p.m. from 1/1/20XX in basic and ₹ 500 p.m. in D.A. Compute his taxable leave encashment salary.
- How shall your answer differ if the assessee had taken 2 months leave instead of 20 months, during his continuation of job.

Answer

Working:

- Completed year of service: 25 years 9 months = 25 years
- As per sec. 3(35) of the General Clauses Act, 1897, month shall mean a month reckoned according to the British calendar e.g. the period commencing from 7th September & end on 6th October shall be a month.
- Salary here means Basic + Dearness Allowance + Commission on turnover (last 10 months average from the date of retirement)

Particulars	Oct ₹ (21 days)	Nov	Dec	Jan ₹ 20XX	Feb	Mar	Apr	May	June	July	Aug 10 Days	Total
Basic	2710	4,000	4,000	5,000	5,000	5,000	5,000	5,000	5,000	5,000	1,613	47,323
D.A.	1,016	1,500	1,500	2,000	2,000	2,000	2,000	2,000	2,000	2,000	645	18,661
Commission	$500000 \times 5\% \times 10/12$											20,833
Total												86,817
Average salary i.e. ₹ 86,817 / 10 months												8,682



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Monthly fixed commission is irrelevant. Commission as fixed percentage of turnover is to be considered.

Computation of taxable leave encashment salary of Mr. Bhanu for the A.Y. 20XY-XZ:

Particulars	Case (b)		Case (c)	
	Details	Amount	Details	Amount
Leave encashment received		1,50,000		1,50,000
Less: Min. of the following is exempted u/s 10(10AA)(ii):				
-Actual amount received	1,50,000		1,50,000	
-Statutory Amount	3,00,000		3,00,000	
-10 months x Av. Salary p.m. (10 x 8,682)	86,820		86,820	
-[1x completed year of service - Leave taken] x salary p.m.]			1,16,000	1,16,000
	43,410 [^]	43,410	1,99,686 [#]	86,820
		1,06,590		63,180

[^] [(1 x 25 - 20) x 8,682]

[#] [(1 x 25 - 2) x ₹ 8,682]

Q19

ICMAI Study Material

Mr. Das retired on 31/3/20XY. At the time of retirement, 18 months leave was lying to the credit of his account. He received leave encashment equivalent to 18 months Basic salary ₹ 1,26,000. His employer allows him 1½ months leave for every completed year of service. During his tenure, he availed of 12 months leave. At the time of retirement, he also gets D.A. ₹ 3,000. His last increment of ₹ 1,000 in basic was on 1/4/20XX. Find taxable leave encashment.

Answer

1. Calculation of completed year of service: Employee has received 18 months leave encashment on termination of service as well he had enjoyed leave of 12 months during his tenure. That means he had received a leave benefit of 30 months. Since leave allowed by employer is 1½ months for every completed year of service, this signifies that Mr. Das had completed 20 years (being $30 \div 1\frac{1}{2}$) of service.
2. Salary here means, Basic + DA + Commission, being last 10 months average from the date of retirement. There is no increment in last 10 months (last increment was on 1/4/20XX) and there is no commission, hence Average Salary = ₹ 7,000 (i.e. ₹ 1,26,000/18) + ₹ 3,000 = ₹ 10,000 p.m.



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Computation of taxable leave encashment of Mr. Das for the A.Y. 20XY-XZ:

Particulars	Details	Amount
Leave Encashment received		1,26,000
Less: Minimum of the following is exempt u/s 10(10AA)(ii):		
(a) Actual amount received	1,26,000	
(b) Statutory Amount	3,00,000	
(c) 10 months x Avg. Salary p.m. (10 x 10,000)	1,00,000	
(d) {1 x completed year of service - Leave taken} x Avg. salary p.m. [[1 x 20 - 12] x ₹ 10,000]	80,000	80,000
Taxable Leave Encashment		46,000

Q 20

ICMAI Study Material

Mr. Amit has retired from his job on 31/3/20XX. From 1/4/20XX, he was entitled to a pension of ₹ 3,000 p.m. On 1/8/20XX, he got 80% of his pension commuted and received ₹ 1,20,000. Compute taxable pension if he is: Case a) Government employee; Case b) Non-Government employee & not receiving gratuity; Case c) Non-Government employee (receiving gratuity, but not covered by the Payment of Gratuity Act)

Answer

Computation of taxable pension of Mr. Amit for the A.Y. 20XY-XZ:

Particulars	Case (a)		Case (b)		Case (c)	
	Details	Amount	Details	Amount	Details	Amount
Uncommuted Pension				1,50,000		1,50,000
-1/4/20XX to 31/7/20XX (₹ 3,000x4)	12,000		12,000		12,000	
-1/8/20XX to 31/3/20XY (₹ 600 x 8)	4,800	16,800	4,800	16,800	4,800	16,800
Commuted Pension	1,20,000		1,20,000		1,20,000	
Fully exempted u/s 10(10A)(i)	1,20,000	Nil				
Exempted u/s 10(10A)(ii)(½ of ₹ 1,50,000#)			75,000	45,000		
Exempted u/s 10(10A)(ii) (1/3 of ₹ 1,50,000#)					50,000	70,000
Taxable Pension		16,800		61,800		86,800

Commuted Amount for 80% of pension = ₹ 1,20,000. Commuted amount for 100% of pension = ₹1,50,000

**Q 21****ICMAI Study Material**

X, a resident of Ajmer, receives ₹ 48,000 as basic salary during the previous year 20XX-XY. In addition, he gets ₹ 4,800 as dearness allowance forming part of basic salary, 7% commission on sales made by him (sale made by X during the relevant previous year is ₹ 86,000) and ₹ 6,000 as house rent allowance. He, however, pays ₹ 5,800 as house rent. Determine the quantum of exempted house rent allowance.

Answer

Computation of taxable house rent allowance of X for the A.Y. 20XY-XZ:

Particulars	Details	Amount
House Rent Allowance Received		6,000
Less: Minimum of the following being exempted u/s 10(13A)		
(a) Actual amount received	6,000	
(b) 40% of Salary (Note)	23,528	
(c) Rent paid – 10% of salary [₹ 5,800 – ₹ 5,882]	Nil	Nil
Taxable House Rent Allowance		2,56,923

Q 22**ICMAI Study Material**

Compute the taxable house rent allowance of Mr. Abhijeet from the following data :

1. Basic Salary ₹ 5,000 p.m., D.A. ₹ 2,000 p.m., HRA ₹ 4,000 p.m., Rent paid ₹ 4,000 p.m. in Pune.
2. On 1/07/20XX, there is an increment in Basic salary by ₹ 1,000.
3. On 1/10/20XX, employee hired a new flat in Kolkata at the same rent as he was posted to Kolkata.
4. On 1/01/20XY, employee purchased his own flat and resides there

Answer

Computation of taxable house rent allowance of Mr. Abhijeet for the A.Y. 20XY-XZ:

Particulars	Details	Amount	Amount
House Rent Allowance Received (from 1.4.20XX to 30.6.20XX)		12,000	
Less: Minimum of the following being exempted u/s 10(13A)			
(a) Actual Amount Received	12,000		
(b) 40% of Salary [(₹ 5,000 + ₹ 2,000) x 3]	8,400		
(c) Rent paid – 10% of salary (₹ 12,000 – ₹ 2,100)	9,900	8,400	3,600
House Rent Allowance Received (from 1.7.20XX to 30.9.20XX)		12,000	
Less: Minimum of the following being exempted u/s 10(13A)			
(a) Actual Amount Received	12,000		



(b) 40% of Salary $[(₹ 6,000 + ₹ 2,000) \times 3]$	9,600		
(c) Rent paid – 10% of salary $(₹ 12,000 - ₹ 2,400)$	9,600	9,600	2,400
House Rent Allowance Received (from 1.10.20XX to 31.12.20XX)		12,000	
Less: Minimum of the following being exempted u/s 10(13A)			
(a) Actual Amount Received	12,000		
(b) 50% of Salary $[(₹ 6,000 + ₹ 2,000) \times 3]$	12,000		
(c) Rent paid – 10% of salary $(₹ 12,000 - ₹ 2,400)$	9,600	9,600	2,400
House Rent Allowance Received (from 1.1.20XY to 31.3.20XY)			
(Fully taxable as assessee resides in his own house)			12,000
Taxable House Rent Allowance			20,400

Q 23

ICMAI Study Material

Mr. Laloo Singh, received education allowance of ₹ 80 p.m. for his 1st child, ₹ 90 p.m. for his 2nd child and ₹ 120 p.m. for his 3rd child. He also received hostel allowance of ₹ 1,000 p.m. None of his children are studying. Find taxable Children Education Allowance and Hostel allowance.

Answer

Computation of taxable children education allowance for Mr. Laloo Singh for the A.Y. 20XY-XZ:

Particulars	Details	Amount
Hostel allowance	12,000	
Less : Exempted $(₹ 300 \times 2 \times 12)$	7,200	4,800
Children Education allowance $[(₹ 80 \times 12) + (₹ 90 \times 12) + (₹ 120 \times 12)]$	3,480	
Less : Exempted $\{(₹ 100 + ₹ 90) \times 12\}$	2,280	1,200
Taxable Allowance		6,000

Note : Education allowance is allowed for any two children of assessee therefore education allowance of first child (which is the lowest one i.e. ₹ 80 only) is not considered, to avail higher deduction.

Q 24

ICMAI Study Material

Mr. & Mrs. X have three children and two of them are not studying. Both Mr. & Mrs. X are working in A Ltd. And getting children education allowance ₹ 500 per month and hostel allowance ₹ 1,000 per month. Compute taxable children education allowance and hostel allowance.

**Answer**

Computation of taxable allowance of Mr. & Mrs. X for the A.Y. 20XY-XZ:

Particulars	Mr. X		Mrs. X	
	Details	Amount	Details	Amount
Education allowance (₹ 500 x 12)	6,000		6,000	
Less: Exemption (₹ 100 x 12 x 2)	2,400	3,600	2,400	3,600
Hostel Allowance (₹ 1,000 x 12)	12,000		12,000	
Less: Exemption (₹ 300 x 12 x 2)	7,200	4,800	7,200	4,800
Taxable Allowance		8,400		8,400

Q 25**ICMAI Study Material**

In above illustration, how shall answer differ if the property is situated in a city where population is only 14,60,000.

Answer

Taxable value of rent free accommodation for the A.Y.20XY-XZ:

Particulars	Basis of determination	Taxable Perquisite
Owned by employer	10% of Salary (as per the above working)	₹ 11,220
Hired by employer	15% of Salary or Actual rent paid by employer, whichever is lower	₹ 10,800

Q 26**ICMAI Study Material**

Sri Ashutosh has been provided with a furnished accommodation in a city having population of 14,00,000 as per last census. Municipal Value of the house (owned by employer) is ₹ 80,000 whereas Fair rent of the house is ₹ 1,00,000. His salary details are as under:

Basic	25,000 p.m.
Allowance for increased cost of living	5,000 p.m.
Children Education allowance	3,000 p.m. [He has one son and two married daughters]



Furniture details as under:

Particulars	Hired by the employer (Hire charge)	Owned by the employer (Original Cost)
T.V.	2,000 p.a.	-
Refrigerator	-	10,000
Washing Machine	-	5,000
Other furniture	1,000 p.m.	20,000

Calculate gross taxable salary of Sri Ashutosh for the A.Y. 20XY-XZ.

Answer

Computation of gross taxable salary of Sri Ashutosh for the A.Y. 20XY-XZ:

Particulars	Amount	Amount
Basic salary		3,00,000
Dearness allowance (Allowance for increased cost of living)		60,000
Children Education Allowance	36,000	
Less: Exemption ($\text{₹ } 100 \times 2 \times 12$)	2,400	33,600
Rent Free Furnished Accommodation		
Value of Accommodation (10% of Salary ¹)	39,360	
Value of furniture ²	17,500	56,860
Gross Taxable Salary		4,50,460

¹ Salary for valuation of rent- free accommodation:

Basic Salary	3,00,000
Dearness allowance	60,000
Education Allowance	33,600
Total	3,93,600

²Valuation of taxable perquisite for furniture:

Furniture	Perquisite for hired furniture	Perquisite for owned furniture	Total Taxable value of furniture
T.V.	2,000	-	2,000
Refrigerator	-	10% of 10,000	1,000
Washing Machine	-	10% of 5,000	500
Other furniture	12,000	10% of 20,000	14,000
Total			17,500

Municipal value and Fair rent are irrelevant.

**Q 27****ICMAI Study Material**

A company ₹X grants option to its employee ₹R on 1st April, 2018 to apply for 100 shares of the company for making available right in the intellectual property to the employer-company at a pre-determined price of ₹ 50 per share with date of vesting of the option being 1st April, 2019 and exercise period being 1st April, 2019 to 31st March, 2024. Employee ₹R exercises his option on 31st March, 2023 and shares are allotted/transferred to him on 3rd April, 2023.

Fair market value of such share on different dates are as under:

01-04-2018	01-04-2019	31-03-2023	03-04-2023
₹ 100	₹ 180	₹ 440	₹ 470

Compute taxable perquisite, if any, in hands of Mr. R for A.Y. 2024-25.

Answer

Since shares are allotted by the company after 31-03-2023 (even though it is exercised by the employee on 31-03-2023), hence, it is taxable in A.Y. 2024-25. Value of the perquisite is as under:

Particulars	Amount (in ₹)
The FMV of shares on the date on which the option is exercised [₹ 440 x 100 shares]	44,000
Less: The amount actually paid by assessee in respect of such shares [₹ 50 x 100 shares]	5,000
Value Of Perquisite	39,000

Note: For the purpose of computing capital gain on transfer of these shares by Mr. R, ₹ 44,000 (i.e. ₹ 440 per shares) shall be considered as cost of acquisition of such shares.

Q 28**ICMAI Study Material**

Sonam, has been provided a car (1.7 ltr.) by his employer Vikash Ltd. The cost of car to the employer was ₹3,50,000 and maintenance cost incurred by the employer ₹ 30,000 p.a. Chauffeur salary paid by the employer ₹3,000 p.m.

Find value of perquisite for Sonam for the A.Y. 20XY-XZ, if the car is used for:

- Office purpose.
- Personal purpose.
- Both purposes.

In case (b) and (c), employee is being charged ₹ 15,000 p.a. for such facility



Answer

- Nil, as car is used for office purpose.
- Taxable value of car facility:

Particulars	Details	Amount
Depreciation of Car	10% of ₹ 3,50,000	35,000
Maintenance cost	Actual	30,000
Driver's salary	Actual	36,000
Total		1,01,000
Less: Amount charged from employee		15,000
Taxable Perquisite		86,000

- ₹ 2,400 p.m. for car facility + ₹ 900 p.m. for driver facility = ₹ 3,300 p.m.

Taxable value of perquisite ₹ 3,300 × 12 = ₹ 39,600.

Note: Whenever statutory value (₹ 1,800 or ₹ 2,400 and ₹ 600 or ₹ 900) is taken as taxable value of perquisite then amount charged from employee shall not be subtracted.

Q 29

ICMAI Study Material

Mr. Piyush has been provided a car (1.5 ltr.) on 15/7/20XX. The cost of car to the employer was ₹ 6,00,000 and maintenance cost incurred by employer ₹ 20,000 p.a. Chauffeur salary paid by employer (Mr. Ratan) ₹ 4,000 p.m.

The car is 40% used for office and 60% for personal purpose. Charges paid by employee for such facility ₹ 5,000 p.a. Find taxable value of perquisite.

Answer

Particulars	Details	Amount
Car	₹ 1,800 × 8	14,400
Driver	₹ 900 × 8	7,200
Taxable Perquisite		21,600

- A part of month shall not be considered for this purpose.
- Whenever statutory value is taken as taxable value of perquisite then amount charged from employee shall not be subtracted.

**Q 30****ICMAI Study Material**

Mr. Vikram being a Government employee has a car (1.7 ltr.) used for office as well as for personal purpose. During the year, he incurred ₹ 40,000 on maintenance and ₹ 20,000 on driver's salary. The entire cost is reimbursed by employer. Find taxable perquisite.

Answer

Taxable perquisite in the hands of Mr. Vikram :

As the car is owned by the assessee & maintained by the employer, taxable value of perquisite shall be = Actual expenditure incurred by the employer as reduced by ₹ 2,400 p.m. (in case of 1.7 ltr.) and ₹ 900 p.m. for driver's salary.

Hence, taxable amount shall be –

Amount reimbursed by employer (₹ 40,000 + ₹ 20,000)	₹ 60,000
Less: Deduction for the amount used for office purpose (₹ 2,400 + ₹ 900) × 12	₹ 39,600
Taxable amount	₹ 20,400

Q 31**ICMAI Study Material**

Wasim has a car (1.5 ltr.) used for office as well as for personal purpose. During the year car is used 80% for business purpose being certified by the employer. During the year, he incurred ₹ 50,000 on maintenance and running of such car. The entire cost is reimbursed by the employer. Find taxable perquisite if assessee wish to claim higher deduction, when –

1. A proper log book is maintained;
2. A proper log book is not maintained

Answer

A. When log book is maintained

Taxable perquisite in the hands of Wasim

Actual expenditure incurred by the employer is reduced to the extent it is used for office purpose, as a proper record is kept and duly certified by employer.

Amount reimbursed by the employer	₹ 50,000
Less : Deduction (80% of ₹ 50,000)	₹ 40,000
Taxable amount	₹ 10,000

B. When log book is not maintained

Taxable perquisite in the hands of Wasim

Actual expenditure incurred by the employer is reduced to the extent of ₹ 1,800 p.m. even though it is used for office purpose but a proper record is not kept.

Amount reimbursed by the employer	₹ 50,000
Less : Deduction (₹ 1,800 × 12)	₹ 21,600
Taxable amount	₹ 28,400



Q 32

ICMAI Study Material

Amit is provided with two cars, to be used official & personal work, by his employer Raj. The following information is available from the employer records for computing taxable value of perk (assuming car 1, is exclusively used by Amit).

Particulars	Car 1	Car 2
Cost of the car	6,00,000	4,00,000
Running and maintenance (borne by the company)	40,800	28,000
Salary of driver (borne by the company)	24,000	24,000

Answer

Valuation of perquisite for Mr. Amit:

Particulars	Workings	Details	Amount
Valuation of perquisite in respect of Car 1			
-Depreciation of car	10% of ₹ 6,00,000	60,000	
-Maintenance		40,800	
-Driver salary		24,000	1,24,800
Valuation of perquisite in respect of Car 2 (Assumed capacity of engine does not exceed 1.6 cc)	(₹ 1,800 + ₹ 900) × 12		32,400
Value of car perquisite			1,57,200

Q 33

ICMAI Study Material

Sri Bhagawan, has been provided with the following servants by his employer:

Servant	Appointed by	Salary of Servant
Watchman	Employer	2,000 p.m.
Cook	Employee's wife	3,000 p.m.
Maid servant	Employer	1,000 p.m.
Sweeper	Employee	500 p.m.
Gardener	Employer	1,000 p.m.

Sri Bhagawan has also been provided a rent-free accommodation, which is owned by the employer. Find taxable value of servant facility if –

Case a) He is a specified employee.

Case b) He is a non-specified employee.

**Answer**

Computation of taxable value of perquisite for A.Y. 20XY-XZ:

Servant	Taxable Amount	
	Case a	Case b
Watchman	24,000	Nil
Cook	36,000	36,000
Maid servant	12,000	Nil
Sweeper	6,000	6,000
Gardener (since Rent free accommodation, owned by employer, is provided)	Nil	Nil
Taxable Perquisite	78,000	42,000

Q 34**ICMAI Study Material**

Determine taxable perquisite in the following cases :

- Miss Shradha received a wrist-watch of ₹ 3,000 on 17/7/20XX and a golden chain worth ₹ 12,000 on 18/8/20XX from her employer, Mr. Raju.
- Miss Rakhi received ₹ 11,000 cash-gift from her employer, Dipu Ltd.
- Mr. Anirudha is working with X & Co. a partnership firm. During the year, the employer firm gifted a diamond ring worth ₹ 80,000 to wife of Mr. Anirudha.

Answer

- Taxable perquisite in the hands of Shradha shall be ₹ 10,000 (being ₹ 3,000 + ₹ 12,000 – ₹ 5,000)
- Taxable perquisite in the hands of Rakhi shall be ₹ 11,000.
- Taxable perquisite in the hands of Mr. Anirudha shall be ₹ 75,000.

Q 35**ICMAI Study Material**

Himalaya Ltd. reimburses the following expenditure on medical treatment of the son of an employee Karan. The treatment was done at UK:

- Travelling expenses ₹ 1,15,000.
- Stay expenses at UK permitted by RBI ₹ 45,000 (Actual expenses ₹ 70,000).
- Medical expenses permitted by RBI ₹ 50,000 (Actual expenses ₹ 70,000).

Compute the taxable perquisites for the assessment year 20XY-XZ in the hands of Karan, if his annual income from salary before considering medical facility perquisite was

- ₹ 1,50,000;
- ₹ 2,00,000.



Answer

Taxable value of perquisite in hands of Mr. Karan is as under:

Particulars	Workings	Details	Case 1	Case 2
Medical expenditure	Amount paid in excess of RBI permission and actual expenditure shall not qualify for exemption.	₹ 70,000 – ₹ 50,000	₹ 20,000	₹ 20,000
Stay Cost	Stay cost in excess of RBI permission and actual expenditure shall not qualify for exemption.	₹ 70,000 – ₹ 45,000	₹ 25,000	₹ 25,000
Travel cost	Travel cost (Note)		Nil	₹ 1,15,000
Total taxable perquisite			₹ 45,000	₹ 1,60,000

Note: Travel cost shall be eligible for exemption only if gross total income of the assessee does not exceed ₹ 2,00,000, which can be evaluated as under:

Particulars	Case 1	Case 2
Salaries		
Annual income from salary other than foreign medical perquisites	1,50,000	2,00,000
Add: Medical facility		
Medical expenditure perquisite	20,000	20,000
Stay cost perquisite	25,000	25,000
Gross Total Income for the purpose of foreign travel medical facility	1,95,000	2,45,000

Q 36

ICMAI Study Material

Mr. X has the following salary structure –

Basic pay	₹ 10,000 p.m.	Commission (fixed)	₹ 2,000
DA	₹ 1,000 p.m.	Entertainment allowance	₹ 2,000 p.m.

X contributes ₹ 20,000 to provident fund. Employer also makes a matching contribution. Compute gross salary of if –

- Mr. X is a Government employee and such provident fund is a statutory provident fund.
- Mr. X is an employee of Y Ltd. and such fund is a recognized fund.
- Mr. X is an employee of Z Ltd. and such fund is an unrecognized fund.

**Answer**

Computation of taxable salary of Mr. X for the A.Y. 20XY-XZ:

Particulars	Case (a)		Case (b)		Case (c)	
	Details	Amount	Details	Amount	Details	Amount
Basic		1,20,000		1,20,000		1,20,000
Commission		2,000		2,000		2,000
Allowances:						
Dearness allowance	12,000		12,000		12,000	
Entertainment allowance	24,000	36,000	24,000	36,000	24,000	36,000
Employer's contribution to PF	20,000		20,000		20,000	
Less: Exempted	20,000	Nil	15,840	4,160	20,000	Nil
Gross Salary		1,58,000		1,62,160		1,58,000

Notes:

1. Contribution to statutory and unrecognised provident fund is fully exempted.
2. Contribution to recognised provident fund is exempt upto 12% of salary. Salary for such purpose –

Particulars	Amount (in ₹)
Basic	1,20,000
Commission (as fixed)	Nil
Dearness allowance	12,000
Total	1,32,000

Q 37**ICMAI Study Material**

Compute taxable Entertainment allowance & net salary of Sri Hanuman Prasad from the following data :

Basic salary ₹ 8,000 p.m.

D.A. ₹ 2,000 p.m.

Taxable perquisite ₹ 35,000,

Entertainment Allowance ₹ 4,000 p.m.

Out of such allowance ₹ 20,000 is expended and balance amount is saved. Assuming he is:

- a. Government employee
- b. Non-Government employee.



Answer

Particulars	Government Employee		Non-Government Employee	
	Details	Amount	Details	Amount
Basic Salary		96,000		96,000
Dearness Allowance		24,000		24,000
Entertainment Allowance		48,000		48,000
Taxable perquisite		35,000		35,000
Gross Taxable Salary		2,03,000		2,03,000
Less: Deduction u/s				
16(ia) Standard Deduction	50,000		50,000	
16(ii) Entertainment allowance#	5,000	55,000	Nil	50,000
Net Taxable Salary		1,48,000		1,53,000

#Entertainment Allowance is exempted to the extent of minimum of the following:

- Actual Entertainment Allowance ₹ 48,000
- 20% of Basic Salary ₹ 19,200
- Statutory amount ₹ 5,000

Q 38

ICMAI Study Material

Mrs. Payal retired from Pajeb Ltd. on 29/8/2023 after completing 30 years 9 months of service and received a gratuity of ₹ 2,00,000. Her last drawn salary: Basic ₹ 10,000 p.m. + DA ₹ 5,000 p.m. + Commission being a fixed percentage on turnover ₹ 2,000 p.m. (turnover evenly accrued during the previous year) + Commission on Profit ₹ 23,000 for this year. Her last increment was on 1/1/2023 in Basic ₹ 1,000 and in DA ₹ 500. Find taxable gratuity assuming that she is not covered by the Payment of Gratuity Act.

Answer

Nil

Q 39

ICMAI Study Material

Miss Mamta has been working with X Ltd. for last 20 years and 11 months. Before that, she was employed in Y Ltd. wherefrom, she received leave encashment ₹ 40,000 (fully claimed as deduction). On 31/7/2023, she has taken voluntary retirement from X Ltd. and received leave encashment ₹ 3,00,000. At the time of retirement, her monthly salary detail was as under: Basic Salary ₹ 5,000, D.A. ₹ 2,000, Commission as a % on turnover ₹ 2,000 p.m. (Turnover accrued evenly throughout the year). Her last increment was ₹ 1,000 in basic salary fell due on 1/1/2023. X Ltd. allows 20 days leave to its employees for each completed year of service. During continuation of service she availed 160 days leave. Find her taxable leave salary.

Answer

₹ 2,30,400

**Q 40****ICMAI Study Material**

Mr. Narayan retired from service on 1/6/2023. As on that date, his monthly salary was Basic ₹ 5,000 p.m., Commission on turnover 5%. Total turnover achieved by him during last 10 months (occurred evenly) ₹ 5,00,000. On retirement, after 20 years 6 months of service, he received gratuity ₹ 5,00,000, leave salary ₹ 3,00,000. He is entitled to pension of ₹ 1,500 p.m. On 1/1/2024, he commuted 60% of his pension and received ₹ 90,000. Compute gross salary assuming he is covered by the Payment of Gratuity Act.

Answer

₹ 7,34,608

Q 41**ICMAI Study Material**

Mr. Mohit has following salary structure:

Basic salary ₹ 5,000 p.m., D.A. ₹ 2,000 p.m. (40% does not form a part of retirement benefit), HRA ₹ 5,000 p.m. Rent paid by assessee for a house in Kolkata ₹ 4,000 p.m. Find taxable HRA.

Answer

₹ 22,800

Q 42**ICMAI Study Material**

Mr. Anand has six children. He receives Children education allowance ₹ 1,000 p.m. and Hostel allowance ₹ 1,500 p.m. None of his children are studying. Compute taxable allowances. Mr. Sushank has only one child aged one year. His employer allows him Education allowance ₹ 80 p.m. and Hostel allowance ₹ 1,000 p.m. His child has neither been sent to school nor to any hostel. Compute taxable allowances.

Answer

₹ 20,400

₹ 8,400

Q 43**ICMAI Study Material**

Mr. Raja is the employee of an Indian company. He has been provided a rent-free accommodation in Mumbai on 1/4/2023 for which the employer is to pay a monthly rent of ₹ 3,000. During the year, employer paid rent of ₹ 30,000 (2 months rent is outstanding). On 1/9/2023, furniture of ₹ 4,00,000 owned by the employer is also provided. His Basic salary is ₹ 10,000 p.m. and DA is ₹ 5,000 p.m. Find taxable value of perquisite.

Answer

₹ 50,333



Q 44

ICMAI Study Material

Mr. Saket has been provided an accommodation in Patna (owned) with furniture (hire charges paid by employer ₹ 10,000). His salary details are as under:

- a. Basic ₹ 10,000 p.m.
- b. D.A. ₹ 2,000 p.m.
- c. Transport allowance ₹ 3,000 p.m.
- d. Bonus ₹ 10,000 p.a.
- e. Fee ₹ 5,000 p.a.
- f. Rent paid by employee is ₹ 1,000 p.m. for such house.

Find taxable value of perquisite.

Answer

₹ 27,250

Q 45

ICMAI Study Material

Mr. Lucky has been provided furniture for household use on 1/7/2023, original cost to employer being ₹ 5,00,000 on 17/8/2019. On 1/2/2024, such furniture being sold to the assessee for ₹ 60,000. Find taxable perquisite for the previous year 2023-24.

Answer

₹ 2,69,167

Q 46

ICMAI Study Material

Miss Sanchita has the following salary structure, compute her gross salary for the A.Y.20XY-XZ:

- a. Basic 5,000 p.m.
- b. D.A. 2,500 p.m. (60% forms a part of retirement benefit)
- c. Commission on turnover 20,000 during the year
- d. Medical allowance 1,000 p.m.
- e. She contributes 14% of her salary to RPF. Her employer contributes a similar amount.
- f. Interest credited to this fund during the year is ₹ 3,000 @ 12% p.a.

Answer

₹ 1,24,585

**Q 47****ICMAI Study Material**

Mr. Balaji, employed as Production Manager in Beta Ltd., furnishes you the following information for the year ended 31-03-2025:

- i. Basic salary upto 31-10-2024 ₹ 50,000 p.m.
Basic salary from 01-11-2024 ₹ 60,000 p.m.
Note : Salary is due and paid on the last day of every month.
- ii. Dearness allowance @ 40% of basic salary.
- iii. Bonus equal to one month salary. Paid in October 2024 on basic salary plus dearness allowance applicable for that month.
- iv. Contribution of employer to recognized provident fund account of the employee @ 16% of basic salary.
- v. Profession tax paid ₹ 3,000 of which ₹ 2,000 was paid by the employer.
- vi. Facility of laptop and computer was provided to Balaji for both official and personal use. Cost of laptop ₹ 45,000 and computer ₹ 35,000 were acquired by the company on 01-12-2024.
- vii. Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01-11-2024 meant for both official and personal use. Repair and running expenses of ₹ 45,000 from 01-11-2024 to 31-03-2025, were fully met by the employer. The motor car was self-driven by the employee.
- viii. Leave travel concession given to employee, his wife and three children (one daughter aged 7 and twin sons –aged 3). Cost of air tickets (economy class) reimbursed by the employer ₹ 30,000 for adults and ₹ 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in law.

Compute

- a. Gross salary chargeable to tax in the hands of Mr. Balaji for the assessment year 2025-26 assuming he has opted for the old tax regime.
- b. Taxable salary chargeable to tax in the hands of Mr. Balaji for the assessment year 2025-26.

Answer

Computation of taxable salary of Mr. Balaji for the A.Y.2025-26

Particulars	Workings	Amount	Amount
Basic	₹ 50,000 × 7 + ₹ 60,000 × 5		6,50,000
Bonus	₹ 50,000 + 40% of ₹ 50,000		70,000
Allowances			
Dearness allowance	₹ 6,50,000 × 40%		2,60,000
Perquisites u/s 17(2)			
Car facility	₹ 2,400 × 5	12,000	



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Laptop Facility	Exempt	Nil	
Leave Travel Concession	Exempt	Nil	
Professional Tax paid by employer		2,000	14,000
Employer's contribution to RPF	₹ 6,50,000 x 16%	1,04,000	
Less: Exempted	12% (₹ 6,50,000 + ₹ 2,60,000)	1,09,200	Nil
Gross Salary			9,94,000
Less: Standard Deduction u/s 16(ia)		50,000	
Less: Deduction u/s 16(iii): Professional Tax		3,000	53,000
Taxable Salary			9,41,000

Q 48

ICMAI Study Material

Mr. Bose is an Indian resident and employed in a company. During 2024–25 financial year his income was as under:

- Basis salary ₹ 50,000 per month.
- Dearness allowance 30% of basic salary (50% of which forms part of salary for retirement purpose)
- Medical allowance ₹ 500 per month (Actual expenses for the year was ₹ 4,000)
- He and his employer both contributes @ 15% of salary towards a Recognised Provident Fund and interest credited to RPF @ 12.5% p.a. amounted to ₹ 5,000 during the previous year.
- He is provided with a furnished accommodation in Kolkata. The company owns the house and cost of furniture provided is ₹ 50,000.
- He is also given a 1.6 liters cubic capacity self driven car for both personal and office use. Entire expenses are borne by the company
- He is provided by his employer with free gas and electricity costing ₹ 12,000 for private use.
- He paid ₹ 1,600 towards professional tax and his employer paid ₹ 12,000 as insurance premium on his life.
- He contributed ₹ 12,000 towards medical insurance premium, ₹ 25,000 towards PPF and ₹ 10,000 towards Prime Minister's Drought Fund
- He has also earned interest on saving bank deposits ₹ 15,000

On the basis of aforesaid information, you are requested to answer the following:

- What would be his taxable allowances?
- What would be the value of taxable perquisite in his hands?
- What would be his total income?

Answer

- (a) ₹ 1,86,000 (b) ₹ 1,20,200 (c) ₹ 8,68,100

**Q 49****PTP Dec 22**

Shri Mana Finance Manager of Lighting Co. Ltd. furnishes you the following information:

Particulars	₹
Basic salary (per month)	50,000
Dearness allowance 50% on basic salary Note : Not forming part of retirement benefit	
Transport Allowance - per month	2,500
Bonus (per annum)	50,000
Commission - for the year	2,00,000
Refreshments during office hours - cost to employer	27,000
Rent free accommodation provided by the employer at Kolkata	
Furniture fittings in the rent-free accommodation. Original cost ₹4,80,000 acquired in financial year 2020-21.	
Medical facility in clinic maintained by the employer - estimated cost in case it is incurred in outside clinic	65,000
Gardener provided for maintaining the garden - salary of gardener	36,000
Motor car of the employer was sold to Mana for ₹5 lakhs in August 2023. The car was acquired by the company on 01.06.2020 for ₹11,50,000.	

Compute income from salary of Shri Manas for the assessment year 2024-25.

Answer

Particulars	₹
Basic salary	6,00,000
Dearness allowance 50% on basic salary (not forming part)	3,00,000
Transport Allowance - fully taxable	30,000
Bonus (per annum)	50,000
Commission - for the year	2,00,000
Refreshments during office hours - not taxable	27,000
Rent free accommodation at Kolkata (6,80,000 * 10%)	68,000
Use of furniture fittings (4,80,000 * 10%)	48,000
Medical facility in clinic maintained by the employer - not taxable	-
Salary of gardener	36,000
Transfer of motor car (11,50,000 * 80% * 3 yrs)- 5,00,000	88,800
Gross Salary	14,20,800
Less: Standard deduction	50,000
Taxable salary	13,70,800



Q 50

PTP June 23 (Old)

Sekhar employed as Chief Engineer in Kohli Co Ltd, Mumbai furnishes the following information relating to the financial year 20XX-XY:

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

Rent-free accommodation provided by the employer. Rent paid to owner by the employer ₹ 4,80,000 for the previous year 20XX-XY. Amount of expenditure incurred by employer for 1 week training in Gennany for travel, stay and food expenses ₹ 5,00,000. Contribution of employer to recognized provident fund and approved superannuation fund @12% each of basic salary and DA. During the year he was transferred to a factory located in Chennai and was provided hotel accommodation from 1st May, 20XX to 30th June, 20XX. The cost of accommodation was ₹ 60,000 per month. He continued to retain his rent-free accommodation at Mumbai during the said period. He is provided with a motor car (engine cubic capacity exceeds 1.6 litres) for exclusive personal use for the entire previous year. Expenditure towards running and maintenance met by employee. Actual cost of motor car ₹ 6 lakh acquired on 10th April, 20XXV by the employer. Actual expenditure incurred by employee during the year ₹51,000. Compute, income from salary of Sekhar for the assessment year 20XY-XZ. Assume that he has opted for section 115BAC.

Answer

Gross salary income for the A.Y. 20XY-XZ	₹50,54,000

Q 51

MTP June 23 (Old)

Sri Ashutosh has been provided with a furnished accommodation in a city having population of 14,00,000 as per last census. Municipal Value of the house (owned by employer) is ₹ 80,000 whereas Fair rent of the house is ₹ 1,00,000. His salary details are as under:

Basic	₹ 25,000 p.m.
Allowance for increased cost of living	₹ 5,000 p.m.
Children Education allowance	₹ 3,000 p.m. [He has one son and two married daughters]

Furniture details as under:

Furniture	Hired by the employer (Hire charge) (₹)	Owned by the employer (Original Cost) (₹)
T.V.	2,000 p.a.	-
Refrigerator	-	10,000
Washing Machine	-	5,000
Other furniture	1,000 p.m.	20,000

Calculate gross taxable salary of Sri Ashutosh for the A.Y. 20XY-XZ.

**Answer****Computation of gross taxable salary of Sri Ashutosh for the A.Y. 20XY-XZ**

Particulars	₹	₹
Basic Salary		3,00,000
Dearness allowance (Allowance for increased cost of living)		60,000
Children Education Allowance	36,000	
Less: Exemption (₹ 100 x 2 x 12)	2,400	33,600
Rent Free Furnished Accommodation		
Value of Accommodation (5% of Salary) Note 1	19,680	
Value of furniture (Note 2)	17,500	37,180
Gross Taxable Salary		4,30,780

Note 1 : Salary for valuation of rent- free accommodation:

Basic Salary		3,00,000
Dearness allowance		60,000
Education Allowance		33,600
Total		3,93,600

Note 2 : Valuation of taxable perquisite for furniture:

Furniture	Perquisite for hired furniture	Perquisite for owned furniture	Total Taxable value of furniture
T.V.	2,000	-	2,000
Refrigerator	-	10% of 10,000	1,000
Washing Machine	-	10% of 5,000	500
Other furniture	12,000	10% of 20,000	14,000
Total			17,500

Municipal value and Fair rent are irrelevant.

Q 52**PTP June 23 (New)**

Ms. Gita (aged 46 years) is a manager in Sun Pvt. Ltd. She has given the details of her income for the previous year 20XX-20XY. You are required to calculate the income chargeable to tax under the head salaries in the hands of Ms. Gita from the details given below. Ms. Gita does not opt to be taxed under section 115BAC.



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Particulars	₹
Basic salary	7,20,000
Dearness allowance @ 20% of basic salary (does not form part of salary for retirement benefits)	1,44,000
Bonus	2,52,000
Entertainment allowance	9,000
Profession tax (of this, 50% paid by the employer)	4,000
Medical allowance	18,000
Life insurance premium of Ms. Gita paid by employer	26,000
Corporate membership of a club. The initial fee off ₹ 50,000 was paid by the employer. Ms. Gita paid the bills for her use of club facilities.	
Motor car owned by the employer, which was provided to Ms. Gita, both for official and personal use. Driver was also provided. (Engine cubic capacity more than 1.6 litres). All expenses are met by the employer.	
Laptop provided for use at home. Actual cost of laptop to employer (children of Ms. Gita are also using the laptop at home)	50,000
Annual credit card fees paid by employer (credit card is not exclusively used for official purposes; details of usage are not available)	7,000

Answer

Income from salary of Ms Gita for the A.Y.20XY-20XZ = ₹ 11,63,600

Particulars	₹
Basic salary	7,20,000
Dearness allowance @ 20% of basic salary	1,44,000
Bonus	2,52,000
Entertainment allowance	9,000
Profession tax (of this, 50% paid by the employer)	2,000
Medical allowance	18,000
Life insurance premium of Ms. Gita paid by employer	26,000
Initial fees of corporate membership of a club. (not taxable)	-
Use of motor car owned and maintained by the employer and provided with driver (2400 + 900) * 12 months	39,600
Use of laptop (not taxable)	-
Credit card fees paid by employer used for personal purpose	7,000
Gross salary	12,17,600
Less: Professional tax paid	4,000
Less: Standard Deduction	50,000
Taxable salary	11,63,600

**Q 53****MTP June 23 (New)**

Miss Stuti has the following salary structure:

	Particulars	₹
(a)	Basic salary	15,000 p.m.
(b)	Dearness Allowance	5,000 p.m. (not forming part of retirement benefit)
(c)	Hostel Allowance	1,000 p.m. (does not have any child)
(d)	Tiffin Allowance	500 p.m.
(e)	Transport Allowance	200 p.m.
(f)	Bonus	20,000 p.a.
(g)	Commission	15,000 p.a.
(h)	Free refreshment in office worth	5,000 p.a.
(i)	Mobile phone facility by employer	900 p.m.
(j)	Computer facility worth	10,000 p.a.

She has been provided a Rent-free Accommodation (owned by employer) in Kolkata. The house was allotted to her with effect from 1/5/20XX but she could occupy the same only from 1/6/20XX. Determine her gross taxable salary alongwith suitable workings.

Answer**Computation of gross taxable salary of Miss Stuti for the A.Y. 20XY-XZ**

Particulars	Details (₹)	Amount (₹)	Amount (₹)
Basic Salary			1,80,000
Bonus			20,000
Commission			15,000
Allowances:			
Dearness Allowance		60,000	
Hostel Allowance (Fully taxable as she has no child)		12,000	
Tiffin Allowance		6,000	
Transport Allowance		2,400	80,400
Perquisite u/s 17(2):			
Free Refreshment (not taxable)		Nil	
Mobile or telephone facility		Nil	
Computer facility		Nil	
Rent Free Accommodation	Working 1	19,617	19,617
Gross Salary			3,14,567



Working 1 : Salary for the purpose of rent-free accommodation

Basic Salary	1,80,000
Bonus	20,000
Commission	15,000
Allowances:	
Dearness Allowance	Nil
Hostel Allowance (Fully taxable as she has no child)	12,000
Tiffin Allowance	6,000
Transport Allowance	2,400
Total	2,35,400
Value of Rent-Free Accommodation (being 10% x ₹ 2,35,400 x 10/12)	19,617

Q 54

MTP June 23 (New)

From the following particulars of income of Mr. Amar for the previous year ended 31.3.20XY compute his taxable salary for the assessment year 20XY-XZ.

- Salary (basic) - ₹ 5,000 per month, Entertainment allowance – ₹ 500 per month
- Children's education allowance – ₹ 300 p.m. per child for 4 children.
- Director's fees (from the employer company) – ₹ 5,000 per annum.
- Mr. Amar contributes 14% to recognised provident fund and his employer contributes equal amount. Interest credited to fund @ 13% p.a. is ₹ 7,800. The employer has provided a car of 1.7 cc.

Answer

Computation of Taxable Salary of Mr. Amar for the A.Y. 20XY-XZ

Particulars	Workings	Details ₹	₹	₹
Basic				60,000
Allowances:				
Education allowance		14,400		
Less: Exempted	₹ 100 * 2 * 12 months	2,400	12,000	
Entertainment Allowance	₹ 500 * 12		6,000	18,000
Perquisites u/s 17(2): Car	₹ 2,400 * 12			28,800
Contribution to RPF	14% of salary i.e. 60,000	8,400		
Less: Exempted	12% of salary i.e. 60,000	7,200	1,200	
Interest on RPF	@ 13%	7,800		
Less: Exempted	@ 9.5% [being (7,800/13) * 9.5]	5,700	2,100	3,300
Gross Taxable Salary				1,10,100
Less: Deduction u/s				
16(ia) Standard Deduction			50,000	
16(ii) Entertainment allowance	As non-government employee		Nil	50,000
Taxable Salary				60,100

**Q 55****PTP Dec 23 (Old)**

Srivatsan joined Mercury Ltd. on 1st July 20XX as General Manager. He furnishes below his salary details for the year ended 31st March, 20XY.

Particulars	₹
Basic salary	18,00,000
Dearness allowance (50% eligible for retirement benefits)	12,00,000
Reimbursement of actual medical expenditure of the employee's family.	60,500
Gymkhana club membership fee paid by the employer	39,500
Laptop and mobile phone provided by the employer (cost ₹ 90,000 and ₹ 60,000 respectively) to be used both for personal and official use.	
Mobile phone bills paid by the employer	29,400
Tax on non-monetary perquisite paid by the employer	35,000
Rent-free accommodation at Delhi owned by the employer provided for a monthly rent of ₹ 15,000 to the employee Srivatsan.	
Furniture provided in the accommodation costing ₹ 5 lakhs was taken on hire by the employer and actual hire charges are ₹ 1,20,000 per annum.	
Motor car owned by the employer was used both for official and personal use. Entire running expenditure met by the employer being ₹ 1,40,000.	
Actual cost of motor car was ₹ 6 lakhs which was acquired on 1.07.20XW by the company.	

Compute salary income of Srivatsan for the assessment year 20XY-XZ. Give brief reasons to support your calculations.

Answer**Computation of salary income of Srivatsan for the Asst. Year 20XY-XZ**

Particulars	₹
Basic salary	18,00,000
Dearness allowance	12,00,000
Reimbursement of actual medical expenditure of the employee's family	60,500
Gymkhana club membership fee paid by the employer – it is a taxable perquisite	39,500
Rent-free accommodation at Delhi owned by the employer:	2,40,000
Add: Furniture hire charges paid by the employer	90,000
	3,30,000
Less: Amount recovered from employee	1,35,000
	1,95,000
Motor car owned by the employer used both for official and personal use:	
Motor car with cubic capacity up to 1.6 litres:	
Perquisite value	16,200
Perquisite value	24,300
Motor car with cubic capacity above 1.6 litres	
Perquisite value	21,600
Perquisite value	29,700



Gross Salary Income (Assuming motor car is above 1.6 litres & with driver)	33,24,700

Q 56

MTP Dec 23 (New)

Vimala employed as Technical consultant in Chahal Ltd., Cochin furnishes the following particulars relating to the financial year 20XX-XY:

- Basic Salary ₹1,20,000 Pm
- Annual commission ₹ 6,00,000
- Annual bonus ₹ 2,00,000
- Cash gift ₹ 1,50,000
- Contribution to recognized provident fund @ 15% of basic salary each by both employer and employee
- Rent free accommodation provide by employer and rent paid by employer ₹ 30,000 p.m.

Compute income from salary for the assessment year 20XY-XZ, if she has not opted for section 115 BAC.

Answer

Computation of Income from Salary of Vimala

Particulars	₹
Basic Pay	14,40,000
Commission	6,00,000
Bonus	2,00,000
Gift	1,50,000
RPF (14,40,000 X 3%)	43,200
Accommodation [10% of 2240000 or 30,000 X12]	2,24,000
Gross Salary Income	26,57,200
(-) Standard Deduction	50,000
Taxable Income from Salary	26,07,200

Q 57

PTP Dec 23 (New)

Mr. Sahil (aged 40 years) is a regular employee in X Pvt. Ltd. He has given the details of his income for the previous year 20XX-XY.

S. No.	Particulars	₹
i.	Basic salary	3,00,000
ii.	Education allowance for 2 children	36,000
iii.	Servant allowance	10,000
iv.	Entertainment allowance	6,000
v.	Medical facility for Mr. Sahil and his family members in a hospital maintained by the employer	18,000
vi.	Free meals during the office hours 80 x 300 times)	24,000



vii.	Gift (wrist watch) on Deepawali.	7,000
viii.	Transport allowance (being used for office to residence & vice versa)	12,000

You are required to calculate the income chargeable to tax under the head "Salary" in the hands of Mr. Sahil for the Assessment Year 20XX-XY. Mr. Sahil does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

Answer

Income from salary chargeable in the hands of Mr Sahil = ₹ 3,22,600

Alternate Answer: ₹ 3,27,600

S.No.	Particulars	₹
i.	Basic salary	3,00,000
ii.	Education allowance for 2 children $[36,000 - (100 * 2 * 12)]$	33,600
iii.	Servant allowance	10,000
iv.	Entertainment allowance- Fully taxable for non- govt. employee	6,000
v.	Medical facility for Mr. Sahil and his family members in a hospital maintained by the employer- Not taxable	-
vi.	Free meals during the office hours $[(80-50) * 300 \text{ times}]$	9,000
vii.	Gift (wrist watch) on Deepawali. $[7,000 - 5,000]$	2,000
viii.	Transport allowance (being used for office to residence & vice versa)	12,000
	Gross Salary	3,72,600
	Less: Standard Deduction	50,000
	Taxable Salary	3,22,600

Q 58**MTP June 24**

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

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



Answer

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

Particulars	Workings	Details (₹)	Amount (₹)	Amount (₹)
Basic	₹ 60,000 x 12			7,20,000
Allowances:				
Dearness allowance	₹ 20,000 x 12		2,40,000	
Medical allowance	₹ 2,000 x 12		24,000	2,64,000
Perquisites u/s 17(2):				
Electric Bill	₹ 20,000 - ₹ 5,000		15,000	
Car Facility	(₹ 1,800 + ₹ 900) x 12		32,400	
LIC premium paid			40,000	
Professional Tax			2,400	89,800
Contribution to RPF	14% of salary	1,34,400		
Less: Exempted	12% of salary	1,15,200	19,200	1,47,600
Interest on RPF @ 11%		12,100		
Less: Exempted upto 9.5%		10,450	1,650	20,850
Gross Taxable Salary				10,94,650
Less: Deduction u/s				
16(ia) Standard Deduction			75,000	
16(iii) Professional tax	Not available in default tax regime		NA	75,000
Taxable Salary				10,19,650

1. Salary for the purpose of:

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

**Q 59****PTP June 24**

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

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

Answer

Income from salary chargeable in the hands of Mrs Simran

Particulars	₹
Basic Pay	8,80,000
Dearness allowance	2,20,000
Bonus	87,500
Employer's contribution to RPF	26,400
Perquisite of motor car	7,200
Hostel expenses allowance for 2 children	2,800
Education facility for 2 children in a school maintained by employer	48,000
Gross salary	12,71,900
Less: - Standard deduction under section 16(ia)	50,000
Total taxable salary	12,21,900



Q 60

MTP Dec 24

Mrs. X is working with ABC Ltd. since last 30 years 9 months. Her salary structure is as under:

Basic ₹ 5,000 p.m. Dearness allowance ₹ 3,000 p.m.

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

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

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

Answer

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

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

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

Q 61

MTP Dec 24

Following are the particulars of income of Mrs. S. Choudhury for the Previous Year 2023-24:

1. Basic salary @ ₹ 15,000 per month.
2. Dearness Allowance @ 60% of salary.
3. Medical Allowance @ 600 per month (Actual expenditure ₹ 5,000).
4. House Rent Allowance received @ ₹ 6,000 per month and she pays rent of ₹ 7,200 per Month for her house in Durgapur.
5. City compensatory allowance ₹ 1,500 per month.
6. She owns a car which she is using for official purposes. Her employer reimburses her @ ₹ 3,000 per month.
7. She is contributing ₹ 2,100 per month towards a recognized provident fund. The employer is also contributing the same amount. Interest credited to R.P.F @ 11% ₹ 2,200.
8. She paid ₹ 1,800 as professional tax during the year.
9. Professional tax was paid by his employer ₹ 2,400.

Calculate income from salary of Mrs. Choudhury for the assessment year 2024-25.

**Answer**

Computation of Taxable Salary of Mrs. S Choudhury for the A.Y. 2024-25:

Particulars	Workings	Details (₹)	Amount (₹)	Amount (₹)
Salaries				1,80,000
Basic				
Allowances				
Dearness allowance	60% of basic		1,08,000	
Medical allowance			7200	
City compensatory allowance			18,000	
House rent allowance		72,000		
Less : Exempted u/s 10(13A)				
Minimum of the following :				
A. Actual HRA	72,000			
B. 40% of (Basic + DA)	1,15,200	1,34,400		
C. Rent paid – 10% (Basic + DA)	57,600	57,600	14,400	1,47,600
Perquisites u/s 17(2):				
Car facility			-	-
Employer's contribution to RPF		25,200		
Less : Exempted u/s 10(12)	12% of (Basic + DA)	25,200		
Interest on RPF		2,200		
Less : Exempted	Up to 9.5%	1,900	300	300
Gross taxable salary				3,27,900
Less : Deduction u/s:				
16(ia) Standard Deduction			50,000	
16(iii) Professional tax			1,800	51,800
Taxable Salary				2,76,100

Q 62**PTP Dec 24**

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

1. Gratuity: 25,00,000 (he is covered by the Payment of Gratuity Act.)
2. Leave Salary: 12,00,000 (He was entitled to 2 months leaves per year of service. He took a total of 12 months leave).
3. Commuted pension: 4,50,000

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



Answer

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

Particulars	Workings	Details (₹)
Gratuity received		25,00,000
Less Exemption u/s 10(10)	Least of the following	
(i) Gratuity received	25,00,000	
(ii) $15/26 \times 1,06,400 \times 25$	15,34,615	
(iii) Maximum limit	20,00,000	15,34,615
Taxable Gratuity		9,65,385
Leave salary received		12,00,000
Less Exemption u/s 10(10)AA	Least of the following	
(i) Leave salary received	12,00,000	
(ii) $98,420 \times 10$ months	9,84,200	
(iii) $98,420 \times 13$ months	12,79,460	
(iv) Maximum limit	25,00,000	9,84,200
Taxable leave salary		2,15,800

Q 63

MTP June 25

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

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

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

Note: Salary for the purpose:

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

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

Q 64**PTP June 25**

Mr. Padam, a resident individual aged 35 years is employed with M/s Nath Ltd., an Indian company based in Chennai as Senior Finance Manager since 1st April 2024. The details of his emoluments are as follows:

Basic Salary: ₹ 75,000 p.m.

Dearness allowance: 15% of basic salary (50% forms part of the salary for retirement purposes)

House rent allowance: ₹ 15,000 p.m. (He pays ₹ 10,000 p.m. as rent)

Gift of wrist-watch on his birthday: value of watch is ₹ 3,500

Annuity: ₹ 5,000 p.m.

You are required to compute Mr. Padam's income chargeable under the head "Salary" for the Assessment Year 2025-26 assuming he opted out of new default tax regime under section 115RAC of the Income Tax Act, 1961.



Answer

Computation of the total income of Mr. Padam			
Particulars			₹
Income from salary:			
Basic Salary (₹ 75,000 x 12)			9,00,000
DA 15% of Basic salary			1,35,000
House rent allowance			1,56,750
Gift of wrist watch (since less than ₹ 5,000)			Nil
Annuity – fully taxable			60,000
Gross salary			12,51,750
Less: Standard Deduction (opted out of default regime)			50,000
Income from salary			12,01,750
Working Notes			
Computation of house-rent allowance			
Least of the following will be exempt			
Actual HRA received			1,80,000
50%* of salary (₹ 9,00,000 + 50% of ₹ 1,35,000) *Place Chennai.			4,83,750
Rent paid in excess of 10% of salary- ₹ 10,000 x 12= ₹ 1,20,000 minus ₹ 96,750 (10% of ₹ 9,67,500)			23,250
Taxable HRA = ₹ 1,80,000 – ₹ 23,250			1,56,750
Salary for this purpose			
Basic Salary		₹ 9,00,000	
Dearness Allowance 15% x 50%		₹ 67,500	
			9,67,500



Chapter 4

Income from House Property

Q1

ICMAI Study Material

X owns a house property in Pune, details relating to which are Municipal value ₹ 2,00,000 p.a., Fair rent ₹ 1,80,000 p.a., Standard rent ₹ 2,10,000 p.a. It is let out throughout the previous year (rent ₹ 10,000 p.m. up to 15/10/20XX and ₹ 12,000 p.m. thereafter). The property is transferred by X to Y on February 28, 20XY. However, Y failed to recover rent for March, 20XY. Find gross annual value of the property in the hands of X and Y for the A.Y 20XY-XZ

Answer

Since the property being sold to Y on 28/02/20XY hence previous year period for X is 11 months and for Y is 1 month, accordingly gross annual value shall be:

Step	Particulars	X (11 months)	Y (1 months)
	Fair rent (FR)	1,65,000	15,000
	Municipal Value	1,83,333	16,667
	Higher of the above [A]	1,83,333	16,667
	Standard Rent (SR) [B]	1,92,500	17,500
1 st	RER [Lower of A and B] [C]	1,83,333	16,667
2 nd	ARR – Unrealised Rent [D]	1,19,000 [#]	Nil ¹
3 rd	Gross Annual Value [Higher of C and D]	1,83,333	16,667

[#]Calculation of Rent Receivable for 11 months

$[(₹ 10,000 \times 6.5 \text{ months}) + (₹ 12,000 \times 4.5 \text{ months})] = ₹ (65000 + 54000) = ₹ 1,19,000$

¹₹ 12,000 – ₹ 12,000

Q2

ICMAI Study Material

Find out the gross annual value in the following cases for the A.Y 20XY-XZ:

Particulars	H1 (₹)	H2 (₹)
Situated at	Chandigarh	Amritsar
Municipal value p.a.	60,000	60,000
Fair rent p.a.	70,000	70,000
Standard rent under the Rent Control Act p.a.	80,000	50,000
Actual rent p.m.:		
From April 1, 20XX to July 31, 20XX	5,000	6,000
From October 1, 20XX to February, 20XY	9,000	9,000

For the remaining period properties were vacant.

**Answer**

Working 1) Actual rent

For H1 $[(5,000 * 4) + (9,000 * 5)] = ₹ 65,000$

For H2 $[(6,000 * 4) + (8,500 * 5)] = ₹ 66,50$

Computation of gross annual value

Step	(Particulars)	Details(₹)	Amount(₹)	Amount(₹)
1 st	RER	Higher of GMV and FR (RER cannot exceed SR)	70,000	50,000
2 nd	ARR	Working 1	65,000	66,500
3 rd	Higher of above	Higher of Step 1 & Step 2	70,000	66,500
4 th	Gross Annual Value		65,000 ¹	66,500 ²

¹ In H1, ARR is less than RER due to vacancy [otherwise ARR would have been ₹ 86,667 {being $(₹ 65,000/9) * 12$ }. Therefore, GAV will be the ARR computed in step 2.

² In H2, Actual rent receivable is not less than RER, therefore vacancy period is not making any impact (i.e. step 4 of computation discussed earlier in theory) on GAV.

Q 3**ICMAI Study Material**

Compute net annual value with the following details for the A.Y 20XY-XZ:

Particulars	H1	H2	H3	H4	H5	H6
Situated at	Patna	Anand	Hyderabad	Balurghat	Jodhpur	Etawa
Municipal Value	1,00,000	2,00,000	3,00,000	4,00,000	4,25,000	6,00,000
Gross Annual Value	1,00,000	2,50,000	1,80,000	5,00,000	8,00,000	5,00,000
Municipal tax for P.Y.	5,000	10%	5%	20%	12%	10%
Sewerage tax	-	5%	1,000	3%	3,750	1,000
Water Tax	-	3%	5%	2%	5%	-

Additional information:

1. In case of H3, municipal tax paid for the financial year 1995-96 to 2022-23 is ₹ 2,00,000.
2. In case of H4, municipal tax paid for the financial year 2024-25 is ₹ 3,000.
3. In case of H6, all taxes charged by municipality are paid to the extent of 80% (50% by owner and 30% by tenant).



Answer

Computation of Net Annual Value for A.Y 20XY-XZ:

Particulars	H1	H2	H3	H4	H5	H6
Gross Annual Value (a)	₹ 1,00,000	₹ 2,50,000	₹ 1,80,000	₹ 5,00,000	₹ 8,00,000	₹ 5,00,000
Less: (i) Municipal Tax	₹ 5,000	20,000	2,15,0003	80,0001	51,000	30,0002
(ii) Sewerage tax	-	10,000	1,000	12,000	3,750	5002
(iii) Water Tax	-	6,000	15,000	8,000	21,250	-
Total (b)	5,000	36,000	2,31,000	1,00,000	76,000	30,500
Net Annual Value [(a) – (b)]	95,000	2,14,000	(-),51,000	4,00,000	7,24,000	4,69,500

Municipal tax is calculated on municipal value.

Q 4

ICMAI Study Material

Following information are provided by an assessee for his house properties for computing interest on loan allowed u/s 24(b) :

	Particulars	H1	H2	H3	H4	H5
(a)	Interest on loan taken for repair of H.P.	20,000	30,000	10,000	15,000	25,000
(b)	Interest on loan taken for purchasing H.P. (50% paid)	20,000	25,000	30,000	17,000	18,000
(c)	Interest on new loan taken for repaying old loan which was taken for purchasing H.P.	10,000	12,000	13,000	14,000	16,000
(d)	Interest on loan taken for payment of interest on earlier loan	10,000	10,000	10,000	10,000	10,000
(e)	Interest on loan for payment of Municipal tax	2,000	2,000	2,000	2,000	2,000
(f)	Interest on loan by mortgaging HP3 for business purpose	-	-	5,000	-	-
(g)	Interest on loan for reconstruction of HP1 paid outside India without deducting tax at source	20,000	-	-	-	-
(h)	Interest on loan for reconstruction of HP2 payable outside India on which TDS has not been deducted and no payment yet been made	-	20,000	-	-	-
(i)	Interest on loan on mortgage of HP1 for renovation of HP2	10,000	-	-	-	-

**Answer**

Calculation of 'Interest on loan' allowed u/s 24(b):

(₹ in '000)

	Particulars	Note	H1	H2	H3	H4	H5
(a)	Interest on loan taken for repair of H.P.	Allowed	20	30	10	15	25
(b)	Interest on loan taken for purchasing H.P. (50% paid)	1	20	25	30	17	18
(c)	Interest on new loan taken for repaying old loan which was taken for purchasing H.P.	Allowed	10	12	13	14	16
(d)	Interest on loan taken for payment of interest on earlier loan	Not Allowed	-	-	-	-	-
(e)	Interest on loan for payment of Municipal tax	Not Allowed	-	-	-	-	-
(f)	Interest on loan by mortgaging HP3 for business purpose	2	-	-	-	-	-
(g)	Interest on loan for reconstruction of HP1 paid outside India without deducting tax at source	3	-	-	-	-	-
(h)	Interest on loan for reconstruction of HP2 payable outside India on which TDS has not been deducted and no payment yet been made	4	-	-	-	-	-
(i)	Interest on loan on mortgage of HP1 for renovation of HP2	5	-	10	-	-	-
	Interest on loan allowed u/s 24(b)		50	77	53	46	59

Notes:

- Interest on loan is allowed on accrual basis.
- The purpose of loan must be repair, renovation, construction or purchase of property.
- As per sec. 25, any payment outside India without deduction of tax at source and when the payee has no agent in India is not allowed as deduction. It is assumed that the payee has no agent in India.
- Interest payable outside India without TDS whether paid or unpaid is not allowed as deduction. It is assumed that the payee has no agent in India.
- Since loan is utilised for renovation of HP2 hence deduction shall be allowed from income of HP2. Mortgage of HP1 is irrelevant.



Q 5

ICMAI Study Material

Calculate interest on loan allowed for assessment year 2020-21 to 2025-26 from the following information:

Loan was taken on 1/1/2016 ₹ 5,00,000 @ 12% p.a.

Construction commenced on 1/8/2016. Construction completed on 31/3/2021. Repayment made as under:

On 1/4/2017	On 1/4/2020	On 1/4/2023	On 1/7/2024
₹ 1,00,000	₹ 1,00,000	₹ 1,00,000	₹ 1,00,000

Answer

Since construction started on 1/8/2016, hence pre-construction period starts from 1/8/2016 and since construction completed on 31/3/2021, hence pre construction period ends on 31/3/2020 and post construction period starts from the year 2020-21. Finally, pre-construction period is from previous year 2016-17 to previous year 2019-20 and post construction period is from previous year 2020-21 onwards. Thus, pre-construction period interest are as under:

Previous Year	Amount	Month	Interest @ 12%
2016-17	5,00,000	8	40,000
2017-18	4,00,000	12	48,000
2018-19	4,00,000	12	48,000
2020-21	4,00,000	12	48,000
Total interest for pre-construction period			1,84,000

Total interest for pre-construction period is ₹ 1,84,000 which shall be allowed in 5 equal installments i.e., ₹ 36,800 p.a. from P.Y. 2020-21 to 2024-25.

Computation of interest:

Assessment Year	Previous Year	Pre construction period Interest	Post construction period Interest	Total Interest
2020-21	2019-20	-	-	-
2021-22	2020-21	36,800	36,000 ¹	72,800
2022-23	2021-22	36,800	36,000 ¹	72,800
2023-24	2022-23	36,800	36,000 ¹	72,800
2024-25	2023-24	36,800	24,000 ²	60,800
2025-26	2024-25	36,800	15,000 ³	51,800

¹ ₹ 3,00,000 * 12%

² ₹ 2,00,000 * 12%

³ On ₹ 2,00,000 @ 12% for 3 months

₹ 6,000

On ₹ 1,00,000 @ 12% for 9 months

₹ 9,000

Total

₹ 15,000

**Q 6****ICMAI Study Material**

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

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

Other Information:

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

Answer

Computation of income from house property of Mr. Rajesh for the A.Y 20XY-XZ:

Previous Year	Details	Amount	Amount
H1: Let out			
Gross Annual Value [#]		92,000	
Less: Municipal tax		Nil	
Net Annual Value		92,000	
Less: Deduction u/s 24			
• Standard deduction (30% of NAV)	27,600		
• Interest on loan	10,000	37,600	54,400
H2: Let out			
Gross Annual Value [#]			2,00,000
Less: Municipal tax		500	
Net Annual Value		1,99,500	
Less: Deduction u/s 24			
• Standard deduction (30% of NAV)	59,850		
• Interest on loan	Nil	59,850	1,39,650
Income from House Property			1,94,050

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



Computation of Gross Annual Value :

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

Q7

ICMAI Study Material

Mr. Pandey, owner of three houses in Chennai, furnished the following information. Compute his income from house property for the assessment year 20XY-XZ:

Previous Year	House No	House No	House No
	1	2	3
	Self-occupied	Self-occupied	Self-occupied
Standard rent under Rent Control Act	1,50,000	15,00,000	18,00,000
Municipal value	2,00,000	13,00,000	13,50,000
Fair rent	2,50,000	16,00,000	19,00,000
Municipal tax (10% of municipal value) paid			
Interest on loan taken for purchases of houses (Loan taken in P.Y. 2021-22)	90,000	1,70,000	1,65,000

Answer

Computation of Income from House property of Mr. Pandey for the A.Y 20XY-XZ:

Previous Year	Details	Amount	Amount
House 1: Deemed to be Let out			
Gross Annual Value (Working)		1,50,000	
Less: Municipal Tax (10% of ₹ 2,00,000)		20,000	
Net Annual Value (NAV)		1,30,000	
Less: Deduction u/s			
24(a) Standard Deduction (30% of NAV)	39,000		
24(b) Interest on loan	90,000	1,29,000	1,000
House 2 & 3: Self occupied			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan [(₹1,70,000 + ₹ 1,65,000), subject to max. of ₹ 2,00,000]		2,00,000	2,00,000
Income from House Property			(1,99,000)



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Working: Computation of Gross Annual Value of House 1:

Previous Year	H1
Municipal Value (A)	2,00,000
Fair Rent (B)	2,50,000
(C) = Higher of (A) and (B)	2,50,000
Standard Rent (D)	1,50,000
Gross Annual Value [Lower of (C) and (D)]	1,50,000

Q 8

ICMAI Study Material

Miss Anjali owns a house property, which is let out, to her employer company for a monthly rent of ₹ 20,000. Company allotted the same house to Miss Anjali as rent-free accommodation. Municipal tax paid ₹ 20,000, interest on loan paid ₹ 90,000. Comment on tax treatment under the head income from house property.

Answer

Though Miss Anjali owns the house and uses it for self-occupation as well, still she cannot treat the said house property as self-occupied. This is because she uses the property not as owner but as an employee. Hence, rent received by her from employer shall be taxable as under:

Previous Year	Details	Amount
Gross Annual Value (20,000 * 12)		2,40,000
Less: Municipal tax		20,000
Net Annual Value		2,20,000
Less: Deduction u/s		
24(a) Standard deduction	66,000	
24(b) Interest on loan	90,000	1,56,000
Income from house property		64,000

Q 9

ICMAI Study Material

Compute income under the head 'Income from house property' of Sri from the following information

Particulars	H1	H2	H3	H4
Used for	Self occupied	Self occupied	Self occupied	Own Business
Situated at	Mumbai	Abu	Kolkata	Hyderabad
Gross Municipal Value	3,00,000	2,00,000	7,00,000	3,00,000
Fair Rent	2,00,000	2,00,000	6,00,000	1,20,000
Standard Rent	3,00,000	2,40,000	7,00,000	2,00,000
Municipal Tax	15%	15%	15%	15%
Repairs	13,000	4,000	8,000	8,000



Ground Rent	20,000	Nil	Nil	6,000
Land Revenue	Nil	10,000	Nil	Nil
Interest on Loan	40,000	10,000	2,10,000	20,000
Loan taken on	1998-99	1998-99	2021-22	1999-00

Answer

In the given case, there are two options :

Option 1: Take H1 & H3 as Self-Occupied (S/O) and H2 as Deemed to be Let-Out (DLO)

Option 2: Take H1 as Deemed to be Let-Out (DLO) and H2 & H3 as Self-Occupied (S/O)

Option 3: Take H3 as Deemed to be Let-Out (DLO) and H1 & H2 as Self-Occupied (S/O)

Total income under the head house property shall be computed applying each option separately and then the option, which yields least income under this head, shall be opted.

Particulars	Option 1		Option 2		Option 3	
	H1 & H3 S/O	H2 DLO	H1 DLO	H2 & H3 S/O	H3 DLO	H1 & H2 S/O
Gross Annual Value	Nil	2,00,000	3,00,000	Nil	7,00,000	Nil
Less : Municipal Tax (15% of Municipal value)	Nil	30,000	45,000	Nil	1,05,000	Nil
Net Annual Value (A)	Nil	1,70,000	2,55,000	Nil	5,95,000	Nil
Less : Deduction u/s						
24(a) Standard deduction (30% of NAV)	Nil	51,000	76,500	Nil	1,78,500	Nil
24(b) Interest on loan	2,00,000 ²	1,00,000	40,000	2,00,000 ²	2,10,000	30,000 ¹
Total deduction (B)	2,00,000	1,51,000	1,16,500	2,00,000	3,88,500	30,000
Income from house property [(A) – (B)]	(-) 2,00,000	19,000	1,38,500	(-) 2,00,000	2,06,500	(-) 30,000
Income from house property	(-) 1,81,000		-) 61,500		1,76,500	

Notes :

1. In case of H1 & H2 loan was taken prior to 1/4/1999.
2. Since loan was taken for construction on or after 1/4/1999.
3. Since H4 is used for own business purpose so it is not taxable under this head.

Total income under the head Income from house property as per option 1 is (-) ₹ 1,81,000



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Computation of Income from house property of Sri for the A.Y2024-25:

Previous Year	Details	Amount	Amount
H1 & H3: Self-occupied u/s 23(2)(a)			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan			
For H1 (Max Limit)			
• For H2 (Max Limit)	30,000		
• Subject to maximum of ₹ 2,00,000	2,00,000		
H2 : Deemed to be let out u/s 23(4)	2,30,000	2,00,000	(2,00,000)
Gross Annual Value		2,00,000	
Less: Municipal Tax		30,000	
Net Annual Value		1,70,000	
Less: Deduction u/s			
• 24(a) Standard Deduction (30% of NAV)	51,000		
• 24(b) Interest on loan	1,00,000	1,51,000	19,000
Income from house property			(1,81,000)

Under default tax regime u/s 115BAC

Total income under the head house property shall be computed applying each option separately and then the option, which yields least income under this head, shall be opted.

Particulars	Option 1		Option 2		Option 3	
	H1 & H3 S/O	H2 DLO	H1 DLO	H2 & H3 S/O	H3 DLO	H1 & H2 S/O
Gross Annual Value	Nil	2,00,000	3,00,000	Nil	7,00,000	Nil
Less : Municipal Tax (15% of Municipal value)	Nil	30,000	45,000	Nil	1,05,000	Nil
Net Annual Value (A)	Nil	1,70,000	2,55,000	Nil	5,95,000	Nil
Less : Deduction u/s				Nil		Nil
24(a) Standard deduction (30% of NAV)	Nil	51,000	76,500	Nil	1,78,500	Nil
24(b) Interest on loan	Nil	1,00,000	40,000	Nil	2,10,000	Nil
Total deduction (B)	Nil	1,51,000	1,16,500	Nil	3,88,500	Nil
Income from house property [(A) – (B)]	Nil	19,000	1,38,500	Nil	2,06,500	Nil
Income from house property	19,000		1,38,500		2,06,500	



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Computation of Income from house property of Sri (Default tax regime)

Previous Year	Details	Amount	Amount
H1 & H3: Self-occupied u/s 23(2)(a)			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan		NA	Nil
H2 : Deemed to be let out u/s 23(4)			
Gross Annual Value		2,00,000	
Less: Municipal Tax		30,000	
Net Annual Value		1,70,000	
Less: Deduction u/s			
24(a) Standard Deduction (30% of NAV)	51,000		
24(b) Interest on loan	1,00,000	1,51,000	19,000
Income from house property			19,000

Q10

ICMAI Study Material

Miss Paro has a house property having two separate residential units (unit A covering 40% of total area and unit B covering 60% of total area). Unit A is self-occupied by the assessee and unit B is let out to Sri Devdas for a monthly rent of ₹ 3,000. With the following further information, compute her taxable income from house property:

Municipal Value	₹ 1,00,000	Municipal Tax	10%
Fair Rent	₹ 1,20,000	Interest on Loan	₹ 30,000
Standard Rent	₹ 2,00,000	Annual charge	₹ 5,000

Answer

Computation of Income from house property of Miss Paro for the A.Y 20XY-XZ:

Particulars	Workings	Unit A		Unit B	
		Details	Amount	Details	Amount
Gross Annual Value	1		Nil		72,000
Less: Municipal Tax			Nil		6,000
Net Annual Value			Nil		66,000
Less: Deduction u/s					
24(a) Standard Deduction		Nil		19,800	
24(b) Interest on loan	40:60	12,000	12,000	18,000	37,800
Income from house property			(-)12,000		28,200
Income under the head 'Income from house property'			16,200		



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Working 1 : Computation of Gross Annual Value (GAV) :

Previous Year	Working	Details	Amount
Municipal Value		1,00,000	
Fair Rent		80,000	
Standard Rent		96,000	
Reasonable Expected Rent	Higher of MV & FR (RER cannot exceed SR)	96,000	
Actual Rent Receivable	₹ 6,000 * 8	48,000	96,000
Gross Annual Value	Higher of RER and ARR		16,000
Less: Municipal Tax	16% of Municipal Value		80,000
Net Annual Value			
Less: Deduction u/s			
24(a) Standard deduction	30% of NAV	24,000	
24(b) Interest on loan		10,000	34,000
Income from house property			46,000

Q 11

ICMAI Study Material

How shall your answer differ if in the above illustration, property is let out to tenant from 1/4/20XX to 1/12/20XX and from 1/12/20XX to 1/3/20XY, it was self-occupied. Standard rent of such property is ₹ 50,000.

Answer

Computation of Income from house property of Mr. Rana for the A.Y 20XY-XZ:

Previous Year	Working	Details	Amount
Municipal Value		1,00,000	
Fair Rent		80,000	
Standard Rent		96,000	
Reasonable Expected Rent	Higher of MV & FR (RER cannot exceed SR)	96,000	
Actual Rent Receivable	₹ 6,000 * 8	48,000	
Higher of RER and ARR			
However, ARR is less than RER due to vacancy period [otherwise ARR would have been ₹ 54,000 (being ₹ 6,000 * 9)] therefore ARR shall be treated as GAV.			
Gross Annual Value			48,000
Less: Municipal Tax	16% of MV		16,000
Net Annual Value			32,000
Less: Deduction u/s			
24(a) Standard Deduction	30% of NAV	9,600	
24(b) Interest on Loan		10,000	19,600
Income from house property			12,400



Q12

ICMAI Study Material

Miss Rani used her house property for self-occupation till 1/9/20XX and let out the same for remaining period for rent of ₹ 6,000 p.m. Municipal tax paid ₹ 5,000, interest on loan accrued ₹ 10,000. Compute her taxable income from house property

Answer

Steps	Previous Year	Working	Details	Amount
	Fair Rent (Note)	₹ 6,000 * 12	72,000	
1.	Reasonable Expected Rent	Fair Rent	72,000	
2.	Actual Rent Receivable	₹ 6,000 * 7	42,000	
3.	Gross Annual Value	Higher of RER and ARR		72,000
	Less: Municipal Tax			5,000
	Net Annual Value			67,000
	Less: Deduction u/s			
	24(a) Standard Deduction	30% of NAV	20,100	
	24(b) Interest on Loan		10,000	30,100
	Income from house property			36,900

Note: Since the property has been let out for 7 months @ ₹ 6,000 p.m., therefore fair rent of the property is ₹ 72,000 (being ₹ 6,000 * 12).

Q13

ICMAI Study Material

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

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



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Answer

Working

1. Computation of Gross Annual Value (GAV)

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

- Municipal tax = 10% of ₹ 2,00,000 = ₹ 20,000 being divided in the ratio 1:1 between Unit 1 and Unit 2. Out of such Municipal tax only 60% is paid, therefore, Municipal tax allowed as deduction in case of Unit 2 is only ₹ 6,000 [i.e. ₹ 20,000 * 1/2 * 60%].
- Interest on loan is divided in unit A and unit B in 1:1 as both units are of equal dimension.

Computation of income from house property of Mr. Ajnabi for the A.Y 20XY-XZ

Particulars	Workings	Unit 1		Unit 2	
		Details	Amount	Details	Amount
Gross Annual Value	1		Nil		1,00,000
Less: Municipal Tax	2		Nil		6,000
Net Annual Value			Nil		94,000
Less: Deduction u/s					
24(a) Standard Deduction		Nil		28,200	
24(b) Interest on loan	3	20,000	20,000	20,000	48,200
Income from house property			(-) 20,000		45,800

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

Q14

ICMAI Study Material

Mr. Lucky Ali owns a house property let out since 1/4/2020 to a school for monthly rent of ₹ 10,000. There was no change in rent till 31/3/2024. On 1/4/2024, as per court decision rent was increased to ₹ 12,000 p.m. with retrospective effect from 1/4/2022 and duly paid by school in the same year. Legal expenditure for such suit has been incurred by Mr. Ali ₹ 30,000. Discuss tax treatment u/s 25A.



Answer

Arrears rent belongs to the period 1/4/2021 to 31/3/2023 i.e., for 24 months.

Arrears rent received = ₹ 2,000 * 24 months = ₹ 48,000

Such rent is taxable in the year of receipt as under:

Particulars	H1
Arrears of rent received	48,000
Less: Standard deduction u/s 24(a) equal to 30% of such rent	14,400
Income from house property u/s 25A	33,600

Note: Legal expenditure is not deductible.

Q15

ICMAI Study Material

X Ltd. has two house properties both of which are vacant. Municipal value of 1st house property is ₹ 1,00,000 and that of 2nd is ₹ 80,000. It has computed income from house property as under:

Previous Year	Details	Amount
HP1: Self occupied [Sec. 23(2)(a)]		
Net Annual Value (NAV)	Nil	
Less: Interest on loan u/s 24(b)	Nil	
Income from HP1		Nil
HP2: Deemed to be let out [Sec. 23(4)]		
Gross Annual Value (GAV)		
Less: Municipal tax	80,000	
Net Annual Value (NAV)	Nil	
Less: Standard deduction u/s 24(a) @ 30% of NAV	80,000	56,000
Income from house property	24,000	56,000

Do you agree with the computation of income from house property of the assessee.

Answer

In the above computation, X Ltd. Has claimed benefit of self-occupation, whereas, such benefit can be claimed only by an individual or HUF. A company form of assessee cannot claim such benefit. Hence, income under the head Income from house property will be as under:

Computation of income from house property of X Ltd. For the A.Y 20XY-XZ:

Previous Year	Details	Amount
HP1: Deemed to be let out [Sec. 23(4)]		
Gross Annual Value (GAV)	1,00,000	
Less: Municipal tax	Nil	



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Net Annual Value (NAV)	1,00,000	
Less: Standard Deduction u/s 24(a) @ 30% of NAV	30,000	70,000
HP2: Deemed to be let out [Sec. 23(4)]		
Gross Annual Value (GAV)	80,000	
Less: Municipal tax	Nil	
Net Annual Value (NAV)	80,000	
Less: Standard Deduction u/s 24(a) @ 30% of NAV	24,000	56,000
Income from house property		1,26,000

Q16

ICMAI Study Material

Mr. Abul Hasan owns three houses at Ranchi. He furnishes the following particulars for the previous year 20XX-XY:

House No. I: The house was constructed in 20XX and let out to a friend at a monthly rent of ₹ 10,000 upto 31.1.20XY and thereafter, it was let out at its fair rent of ₹ 15,000 per month. He has paid ₹ 15,000 as municipal taxes @ 10% of Municipal Value. He has also paid fire insurance premium of ₹ 2,000.

House No. II: Ground floor is let out @ ₹ 20,000 p.m. first floor, identical to ground floor, is occupied by him for his residence. Municipal taxes paid @ 20% amounted to ₹ 80,000.

House No. III: The house was constructed in 2012 and is used for his business. The annual value of this house is ₹ 1,00,000 and he spent ₹ 5,000 as municipal taxes and ₹ 2,000 for repairs.

Other information:

A loan of ₹ 40,00,000 has been taken on 01-6-2022 for construction of House No. II. Construction of the house was completed on 01-6-2023. He repaid the entire loan on 31-12-2024. Interest on loan is payable @ 12% p.a. Compute his income from house property for the A.Y 20XY-XZ assume that he has opted for old regime.

Answer

Computation of Income from House Property of Mr. Abul Hasan for the A.Y 2024-25:

Previous Year	Details	Details	Amount
House 1: Let out			
Gross Annual Value		1,80,000	
Less: Municipal Tax		15,000	
Net Annual Value		1,65,000	
Less: Deduction u/s			
24(a) Standard Deduction	49,500		
24(b) Interest on loan	Nil	49,500	1,15,500
House 2: Ground Floor (Let out)			
Gross Annual Value		2,40,000	



Less: Municipal Tax [50%]	40,000		
Net Annual Value		2,00,000	
Less: Deduction u/s			
24(a) Standard Deduction	60,000		
24(b) Interest on loan	2,20,000	2,80,000	(80,000)
House 2: First Floor (Self occupied)			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan		2,00,000	(2,00,000)
House 3: Used in own business			Nil
Income from House Property			(1,64,500)

Workings:

¹ Fair Rent: Since 1st house is let out by assessee to his friend @ ₹ 10,000 p.m. and the same property is let out to other tenant @ ₹ 15,000 p.m., this signifies that 2nd house has fair rent ₹ 15,000 * 12 = ₹ 1,80,000.

² Calculation of Interest to be deducted in A.Y.2024-25

Previous Year	Details	Amount
Pre-construction Interest		
2021-22	10	4,00,000
1/5th of pre-construction (a)		80,000
Post-construction interest (b) [₹ 40,00,000 × 12% × 9/12]	9	3,60,000
Total interest charged (a) + (b)		4,40,000
50% for Ground Floor		2,20,000

Q17

ICMAI Study Material

Sarju Middey is the owner of 2 houses in Kolkata. From the following particulars of the houses, compute his income from house property for the assessment year 20XY-XZ:

House A : Let-out to an employee of the business of Sarju @ ₹ 5,000 p.m. which is necessary for the purpose of business. Municipal tax paid ₹ 3,000 and interest on loan taken for purchasing the house amounted to ₹ 9,000.

House B : The house consists of 3 identical flats. First flat is used by him for his own business. Second flat is used by him for his own residence. The third flat is let out at a monthly rent of ₹ 15,000. Municipal taxes paid @ 5% amounted to ₹ 20,250.

Other information:

- Unrealised rent for the P.Y. 20XX-XY relating to third flat of House B amounted to ₹ 10,000.
- A loan of ₹ 20,00,000 was taken on 01.07.2021 for construction of the House B. Construction of House B was completed on 01.06.2023. Interest on loan is 12% p.a. No repayment was made.



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Answer

Previous Year	Details	Details	Amount
Flat III: Let out			
Gross Annual Value (Working 1)		1,80,000	
Less: Municipal Tax	20,250/3	6,750	
Net Annual Value		1,73,250	
Less: Deduction u/s			
24(a) Standard Deduction	51,975		
24(b) Interest on loan [₹ 3,24,000 / 3]	1,08,000	1,59,975	13,275
Flat II: Self occupied			
Net Annual Value		Nil	
Less: Deduction u/s			
24(b) Interest on loan [₹ 3,24,000 / 3]		1,08,000	(1,08,000)
Income from House Property			94,725

Working 1: Computation of Gross Annual Value

Steps	Previous Year	Working	Details
	Municipal Value	(₹ 20,250 / 5%) / 3	1,35,000
	Fair Rent	₹ 15,000 × 12	1,80,000
	Standard Rent		-
1.	Reasonable Expected Rent	Higher of MV & FR (RER cannot exceed SR)	1,80,000
2.	Actual Rent Receivable	₹ 15,000 × 12 – ₹ 10,000	1,70,000
3.	Gross Annual Value	Higher of Step 1 & 2	1,80,000

Working 2: Calculation of Interest to be deducted in respect of House 2

Previous Year	Month	Interest
Pre-construction Interest		
2019-20	9	1,80,000
2020-21	12	2,40,000
Total		4,20,000
1/5th of pre-construction (a)		84,000
Post-construction interest (b)	12	2,40,000
Total interest (a) + (b)		3,24,000



Q18

PTP Dec 22

Amar (age 50) a resident has the following properties which are let out during the financial year 20XX-XY.

Particulars	(Value in ₹)		
	House – I	House – II	House-III
Actual Rent (House 3 vacant for 2 months)	3,00,000	3,30,000	3,00,000
Gross municipal value	2,40,000	3,00,000	3,30,000
Fair rent	2,70,000	3,30,000	3,00,000
Standard rent	2,10,000	2,70,000	4,20,000
Municipal tax	10%	10%	10%
Sewerage tax	14,000	10,000	15,500
Water tax	5%	5%	5%
Interest on moneys borrowed	1,05,000	1,32,500	1,65,500

Compute income from house property for the assessment year 20XY-XZ.

Answer

Income from house property:

House 1 – Rs. 70,000

House 2 – Rs. 60,000

House 3 – Rs. (1,000)

Q19

PTP June 23 (Old)

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

Particulars	Property 1	Property 2
Location	Kolkata	Guwailati
Date of commencement of construction	01.04.2021	01.07.2017
Date of completion of construction	31.12.2023	30.06.2020
Interest on housing loan		
Financial Year 2017-18	--	60,000
Financial Year 2018-19	--	80,000
Financial Year 2020-21	--	70,000
For the period from 01.04.2020 to 30.06.2020	--	30,000
For the period from 01.07.2020 to 31.03.2021	--	45,000
Financial Year 2020-22	1,40,000	--



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Financial year 2021-23	1,80,000	--
Financial year 2022-24	--	50,000
From 01.04.2023 to 31.12.2023	90,000	--
From 01.01.2024 to 31.03.2024	40,000	--

Compute interest eligible for deduction for the assessment year 2024-25.

Answer

Total amount of interest under section 24:-

House – 1	₹ 1,94,000
House – 2	₹ 92,000

Q 20**PTP June 23 (New)**

Mr. Akhil, a resident individual, aged 55 years owns one residential house in Kolkata. The house is having two identical units. First unit of the house is self-occupied by Mr. Akhil and another unit is rented for ₹6000 p.m. The rented unit was vacant for 2 months during the year. The following particulars of the house for the previous year 20XX-20XY are as under :

	Particulars	Amount (₹)
i.	Municipal valuation	3,80,000 p.a.
ii.	Standard rent under the Rent Control Act	3,24,000 p.a.
iii.	Fair rent	3,60,000 p.a.
iv.	Municipal tax, paid by Mr. Akhil	10% of municipal valuation
v.	Repairs	6,000 p.a.
vi.	Insurance charges	5,000 p.a.
vii.	Interest on borrowed capital	3,000 p.m.

You are required to assess the case and compute income from house property of Mr. Akhil for the A.Y.20XY-20XZ; Mr. Akhil does not opt to be taxed under section 115BAC.

Answer

Income from house property of Mr. Akhil for A.Y.20XY-20XZ = ₹ 62,700



Q 21

MTP June 23 (New)

Compute income under the head 'Income from house property' of Sri from the following information:

Particulars	H1	H2	H3	H4
Used for	Self occupied	Self occupied	Self occupied	Own Business
Situated at	Mumbai	Abu	Kolkata	Hyderabad
Gross Municipal Value	3,00,000	2,00,000	7,00,000	3,00,000
Fair Rent	2,00,000	2,00,000	6,00,000	1,20,000
Standard Rent	3,00,000	2,40,000	7,00,000	2,00,000
Municipal Tax	15%	15%	15%	15%
Repairs	13,000	4,000	8,000	8,000
Ground Rent	20,000	Nil	Nil	6,000
Land Revenue	Nil	10,000	Nil	Nil
Interest on Loan	40,000	10,000	2,10,000	20,000
Loan taken on	1998-99	1998-99	2019-20	1999-00

Answer

In the given case, there are two options:

Option 1 : Take H1 & H3 as Self-Occupied (S/O) and H2 as Deemed to be Let-Out (DLO)

Option 2 : Take H1 as Deemed to be Let-Out (DLO) and H2 & H3 as Self-Occupied (S/O)

Option 3 : Take H3 as Deemed to be Let-Out (DLO) and H1 & H2 as Self-Occupied (S/O)

Total income under the head house property shall be computed applying each option separately and then the option, which yields least income under this head, shall be opted.

Particulars	Option 1		Option 2		Option 3	
	H1 & H3 S/O	H2 DLO	H1 DLO	H2 & H3 S/O	H3 DLO	H1 & H2 S/O
Gross Annual Value	Nil	2,00,000	3,00,000	Nil	7,00,000	Nil
Less: Municipal Tax (15% of Municipal value)	Nil	30,00	45,00	Nil	1,05,000	Nil
Net Annual Value (A)	Nil	1,70,000	2,55,000	Nil	5,95,000	Nil
Less: Deduction u/s						
24(a) Standard deduction (30% of NAV)	Nil	51,000	76,500	Nil	1,78,500	Nil
24(b) Interest on loan	2,00,000 (Note 2)	1,00,000	40,000	2,00,000 (Note 2)	2,10,000	30,000 (Note 1)
Total deduction (B)	2,00,000	1,51,000	1,16,500	2,00,000	3,88,500	30,000



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Income from house property [(A) – (B)]	(-) 2,00,000	19,000	1,38,500	(-) 2,00,000	2,06,500	(-) 30,000
Income from house property		(-) 1,81,000		(-) 61,500		1,76,500

Notes:

- (1) In case of H1 & H2 loan was taken prior to 1/4/1999.
- (2) Since loan was taken for construction on or after 1/4/1999.
- (3) Since H4 is used for own business purpose so it is not taxable under this head.

Total income under the head Income from house property as per option 1 is (-) ₹1,81,000

Q 22**PTP Dec 23 (Old)**

Vignesh owns a house property at Chennai whose ammal municipal value, fair rent and standard rent are ₹ 4,20,000; ₹ 4,80,000 and ₹ 3,60,000 respectively. Vignesh occupied 113rd of the building for residential purpose and let out 213rd of the building for a monthly rent of ₹ 40,000. Municipal tax paid at 10% of municipal value.

Vignesh borrowed ₹ 40 lakhs in April, 2020 for constmction of the said building and it was completed in March, 2022. The pre-construction interest was ₹ 3,30,000. During the previous year 20XX-XY, Vignesh paid interest on borrowing of ₹ 78,000 and a sum of ₹ 33,600 was outstanding.

Compute income from house property of Vignesh for Assesment year 20XY-20XZ.

Answer

Income from house property of Vignesh for A.Y.2023-24 = ₹ 1,38,800

Q 23**MTP Dec 23 (New)**

Patil owns two house properties in Mumbai. He submits the following information relating to the financial year 20XX-XY.

Particulars	House 1	House 2
Municipal Value	7,50,000	8,75,000
Fair rent	8,50,000	9,75,000
Standard rent under RCA	8,00,000	8,25,000
Annual rent	9,00,000	NA(Self occupied for residence)
Municipal Tax	75,000	87,500
Interest on borrowed capital	60,000	40,000

There is unrealized rent in respect of let-out house property ₹75,000. However, no steps are taken to make the defaulting tenant vacate the house. Half of the municipal tax is not yet paid. Compute income from house property for the assessment year 20XY-XZ if he has opted for section 115 BAC.



Answer

Computation of Income from House Property of Patil

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

Q 24

PTP Dec 23 (New)

Mr. Gaurav owns a house property in Jaipur (Rajasthan). The fair rental value per annum is ₹ 1,50,000 and the Municipal value is ₹ 1,30,000.

The house was let out from 1st April, 20XX to 30th September, 20XX at a monthly rent of ₹ 5,000 and from 1st October, 20XX Mr. Gaurav occupies it for his residence (self). Following expenditure were incurred on property and paid during the previous year 20XX-XY:

i.	Municipal tax	₹ 13,000
ii.	Land revenue	₹ 5,000
iii.	Fire insurance premium	₹ 1,000

The loan for the construction of this property is taken and Interest charged by the bank ₹ 12,500 have been paid. To repay this loan, Mr. Gaurav has taken a fresh loan and interest charged on this loan is ₹ 6,500.

Mr. Gaurav does not opt to be taxed under section 115 BAC of the Income Tax Act, 1961. Compute the income from "House Property" chargeable in the hands of Mr. Gaurav for the Assessment Year 20XY-XZ.

Answer

Income from House Property chargeable in the hands of Mr. Gaurav = ₹ 76,900

**Q 25****MTP June 24**

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

Particulars	House 1 Let Out	House 2 Self- Occupied
Municipal Value	8,00,000	15,00,000
Fair rent	18,00,000	22,50,000
Standard rent	15,00,000	18,00,000
Annual rent	12,00,000	-
Municipal Tax	1,20,000	1,50,000
Fire Insurance Premium		
i. Paid	80,000	1,20,000
ii. Due	-	-
Interest on loan (Taken for the purpose of constructions)	75,000	
Repairs	NIL	1,50,000

Mr. Thakur borrowed ₹ 10,00,000 @ 12% p.a. for the purpose of construction of House II. The amount was borrowed on 1.6.2013 and repaid on 17.9.2024. Construction of the house were completed on 1.4.2022. Construction of House I was completed in the year of 1996. You are required to compute income from house property of Mr. Thakur for the Assessment Year 2024–25, if he has not opted for option given u/s 115BAC(6).

Answer

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

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



Working: Computation of GAV

Particulars	Explanation	House 1
Municipal Value		8,00,000
Fair rent		18,00,000
Standard rent		15,00,000
Reasonable Expected Rent [a]	Higher of MV & FR (subject to SR)	15,00,000
Annual rent(b)		12,00,000
Gross Annual Value (GAV)	Higher of (a) and (b)	15,00,000

Q 26**PTP June 24**

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

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

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

Answer

In the given case there are three options -

1. Take H1 and H3 as self-occupied and H2 as Deemed to be Let Out.
2. Take H2 and H3 as self-occupied and H1 as Deemed to be Let Out.
3. Take H1 and H2 as self-occupied and H3 as Deemed to be Let Out.



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Income under the head house property of Shri Aradhya:

Particulars	H1 & H3 S/O	H2 DLO	H2 & H3 (S/O)	H1 (DLO)	H1 & H2 (S/O)	H3 (DLO)
Gross Annual Value	Nil	3,00,000	Nil	2,50,000	Nil	6,50,000
Less: Municipal Tax	Nil	52,500	Nil	37,500	Nil	1,12,500
Net Annual Value	Nil	2,47,500	Nil	2,12,500	Nil	5,37,500
Less: Deduction u/s						
24(a) Standard deduction (30% of NAV)	Nil	74,250	Nil	63,750	Nil	1,61,250
24(b) Interest on loan	2,00,000	1,50,000	2,00,000	70,000	30,000	2,50,000
Total deduction (B)	2,00,000	2,24,250	2,00,000	1,33,750	30,000	4,11,250
Income from house property	2,00,000	23,250	2,00,000	78,750	30,000	1,26,250
Total Income from house property	(1,76,750)		(1,21,250)		96,250	
Total income under the head income from house property as per Option 1 is: -1,76,750, Shri Aradhya should consider H2 as DLO property and H1 and H3 as S/O.						

Q 27

MTP Dec 24

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

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

Answer

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

Particulars	Working	Unit 1		Unit 2	
		Details(₹)	Amount(₹)	Details(₹)	Amount(₹)
Gross Annual Value	1		Nil		1,00,000
Less: Municipal Tax	2		Nil		6,000
Net Annual Value			Nil		94,000
Less: Deduction u/s					



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24(a) Standard deduction		Nil		28200	
24(b) Interest on Loan	3	20,000	20,000	20000	48,200
Income from house property			(-)20,000		45,800

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

1. Computation of Gross Annual Value (GAV):

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

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

3. Interest on loan is divided in unit A and unit B in 1:1 as both units are of equal dimension.

Q 28

MTP Dec 24

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

Particulars	House 1 (₹)	House 2 (₹)
Situated at	Gaya	Mumbai
Gross Municipal Value	1,00,000	2,00,000
Fair Rent	95,000	2,10,000
Standard Rent	90,000	2,00,000
Annual Rent Receivable	1,00,000	1,80,000
Unrealised rent of current year	8,000	2,000
Municipal Tax	10%	1,000
Fire Insurance	2,000	1,200
Repairs	Nil	2,000
Interest on loan for construction (@12%)	10,000	Nil



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Other Information:

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

Answer

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

Particulars	Details(₹)	Amount(₹)	Amount(₹)
H1: Let out			
Gross Annual Value#		92,000	
Less : Municipal tax		Nil	
Net Annual Value		92,000	
Less : Deduction u/s 24:			
A. Standard deduction (30% of NAV)	27,600		
B. Interest on loan	10,000	37,600	54,400
H2: Let out			
Gross Annual Value#		2,00,000	
Less : Municipal tax		500	
Net Annual Value		1,99,500	
Less : Deduction u/s 24:			
A. Standard deduction (30% of NAV)	59,850		
B. Interest on loan	Nil	59,850	1,39,650
Income from House Property			1,94,050

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

Computation of Gross Annual Value

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



Q 29

PTP Dec 24

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

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

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

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

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

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

Indicate clearly the reasons for treatment of each item.

Answer

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

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

**Q 30****MTP June 25**

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

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

One of the let out units remained vacant for four months during the year. Virat could not occupy his unit for six months as he was transferred to Kolkata. He does not own any other house. The other income of Mr. Virat and Rohit are ₹2,35,000 and ₹1,65,000, respectively, for the financial year 2024-25.

Compute the income under the head 'Income from House Property' and the total income of two brothers for the A.Y. 2025-26 if they pay tax under the default tax regime under section 115BAC. Also, compute of income under this head, if they both exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).

Answer

- i. If Virat and Rohit pay tax under the default tax regime under section 115BAC

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

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



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

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

Particulars	Virat ₹	Rohit ₹
Income from house property:		
(I) Self-occupied property (25%)		
Net Annual value	Nil	Nil
Less: Deduction u/s		
24(a) Standard Deduction (30% of NAV)	Nil	Nil
24(b) Interest on loan	37,500	37,500
Interest on loan taken for construction ₹37,500 (being 25% of ₹1.5 lakh)		
Loss from self-occupied property	(37,500)	(37,500)
(II) Let-out property (75%) (See Working Note-1)	1,20,600	1,20,600
Income from house property	83,100	83,100
Other Income	2,35,000	1,65,000
Total Income	3,18,100	2,48,100

Working Note – 1

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

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

**Q 31****MTP June 25**

Compute net annual value with the following details for the A.Y. 2025-26 :

Particulars	H1	H2	H3	H4	H5	H6
Situated at	Patna	Anand	Hyderabad	Balurghat	Jodhpur	Etawa
Municipal Value	₹1,00,000	₹2,00,000	₹3,00,000	₹4,00,000	₹4,25,000	₹6,00,000
Gross Annual Value	₹1,00,000	₹2,50,000	₹1,80,000	₹5,00,000	₹8,00,000	₹5,00,000
Municipal tax for P.Y.	₹5,000	10%	5%	20%	12%	10%
Sewerage tax	-	5%	₹1,000	3%	₹3,750	₹1,000
Water Tax	-	3%	5%	2%	5%	-

Additional information:

- In case of H3, municipal tax paid for the financial year 2000-01 to 2023-24 is ₹2,00,000.
- In case of H4, municipal tax paid for the financial year 2025-26 is ₹3,000.
- In case of H6, all taxes charged by municipality are paid to the extent of 80% (50% by owner and 30% by tenant).

Answer**Computation of Net Annual Value for A.Y. 2025-26:**

Particulars	H1	H2	H3	H4	H5	H6
Gross Annual Value (a)	1,00,000	2,50,000	1,80,000	5,00,000	8,00,000	5,00,000
Less : (i) Municipal Tax	8,00,000	20,000	2,15,000 ⁵	80,000 ⁶	51,000	30,000 ⁷
(ii) Sewerage tax	-	10,000	1,000	12,000	3,750	500 ⁷
(iii) Water Tax	-	6,000	15,000	8,000	21,250	-
Total (b)	5,000	36,000	2,31,000	1,00,000	76,000	30,500
Net Annual Value [(a) – (b)]	95,000	2,14,000	(-)51,000	4,00,000	7,24,000	4,69,500
Municipal tax is calculated on municipal value.						

Q 32**PTP June 25**

Mr. Sonu, a resident individual aged 34 years, gives the following information to you relating to his house properties (he owns 2 identical house properties):

Property A — Let out (Since 01.04.2023)

- Municipal Annual Value : ₹ 6,00,000

⁵ ₹2,00,000 (being municipal tax of past years paid during the year) + 5% of ₹3,00,000 (municipal tax of current year paid during the year).

⁶ Though municipal tax is allowed on cash basis (only if paid by owner) but advance municipal tax is not allowed.

⁷ Municipal tax paid by tenant is not allowed as deduction.



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- ii. Fair rent : ₹ 3,50,000
- iii. Standard Rent under the Rent Control Act : ₹8,00,000
- iv. Actual rent : ₹ 55,000 p.m.
- v. Unrealised rent : 2 months
- vi. Interest on loan taken for the purchase of this property : ₹2,50,000

Property B — Self Occupied

- i. Municipal Annual Value : ₹ 6,00,000
- ii. Fair rent : ₹ 3,50,000
- iii. Standard Rent under the Rent Control Act : ₹ 8,00,000
- iv. Actual rent : Nil
- v. Interest on loan taken for the purchase of this property : ₹ 2,50,000

Calculate the income from "House property" chargeable in the hands of Mr. Sonu for the Assessment Year 2025-26. Assuming Mr. Sonu opted the new default tax regime provided under section 115BAC of the Income Tax Act, 1961. Indicate clearly the reasons for treatment of each item.

Answer

Computation of income from House Property of Mr Sonu for AY 2025-26

(Under default regime under section 115 BAC(1A))		
Type	Property A	Property B
	Let-out	Self-Occupied
Expected rent:	₹	₹
Municipal value	6,00,000	
Fair rent	3,50,000	
Municipal value or Fair rent whichever is higher	6,00,000	
Standard Rent	8,00,000	
Expected rent is limited to standard rent.	6,00,000	
Note: Since Municipal value is more than fair rent and less than standard rent, it is taken as Expected Rent.	5,50,000	
Actual rent received ₹ 55,000 P.M x (12 – 2 months)	6,00,000	Nil
Gross annual value Note: Mention of GAV is mandatory.		
Less:		
Deduction U/s.24 @ 30%	(1,80,000)	Nil
Interest on loan	(2,50,000)	Nil
Income from House Property	1,70,000	Nil
Total house property income		1,70,000



Chapter 5

Profits and Gains from Business and Profession

Q1

ICMAI Study Material

Mr. Sunil is a practicing Chartered Accountant. He also runs a private coaching institute. His bank accounts for the year ended 31/3/2024 is given below:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Balance b/f	20,000	By Office expenses	18,000
To Audit fees	2,00,000	By Municipal tax on property	800
To Income from other professional work	1,00,000	By Coaching expenses	800
To Coaching fees	1,200	By Personal expenses	5,000
To Interest on Investment	2,000	By Membership fees	500
To Examiner's fees	1,000	By Life insurance premium	13,000
To Rent from property	5,000	By Income tax	5,000
		By Motor Car purchased	1,80,000
		By Motor Car expenses	10,200
		By Insurance of property	1,600
		By Balance c/d	94,300
	3,29,200		3,29,200

Additional Information

- 20% of motor car expenses is in respect of profession.
- Depreciation allowance for motorcar is ₹ 27,000, if wholly used for profession.
- Outstanding fees on 31-3-2024 ₹ 2,000. Whereas ₹ 500 receivable from Mita is considered as bad.
- Outstanding fees of P.Y. 2020-21 ₹ 10,000 received during the year, which is included in the audit fees.
- Office expenses include payment of ₹ 2,000 incurred during the previous year 2022-23.

Compute his gross total income for the A.Y 2024-25 assuming he maintains accounts on cash basis.

**Answer**

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

Particulars	Workings	Details	Details	Amount
Income from house property				
Gross Annual Value	Rent received		5,000	
Less: Municipal tax			800	
Net Annual Value			4,200	
Less: Deduction u/s				
24(a) Standard Deduction	30% of NAV	1,260		
24(b) Interest on loan		Nil	1,260	2,940
Profits & gains of business or profession				
Audit fees		2,00,000		
Income from other professional work		1,00,000	3,00,000	
Less: Expenses allowed				
Office expenses		18,000		
Membership fees		500		
Motor car expenses	20% of expenses ²	2,040		
Depreciation on motor car	20% of depreciation ²	5,400	25,940	2,74,060
Income from other sources				
Interest on investment			2,000	
Coaching fees		1,200		
Less: Coaching expenses		800	400	
Examiners' fees			1,000	3,400
Gross Total Income				2,80,400

Notes:

- Insurance premium on property is not deductible from income from house property.
- As 20% use of motor car is related to professional purpose, hence as per sec. 38 expenditure and depreciation is apportioned.
- Payment of LIC premium is a personal expense. However, deduction u/s 80C is available.
- Income tax is specifically disallowed u/s 40(a).
- As per sec. 145, income chargeable under the head "Profits & gains of business or profession" shall be computed only in accordance with the method of accounting regularly followed by the assessee. In this case, assessee follows cash system of accounting.

**Q 2****ICMAI Study Material**

From the following particulars of Shri Khote for the year ending 31st March, 2024, find out his taxable income from business for the assessment year 2024-25:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening Stock	1,20,000	By Sales	2,14,20,000
To Purchases	2,10,00,000	By Profit on sale of import licence	5,000
To Salaries	25,000	By Gift received	24,000
To Legal Expenses	10,000	By Closing Stock	2,00,000
To Bad Debts	5,000		
To Rent	50,000		
To Interest on loan	2,500		
To Depreciation	15,000		
To Income tax paid	2,000		
To Outstanding Customs Duty	25,000		
To Advertisement	2,000		
To Legal expenses	12,000		
To Contribution towards URPF	5,000		
To General expenses	17,500		
To Traveling expenses	1,00,000		
To Net Profit	2,58,000		
	2,16,49,000		2,16,49,000

In computing the income, the following facts are to be taken into consideration:

- Interest on loan is paid to brother of Shri Khote for loan taken for payment of advance income tax.
- During the previous year 2019-20, assessee had claimed ₹ 45,000 as bad debt out of which only ₹ 35,000 was allowed. During the previous year, he recovers ₹ 25,000.
- Contribution towards unrecognised provident fund was paid within time.
- Legal expenses include ₹ 2,000 paid for preparation of income tax return.
- Stock is undervalued by 10%.
- Gift received was given by a supplier for achieving target sale.
- Outstanding customs duty has been paid on 31-12-2024.
- During the previous year, he comes to know that his former employee had embezzled cash of ₹ 5,000 on 31-3-2023, which was not accounted for.
- Traveling expenses include ₹ 50,000 being cost of trip to Singapore by an employee for 10 days. However, only 8 days of trip is useful to business and 2 days has been allowed as holiday to employee.



10. Rent includes expenditure on extension of shed on rented building ₹ 26,000. However, such extension was completed on 1-5-2024 with total cost of ₹ 50,000.

11. General expenses include –

- » Salary of ₹ 1,200 paid to domestic servant.
- » Compensation of ₹ 2,000 paid for retrenchment of an employee.

Compute his business income for the A.Y 2024-25

Answer

Computation of Profits and gains of business or profession of Shri Khote for the A.Y 2024-25

Particulars	Note	Details	Amount
Net profit as per Profit and Loss A/c			2,58,000
Add: Expenditure disallowed but debited in P/L A/c			
Income tax paid	1	2,000	
Outstanding Customs Duty	2	25,000	
Contribution towards unrecognised provident fund	3	5,000	
Interest on loan	4	2,500	
Expenditure on extension of building shed	5	26,000	
Salary paid to domestic servant	6	1,200	
Add: Income taxable but not credited to P/L A/c			
Recovery of bad debts [₹ 25,000 – (₹ 45,000 – ₹ 35,000)]	7	15,000	76,700
			3,34,700
Less: Expenditure allowed but not debited to P/L A/c			
Embezzlement by employee	8		5,000
			3,29,700
Adjustment for valuation of stock			
Add: Under valuation of closing stock	12	22,222	
Less: Under valuation of opening stock	13	13,333	8,889
Profits and gains of business or profession			3,38,589

Notes

- Income tax is specifically disallowed u/s 40(a).
- Customs Duty paid after due date of filing of return shall not be allowed as deduction [Sec. 43B]
- Contribution to unrecognised provident fund is disallowed.
- Interest on loan taken for payment of advance tax is disallowed.
- Extension of building shed is an expenditure of capital nature, hence disallowed u/s 30.
- Any expenditure of personal nature is disallowed.



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7. As per sec. 41(4), where a deduction has been allowed in respect of bad debt or part of debt u/s 36(1)(vii), then if the amount subsequently recovered on any such debt or part is greater than the difference between the debt or part of debt and the amount so allowed, the excess shall be deemed to be profits and gains of business or profession.
8. Loss by embezzlement of cash by employee is allowed as deduction in the year in which such fact was known to the assessee.
9. Legal expenditure for preparation of income tax return is allowed expenditure u/s 37(1).
10. Gift received for achieving target-sale is perquisite related to business and shall be taxable u/s 28.
11. Traveling expenditure shall be fully allowed as deduction, as trip was for 10 days out of which 8 days spent for business purpose and remaining 2 days trip shall be treated as staff welfare expenditure being allowed u/s 37(1).

12. Under valuation of closing stock

Actual value of closing stock (₹ 2,00,000/90%) = ₹ 2,22,222

Under valuation of closing stock is 10% of ₹ 2,22,222 = ₹ 22,222

13. Under valuation of opening stock

Actual value of opening stock (₹ 1,20,000/90%) = ₹ 1,33,333

Under valuation of opening stock is 10% of ₹ 1,33,333 = ₹ 13,333

Q 3

ICMAI Study Material

During the previous year 2023-24, profit and loss account of Shri Raj, proprietor of Raj Enterprises engaged in the business of readymade garments, shows profits of ₹ 1,50,000. With the following information, compute his taxable income from business –

- a. Interest on capital ₹ 5,000
- b. Purchases include goods of ₹ 12,000 from his younger brother in cash. However, market value of such goods is ₹ 9,000.
- c. Interest paid outside India ₹ 1,00,000 without deducting tax at source.
- d. Penalty paid to Government for non-filing of GST return ₹ 5,000
- e. Penalty paid to customer for non-fulfilling of order within time ₹ 10,000
- f. Bad debts ₹ 1,00,000. Money has been advanced for purchase of Building.
- g. Revenue expenditure on promoting family planning among employees ₹ 10,000.
- h. Premium paid on health of employees ₹ 6,000 in cash
- i. Premium paid on health of his relatives ₹ 6,000 in cheque
- j. Employer's contribution to RPF ₹ 12,000. One-half of the amount is paid after due date as per relevant Act but before 31-3-2024.



- k. Employees contribution to RPF ₹ 10,000. ½ of the amount is paid after due date as per relevant Act.
- l. Interest on late payment of professional tax ₹ 1,000 (yet to be paid)
- m. Interest on loan from State Bank of India ₹ 10,000 (₹ 5,000 is not paid till due date of filing of return)
- n. Interest on late refund from income tax department ₹ 500
- o. Sale includes sale to Raj ₹ 10,000. (Cost of such goods ₹ 8,000; Market value of such goods ₹ 12,000)
- p. He received ₹ 80,000 from a debtor at a time in cash.
- q. Recovery of bad debt ₹ 10,000 (out of which ₹ 8,000 was allowed as deduction during A.Y 2019-20)
- r. Depreciation (being not debited in accounts) ₹ 20,000 allowed as deduction u/s 32

Answer**Computation of Profits and gains of business or profession of Shri Raj for the A.Y 2024-25**

Particulars	Note	Details	Amount
Net profit as per Profit and Loss account			1,50,000
Add: Expenditure disallowed but debited in P/L A/c			
Interest on capital	1	5,000	
Payment to relative in excess of market value of goods	2	3,000	
Interest paid outside India without deducting tax at source	3	1,00,000	
Penalty paid to government for non-filing of GST return	4	5,000	
Bad debt	6	1,00,000	
Premium paid on health of employees in cash	8	6,000	
Premium paid on health of his relatives in cheque	9	6,000	
Employees contribution to RPF	11	5,000	
Interest on loan from State Bank of India	13	5,000	
Cost of goods sold to himself	14	8,000	2,43,000
			3,93,000
Less: Expenditure allowed but not debited in P/L A/c			
Depreciation u/s 32		20,000	
Less: Income not taxable but credited to P/L A/c			
Sales to himself (goods withdrawn for personal purpose)	14	10,000	
Recovery of bad debts	15	2,000	
Less: Income taxable under other head but credited to P/L A/c			
Interest on late refund from income tax department	16	500	32,500
Profits and gains of business or profession			3,60,500

**Notes**

1. Interest on capital to proprietor is not allowed as no one can earn from a transaction with himself.
2. Any unreasonable payment to relative is disallowed u/s 40A(2). Hence, ₹ 3,000 is disallowed. Since cash payment towards allowed expenditure (i.e. ₹ 9,000) does not exceed ₹ 10,000, hence provision of sec. 40A(3) is not applicable.
3. Interest paid outside India without deducting tax at source is disallowed u/s 40(a).
4. Any payment made for infringement of law is disallowed.
5. Payment made for non-fulfilling of contract is not a payment for infringement of law. Hence, allowed u/s 37(1).
6. Bad debt is allowed only when such debt has been taken into account as income of previous year or any earlier previous year(s) [Sec. 36(1)(vii)]. Since, the debt is in respect of purchase of a building, which was not considered as income of any previous year, hence it is disallowed.
7. Any expenditure for promoting family planning is allowed to company assessee [Sec. 36(1)(ix)]. However, such expenditure (revenue in nature) incurred by assessee other than company shall be allowed u/s 37(1).
8. Payment of insurance premium on health of employees in cheque is allowed u/s 36(1)(ib).
9. Payment of insurance premium on health of relative is not related to business, hence disallowed.
10. Employer's contribution towards RPF is allowed if payment is made before due date of filing of return irrespective of fact that such payment was made after due date prescribed in the relevant Act.
11. Any sum received from employees as their contribution towards RPF is allowed only when such sum has been credited to such fund within the due date prescribed in the relevant Act [Sec. 36(1)(va)].
12. Interest on late payment of professional tax is not a penalty but compensatory in nature. Hence, it is allowed u/s 37(1). Further such interest is not governed by the provisions of sec. 43B.
13. Any interest payable to any scheduled bank is allowed on cash basis [Sec. 43B]. Hence, unpaid amount is disallowed.
14. Any expenditure of personal nature is not allowed. Further, no one can earn from a transaction with himself. Hence, sale made to himself is not treated as income.
15. Bad debt recovery is treated as income in the year of recovery to the extent of bad debt allowed in the earlier year [Sec. 41(4)].
16. Interest on late refund of income tax is taxable under the head 'Income from other sources'.
17. Receipt from debtor ₹ 80,000 in cash is not attracted by provision of sec. 40A(3).

**Q 4****ICMAI Study Material**

Taj Electric Supply Company Ltd. which was charging depreciation on straight line method and whose actual cost of the asset was ₹ 20,00,000 and written down value ₹ 18,72,300 sold the said asset during 2022-23 after 2 years. What will be the tax treatment for assessment year 2023-24 if the asset is sold for:

1. ₹ 30,000;
2. ₹ 18,72,300;
3. ₹ 19,80,000;
4. ₹ 21,00,000

Answer

1. ₹ 18,42,300 Terminal Depreciation
2. Nil
3. ₹ 1,07,700 Balancing Charge
4. ₹ 1,27,700 Balancing charge and ₹ 1,00,000 Short Term Capital Gain

In all the cases, no further depreciation is allowable to the assessee in respect of such asset.

Q 5**ICMAI Study Material**

Twinkle Enterprises has acquired a telecom license. Details in respect of such license are as under:

Particulars		Particulars	
Acquisition cost	₹ 1,00,000	Life of license	10 years
Date of purchase	16/8/2022	License sold	100%
Payment terms	Lump sum	Date of sale of license	15/3/2025
Date of first payment	16/8/2022	Sale value	₹ 1,20,000

State the tax consequence in the several previous years up to 2024-25 related to such transactions.

Answer

Tax consequence u/s 35ABB in several previous years up to 2024-25

Particulars	Licence A
Deduction u/s 35ABB(1) in previous year:	
2022-23	10,000
2023-24	10,000
2024-25	Nil
Business income on sale of license u/s 35ABB(3) in the P.Y.2024-25	20,0002
Capital gain on sale of license in the P.Y.2024-25	20,0002



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¹. No deduction is available in the previous year in which licence is 100% sold or otherwise transferred.

². Sale of license

Particulars	Details	Amount
Profits & Gains of Business or Profession		
Being minimum of the following		
• Earlier deduction claimed for the P.Y. 2022-23 and 2023-24	20,000	
• Surplus i.e. {Sale proceeds – (Cost of assets - Earlier deduction allowed in respect of such asset)} [1,20,000 – (1,00,000 – 20,000) = 40,000]	40,000	20,000
Capital gains		
Sale consideration		1,20,000
Less: Cost of acquisition		1,00,000
Short-term capital gain (as asset is not held for more than 3 years)		20,000

Q 6

ICMAI Study Material

Twenty Enterprises has acquired telecom license. Details in respect of this license are as under:

Particulars		Particulars	
Acquisition cost	₹ 3,00,000	Life of license	7 years
Date of purchase	14/7/2020	License sold	40%
Payment terms	Lump sum	Date of sale of license	12/12/2023
Date of first payment	14/7/2021	Sale value	₹ 1,20,000

State the tax consequence in the several previous years up to 2023-24 related to such transactions.

Answer

Tax consequence u/s 35ABB in several previous years up to 2023-24

Particulars	Amount
Deduction u/s 35ABB(1) in previous year:	
2020-21	Nil ¹
2021-22	50,000 ¹
2022-23	50,000 ¹
2023-24	20,000 ²
Business income on sale of license u/s 35ABB(3) in the P.Y.2023-24	Nil
Capital gain on sale of license in the P.Y.2023-24	Nil

1. Though license was acquired in the previous year 2020-21 but payment was made in the previous year 2021-22, hence deduction shall be available u/s 35AAB(1) in 6 years (7 year – 1 year) starting from the year 2021-22. Amount of deduction will be ₹ 3,00,000/6 = ₹ 50,000.



2. Sale of part of license B

Particulars	Details	Amount
Balance of license as on 1/4/2023	₹ 3,00,000 – ₹ 1,00,000	2,00,000
Less: Sale of license	1,20,000	
• Balance value	80,000	
• Balance life	4 years	
Deduction in the previous year 2023-24	₹ 80,000 / 4	20,000

Q7

ICMAI Study Material

M/s Sidhant & Co., a sole proprietary concern is converted into a company, Sidhant Co. Ltd. with effect from November 29, 20XX. The written down value of assets as on April 1, 20XX is as follows:

Items	Rate of Depreciation	WDV as on 1 April, 20XX
Building	10%	₹ 3,50,000
Furniture	10%	₹ 50,000
Plant & Machinery	15%	₹ 2,00,000

Further, on 15-10-20XX, M/s Sidhant & Co. purchased a plant for ₹ 1,00,000 (rate of depreciation 15%). After conversion, the company added another plant worth ₹ 50,000 (rate of depreciation 15%). Compute the depreciation available to (i) M/s Sidhant & Co. and (ii) Sidhant Co. Ltd. for the A.Y 20XY-XZ

Answer

Computation of depreciation on assets if there were no succession

Particulars	Building	Furniture	Plant & Machinery
Rate of depreciation	10%	10%	15%
W.D.V. as on 1/4/20XX	3,50,000	50,000	2,00,000
Add: Purchase during the year	Nil	Nil	1,00,000*
	3,50,000	50,000	3,00,000
Less: Sale during the year	Nil	Nil	Nil
	3,50,000	50,000	3,00,000
Depreciation	35,000	5,000	37,500

It is assumed that the assessee is not entitled for additional depreciation.

* Without considering assets acquired after succession. ** [(₹2,00,000 * 15%) + (₹1,00,000 * 15% * ½)]

Allocation of depreciation between sole proprietary concern and the successor company

The depreciation is to be allocated in the ratio of number of days the assets were used by the sole proprietary concern and the successor company.



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Calculation of allowable depreciation to sole proprietary concern

Particulars	Amount
Depreciation on assets held as on 01/04/20XX	
Assets are used by sole proprietary concern from 1/4/20XX to 28/11/20XX i.e. 242 days, hence depreciation shall be allowed for 242 days	
Building ($\text{₹ } 35,000 * 242/365$)	23,205
Furniture ($\text{₹ } 5,000 * 242/365$)	3,315
Plant and Machinery ($\text{₹ } 30,000 * 242/365$)	19,890
Depreciation on newly acquired assets	
New asset has been used by it from 15/10/20XX to 28/11/20XX i.e. 45 days, hence depreciation shall be allowed for 45 days	
Plant and Machinery ($\text{₹ } 7,500 * 45/168$)	2,009
Depreciation allowable u/s 32	48,419

Calculation of allowable depreciation to successor company

Particulars	Amount
Particulars	
Depreciation on assets held by sole-proprietary concern as on 01/04/20XX	
Asset of sole proprietary concern used by the successor company from 29/11/20XX to 31/3/20XY i.e. 123 days, hence depreciation shall be allowed for 123 days	23,205
Building ($\text{₹ } 35,000 * 123/365$)	11,795
Furniture ($\text{₹ } 5,000 * 123/365$)	1,685
Plant and Machinery ($\text{₹ } 30,000 * 123/365$)	10,110
Depreciation on assets acquired by sole-proprietary concern during the year	
New asset has been used by it from 29/11/20XX to 31/03/20XY i.e. 123 days, hence depreciation shall be allowed for 123 days	
- Plant and Machinery ($\text{₹ } 7,500 * 123/168$)	5,491
After conversion	
Depreciation in respect of plant purchased by the successor company is fully allowable in the hands of successor company [50% of 15% on ₹ 50,000].	3,750
Total depreciation	32,831

Q 8

ICMAI Study Material

Mr. X, a grower and manufacturer of tea, purchased machinery (15%) on 10-04-2022 for ₹ 10 lakh. He computed depreciation for A.Y. 2025-26 as given below; needs your comment on his working:

Particulars	Amount
Opening W.D.V. as on 1/4/2023	Nil
Add: Assets purchased during the year	10,00,000
	10,00,000



Less: Depreciation for the P.Y. 2023-24 [$\text{₹ } 10,00,000 * 15\% * 40\%$]	60,000
(As he is engaged in the business of growing and manufacturing tea; hence 60% is considered as part of agricultural income)	
Opening W.D.V. as on 1/4/2024	9,40,000
Less: Depreciation for the P.Y. 2024-25 [$\text{₹ } 9,40,000 * 15\% * 40\%$]	56,400
Opening W.D.V. as on 1/4/2025	8,83,600

Further, compute his business income for A.Y. 2024-25 assuming that his income before depreciation and without reducing element of agricultural income is ₹ 8,00,000/-

Answer

The method of computation of depreciation followed by Mr. X is not correct as Expl. 7 to sec.43(6) provides that: "Where the income of an assessee is derived, in part from agriculture and in part from business chargeable to income-tax under the head "Profits and gains of business or profession", for computing the written down value of assets acquired before the previous year, the total amount of depreciation shall be computed as if the entire income is derived from the business of the assessee under the head "Profits and gains of business or profession" and the depreciation so computed shall be deemed to be the depreciation actually allowed under this Act."

The correct computation of depreciation is as follow:

Particulars	Amount
Opening W.D.V. as on 1/4/2023	Nil
Add: Assets purchased during the year	10,00,000
	10,00,000
Less: Depreciation for the P.Y. 2023-24 [$\text{₹ } 10,00,000 * 15\% *]$	
(Considering the entire income as taxable income)	1,50,000
Opening W.D.V. as on 1/4/2024	8,50,000
Less: Depreciation for the P.Y. 2024-25 [$\text{₹ } 8,50,000 * 15\%$]	1,27,500
Opening W.D.V. as on 1/4/2025	7,22,500

Computation of business income of Mr. X for A.Y. 2025-26

Particulars	Amount
Income before depreciation and without reducing element of agricultural income	8,00,000
Less: Depreciation	1,27,500
	6,72,500
Less: Agricultural Income being 60% of above	4,03,500
Profits and Gains of Business or Profession	2,69,000



ICMAI Study Material

An industrial undertaking, which commenced the manufacturing activity with effect from 1st September, 2024 has acquired the following assets during the previous year 2024-25:

Particulars	Date of acquisition	Date when put to use	Cost of acquisition
Factory building	4-4-2024	1-9-2024	50,00,000
Plant & Machinery			
Machinery A	5-5-2024	1-9-2024	2,00,000
Machinery B	7-6-2024	1-9-2024	5,00,000
Machinery C	30-8-2024	1-9-2024	10,00,000
Machinery D	1-9-2024	31-10-2024	4,00,000
Machinery E	1-1-2025	28-2-2025	3,00,000
Machinery F (second hand)	11-1-2025	13-1-2025	2,00,000
Motor car	1-2-2025	1-2-2025	5,00,000
Air-conditioner (installed in the office)	1-2-2025	2-2-2025	1,00,000

Compute the depreciation allowable for the assessment year 2025-26 and the written down value as on 1st April 2025.

Answer

Computation of depreciation allowable for the A.Y. 2025-26

Particulars	Building	Plant & Machinery
Rate	10%	15%
W.D.V. as on 1-4-2024	Nil	Nil
Add: Purchase during the year	50,00,000	32,00,000
	50,00,000	32,00,000
Less: Sale proceeds	Nil	Nil
	50,00,000	32,00,000
Depreciation on above	5,00,000	7,77,500
W.D.V. as on 1-4-2025	45,00,000	24,22,500

- Normal	$[(₹ 17,00,000 * 15\%) + (₹ 15,00,000 * 15\% * 1/2)]$	3,67,500
- Additional (on Machinery A to E)	$[(₹ 17,00,000 * 15\%) + (₹ 15,00,000 * 15\% * 1/2)]$	4,10,000
Total Depreciation		7,77,500

Asset	Reason
Factory building	As it is not plant and machinery
Machinery-F	As it is a second hand machinery
Motor car	As it is a road transport vehicle
Air conditioner	As it is installed in office

**Q10****ICMAI Study Material**

Important Ltd. is a power-generating unit. On 1-4-2022, it purchased a plant of ₹ 50,00,000 eligible for depreciation @ 15% on SLM. Compute balancing charge or terminal depreciation assuming the plant is sold on 21/4/2024 for:

A) ₹ 7,50,000 B) ₹ 30,00,000 C) ₹ 45,00,000 D) ₹ 55,00,000

Answer

Computation of capital gain or balancing charge or terminal depreciation for the A.Y.2025-26

Particulars	Note	Amount			
		A	B	C	D
Written down value as on 1/4/2024	1	35,00,000	35,00,000	35,00,000	35,00,000
Less: Sale Proceeds		7,50,000	30,00,000	45,00,000	55,00,000
Balance		27,50,000	5,00,000	(-)10,00,000	(-)20,00,000
Terminal depreciation		27,50,000	5,00,000	Nil	Nil
Balancing Charge	2	Nil	Nil	10,00,000	15,00,000
Short term capital gain	2	Nil	Nil	Nil	5,00,000

Notes :

1. Computation of Written down value as on 1/4/2024

Particulars	Amount
Original cost	50,00,000
Less: Depreciation for the year 2022-23	7,50,000
WDV as on 1/4/2023	42,50,000
Less: Depreciation for the year 2023-24	7,50,000
WDV as on 1/4/2024	35,00,000

2. Balancing charge cannot exceed accumulated depreciation claimed on such asset. The total negative balance in case D is ₹ 20,00,000 but the accumulated depreciation is ₹ 15,00,000 only. Hence, balancing charge is restricted to ₹ 15,00,000 & the balance i.e. ₹ 5,00,000 shall be treated as short-term capital gain.

Q11**ICMAI Study Material**

Compute depreciation u/s 32 for the A.Y. 2025-26 from the following information:

- W.D.V. of plant and machinery (15%) as on 01-04-2024 ₹ 10,00,000
- Plant D acquired on 10-07-2024 for ₹ 5,00,000/-. ₹ 1,00,000 has been paid in cash to the vendor and balance amount has been paid through an account payee cheque. Such plant was put to use on the same day.
- The assessee is engaged in the business of manufacturing of industrial paints and has opted for the old tax regime.

**Answer****Computation of depreciation for A.Y. 2025-26**

Particulars	Amount	Amount
WDV as on 01-04-2024		10,00,000
Add: Actual cost of Plant D acquired during the year [₹ 5,00,000 – ₹1,00,000]		4,00,000
		14,00,000
Less: Depreciation for the P.Y. 2024-25 [₹ 14,00,000 x 15%]	2,10,000	
Less: Additional Depreciation for the P.Y. 2024-25 [₹ 4,00,000 x 20%]	80,000	2,90,000
WDV on 01-04-2025		11,10,000

Q 12**ICMAI Study Material**

Dynamic India & Co. commences production on 16/8/2024. It incurred the following expenses related to scientific research, find deduction u/s 35 for the P.Y. 2024-25.

Date	Particulars	Amount (₹)	Purpose
18/8/2024	Paid to an Approved University for research in Social science	50,000	Non-Business
15/10/2024	Paid to a scientist (not the employee of the company)	30,000	Business
18/11/2024	Paid to approved National laboratory	60,000	Non- Business
15/12/2024	Purchase of land & building for in house research (cost of land ₹ 1,50,000)	5,00,000	Business
18/12/2024	Purchase of car to carry research-workers	2,00,000	Business
16/8/2021 to 15/8/2024	Capital expenditure (including cost of land ₹ 1,00,000)	5,00,000	Business
--	Purchase of material	3,00,000	Business
--	Payment of salary (other than Perquisites)	2,00,000	Business
--	Perquisites provided to research-personnel	1,00,000	Business
--	Other revenue expenditure	80,000	Business
1/4/2020 to 15/8/2021	Capital expenditure (other than land)	9,00,000	Business
--	Payment of salary (other than Perquisites)	50,000	Business
1/4/2019 to 31/3/2021	Capital expenditure	80,000	Business
--	Revenue expenditure	30,000	Business

**Answer****Computation of deduction u/s 35 to Dynamic India & Co. for the A.Y. 2025-26**

Date	Particulars	Section	Amount	Deduction (Regime)	
				Old	Default
1/4/2019 to 31/3/2021	Capital expenditure	NA	80,000	Nil	Nil
	Revenue expenditure	NA	30,000	Nil	Nil
1/4/2020 to 15/8/2021	Capital expenditure (other than land)	NA	9,00,000	Nil	Nil
	Payment of salary (other than Perquisites)	NA	50,000	Nil	Nil
16/8/2021 to 15/8/2024	Capital expenditure (excluding cost of land ₹ 1,00,000)	35(2)	5,00,000	4,00,000	4,00,000
	Payment of salary (other than Perquisites)	35(1)(i)	2,00,000	2,00,000	2,00,000
	Perquisites provided to research-personnel	NA	1,00,000	Nil	Nil
	Purchase of material	35(1)(i)	3,00,000	3,00,000	3,00,000
	Other Revenue expenditure	NA	80,000	NI	NI
18/8/2024	Paid to an Approved University for research in Social science	35(1)(iii)	50,000	50,000	NI
15/10/2024	Paid to a scientist (not the employee of the company)	35(1)(i)	30,000	30,000	30,000
18/11/2024	Paid to approved National laboratory	35(2AA)	60,000	60,000	NI
15/12/2024	Purchase of land & building (excluding cost of land ₹ 1,50,000)	35(2)	5,00,000	3,50,000	3,50,000
18/12/2024	Purchase of car to carry research-workers	35(2)	2,00,000	2,00,000	2,00,000
Total amount of deduction				15,90,000	14,80,000

Note :

- Expenditure (whether revenue or capital) incurred before 3 years immediately preceding the year of commencement of business shall not be allowed as deduction.
- Expenditure incurred within 3 years prior to commencement of business: Only material and salary (other than perquisite) of research personnel shall be allowed as deduction

Q13**ICMAI Study Material**

Awishkar Enterprises purchased machinery for ₹ 5,00,000 as on 18/8/2023 for scientific research. On 17/7/2024, the research work being completed. On 31/3/2025, the machinery being sold for -

Case 1) ₹ 1,00,000

- After using the same for business purpose other than scientific research. The WDV of the respective block is ₹ 4,80,000. Depreciation rate 15%.
- Without using the same for any other purpose

Case 2) ₹ 7,00,000



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1. After using the same for business purpose other than scientific research. The WDV of the respective block is ₹ 4,80,000. Depreciation rate 15%.
2. Without using the same for any other purpose

State tax implications

Answer

Tax impact in case 1(a) and 2(a)

Particulars	Case 1(a)	Case 2(a)
Opening WDV of the block	4,80,000	4,80,000
Add: Addition during the year being machinery earlier used for scientific research	Nil	Nil
Less: Sale value of the machinery [# Max. to the extent of (Opening WDV + Addition made)]	(1,00,000)	(4,80,000)
Written down value before charging depreciation	3,80,000	Nil
Less: Depreciation @ 15%	(57,000)	Nil
Written down value after charging depreciation	3,23,000	Nil
Short term capital gain [@ Excess sale proceeds]	Nil	2,20,000

Tax impact in case 1(b) and 2(b)

Particulars	Case 1(a)		Case 2(a)	
	Details	Amount	Details	Amount
Profits & gains of business or profession				
Being minimum of the following				
Earlier deduction claimed	5,00,000		5,00,000	
Surplus i.e. {Sale consideration – (Cost of assets – Earlier deduction allowed in respect of such asset)}	1,00,000	1,00,000	7,00,000	5,00,000
Capital gains				
Sale consideration		NA		7,00,000
Less: Cost of acquisition		NA		5,00,000
Less: Cost of acquisition		NA		2,00,000

1 Capital gain shall arise only if the sale price exceeds the cost of the asset held for scientific research [CIT –vs.- Artex Mfg. Co. (SC)]

**Q 14****ICMAI Study Material**

Mr. Sukhvinder is engaged in the business of plying goods carriages. On 1st April, 2024, he owns 10 trucks (out of which 6 are heavy goods vehicles of (unladen weight of each is 20 ton)). On 2/5/2024, he sold one of the heavy goods vehicles & purchased a light goods vehicle on 6th May, 2024. This new vehicle could however be put to use only on 15-6-2024.

Compute the total income of Mr. Sukhvinder for the A.Y. 2025-26, taking note of the following data:

Particulars	Amount	Amount
Freight Charges collected		1,08,70,000
Less: Operational expenses	99,25,000	
Depreciation as per Sec. 32	1,85,000	
Other Office expenses	15,000	1,01,25,000
Net Profit		7,45,000
Other business and non-business income		20,000

Answer

Alternative 1) Direct estimation of income u/s 44AE

Particulars	Amount	Amount
Freight charges collected		1,08,70,000
Less: Expenditure related to business		
Operational expenses	99,25,000	
Depreciation u/s 32	1,85,000	
Other office expenses	15,000	1,01,25,000
Income from business of plying goods carriage		7,45,000
Add: Other business and non-business income		70,000
Total Income		8,15,000

Since Mr. Sukhvinder has lower taxable income in alternative 2 hence his total income is ₹ 1,15,000. But to claim such lower income than the estimated income (computed in alternative 1) as per provision of section 44AE, he will have maintain books of account as required u/s 44AA; and - Get his accounts audited.

**Q15****ICMAI Study Material**

Uttar and Dakshin, partners of PP Traders, furnishes the following details –

Profit and loss account for the year ended 31-3-2025

Particulars	Amount (₹)	Particulars	Amount (₹)
Bonus paid to employee	50,000	Gross Profit	20,00,000
Interest on loan taken from bank	45,000	Interest on drawings	
Other Expenses	40,000	Uttar	2,000
Salary to partners		Dakshin	3,000
Uttar	4,88,000		
Dakshin	9,76,000		
Interest on capital @ 15%			
Uttar	4,500		
Dakshin	6,000		
Depreciation	40,000		
Net profit	3,55,500		
	20,05,00		20,05,000

Additional information

1. Depreciation for the year allowed u/s 32 is ₹ 30,000.
2. During the last year, firm has incurred loss of ₹ 17,00,000 (which includes unabsorbed depreciation of ₹1,00,000).
3. Interest on loan taken from bank is yet to be paid. Compute total income of firm.

Answer

Computation of remuneration allowed to the partners

Particulars	Amount	Amount
Profits and gains of business or profession		
Net profit as per Profit & loss account		3,55,500
Add: Expenditure disallowed but debited in P/L A/c		
Salary to partners	14,64,000	
Interest on capital (in excess of 12%) [(₹ 4,500 + ₹ 6,000)/15 × 3]	2,100	
Depreciation	40,000	
Interest on loan taken from bank is disallowed u/s 43B	45,000	15,51,100
		19,06,600
Less: Expenditure allowed but not debited in P/L A/c		
Depreciation		30,000



		18,76,600
Less: Unabsorbed Depreciation (allowed to the extent that the remaining book profit is not less than brought forward business losses)		1,00,000
Book profit		17,76,000
Remuneration paid to the partners (being minimum of the following)		
- Actual remuneration	14,64,000	
- Maximum remuneration u/s 40(b) [$\text{₹ } 6,00,000 \times 90\% + \text{₹ } 11,76,600 \times 60\%$]	12,45,960	12,45,960

Computation of total income of PP Traders for A.Y. 2025-26

Particulars	Amount
Book Profit before adjusting unabsorbed depreciation	18,76,600
Less: Salary to partner (as computed above)	12,45,960
	6,30,640
Less: Brought forward business loss	6,30,640
Total Income	Nil
Remaining brought forward loss ₹ 10,69,360 & unabsorbed depreciation ₹ 1,00,000 shall be carried forward.	

Q 16**ICMAI Study Material**

How shall your answer differ if brought forward loss is ₹18 lacs (which includes unabsorbed depreciation of ₹2 lac)

Answer

Computation of remuneration allowed to the partners

Particulars	Amount	Amount
Net profit as per profit and loss account		
Add: Expenditure disallowed but debited in P/L Account		
Salary to partners		
Interest on capital (in excess of 12%) [$(\text{₹ } 4,500 + \text{₹ } 6,000)/15 \times 3$]		
Depreciation		
Interest on loan taken from bank as disallowed u/s 43B		
Less: Expenditure allowed but not debited in P/L Account		
Depreciation		
Less: Unabsorbed Depreciation (allowed to the extent that the remaining book profit is not less than brought forward business losses)		
Book profit		
Remuneration paid to the partners (being minimum of the following)		



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- Actual remuneration		
- Maximum remuneration u/s 40(b) [₹ 6,00,000 * 90% + ₹ 12,00,000 * 60%]		

Computation of total income of PP Traders for A.Y. 2025-26

Particulars	Amount
Book Profit before adjusting unabsorbed depreciation	18,76,600
Book Profit before adjusting unabsorbed depreciation	12,60,000
	6,16,600
Less: Brought forward business loss	6,16,600
Total Income	Nil
Remaining brought forward loss ₹ 11,83,400 & unabsorbed depreciation ₹ 2,00,000 shall be carried forward.	

Q17

ICMAI Study Material

Following is the Receipts & Payments Account of D Mohanty, a practicing cost accountant for the year ended 31st March, 2025.

Particulars	Amount (₹)	Particulars	Amount (₹)
Balance b/f	1,50,000	Rent	1,80,000
Professional receipts	8,20,000	Electric charges	12,000
Fees from other accounting works	65,000	Remuneration to audit clerk	80,000
		Salary to office staff	1,20,000
Salary from a college as guest lecturer	1,20,000	Life Insurance Premium	15,000
Gift from client	25,000	Misc. office expenses	8,000
(For appreciation of service)		Purchase of Motor Car (01.04.24)	3,50,000
Examiner's remuneration from ICMAI	40,000	Motor car expenses	75,000
Interest on deposit	70,000	Membership fee of ICMAI	1,500
		Donation to an University	10,000
		Household expenses	56,000
		Purchase of professional journals	10,000
		Balance c/f	3,72,500
	12,90,000		12,90,000

Other information:

- 1/5th of the motor car expenses related to personal use.
- The rent and electric charges are in respect of a house, of which half the portion is used for self-residence and remaining half portion is used for the office of his profession.

Compute income from Profession for the A.Y. 2025-26

Answer

₹ 4,78,500

**Q18****ICMAI Study Material**

Compute the total depreciation allowance for the year ending 31.3.2025:

1. Original cost of motor car as on 31.3.2024 ₹ 12,00,000.
2. Depreciation allowed up to 31.3.2024 ₹ 3,00,000.
3. Addition made during the year on 5.12.2024 ₹ 3,00,000.
4. Sale during the year: Original cost ₹ 15,00,000; Depreciation charged upto 31.8.2024 ₹ 37,500; Selling price ₹ 2,00,000.

Rate of depreciation is 15%.

Answer

₹ 1,27,500

Q19**PTP Dec 22**

Abhijit & Co. is a partnership firm engaged in manufacturing activity. The firm furnishes you the following details:

Particulars	Plant & Machinery (₹)	Furniture & Fittings (₹)	Building (₹)
WDV as on 01.04.20XX	20,00,000	1,40,000	9,90,000
Acquired (new)	10,00,000 (10.01.20XY)	60,000 (30.09.20XX)	20,00,000 (includes land ₹5,00,000 acquired on 20.07.20XX)
Acquired (old)	5,00,000 (25.08.20XX)		

Note : Plant & Machinery as on 01.04.20XX include a new machine whose cost was ₹8, 00,000 and which was acquired on 22.01.20XX but put to use from 01.02.20XX.

Compute the eligible amount of depreciation under Section 32 of the Act.

Answer

Computation of depreciation and additional depreciation for the A.Y.20XY-XZ

Particulars	Depreciation	Addl. Depreciation
Plant & Machinery	3,75,000	80,000 On Rs.8 lakhs @ 10%
Plant & Machinery	75,000	1,00,000 On Rs.10 lakhs @ 10%
Furniture & Fittings	20,000	Nil



Building	2,49,000	Nil

Q 20

PTP Dec 22

Laxman engaged in textile trade reports a turnover of ₹170 lakhs for the year ended 31.03.20XY. It includes ₹60 lakhs received by way of cash and ₹40 lakhs received through banking channel up to 31st March, 20XY. Of the balance of turnover, ₹30 lakhs was realized by cheque up to the due date for filing the return specified in section 139(1). On 25.05.20XX, he acquired two heavy goods vehicles with each vehicle having capacity to carry goods up to 12000 kilos. Vehicles were operated for carrying goods of customers on hire. Vehicles were acquired through bank loan for which interest due for the year amounts to ₹3,70,000. He wants to admit both the business incomes as referred above as per applicable presumptive provisions.

Compute total income of Laxman for the assessment year 20XY-XZ.

Answer

Income taxable under presumptive taxation scheme u/s 44AD		
@ 8% of 60 lakhs	4,80,000	
@ 6% of 40 lakhs	2,40,000	
@ 6% of 32 lakhs	1,80,000	
@ 8% of 40 lakhs	3,20,000	12,20,000
Other than heavy goods vehicle u/s 44AE		
@ 7,500 * 2 vehicles * 11 months		1,65,000
Income taxable under PGBP		13,85,000

Q 21

PTP June 23 (Old)

Mr. Suraj is engaged in the business of producing and selling of toys. The Profit & Loss account for the year ended 31st March, 20XY shows a net profit of ₹2,58,000 after debiting or crediting the following items:

- Interest on loan ₹2,500 was paid to brother of Suraj for loan taken for payment of advance Income Tax.
- During the previous year 20XW-XX assessee had claimed ₹45,000 as bad debt out of which only ₹35,000 was allowed. During the previous year, he recovered ₹25,000.
- Contribution of ₹5,000 towards unrecognized provident fund was paid within time.
- Legal expenses include ₹2,000 paid for preparation of income tax return.
- Opening Stock of ₹1,20,000 and Closing Stock of ₹2,00,000. are undervalued by 10%.
- Gift of ₹24,000 was received from a supplier for achieving target sale.



(vii) Outstanding customs duty ₹ 25,000 has been paid on 31-12-20XX.

(viii) Travelling expenses include ₹ 50,000 being cost of trip to Singapore by an employee for 10 days. However, only 8 days of trip is useful to business and 2 days has been allowed as holiday to the employee.

A part from above, during the previous year, he came to know that his former employee had embezzled cash of ₹ 5,000 on 31-03.20XX, which was not accounted for. Compute income under the head "profits and gains from business and profession" of Mr. Suraj for Assessment Year 20XY-XZ. Indicate reasons in brief for treatment of each item.

Answer

Income under the head "profits and gains from business" ₹ 2,84,389

Net profit as per Profit and Loss account		2,58,000
Add: Expenses not allowed		
Interest on loan for payment of Income Tax	2,500	
Contribution towards unrecognised provident fund - allowed	5,000	
Legal expenses for preparation of ITR (Allowable expense u/s 37)	-	
Difference in Valuation of closing and opening stock (80,000/90% * 10%)	8,889	
Gift from supplier for achieving target sale (taxable as Business Income)	-	
Outstanding custom duty allowable on payment basis u/s 43B	-	
Traveling expense for leisure trip (non business purpose) (50,000*2/10)	10,000	26,389
Income taxable under PGBP		2,84,389

Q 22**MTP June 23 (Old)**

During the previous year 20XX-XY, Profit and Loss Account of Shri Raj, proprietor of Raj Enterprises engaged in the business of readymade garments, shows profits of ₹1,50,000. With the following information, compute his taxable income from business -

- 1) Interest on capital ₹ 5,000
- 2) Purchases include goods of ₹12,000 from his younger brother in cash. However, market value of such goods is ₹ 9,000.
- 3) Interest paid outside India ₹ 1,00,000 without deducting tax at source.
- 4) Penalty paid to Government for non-filing of GST return ₹ 5,000
- 5) Penalty paid to customer for non-fulfilling of order within time ₹ 10,000
- 6) Bad debts ₹ 1,00,000. Money has been advanced for purchase of Building.
- 7) Revenue expenditure on promoting family planning among employees ₹10,000
- 8) Premium paid on health of employees ₹ 6,000 in cash
- 9) Premium paid on health of his relatives ₹ 6,000 in cheque



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- 10) Employer's contribution to RPF ₹12,000. One-half of the amount is paid after due date as per relevant Act but before 31-3-20XY.
- 11) Employees contribution to RPF ₹ 10,000. $\frac{1}{2}$ of the amount is paid after due date as per relevant Act.
- 12) Interest on late payment of professional tax ₹ 1,000 (yet to be paid)
- 13) Interest on loan from State Bank of India ₹ 10,000 (₹ 5,000 is not paid till due date of filing of return)
- 14) Interest on late refund from income tax department ₹ 500
- 15) Sale includes sale to Raj ₹10,000. (Cost of such goods ₹ 8,000; Market value of such goods ₹ 12,000)
- 16) He received ₹ 80,000 from a debtor at a time in cash.
- 17) Recovery of bad debt ₹ 10,000 (out of which ₹ 8,000 was allowed as deduction during A.Y.20XW-XX)
- 18) Depreciation (being not debited in accounts) ₹ 20,000 allowed as deduction u/s 32

Answer

Computation of Profits and gains of business or profession of Shri Raj for the A.Y. 20XY-XZ

Particulars	Note	₹	₹
Net profit as per Profit and Loss Account			1,50,000
Add: Expenditure disallowed but debited in P/L A/c			
Interest on capital	1	5,000	
Payment to relative in excess of market value of goods	2	3,000	
Interest paid outside India without deducting tax at source	3	1,00,000	
Penalty paid to government for non-filing of GST return	4	5,000	
Bad debt	6	1,00,000	
Premium paid on health of employees in cash	8	6,000	
Premium paid on health of his relatives in cheque	9	6,000	
Employees contribution to RPF	11	5,000	
Interest on loan from State Bank of India	13	5,000	
Cost of goods sold to himself	14	8,000	2,43,000
			3,93,000
Less: Expenditure allowed but not debited in P/L A/c			
Depreciation u/s 32		20,000	
Less: Income not taxable but credited to P/L A/c			
Sales to himself (goods withdrawn for personal purpose)	14	10,000	
Recovery of bad debts	15	2,000	
Less: Income taxable under other head but credited to P/L A/c			
Interest on late refund from Income tax department	16	500	32,500
Profits and gains of business or profession			3,60,500

**Note -**

- 1) Interest on capital to proprietor is not allowed as no one can earn from a transaction with himself.
- 2) Any unreasonable payment to relative is disallowed u/s 40A(2). Hence, ₹ 3,000 is disallowed. Since cash payment towards allowed expenditure (i.e. ₹ 9,000) does not exceed ₹10,000, hence provision of sec. 40A(3) is not applicable.
- 3) Interest paid outside India without deducting tax at source is disallowed u/s 40(a).
- 4) Any payment made for infringement of law is disallowed.
- 5) Payment made for non-fulfilling of contract is not a payment for infringement of law. Hence, allowed u/s 37(1).
- 6) Bad debt is allowed only when such debt has been taken into account as income of previous year or any earlier previous year(s) [Sec. 36(1)(vii)]. Since, the debt is in respect of purchase of a building, which was not considered as income of any previous year, hence it is disallowed.
- 7) Any expenditure for promoting family planning is allowed to company assessee [Sec. 36(1)(ix)]. However, such expenditure (revenue in nature) incurred by assessee other than company shall be allowed u/s 37(1).
- 8) Payment of insurance premium on health of employees in cheque is allowed u/s 36(1)(ib).
- 9) Payment of insurance premium on health of relative is not related to business, hence disallowed.
- 10) Employer's contribution towards RPF is allowed if payment is made before due date of filing of return irrespective of fact that such payment was made after due date prescribed in the relevant Act.
- 11) Any sum received from employees as their contribution towards RPF is allowed only when such sum has been credited to such fund within the due date prescribed in the relevant Act [Sec. 36(1)(va)].
- 12) Interest on late payment of professional tax is not a penalty but compensatory in nature. Hence, it is allowed u/s 37(1). Further such interest is not governed by the provisions of sec. 43B.
- 13) Any interest payable to any scheduled bank is allowed on cash basis [Sec. 43B]. Hence, unpaid amount is disallowed.
- 14) Any expenditure of personal nature is not allowed. Further, no one can earn from a transaction with himself. Hence, sale made to himself is not treated as income.
- 15) Bad debt recovery is treated as income in the year of recovery to the extent of bad debt allowed in the earlier year [Sec. 41(4)]
- 16) Interest on late refund of income tax is taxable under the head 'Income from other sources'.
- 17) Receipt from debtor ₹ 80,000 in cash is not attracted by provision of sec. 40A(3).

Q 23**MTP June 23 (Old)**

Mr. X, a grower and manufacturer of tea, purchased machinery (15%) on 10-04-20XW for ₹ 10 lakh. He computed depreciation for A.Y. 20XY-XZ as given below; needs your comment on his working:

Particulars	₹
Opening W.D.V. as on 1/4/20XW	Nil
Add: Assets purchased during the year	10,00,000
	10,00,000



Less: Depreciation for the P.Y. 20XW-XX [$\text{₹ } 10,00,000 * 15\% * 40\%$] (As he is engaged in the business of growing and manufacturing tea; hence 60% is considered as part of agricultural income)	
Opening W.D.V. as on 1/4/20XX	9,40,000
Less: Depreciation for the P.Y. 20XX-XY [$\text{₹ } 9,40,000 * 15\% * 40\%$]	56,400
Opening W.D.V. as on 1/4/20XY	8,83,600

Further, compute his business income for A.Y. 20XY-XZ assuming that his income before depreciation and without reducing element of agricultural income is ₹8,00,000/-

Answer

The method of computation of depreciation followed by Mr. X is not correct as Expl. 7 to sec.43(6) provides that:

“Where the income of an assessee is derived, in part from agriculture and in part from business chargeable to income-tax under the head “Profits and gains of business or profession”, for computing the written down value of assets acquired before the previous year, the total amount of depreciation shall be computed as if the entire income is derived from the business of the assessee under the head “Profits and gains of business or profession” and the depreciation so computed shall be deemed to be the depreciation actually allowed under this Act.”

The correct computation of depreciation is as follow:

Particulars	₹
Opening W.D.V. as on 1/4/20XW	Nil
Add: Assets purchased during the year	10,00,000
	10,00,000
Less: Depreciation for the P.Y. 20XW-XX [$\text{₹ } 10,00,000 * 15\%$] (Considering the entire income as taxable income)	1,50,000
Opening W.D.V. as on 1/4/20XX	8,50,000
Less: Depreciation for the P.Y. 20XX-XY [$\text{₹ } 8,50,000 * 15\%$]	1,27,500
Opening W.D.V. as on 1/4/20XY	7,22,500

Computation of business income of Mr. X for A.Y. 20XY-XZ

Particulars	₹
Income before depreciation and without reducing element of agricultural income	8,00,000
Less: Depreciation	1,27,500
	6,72,500
Less: Agricultural Income being 60% of above	4,03,500
Profits and Gains of Business or Profession	2,69,000

**Q 24****MTP June 23 (New)**

From the following details for the previous year 20XX-XY, compute depreciation and/or capital gain (or loss) for the relevant assessment year:

Particulars	₹
W.D.V. of the block of plant and machinery on 01.04.20XX (consisting of plants X and Y-depreciation rate 15%)	2,00,000
Cost of plant Z acquired on 19.11.XX (depreciation 15%)	1,00,000
Case (i) : All plants are sold for ₹ 2,80,000	
Case (ii) : Plant X and Y are sold for ₹ 2,80,000	

Answer**Computation of Depreciation / STCG as per I.T. Act for the A.Y.20XY-XZ**

Particulars	Case (i)	Case (ii)
Block 1: Plant & Machinery (Rate of depreciation: 15%)		
W.D.V. as on 1/4/20XX	2,00,000	2,00,000
Add: Purchase during the year	1,00,000	1,00,000
	3,00,000	3,00,000
Less: Asset sold during the year	2,80,000	2,80,000
W.D.V. as on 31/03/20XX	-	20,000
Short Term Capital Gain / (Loss)	(20,000)	
Depreciation (15% of ₹ 20,000 for half year)		1,500

Asset which is put to use for less than 180 days is eligible for ½ year depreciation

Q 25**MTP June 23 (New)**

X & Co. is a partnership firm, which sets up a new industrial unit. It incurs the following expenditure in connection with the new unit:

Particulars	₹
Preparation of project report	4,00,000
Market survey	5,00,000
Total	9,00,000

The following further data is available:

Cost of project	30,00,000
Capital employed in the new unit	40,00,000

What is the deduction admissible to the firm u/s 35D for A.Y. 20XY-XZ?



Answer

In case of firm, preliminary expenditure is restricted to 5% of cost of project. Hence, eligible preliminary expenditure is ₹1,50,000 (being 5% of ₹30,00,000). Further, eligible preliminary expenditure is deducted in five equal instalments. Therefore, deduction u/s 35D in respect of preliminary expenditure for the A.Y. 20XY-XZ is ₹30,000 (being 1/5th of ₹1,50,000).

Q 26

MTP Dec 23 (Old)

P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2, provide the following information. Find firm's net income assuming that salary and interest are not paid to partners:

- Net income of the firm in assessment year 20XX-XY is (-) ₹1,20,000, out of which unadjusted depreciation is ₹ 40,000.
- On 31.05.20XY, R retires from the firm and the other partners carry on the same business.
- The firm's income for the Assessment Year 20XY-XZ before adjusting the aforesaid loss and depreciation is ₹1,20,000

Answer

Where a change occurs in the constitution of firm, on account of retirement or death of a partner, the proportionate loss of the retired or deceased partner shall not be carried forward. However, this section shall not apply in case of unabsorbed depreciation. Accordingly,

Computation of total income for A.Y. 20XY-XZ

Particulars	Details	₹	₹
Income before adjusting brought forward loss and depreciation			1,20,000
Less: Brought forward loss (excluding unabsorbed depreciation)	80,000		
Less: Loss which cannot be set off (Working)	30,000	50,000	
Less: Unabsorbed depreciation		40,000	90,000
Total Income			30,000
Total unabsorbed brought forward loss			1,20,000
Less: Unabsorbed depreciation			40,000
Brought forward loss excluding depreciation			80,000
Share of R in aforesaid loss $[(₹ 80,000 / 4) * 2]$			40,000
Less: Share of R in current profit before adjusting brought forward loss & depreciation $[(₹ 1,20,000 / 12 * 2) * 2 / 4]$			10,000
Loss which cannot be set-off			30,000

Q 27

PTP Dec 23 (Old)

With Brief reasons state the eligibility of deduction in the following cases:



- (i) Amount due to a supplier of raw material ₹ 2,10,000 was waived by him
- (ii) Contract payment made by a firm to a company ₹ 22,000 without deduction of tax at source
- (iii) Amount due from a customer ₹ 45,000 written off as bad debt.
- (iv) Demerger expenses incurred during the year ₹12 lakhs.
- (v) Salary to wife of managing director ₹ 4,80,000 who has no qualification or experience.
- (vi) Provident Fund contribution of employees recovered out of their salaries during the previous year 2022 -23 ₹ 4,50,000 and was remitted in May, 2023.
- (vii) Donation to scientific research association ₹1,00,000 given by a company.

Answer**Eligibility of deduction in certain cases:**

- (i) When the amount of expenditure claimed as deduction is waived such amount is liable to tax under section 41(1).
- (ii) When a firm makes contract payment to a company it has to deduct tax at source @ 2%. However, if a single contract value (₹ 22,000) is less than ₹ 30,000 it would not attract provisions of section 194C. Therefore, the expenditure is eligible for deduction without any disallowance.
- (iii) When an amount due from a customer is written off it is eligible for deduction. The assessee need not have to prove that the debt has become bad.
- (iv) As per section 35DD one-fifth of demerger expenses is eligible for deduction in 5 successive previous years beginning with the previous year in which the demerger takes place.
- (v) Salary to wife of director to the extent it is excessive to her qualification and experience is liable for disallowance under section 40A(2)(a).
- (vi) As per section 36(1)(va) PF recovered from employees when not remitted before the 'due date' under the relevant statutory requirement, it is liable for disallowance. Therefore, ₹ 4,50,000 is liable for disallowance.
- (vii) Donation to scientific research association is eligible for deduction @100% as per further proviso to section 35(1)(ii).

Q 28**PTP Dec 23 (Old)**

Jaishankar is the sole proprietor of RGP & Co. Following is the Profit and Loss account for the year ended 31st March, 2023:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Salary & Bonus	12,50,000	By Gross profit	35,78,000
To Rent to wife	1,40,000	By Agriculture income	1,80,000
To Interest on loan	60,000	By PPP interest	62,300
To Depreciation	41,200	By Bad debt recovered (written off in Assessment year 2017-18)	36,000



To Income tax	85,100		
To Travelling expenses	4,45,000		
To Medical expenses	3,45,000	By Discount	40,000
To Administrative expenses	4,50,000		
To Net Profit	10,80,000		
	38,96,300		38,96,300

Following additional information is provided:

- Salary & Bonus includes payment of ₹ 95,000 to married daughter on the occasion of Diwali. It has no business connection.
- Discount credited to Profit and Loss account includes discount @ 2% being ₹ 20,000 allowed on supply of goods by brother and whereas other suppliers allowed discount for similar goods @ 5%.
- Rent paid to wife is excess by ₹50,000 considering the prevailing market conditions
- Interest on loan was paid to Rickson ₹ 60,000 for which no tax was deducted at source.
- Travelling expenses include ₹ 2,15,000 for leisure trip of assessee and wife to Malaysia for 1 week.
- Medical expenses include hospital expenses of parents (senior citizens) ₹60,000 paid by cheque. Balance relates to staff medical expenditures incurred by employer.
- Depreciation debited includes one mobile phone bought for ₹12,000 by making payment in cash. The balance represents correct depreciation as per section 32 of the Act
- The total turnover of Jaishankar for previous year 2021-22 was ₹ 210 lakhs. The turnover in previous year 2022-23 was ₹ 95 lakhs.

Compute income under the head 'Profits & gains or business or profession' of Jaishankar for the assessment year 2023-24.

Answer

Net profit as per Profit and Loss account		10,80,000
Add: Expenses not allowed		
Income Tax	85,100	
Medical expenses incurred for parents	60,000	
Depreciation debited to Profit and Loss account	41,200	
Salary and bonus paid to married daughter on Diwali for non-business	95,000	
Excess rent paid to relative u/s 40A(3) over fair market value	50,000	
Interest on loan without TDS u/s 40(a)(ia) (60,000 * 30%)	18,000	
Traveling expense for leisure trip (non business purpose)	2,15,000	5,64,300
Less:		
Depreciation as per Income-tax Rules (41,200 less 12,000)	29,200	
Agricultural Income - Exempt u/s 10	1,80,000	



Interest on PPF - Exempt u/s 10	62,300	(2,71,500)
Income taxable under PGBP		13,72,800

Q 29**PTP Dec 23 (Old)**

Balaji Mills is a partnership firm consisting of four equal partners. Each partner contributed ₹ 5 lakhs towards capital. The deed of partnership authorised interest on capital @15% per annum and working partner's monthly salary of ₹ 20,000 to three partners. The firm has net profit of ₹ 9 lakhs after debiting all expenses and interest on capital and working partner's salary. The opening stock (1.4.2022) was ₹ 9,90,000 and closing stock (31.3.2023) was ₹ 13,50,000 and both were undervalued by 10%. Compute the total income of the firm for Assessment Year 2023-24.

Answer

Total income of Balaji Mills for the Asst. Year 2023-24 = ₹ 10,00,000

Net profit after debiting expenses and interest on capital and salary		9,00,000
Add: Expenses not allowed		
(i) Under valuation of closing stock (13,50,000/ 90*10%)	1,50,000	
(ii) Interest on capital disallowed in excess of 12%		
(5,00,000 * 4 partners * 3%)	60,000	
(iii) Remuneration to partners (20,000*12 *3 partners)	7,20,000	9,30,000
Less: (i) Under valuation of opening stock (9,90,000/ 90*10%)		1,10,000
Book Profits for computation of allowable remuneration		17,20,000
(ii) Allowable remuneration upto the limit u/s 40(b) - Least of following		
(a) Actual remuneration	7,20,000	
(b) Limit u/s 40(b) (6,00,000 * 90%) + (11,20,000 * 60%)	12,12,000	7,20,000
Income under the head "Profits and gains of Business or profession"		10,00,000

Q 30**MTP Dec 23 (New)**

Swetha is engaged in the business of selling house hold appliance. The Profit and Loss Account for the year ended 31st March 20XY shows a net profit of ₹ 3,64,000 after debiting or Crediting the following items:

- Stationary bill was paid in cash ₹ 25,000
- Contribution to staff welfare schemes ₹ 40,000
- Outstanding GST ₹ 30,000
- Embezzlement of cash by cashier ₹ 10,000
- Payment to contractor ₹ 1,50,000 without deducting tax at sources
- Depreciation on plant and machinery @20% ₹ 60,000 but depreciation permissible @15%



(vii) Refund of customs duty which is claimed as deduction during 20XW-XY ₹ 15,000.

Compute income under the head "Profits and gains from business or Profession" for the assessment year 20XY-XZ.

Answer

Computation of income from Profits and gains from business or Profession

Particulars	₹
Net Profit as per P&L A/C	3,64,000
(+) Cash Payment	25,000
(+) Welfare Schemes	40,000
(+) GST	30,000
(+) Contractor (30%) (No TDS)	45,000
(+) Depreciation $[60,000 \times \frac{5\%}{20\%}]$	15,000
Business income	5,19,000

Q 31

PTP Dec 23 (New)

Mr. Gopal is the proprietor of a business. Following is his Profit and Loss Account for the year ended on 31.03.2023:

Particulars	Amount (₹)	Particulars	Amount (₹)
Establishment charges	5,110	Gross profit	5,00,000
Rent, rates and taxes	2,900	Interest on Govt. Securities(Gross)	5,350
Sundry expenses	7,050	Rent from property	5,400
Household expenses	1,880		
Provision for bad debts	1,200		
Loss on sale of motor car (used for private purpose)	1,800		
Salaries	3,00,000		
Insurance premium (including life insurance of ₹ 1,790)	2,880		
Interest on bank loan	1,380		
Provision for Depreciation	6,400		
Net profit	1,80,150		
	5,10,750		5,10,750

Additional information:

- Bad debts written off during the year: ₹ 650
- Admissible depreciation as per Income-tax rules: ₹ 1,600
- The assessee is running his business in a rented property, half of which is used by him for his



own residence. Rent of ₹ 2,400 in respect of entire house is included in rent, rates and taxes. The balance of ₹ 500 is on account of municipal tax paid for property given on rent.

Compute the Income taxable under the head "Business and Profession" of Mr. Gopal for the assessment year 2023-24. Mr. Gopal does not opt to be taxed under section 115 BAC of the Income Tax Act, 1961

Answer

Income from Business and Profession ₹ 1,81,920

Net profit as per Profit and Loss account		1,80,150
Add: Expenses not allowed		
Household expense	1,880	
Provision for bad debts	1,200	
Depreciation debited to Profit and Loss account	6,400	
Loss on sale of motor car	1,800	
Life insurance premium	1,790	
Rent expense considered in income from house property (2,400 * 1/2)	1,200	
Municipal tax considered in income from house property	500	14,770
Less:		
Depreciation as per Income-tax Rules	1,600	
Bad debts written off	650	
Income taxable under the head "House property" - rent	5,400	
Interest on govt. securities	5,350	13,000
Income under the head "Profits and gains of Business or profession"		1,81,920

Q 32**MTP June 24**

Rahul engaged in manufacture of chemicals and furnishes the following particulars relating to manufacturing unit at Morbi for the year ended on 31.03.2024:

	₹
WDV of machinery on 01.04.2023	10,00,000
New machinery purchased on 01.08.2023	10,00,000
New machinery purchased on 01.01.2024	4,00,000
Machinery sold on 15.01.2024	1,00,000

All assets were put to use immediately. Rate of depreciation on machinery is 15%. Compute the depreciation allowable to him, if he has opted for option given u/s 115BAC(6).

**Answer**

Computation of Depreciation

Particulars	Amount (₹)
Opening W.D.V.	10,00,000
Add: Purchase during the year	14,00,000
	24,00,000
Less: Sale proceeds during the year	1,00,000
Closing W.D.V. (before depreciation)	23,00,000
Depreciation [$₹ 19,00,000 \times 15\% + 4,00,000 \times 15\% \times 1/2$]	3,15,000
Additional Depreciation [$₹ 10,00,000 \times 20\% + 4,00,000 \times 20\% \times 1/2$]	2,40,000
Total Depreciation	5,55,000

Q 33**PTP June 24**

Mr Aman engaged in retail trade of stationary items, reports a turnover of ₹2,99,00,000 for the financial year 2023-2024. Amount received in cash during the previous year 2023-2024 is ₹13,50,000 and balance through prescribed electronic modes on or before the due date for filing the return specified in section 139(1) of the Income Tax Act, 1961. His income from the said business as per books of account is 14,50,000 computed as per the provisions of Chapter IV-D, Profit and gains from business or profession of the Income Tax Act, 1961. Retail trade is the only source of income for Mr Aman. Assessment year 2023-2024 was the first year for which he declared his business income in accordance with the provisions of presumptive taxation under section 44AD. Decide whether Mr Aman is eligible for presumptive determination of his income chargeable to tax for the assessment year 2024-2025. If so, determine his income from retail trade as per the applicable presumptive provisions. Indicate clearly the reasons for treatment of each item.

Answer

(i)	Under section 44AD, for eligible business, where the amount or aggregate turnover of the amounts received during the previous year, in cash, does not exceed 5% of the total turnover or gross receipts, a threshold limit of ₹ 3,00,00,000 will apply.	
	Since his cash receipts during the previous year does not exceed 5% of the total turnover i.e., 4.52% and his total turnover for the financial year 2023-2024 is below ₹ 3,00,00,000, i.e., ₹ 2,99,00,000, he is eligible for presumptive taxation scheme under section 44AD in respect of his retail trade business.	
(ii)	Realized by cash ₹ 13,50,000 during the previous year @ 8%	₹1,08,000
	Realized balance ₹ 2,85,50,000 through prescribed electronic modes on or before the due date for filing the return specified in section 139(1) @ 6%	₹17,13,000
	Income from retail trade, applying the presumptive tax provisions under section 44AD	₹18,21,000

**Q 34****MTP Dec 24**

X Co., a firm, is engaged in the business of trading of cloth (turnover of 2023-24 being ₹ 1,57,80,000, out of which ₹ 25,00,000 has been received in account payee cheque). It wants to claim the following deductions:

Particulars	Amount (₹)
Salary and interest to partners [as permitted by sec. 40(b)]	60,000
Salary to employees	4,90,000
Depreciation	2,70,000
Cost of materials used	1,20,90,000
Other expenses	13,45,000
Total	1,42,55,000
Net profit (₹ 1,57,80,000 – ₹ 1,42,55,000)	15,25,000

Determine the net income of X & Co. for the assessment year 2024-25 assuming that (i) taxable interest income is ₹ 90,000; (ii) Long term capital gain is ₹ 1,40,000; and (iii) the firm is eligible for a deduction of ₹ 15,000 under sec. 80G.

Answer

Since turnover from business does not exceed ₹ 2 crore, hence sec. 44AD is applicable. However, income computed as per provision other than provision of sec. 44AD is less than estimated income, hence, the firm may be assessed for such lesser income provided following conditions are satisfied–

1. Maintain books of account as prescribed u/s 44AA; and
2. Get accounts audited u/s 44AB.

Where it maintains accounts and gets it audited -

Computation of total income of X & Co. for the A.Y. 2024-25:

Particulars	Amount (₹)
Profits and gains of business or profession: Income from cloth business	15,25,000
Capital gains: Long term capital gain	1,40,000
Income from Other Sources: Interest Income	90,000
Gross Total Income	17,55,000
Less: Deduction u/s 80G	15,000
Total Income	17,40,000

It is assumed that all the expenditures are allowed.

Where it does not maintain account or fails to get accounts audited -

Computation of total income of X & Co. for the A.Y.2024-25:

Particulars	Details (₹)	Amount (₹)
Profits and gains of business or profession		



Income from cloth business (being 6% of ₹ 25,00,000)	1,50,000	
Income from cloth business (being 8% of ₹ 1,32,80,000)	10,62,400	12,12,400
Capital gains: Long term capital gain		1,40,000
Income from Other Sources: Interest Income		90,000
Gross Total Income		14,42,400
Less: Deduction u/s 80G		15,000
Total Income		14,27,400

Q 35**MTP Dec 24**

Calculate the gross total income of Mr. Inder Kumar Basu on the basis of the following particulars:

Dr. Extract of Profit and Loss Account for the year ended 31.03.2024

Cr.

Particulars	Amount (₹)	Particulars	Amount (₹)
Interest	1,800	Gross profit b/d	1,22,700
Repairs and Renewals	2,200	Interest on debenture of an Institution (Gross)	10,000
Insurance	4,200	Rent from House Property	36,000
Depreciation	5,600		
Compensation	10,200		
Law charges	5,100		
Labour welfare charges	3,800		
Subscriptions	5,800		
Net Profit	1,30,000		
	1,68,700		1,68,700

- Interest includes ₹200 on loan taken for purchasing debentures of a company and ₹300 on loan taken for reconstruction of house property let out.
- The expenses relating to house property let out are 40% of the repairs and renewal expenses.
- Depreciation includes ₹1,200 on house property let out.
- Compensation was paid to an employee whose dismissal was in business interest.
- Insurance includes 30% for fire insurance of the house property let out, 30% for workers accident insurance and the balance for life insurance.
- Law charges include ₹ 2,000 relating to a petition filed against breach of contract and the balance regarding sales tax appeal.

Subscriptions include ₹2,000 given for election purpose to political parties. The amount not debited to profit and loss account are as follows

- Expenses incurred on the occasion of Festival ₹800
- Theft of cash from locker ₹1,200.
- Expenses for new telephone connection in the business ₹2,000.

**Answer**

Particulars	₹	₹
Income from House Property		
Rent from house property		36,000
Less: Municipal taxes		Nil
		36,000
Less: (i) Standard deduction @30%	10,800	
(ii) Interest	300	11,100
		24,900
Profit and Gains of Business Profession:		
Net Profit as per P&L A/c		1,30,000
Add: Inadmissible expenses		
(i) Interest on loan for securities and house property (200+300)	500	
(ii) Repairs and renewals of property (40%)	880	
(iii) Depreciation on House Property	1,200	
(iv) Fire insurance premium on House Property	1,260	
(v) Life insurance premium	1,680	
(vi) Subscription to political parties	2,000	7,520
		1,37,520
Less: Income not taxable under this head		
(i) Interest on Debentures	10,000	
(ii) Rent from House Property	36,000	46,000
		91,520
Less: Expenses allowable but not debited to P&L a/c		
(i) Festival Expenses	800	
(ii) New telephone expenses	2,000	
(iii) Loss of cash due to theft	1,200	4,000
Business Income		87,520
Income from other sources		
Interest on debentures (10,000 – 200)		9,800
Computation of Gross Total Income		
(i) Income from House Property	24,900	
(ii) Profit and Gains of Business Profession	87,520	
(iii) Income from other sources	9,800	
	1,22,220	

Note –

- Subscription ₹ 2,000 paid to political party shall be allowed as deduction u/s 80GGC.
- LIP of ₹ 1,680 (40% of ₹ 4,200) shall be allowed as deduction u/s 80C.

**Q 36****PTP Dec 24**

M/s T and U & Co. is a partnership firm having 2 equal partners, Taresh and Umesh. The firm furnishes the following Profit and Loss Account to you relating the Financial Year 2023-24:

Particulars	Amount (₹)	Particulars	Amount (₹)
Rent paid	45,000	Gross Profit	10,50,000
Salary paid to employees	36,000	Rent received from let out property	3,60,000
General expenses	60,000		
Depreciation	42,000		
Payment to partners:			
(a) Interest to Taresh	3,00,000		
(b) Salary to Umesh	6,40,000		
Net profit	2,87,000		
	14,10,000		14,10,000

Additional Information:

- The firm has a brought forward business loss amounting to ₹ 20,000 and unabsorbed depreciation of ₹ 40,000, both relating to Assessment Year 2023-24.
- Interest is paid to Taresh at the rate of 16% p.a. The firm took a loan from Taresh. The Schedules banks in India charge interest at the rate of 20% for the similar loan. The partnership deed does not contain any clause relating to payment of interest to any partner.
- The partnership deed authorises Umesh to receive salary as a working partner.
- General expenses include ₹ 74,000 paid to Mr. Som on which TDS needed to be deducted but not deducted.
- Depreciation as per the Income Tax Rules is ₹ 54,000.

You are required to compute the income under the head Profits and gains from business or profession' in the hands of M/s T and U & Co. for the Assessment Year 2024-25.

Answer

Particulars	₹	₹
Net profit as per Profit and Loss account		2,87,000
Add: Expenses not allowed		
General expenses of Rs. 40,000 without deduction of TDS (30% disallowed)	12,000	
Interest to partners (Disallowed as it is not authorised by partnership deed)	3,00,000	
Depreciation debited to Profit and Loss account	42,000	
Salary paid to partner debited to Profit and Loss account	6,40,000	9,94,000
Less:		
Depreciation as per Income-tax Rules	54,000	
Unabsorbed Depreciation	40,000	



Income taxable under the head "House property"	3,60,000	4,54,000
Book-profit for the calculation of salary to partner		8,27,000
Salary allowable (minimum of the following):		
Actual salary	6,40,000	
Maximum allowed: (₹6,00,000 @90%) + (₹5,27,000 @60%)	6,76,200	
Allowed amount of salary to partners		6,40,000
Business income		1,87,000
Less: Brought forward business loss		20,000
Income under the head "Profits and gains of Business or profession"		1,67,000

Q 37**MTP June 25**

Mr. Jofra, engaged in manufacture of Chemicals, furnishes the following particulars relating to its manufacturing unit at Kolkata, for the year ending 31-3-2025:

Particulars	₹ (in lakhs)
WDV of Plant and Machinery on 31.3.2024	30.00
Depreciation including additional depreciation for P.Y. 2023-24	4.75
New machinery purchased on 21-9-2024	10.00
New machinery purchased on 21-12-2024	8.00
Computer purchased on 21-1-2025	4.00

Additional Information:

- All assets were purchased by A/c payee cheque.
- All assets were put to use immediately.
- New machinery purchased on 21-12-2024 and computer have been installed in the office.
- During the year ended 31-3-2024, a new machinery had been purchased on 25-10-2023, for ₹10 lakhs. Additional depreciation, besides normal depreciation, had been claimed thereon.
- The depreciation rate for machinery and computer may be taken as 15% and 40% respectively.

The assessee has no brought forward business loss or unabsorbed depreciation as on 1.4.2024.

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 if -

- he exercises the option of shifting out of the default tax regime provided under section 115BAC(1A).
- he pays tax under the default tax regime under section 115BAC.

Answer

Computation of written down value of block of assets of Jofra Ltd. as on 31.3.2025



Particulars	Plant & Machinery (₹ in lakhs)	Computer (₹ in lakhs)
Written down value (as on 31.3.2024)	30	Nil
Less: Depreciation including additional depreciation for P.Y. 2023-24	4.75	-
Opening balance as on 1.4.2024	25.25	
Add: Actual cost of new assets acquired during the Year		
New machinery purchased on 21.9.2024	10.00	-
New machinery purchased on 21.12.2024	8.00	-
Computer purchased on 21.1.2025	-	4.00
Less: Assets sold/discarded/destroyed during the year	Nil	Nil
Written Down Value (as on 31.3.2025)	43.25	4.00

1. If Mr. Jofra exercises the option of shifting out of the default tax regime provided under section 115BAC(1A)

In this case, since his income would be computed under the optional tax regime as per the normal provisions of the Act, he would be entitled for normal depreciation and additional depreciation, subject to fulfilment of conditions.

Computation of Depreciation for A.Y. 2025-26

Particulars	Plant & Machinery (₹ in lakhs)	Computer (₹ in lakhs)
I. Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation		
(A) Normal Depreciation:		
WDV of plant and machinery	3.79	-
(₹25.25 lakhs × 15%)	1.50	-
New Machinery purchased on		
21.9.2024 (₹10 lakhs × 15%)	5.29	-
(B) Additional Depreciation:		
New Machinery purchased on 21.9.2024 (₹10 lakhs × 20%)	2.00	-
Balance additional depreciation in respect of new machinery purchased on 25.10.2023 and put to use for less than 180 days in the	1.00	-
P.Y. 2023-24 (₹10 lakhs × 20% × 50%)	3.00	-
II. Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation and additional depreciation, if any		



(C) Normal Depreciation:		
New machinery purchased on 21.12.2024	0.60	-
[₹8 lakhs × 7.5% (i.e., 50% of 15%)]	-	0.80
Computer purchased on 21.1.2025		-
[₹ 4 lakhs × 20% (50% of 40%)]		
Total Depreciation (A+B+C)	8.89	0.80

ii. If Mr. Jofra pays tax under default tax regime under section 115BAC

In this case, under the default tax regime as per section 115BAC, he would be entitled only for normal depreciation but not additional depreciation.

Particulars	Plant & Machinery (₹ in lakhs)	Computer (₹ in lakhs)
1. Assets put to use for more than 180 days, eligible for 100% depreciation calculated applying the eligible rate of normal depreciation		
A. Normal Depreciation:		
WDV of plant and machinery	3.79	-
(₹25.25 lakhs × 15%)	1.50	-
New Machinery purchased on		
21.9.2024 (₹10 lakhs × 15%)	5.29	-
2. Assets put to use for less than 180 days, eligible for 50% depreciation calculated applying the eligible rate of normal depreciation		
B. Normal Depreciation:		
New machinery purchased on 21.12.2024	0.60	-
[₹8 lakhs × 7.5% (i.e., 50% of 15%)]		
Computer purchased on 21.1.2025	-	0.80
[₹ 4 lakhs × 20% (50% of 40%)]		
Total Depreciation (A+B)	5.89	0.80

Q 38**MTP June 25**

P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2, provide the following information. Compute firm's net income assuming that salary and interest are not paid to partners:

- Net income of the firm in assessment year 2024-25 is (-) ₹1,20,000, out of which unadjusted depreciation is ₹40,000.
- On 31.05.2024, R retires from the firm and the other partners carry on the same business.
- The firm's income for the Assessment Year 2025-26 before adjusting the aforesaid loss and depreciation is ₹1,20,000.

**Answer**

Where a change occurs in the constitution of firm, on account of retirement or death of a partner, the proportionate loss of the retired or deceased partner shall not be carried forward. However, this section shall not apply in case of unabsorbed depreciation. Accordingly,

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

Particulars	Details	Amount	Amount
Income before adjusting brought forward loss and depreciation			1,20,000
Less: Brought forward loss (excluding unabsorbed depreciation)	80,000		
Less: Loss which cannot be set off (Working)	30,000	50,000	
Less: Unabsorbed depreciation		40,000	90,000
Total Income			30,000

Working: Computation of share of R in brought forward loss and loss which cannot be set off

Particulars	Amount
Total unabsorbed brought forward loss	1,20,000
Less: Unabsorbed depreciation	40,000
Brought forward loss excluding depreciation	80,000
Share of R in aforesaid loss $[(₹ 80,000 / 4) * 2]$	40,000
Less: Share of R in current profit before adjusting brought forward loss & depreciation $[(₹ 1,20,000 / 12 * 2) * 2 / 4]$	10,000
Loss which cannot be set-off	30,000

Q 39**PTP June 25**

Mr. Aayush aged 50 years, a retail trader of Patna (Bihar), furnished his profit and loss account for the year ended on 31st March, 2025 as follows:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Rent and rates	2,52,700	By Gross profit	8,20,000
To Salary to staff	72,000	By Dividend from domestic companies	15,000
To Interest paid	60,000	By Agriculture Income (net)	1,85,000
To Administrative charges	68,000	By winning from lotteries net of TDS (TDS ₹ 4,500)	10,500
To General expenses	20,200		
To Depreciation To Depreciation	1,12,500		
To Net profit	4,45,100		
	10,30,500		10,30,500

Following additional information is furnished:



1. Rent and rates include GST liability of ₹ 5,600 paid on 5th April, 2025.
2. Salary includes ₹ 12,000 paid as commission to brother of Mr. Aayush. The commission amount at the market rate is ₹ 10,000.
3. Administrative charges include ₹ 30,000 towards medical expenditure for employees due to fire accident in business premises.
4. General expenses include ₹ 1,500, being penalty paid to GST Department for non-compliance of GST provisions and also include ₹ 2,500, being donation paid to a public charitable trust.
5. The depreciation provided in the Profit and Loss Account ₹ 1,12,500 was based on the following information: The opening written down value of plant and machinery as on 01/04/2024 is ₹ 4.35,000. A new plant falling under the same block of depreciation i.e. @ 15%, was bought on 1st July, 2024 for ₹ 85,000. One old plant was sold on 10th October, 2024 for ₹ 52,500.

You are required to calculate the income chargeable to tax under the head "Profits and gains from business or profession" in the hands of Mr. Aayush for the Assessment Year 2025-26. Assuming Mr. Aayush exercises the option of shifting out of the new default tax regime provided under section 115BAC of the Income Tax Act, 1961, indicate clearly the reasons for treatment of each item.

Answer

Computation of Profits and gains of business in the hands of Mr Aayush for the AY 2025-26

Particulars	₹	₹
Computation of Profits and gains of business in the hands of Mr Aayush for the AY 2025-26		4,45,100
Add: - Expenses not allowable: -		
GST liability paid on 5th April, 2025	Nil	
Excess commission paid to brother disallowed under section 40A (2) i.e. ₹ 12,000 - ₹ 10,000	2,000	
Medical expenditure for fire accident in business premises eligible for deduction.	Nil	
Penalty paid to GST Department	1,500	
Donation to public charitable trust	2,500	
Depreciation (considered separately)	1,12,500	
		1,18,500
		5,63,600
Less: - Income not forming part of business income		
Dividend from domestic companies	15,000	
Income from agriculture - [Exempt under section 10(1)]	1,85,000	
Winning from lotteries net of TDS	10,500	
Depreciation under Income-tax Rules, 1962;		
Depreciation (Note-1)	70,125	
		2,80,625
Profits and Gains of business		2,82,975



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Working Note: Calculation of depreciation	Amount
Opening balance of plant and machinery as on 1st April, 2024 (i.e. WDV as on 31st March, 2024 minus depreciation for previous year 2023-24)	4,35,000
Add: - Cost of new plant and machinery	85,000
	5,20,000
Less: - Sale proceeds of assets sold	52,500
WDV of the block of plant and machinery as on 31st March, 2025	4,67,500
Depreciation @ 15%	
No additional depreciation is allowable as the assessee is not engaged in manufacture or production of any article	



Chapter 6

Capital Gains

Q1

ICMAI Study Material

Mr. Devesh had purchased a golden ring as on 17/8/2023 for ₹ 20,000. On 1/05/2024, he has sewn a diamond on it costing ₹ 25,000. On 1/08/2024, he sold such ring for ₹ 80,000 and incurred brokerage for arranging customer ₹ 5,000. Compute capital gain.

Answer

Computation of capital gain of Mr. Divesh for the A.Y. 2025-26

Particulars	Details	Amount
Sale consideration		80,000
Less: Expenses on transfer		5,000
Net sale consideration		75,000
Less: i) Cost of acquisition	20,000	
ii) Cost of improvement	25,000	45,000
Short Term Capital Gain		30,000

Q2

ICMAI Study Material

On 23rd June, 2024, Rajat sold gold, the sale consideration of which was ₹ 15,00,000. He had acquired this gold on 20th August, 2000 for ₹ 4,00,000. Fair market value of that gold on 1st April, 2001 was ₹ 3,60,000. Find out the amount of capital gain chargeable to tax for the assessment year 2024-25. How shall your answer differ if such asset was transferred by him on 23-12-2024.

Answer

When capital asset is transferred prior to 23-07-2024

Computation of capital gains of Rajat for the A.Y. 2025-26

Particulars	Working	Amount
Sale consideration		15,00,000
Less: Expenses on transfer		Nil
Net Sale consideration		15,00,000
Less: Indexed cost of acquisition	₹ 4,00,000 ¹ × 363/100	14,52,000
Long term capital gain		48,000
Tax before surcharge and cess [₹ 48,000 × 20%]		9,600

1 If an asset is acquired before 1/4/2001 then its cost of acquisition will be higher of the following:

a) Actual cost of acquisition; or b) Fair market value of the asset as on 1/4/2001



When capital asset is transferred on or after 23-07-2024

Computation of capital gains of Rajat for the A.Y. 2025-26

Particulars	Amount
Sale consideration	15,00,000
Less: Expenses on transfer	Nil
Net Sale consideration	15,00,000
Less: cost of acquisition	4,00,000
Long term capital gain	11,00,000
Tax before surcharge and cess [$₹ 11,00,000 \times 12.5\%$]	1,37,500

Q 3

ICMAI Study Material

Mr. Anand, resident, has purchased a house property as on 17/08/2002 for ₹ 5,00,000. On 1/05/2004, he constructed a new floor on the same house at a cost of ₹ 2,50,000. On 1/10/2024, he sold such house for ₹ 18,00,000 and incurred brokerage @ 2% for arranging customer. Compute capital gain.

Answer

Where resident individual or resident HUF has transferred on or after 23-07-2024, a long-term capital asset being land, building or both being acquired before 23-07-2024, then, the assessee has the option to pay tax:

Option 1 – Pay tax @ 12.5% without considering index benefit

Option 2 – Pay tax @ 20% after considering index benefit.

Computation of capital gain of Mr. Anand for the A.Y. 2025-26

Particulars	Workings	Option 1		Option 2	
		Details	Amount	Details	Amount
Sale consideration			18,00,000		18,00,000
Less: Expenses on transfer	2% of ₹ 18,00,000		36,000		36,000
Net sale consideration			17,64,000		17,64,000
Less: i) Indexed cost of acquisition	$₹ 5,00,000 \times (363/105)$	5,00,000		17,28,571	
ii) Indexed cost of improvement	$₹ 2,50,000 \times (363/113)$	2,50,000	7,50,000	8,03,097	25,31,668
Long Term Capital Gain			10,14,000		(7,67,668)
Tax on above before surcharge and cess			1,26,750		Nil

However, in either option long-term capital gain shall be ₹ 10,14,000 but the tax liability is

- Under Option 1 is ₹ 1,26,750

- Under Option 2 is Nil

Thus, his tax liability on this can be reduced to zero. However, loss of ₹ 7,67,668/- shall not be carried forward as his long-term capital gain shall be ₹ 10,14,000/- and tax on the said gain is nil



Q 4

ICMAI Study Material

Mrs. Parminder has jewellery, being gifted on 1/04/2005 by her brother Jitendar. Jitendar acquired such asset for ₹ 60,000 as on 1/07/1995. On 1/07/2002, Jitendar has sewn a diamond worth ₹ 25,000 in such jewellery. On 1/04/2009, Mrs. Parminder incurred polish expenditure on such jewellery costing ₹ 5,000. As on 1/04/2024, Mrs. Parminder sold such jewellery for ₹ 12,00,000. Brokerage @ 1% of sale value was paid by her. The fair market value of the jewellery as on – 1/04/2001 is ₹ 2,00,000; 1/04/2005 is ₹ 5,00,000; and 1/04/2024 is ₹ 7,50,000. Compute capital gain in hands of Mrs. Parminder for the A.Y. 2025-26. How shall your answer differ, if she transferred such asset on 01-11-2024

Answer

Computation of capital gain in the hands of Mrs. Parminder for the A.Y. 2025-26

Particulars	Workings	Details (₹)	Amount (₹)
Sale consideration			12,00,000
Less: Expenses on transfer	1% of ₹ 12,00,000		12,000
Net sale consideration			11,88,000
Less:		7,26,000	
(i) Indexed cost of acquisition	₹ 2,00,000 * 363/100		
(ii) Indexed cost of improvement	₹ 25,000 * 363/105	86,429	8,12,429
Long Term Capital Gain			3,75,571
Notes:			
1. Fair market value as on 1/04/2005 and 1/04/2024 are irrelevant.			
2. Cost of acquisition shall be taken as cost of acquisition in the hands of the previous owner or fair market value as on 1/04/2001, whichever is higher. However, indexation benefit shall be available from the year in which the assessee acquired the property.			
3. Benefit of indexation in case of cost of improvement shall be available when the actual improvement expenditure was incurred.			
4. Polish expenditure on jewellery does not amount to improvement as such expenditure is not a capital expenditure and does not increase value of the asset.			

When such capital asset has been transferred on or after 23-07-2024

Computation of capital gain in the hands of Mrs. Parminder for the A.Y. 2025-26

Particulars	Workings	Details (₹)	Amount (₹)
Sale consideration			12,00,000
Less: Expenses on transfer	1% of ₹ 12,00,000		12,000
Net sale consideration			11,88,000
Less: (i) cost of acquisition		2,00,000	
(ii) cost of improvement		25,000	2,25,000
Long Term Capital Gain			9,63,000

**Q 5****ICMAI Study Material**

Miss Isha has 1,000 10% Debentures of X Ltd. acquired on 17/04/2009 for ₹ 120 each. As on 1/02/2025, she sold such asset for ₹ 1,45,000. Brokerage @ 1/2 % of sale value was paid by her. Compute capital gain.

Answer

Computation of capital gain in the hands of Miss Isha for the A.Y. 2025-26

Particulars	Workings	Details	Amount
Sale consideration			1,45,000
Less: Expenses on transfer	1/2 % of ₹ 1,45,000		725
Net sale consideration			1,44,275
Less: (i) Indexed cost of acquisition	1,000 Debentures @ ₹ 120 each	1,20,000	
(ii) Indexed cost of improvement		Nil	1,20,000
Long Term Capital Gain			24,275
Note: Though the asset sold is long term capital asset still indexation shall not be applicable as indexation benefit is not available on transfer of debentures.			

Q 6**ICMAI Study Material**

Lucky has a house property acquired on 18/08/2009 for ₹ 6,00,000. He used the house for his own residential purpose. On 18/08/2012 he incurred capital expenditure on re-construction of house ₹3,00,000. On 15/05/2024, he brought office goods (inflammable) worth ₹ 1,00,000 at home to be delivered to a party staying near to his home. At the night of that day accidental fire took place and damaged the whole house property, furniture worth ₹ 5,00,000 and business stock.

Insurance claim received on 18/08/2024 –

1. for the house ₹ 1,00,000 in cash & a new house allotted to him (fair market value of which is ₹ 44,00,000 on 18/08/2024);
2. for house-hold furniture ₹ 2,00,000; and
3. for stock ₹ 80,000.

State –

– Tax-treatment under the head Capital gains.

– How shall your answer differ if such compensation is received by the assessee on 15/04/2025.



Answer

As the damage occurred due to accidental fire, such case is governed by the provision of sec. 45(1A) Computation of capital gain in the hands of Lucky for the A.Y. 2025-26

Particulars	Workings	Details	Amount
Sale consideration of house	₹ 1,00,000 + ₹ 44,00,000		45,00,000
Less: Expenses on transfer			Nil
Net sale consideration			45,00,000
Less: (i) Indexed cost of acquisition	₹ 6,00,000 * 363/148	14,71,622	
(ii) Indexed cost of improvement	₹ 3,00,000 * 363/200	5,44,500	20,16,122
Long Term Capital Gain			24,83,878
For Furniture: No capital gain liability arises as furniture is a personal asset of the assessee and hence not a capital asset. Compensation received on loss of furniture shall be treated as capital receipt and hence not liable to tax.			
For Stock: Compensation received on loss of stock shall be liable to tax u/s 28. In the given case, loss of ₹ 20,000 (₹ 1,00,000 – ₹ 80,000) shall be allowed under the head "Profits & gains of business or profession"			

In case such compensation is received on 15/04/2025 then the capital gain of ₹ 24,83,878 as computed above shall be taxable in the Assessment year 2026-27.

In this case, the transfer has taken place before 23-07-2024, hence index benefit is available.

Q7

ICMAI Study Material

Ali has 10,000 shares of X (P) Ltd. acquired on 15/05/2000 for ₹ 12 each. On 1/05/2007, he converted 2,000 of such shares into stock in trade. On such date, the market value of the share was ₹ 30 each. On 17/02/2025, he sold all shares for ₹ 225 each. Brokerage incurred 2%. State tax treatment. Fair market value of such shares as on 01-04-2001 was ₹ 16/-

Answer

Particulars	Option 1		Option 2	
	Details	Amount	Details	Amount
Sale consideration	2,000 × ₹ 30	60,000	8,000 × ₹ 225	18,00,000
Less: Expenses on transfer		Nil	2% of ₹ 18,00,000	36,000
Net sale consideration		60,000		17,64,000
Less: i) Indexed cost of acquisition	2,000 × 16 × 129/100	41,280		
Cost of acquisition			8000 × 16	1,28,000
ii) Indexed cost of improvement		Nil		Nil
Long Term Capital Gain		18,720		16,36,000



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Computation of Profits & gains of business or profession in the hands of Ali for the A.Y. 2025-26

Particulars	Option 1	
	Details	Amount
Sale consideration	$2,000 \times ₹ 225$	4,50,000
Less: Expenses on transfer	2% of ₹ 4,50,000	9,000
Net sale consideration		4,41,000
Less: Cost of goods sold	$₹ 30^2 \times 2,000$	60,000
Profits & gains of business or profession		3,81,000

Q 8

ICMAI Study Material

ABC & Co. has three partners A, B and C sharing profit or loss in the ratio 5:3:2. They admitted D as a new partner on 31/03/2024 for 1/5th share and D is to bring ₹ 2,00,000 as his capital which he brought in form of furniture (earlier used in his home) ₹ 50,000 immediately & further brought jewellery of which fair market value is ₹ 2,00,000 on 2/08/2024 (however such assets was recorded in the books at ₹ 1,80,000). D had acquired such jewellery for ₹ 45,000 on 7/07/2001. Compute capital gain in the hands of Mr. D.

Answer

In the given case, Mr. D brought two assets:

- Furniture, being a personal effect, is not a capital asset and hence, not liable to capital gain.
- Jewellery being a capital asset, hence liable to capital gain as under –

Computation of capital gain in the hands of Mr. D for the A.Y. 2025-26

Particulars	Details	Amount
Sale consideration		1,80,000
Less: Expenses on transfer		Nil
Net sale consideration		1,80,000
Less: i) Cost of acquisition	45,000	
ii) Cost of improvement	Nil	45,000
Long Term Capital Gain		1,35,000
Sale consideration shall be the amount recorded in books of account of the firm and market value of such asset is irrelevant.		

2. Fair market value of share on conversion of such asset into stock in trade.

**Q 9****ICMAI Study Material**

Sunil has a house property acquired on 7/07/1995 for ₹ 3,00,000. He incurred improvement expenditure on such property ₹ 70,000 on 16/08/2000 and ₹ 50,000 on 17/07/2010. Market value of such property as on 1/04/2001 is ₹ 4,50,000. On 16/08/2020, such property is compulsorily acquired by the Government and compensation decided at ₹ 21,50,000. 20% of the compensation received on 31/03/2025 and balance on 2/06/2025.

On further appeal, on 16/08/2025 enhanced compensation is declared by the Government ₹ 2,00,000. Expenditure incurred to get enhanced compensation is ₹ 11,000. Such compensation is received on 18/08/2026. Compute income under the head Capital Gains of Sunil for the assessment year 2025-26, 2026-27 and 2027-28.

Answer

Computation of capital gains of Sunil for the A.Y. 2025-26

Particulars	Workings	Details	Amount
Sale consideration			21,50,000
Less: Expenses on transfer			Nil
Net sale consideration			21,50,000
Less: (i) Indexed cost of acquisition	₹ 4,50,000 × 301/100	13,54,500	
(ii) Indexed cost of improvement	₹ 50,000 × 301/167	90,120	14,44,620
Long Term Capital Gain			7,05,380

Computation of capital gains of Mr. Sunil for the A.Y. 2026-27: As the assessee has not received enhanced compensation during the P.Y. 2025-26, hence nothing shall be taxable in the A.Y. 2026-27.

Computation of capital gains of Mr. Sunil for the A.Y. 2027-28

Particulars	Workings	Details	Amount
Sale consideration	Enhanced Compensation		2,00,000
Less: Expenses on transfer			11,000
Net sale consideration			1,89,000
Less: (i) Indexed cost of acquisition		Nil	
(ii) Indexed cost of improvement		Nil	Nil
Long Term Capital Gain			1,89,000

In case of enhanced compensation, the cost of acquisition shall be taken as nil and the nature of capital gain shall be same as that of initial compensation.

**Q10****ICMAI Study Material**

Balance sheet of Purva India (P) Ltd. as on 31/12/2024

Particulars	Amount	Particulars	Amount
Equity Share capital of ₹ 10 each	8,00,000	Land	6,00,000
Preference Share capital	1,00,000	Building (WDV as per IT Act)	3,00,000
Reserves	1,00,000	Machinery (WDV as per IT Act)	4,00,000
Loan	6,00,000	Current Asset	10,00,000
Creditors	6,00,000		
	23,00,000		23,00,000

Additional information

Company went into liquidation on the balance sheet date and all current assets and building realized at book value. The realized money was applied in payment of outside liabilities and preference shareholder. Utkarsh is a holder of 10% equity share and 20% preference share of the company. Equity shares were originally acquired by him on 16/08/2002 at face value. However, he subscribed to preference share on 1-04-2024, which was issued at par. He received a part of land (MV ₹ 5,00,000) and cash (for preference share) ₹ 20,000. Compute capital gain in hands of company & Utkarsh.

Answer

Computation of capital gain for the A.Y. 2025-26 in the hands of Purva India (P) Ltd

As per sec. 46(1), at the time of liquidation of company, any transfer by way of distribution of assets to its shareholders is not treated as transfer for the purpose of capital gain. However, if any asset is sold in the market the same shall be liable to capital gain. In the given case, only one capital asset is sold i.e. building and the same being sold at book value, hence no capital gain liability arises in the hands of company.

Computation of capital gain for the A.Y.2025-26 in the hands of Utkarsh

Particulars	Workings	Details	Amount
In case of equity share			
Sale consideration			4,80,000
Less: Expenses on transfer			Nil
Net sale consideration			4,80,000
Less: (i) cost of acquisition	(10% of ₹ 8,00,000)	80,000	
(ii) cost of improvement		Nil	80,000
Long Term Capital Gain			4,00,000



Particulars	Workings	Details	Amount
In case of Preference share			
Sale consideration			20,000
Less: Expenses on transfer			Nil
Net sale consideration			20,000
Less: (i) cost of acquisition	20% of ₹ 1,00,000	20,000	
(ii) cost of improvement		Nil	20,000
Short Term Capital Gain			Nil
Market value of land received			₹ 5,00,000
Less: Dividend u/s 2(22)(c) being 10% of accumulated profit (10% of ₹2,00,000)			₹ 20,000
Sale consideration			₹ 4,80,000

Q 11**ICMAI Study Material**

T Ltd. grants option to its employee Rajat on 1st April, 2020 to apply for 100 shares of the company for making available right in the intellectual property to the employer-company at a pre-determined price of ₹ 150 per share with date of vesting of the option being 1st April, 2022 and exercise period being 1st April, 2022 to 31st March, 2025. Mr. Rajat exercises his option on 31st May, 2024 and shares are allotted/transferred to him on 13th June, 2024. Fair market value of such share on different dates are as under:

01-04-2020	01-04-2022	31-05-2024	13-06-2024
₹ 470	₹ 890	₹ 1,250	₹ 1,470

On 31-12-2024, Mr. Rajat gifted 25 shares to his brother and sold balance shares at market value of ₹ 2,180 per share. Compute taxable value of perquisite, if any, and capital gain in hands of Mr. Rajat for A.Y. 2025-26.

Answer

Computation of taxable value of perquisite for A.Y. 2025-26

Particulars	Amount
The fair market value of the such shares on the date on which the option is exercised [₹1,250 * 100 shares]	1,25,000
Less: The amount actually paid by assessee in respect of such shares [₹ 150 * 100 shares]	15,000
Value of perquisite	1,10,000

**Computation of Capital Gain**

Computation of capital gain in the hands of Mr. Rajat for the A.Y. 2025-26

Particulars	Workings	Details	Amount
Full Value of Consideration	₹ 2,180 * 100 ³		2,18,000
Less: Expenses on transfer			Nil
Net sale consideration			2,18,000
Less: (i) Indexed cost of acquisition	₹ 1,250 * 100 ³	1,25,000	
(ii) Indexed cost of improvement		Nil	1,25,000
Short Term Capital Gain			93,000

Q12**ICMAI Study Material**

Mr. A, who transfers land and building on 2-01-2025, furnishes the following information:

- Net consideration received ₹ 10 lakhs;
- Value adopted by stamp valuation authority, which was not contested by Mr. A ₹ 12 lakhs;
- Value ascertained by Valuation Officer on reference by the Assessing Officer ₹ 13 lakhs;
- This land was distributed to Mr. A on the partial partition of his HUF on 1-04-2001. Fair market value of the land as on 1-04-2001 was ₹ 1,00,000.
- A residential building was constructed on the above land by Mr. A at a cost of ₹ 2,00,000 (construction completed on 1-12-2004) during the Financial Year 2004-05.

Compute capital gain.

Answer

Where resident individual or resident HUF has transferred on or after 23-07-2024, a long-term capital asset being land, building or both being acquired before 23-07-2024, then, the assessee has the option to pay tax:

Option 1 – Pay tax @ 12.5% without considering index benefit

Option 2 – Pay tax @ 20% after considering index benefit.

Computation of capital gain of Mr. A for A.Y. 2025-26

Particulars	Option 1		Option 2	
	Amount	Amount	Amount	Amount
Sale considering (Higher of following)				
- Actual consideration	10,00,000		10,00,000	
- Value as per Valuation Officer (max. of value adopted for stamp valuation)	12,00,000	12,00,000	12,00,000	12,00,000

3 Even gift of shares received through ESOP shall be considered as transfer.



Less: Indexed / Cost of acquisition				
- Land [₹ 1,00,000 * 348/100]	1,00,000		3,48,000	
- Building [₹ 2,00,000 * 348/113]	2,00,000	3,00,000	6,15,929	9,63,929
Long Term Capital Gain		9,00,000		2,36,071
Tax (before surcharge and cess) on above		1,12,500		47,214

Long term capital gain is ₹ 9,00,000 and tax on it shall be ₹ 47,214/-

Q13

ICMAI Study Material

Liza transferred the following assets on 2-08-2023, determine capital gain for the A.Y. 2025-26

Particulars	Cost	FMV 1/04/2001	Sale value
Land acquired in 1976	25,000	1,00,000	30,00,000
Goodwill of business [Business commenced on 1-05-1995]	Nil	40,000	2,00,000
Tenancy right	Nil	30,000	3,00,000

Brokerage paid on transfer @ 2%

Answer

Computation of capital gains in the hands of Liza for the A.Y. 2025-26

Particulars	Workings	Land	Goodwill of business	Tenancy right
Sale Consideration		30,00,000	2,00,000	3,00,000
Less: Expenses on transfer	2% of above	60,000	4,000	6,000
Net sale consideration		29,40,000	1,96,000	2,94,000
Less: (i) cost of acquisition		1,00,000	-	-
	As per sec. 55(2)(a)	-	Nil	Nil
(ii) cost of improvement		Nil	Nil	Nil
Long Term Capital Gain		28,40,000	1,96,000	2,94,000

Q14

ICMAI Study Material

Mr. Rocky purchased 1,000 shares of Azad (P) Ltd @ ₹ 12 per share as on 1/08/1998. Company de-clared one bonus share for every two shares held on 31/03/2000. As on 7/07/2006, Rocky got 500 shares of the same company as gift from his friend Rakesh (Rakesh acquired such share on 1/04/2001 @ ₹ 14 per share). As on 1/03/2024, company further declared one bonus share for every five shares held. On 1/01/2025, Rocky sold all the shares @ ₹ 50 each. Find capital gain of Mr. Rocky.

**Answer**

Number of shares held by Mr. Rocky

Particulars	No. of shares	Total number of shares to the date
Original share	1,000	1,000
Bonus share declared on 31/03/2000 [1,000 shares/2]	500	1,500
Share received as gift from Rakesh as on 7/07/2006	500	2,000
Bonus share declared on 1/03/2023 2024 [2,000 shares/5]	400	2,400

Computation of capital gains in the hands of Mr. Rocky for the A.Y. 2025-26

Particulars	Workings	Original share	Bonus share acquired before 1/4/2001	Gifted shares	Bonus share acquired after 1/4/2001
No of shares held		1,000	500	500	400
Cost of acquisition per share	Note	₹ 14	₹ 14	₹ 14	Nil
Sale consideration	Shares held × ₹ 50	50,000	25,000	25,000	20,000
Less: Expenses on transfer		Nil	Nil	Nil	Nil
Net Sale Consideration		50,000	25,000	25,000	20,000
Less: Cost of acquisition	1,000 × ₹ 14	14,000	-	-	-
	500 × ₹ 14	-	7,000	-	-
	500 × ₹ 14	-	-	7,000	-
Less: Cost of acquisition		-	-	-	Nil
Less: Cost of improvement		Nil	Nil	Nil	-
Less: Cost of improvement		-	-	-	Nil
Long Term Capital Gain		36,000	18,000	18,000	
Short Term Capital Gain		-	-	-	20,000

Note: Cost of acquisition in case of -

Original share	Higher of Original Cost (₹12) or fair market value as on 1/04/2001 (₹14)
Bonus share acquired before 1/04/2001	Fair market value as on 1/04/2001 (₹ 14)
Gifted share	Actual cost of the previous owner (₹ 14)
Bonus share acquired after 1/04/2001	Nil



Q15

ICMAI Study Material

Mr. A purchased 5,000 units of a mutual fund as on 10/10/2024 @ ₹ 80. On 1/11/2024, the fund de-clares 4 bonus units for every 5 units held. The record date for declaring bonus is 01/11/2024.

On 01/12/2024, Mr. A sold 2,500 original units @ ₹ 20.

On 10/01/2025, Mr. A sold 1,000 bonus units @ ₹ 25.

On 12/02/2025, Mr. A sold remaining 2,500 original units @ ₹ 30.

On 14/03/2025, Mr. A sold remaining 3,000 bonus units @ ₹ 45.

All units sold to his friend. Compute capital gain.

Answer

Computation of capital gain of Mr. A for the A.Y.2025-26

Particulars	Workings	Land
Capital gain on transfer of 2,500 original units on 1/12/2024		
Sale Consideration	2,500 units @ ₹ 20	50,000
Less: cost of acquisition	2,500 units @ ₹ 80	2,00,000
Cost of bonus units as per provision of Sec. 94(8)		(1,50,000)
Taxable short term capital gain		Nil
As per Sec. 94(8), the above loss shall be ignored for the purposes of computing his income, and the amount of loss so ignored shall be deemed to be the cost of acquisition of the such bonus unit. Hence, the cost of 4,000 bonus units (5,000 units / 5 * 4) is ₹ 1,50,000 i.e. cost of each bonus units is ₹ 37.5 (₹ 1,50,000 / 4,000 units).		
Capital gain on transfer of 1,000 bonus units on 10/01/2025		
Sale consideration	1,000 units @ ₹ 25	25,000
Less: cost of acquisition	1,000 units @ ₹ 37.5 as per Sec. 94(8)	37,500
Short term capital gain		(12,500)
Capital gain on transfer of 2,500 original units on 12/02/2025		
Sale consideration	2,500 units @ ₹ 30	75,000
Less: cost of acquisition	2,500 units @ ₹ 80	2,00,000
Cost of remaining bonus units as per provision of sec. 94(8)		(1,02,510)
Taxable short term capital gain		Nil
As per Sec. 94(8), above loss shall be ignored for the purposes of computing his income, and the amount of loss so ignored shall be deemed to be the cost of acquisition of remaining bonus unit. Hence, the cost of 3,000 bonus units (4,000 units – 1,000 units) shall be as under:		
Loss on transfer of original units on 1/12/2024		₹ 37.50 per unit
Loss on transfer of original units on 12/02/2025 ₹ 1,25,000 / 3,000 units		₹ 41.67 per unit
		₹ 79.17 per unit
Capital gain on transfer of 3,000 bonus units on 14/03/2025		
Sale consideration	3,000 units @ ₹ 45	1,35,000
Less: cost of acquisition	3,000 units @ ₹ 79.17 as per sec. 94(8)	2,37,510
Short term capital gain		(1,02,510)

**Q 16****ICMAI Study Material**

Mr. Raunak purchased 1,000 shares of Zey (P) Ltd @ ₹ 12 per share as on 1/08/2023. As on 1/05/2024, company declared one right share for each share held @ ₹ 15 each. Mr. Raunak renounced 40% of such right in favour of Miss Rani @ ₹ 2 per share and for balance, he subscribed to the company. On 1/07/2024, Mr. Raunak and Miss Rani sold all the shares to one of their friend @ ₹ 50 each. Find capital gain of both the assessee.

Answer

Working: Details of shares and right entitlements transferred

Date	Particulars	No. of shares	Rate	Cost of acquisition
1/08/2023	Original shares	1,000	12	12,000
1/05/2024	Right shares	600	15	9,000
1/05/2024	Right entitlement	400	Nil	Nil

Computation of capital gain in the hands of Mr. Raunak for the A.Y. 2025-26

Particulars	Workings	Original share	Right share	Right entitlement
No of shares held		1,000	600	400
800Sale consideration	Shares held × ₹ 50	50,000	30,000	-
	Shares renounced × ₹ 2	-	-	800
Less: Expenses on transfer		Nil	Nil	Nil
Net Sale Consideration		50,000	30,000	800
Less: Cost of acquisition	As calculated above	12,000	9,000	Nil
Less: Cost of improvement		Nil	Nil	Nil
Short Term Capital Gain		38,000	21,000	800

Computation of capital gain in the hands of Miss Rani for the A.Y. 2025-26

Particulars	Details	Amount
Sale Consideration	400 * ₹ 50	20,000
Less: Expenses on transfer		Nil
Net Sale Consideration		20,000
Less: Cost of acquisition	400 * ₹ 17#	6,800
Less: Cost of improvement		Nil
Short Term Capital Gain		13,200
No. of shares acquired		400 shares
Cost of acquisition of each such shares		
Amount paid for acquisition of such share entitlements	₹ 2	
Amount paid to company for such right shares	₹ 15	₹ 17

**Q17****ICMAI Study Material**

Mr. Sidhartha has a residential house property taxable u/s 22. Such property is acquired on 12/08/2021 for ₹2,00,000. The property is sold on 1/03/2025 for ₹ 25,00,000. He acquired another residential house on 31/03/2025 for ₹ 17,00,000 for self-occupation. On 1/03/2026, he sold such new residential house for ₹ 30,00,000 and acquired another residential house of ₹ 35,00,000 on 10/03/2026. Compute his capital gain for the A.Y. 2025-26 and 2026-27.

Answer

Computation of capital gain of Mr. Sidhartha for the A.Y. 2025-26

Particulars	Amount
Sale consideration	25,00,000
Less: Expenditure on transfer	Nil
Net sale consideration	25,00,000
Less: Cost of acquisition	2,00,000
Less: Cost of improvement	Nil
Long term capital gain	23,00,000
Less: Exemption u/s 54	17,00,000
Taxable Long term Capital gain	6,00,000

Computation of capital gain of Mr. Sidhartha for the A.Y. 2026-27

Particulars	Amount	Amount
Sale consideration		30,00,000
Less: Expenditure on transfer		Nil
Net sale consideration		30,00,000
Less: Cost of acquisition	17,00,000	
Less: Earlier exemption claimed u/s 54	(17,00,000)	Nil
Short term Capital gain		30,00,000

Deduction u/s 54 is not available against the new house acquired on 10/03/2026 as it is a short term capital gain.

Q18**ICMAI Study Material**

X Ltd. has a building acquired on 17/08/2023 for ₹ 5,00,000. The assessee, as a tenant, earlier used the building, for industrial purpose since last 7 years and even after purchase it is continuously used for industrial purpose. Such building is compulsorily acquired by Government at an agreed value of ₹ 12,00,000 as on 15/07/2024. The compensation was received on 1/03/2025. The written down value of the block (consist of 3 buildings) as on 1/04/2024 is ₹ 7,50,000.

The company acquired a new building for industrial purpose for ₹ 2,00,000 as on –

Case A) 31/03/2025; Case B) 2/04/2025. Determine his taxable capital gain.

**Answer**

X Ltd. purchased the building on 17/8/2023 and transfer took place on 15/07/2024, i.e. after acquisition of ownership, asset is used for industrial purpose for less than 2 years. However, the assessee was using the same building for industrial purpose as a tenant before acquisition, for a period of 7 years hence it can claim the benefit of sec. 54D.

Computation of capital gain in the hands of X Ltd. for the A.Y. 2025-26

Particulars	Case A	Case B
Written Down Value as on 1/04/2023	7,50,000	7,50,000
Add: Acquisition of new asset during the year	2,00,000	-
	9,50,000	7,50,000
Less: Sale value of asset (compensation received from Government)	12,00,000	12,00,000
Short Term Capital gain	2,50,000	4,50,000
Less: Exemption u/s 54D	2,00,000	2,00,000
Taxable Short Term Capital Gain	50,000	2,50,000

Q19**ICMAI Study Material**

Sonu has jewellery acquired on 17/07/2010 for ₹ 5,00,000. On 18/08/2013 Sonu incurred improvement expenditure on such jewellery by adding diamond to it worth ₹ 3,00,000. On 18/08/2024, he transferred such jewellery to his friend Monu for ₹ 40,00,000. Sonu already has a self-occupied house property in Lucknow, however on 17/03/2025 he purchased an-other residential house property for ₹ 30,00,000 for the purpose of letting out. As on 5/08/2025, his friend offered him a house worth ₹ 25,00,000 (Value for Stamp duty purpose is on-ly ₹ 14,00,000/-) for ₹ 15,00,000 only & Sonu purchased the same. On 7/04/2026, Sonu sold the new house acquired from his friend for ₹ 19,00,000. Value determined for the purpose of stamp duty purposes ₹ 22,00,000 and market value as on the date of transfer is ₹ 26,00,000. Compute capital gain in hands of Sonu for several years.

Answer

Computation of capital gain of Sonu for the A.Y. 2025-26

Particulars	Details	Amount
Sale Consideration		40,00,000
Less: Expenses on transfer		Nil
Net Sale Consideration		40,00,000
Less: Cost of acquisition	5,00,000	
Less: Cost of improvement	3,00,000	8,00,000
Long Term Capital Gain		32,00,000
Less: Exemption u/s 54F [₹ 30,00,000 / ₹ 40,00,000 x ₹ 32,00,000]		24,00,000
Taxable Long term capital gain		8,00,000



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Computation of capital gain of Sonu for the A.Y.2026-27: Since the assessee acquired another house property therefore the earlier exemption availed u/s 54F shall be revoked and shall be liable to long term capital gain. Hence taxable long-term capital gain for the A.Y.2026-27 is ₹ 24,00,000.

Computation of capital gain of Sonu for the A.Y.2027-28

Particulars	Details	Amount
Sale Consideration	Value determined for Stamp duty [Sec. 50C]	22,00,000
Less: Expenses on transfer		Nil
Net Sale Consideration		22,00,000
Less: Cost of acquisition	15,00,000	
Less: Cost of improvement	Nil	15,00,000
Short Term Capital Gain		7,00,000

Q 20

ICMAI Study Material

Mr. X has sold the following assets during the year 2024-25

Items	Cost of acquisition	Sale consideration	Year of acquisition
Land	₹ 10 lacs	₹ 150 lacs	2021-22
Jewellery	₹ 30 lacs	₹ 120 lacs	2008-09

On 31/03/2025, he has purchased a residential house of ₹ 70,00,000 for self occupation as he had no other house till date. Compute capital gain.

Answer

Computation of capital gains in the hands of Mr. X for the A.Y. 2024-25

Particulars	Land	Jewellery
Jewellery	1,50,00,000	1,20,00,000
Less: Expenses on transfer	Nil	Nil
Net Sale Consideration		
1,50,00,000	1,20,00,000	
Less: Cost of Acquisition	10,00,000	30,00,000
Less: Cost of improvement	Nil	Nil
Long Term Capital Gain	1,40,00,000	90,00,000
Less: Exemption u/s 54F [Working 1]	65,33,33	Nil
Long Term Capital Gain	74,66,667	90,00,000

Working 1

In the given case assessee can claim benefit u/s 54F, for any of the LTCG (land or jewellery).

A Comparative study is made under to decide from which LTCG such deduction should be claimed –



Particulars	Working	Land	Jewellery
Long Term Capital Gain	A	1,40,00,000	90,00,000
Net sale consideration	B	1,50,00,000	1,20,00,000
Benefit u/s 54F	A/B x ₹ 70,00,000	65,33,333	52,50,000
Since the deduction is higher in the case of Land hence the deduction u/s 54F is ₹ 65,33,333			

Q 21**ICMAI Study Material**

X Ltd. is shifting its undertaking from Jaipur to Napasar (other than urban area). In this regard it sold its 4 machineries and 2 sets of furniture during the previous year 2024-25 as under –

Machinery	Depreciation Rate	Book Value	Sold for	Furniture	Depreciation Rate	Book Value	Sold For
A	15%	2,00,000	3,00,000	X	10%	1,00,000	2,00,000
B	15%	3,00,000	8,00,000	Z	10%	60,000	90,000
C	15%	5,00,000	6,00,000				
D	30%	6,00,000	5,00,000				

WDV of the block of asset as under –

Name of the Block	Block consist of	WDV as on 1/04/2024
Machinery 15%	A, B & C	11,00,000
Machinery 30%	D & E	9,00,000
Furniture 10%	X & Z	1,50,000

X Ltd. is seeking whether the transaction shall be taxable as slump sale or not and compute capital gain.

On 7/04/2025, assessee further purchased machineries worth ₹ 3,70,000 and land of ₹ 1,00,000 for the purpose of new industrial undertaking. Compute capital gain.

Answer

In the given case though assessee has transferred a group of assets still the transaction cannot be taxed as slump sale because value has been assigned to individual asset. The tax treatment shall be as under:

Particulars	Details	Amount
On sale of Machinery A, B & C		
Block: Machinery (Rate 15%)		
W.D.V. as on 1/04/2024	11,00,000	
Add: Purchase during the year	Nil	
	11,00,000	
Less: Sale during the year	17,00,000	
Short Term Capital Gain		6,00,000



On sale of Machinery D		
Block: Machinery (Rate 30%)		
W.D.V. as on 1/04/2024	9,00,000	
Add: Purchase during the year	Nil	
	9,00,000	
Less: Sale during the year	5,00,000	
WDV before depreciation	4,00,000	
Less: Depreciation @ 30%	1,20,000	
WDV after depreciation	2,80,000	
Short Term Capital Gain		Nil
On sale of Furniture X & Z		
Block: Furniture (Rate 10%)		
W.D.V. as on 1/04/2024	1,50,000	
Add: Purchase during the year	Nil	
	1,50,000	
Less: Sale during the year	2,90,000	
Short Term Capital Gain		1,40,000
Total Short Term Capital Gain		7,40,000
Less: Exemption u/s 54G		4,70,000
Taxable Short Term Capital Gain		2,70,000

Q 22

ICMAI Study Material

Raj Ltd. has an industrial undertaking operating in an urban area. During the year 2024-25, it sold its two machineries for ₹ 2,00,000 and ₹ 3,80,000 in course of shifting its industrial undertaking from urban area to rural area. The written down value of the block (consists of 4 machineries) as on 1/04/2024 was ₹ 3,50,000. The company incurred ₹ 20,000 expenses on other purposes as specified in a scheme framed by the Central Government for the purposes of this section. Determine its taxable capital gain, if the company acquired new machinery for industrial purpose for ₹ 50,000 as on – Case A) 28/03/2025; Case B) 12/04/2025

Answer

Particulars	Case A	Case B
Written Down Value as on 1/04/2024	3,50,000	3,50,000
Add: Acquisition of new asset during the year	50,000	
	4,00,000	3,50,000
Less: Sale value of asset	5,80,000	5,80,000
Short Term Capital gain	1,80,000	2,30,000
Less: Exemption u/s 54G	50,000	50,000
- for expenditure incurred	20,000	20,000
Taxable Short Term Capital Gain	1,10,000	1,60,000

**Q 23****ICMAI Study Material**

Short term capital gain on (15-10-2024) transfer of shares on which STT is paid ₹ 1,30,000, Other income ₹ 2,16,000. Calculate tax of Mr. X aged 45 years?

Answer

Computation of tax for the A.Y.2025-26

Particulars	Other Income	STCG
Income	₹ 2,16,000	₹ 1,30,000
Exemption limit on which no tax is charged i.e. ₹ 3,00,000	₹ 2,16,000	₹ 84,000
	Nil	₹ 46,000
Tax rate	Nil	₹ 46,000
Tax		₹ 9,200
Less: Rebate u/s 87A		₹ 9,200
Tax after Rebate u/s 87A		Nil
Add: Health & Education Cess		Nil
Tax Liability (Rounded off)	Nil	Nil

Q 24**ICMAI Study Material**

During the previous year 2024-25, Jay exchanges his agricultural land (being acquired on 1-12-2021 for ₹ 40,000) against the agricultural land of Vijay (being acquired on 1-02-2024 for ₹ 90,000). Fair market value of such properties on the date of transfer is ₹ 3,00,000. Compute capital gain assuming that both the land is situated in urban area.

Answer

Computation of capital gain for A.Y. 2025-26

Particulars	Jay	Vijay
Sale consideration	3,00,000	3,00,000
Less: Expenses on transfer	Nil	Nil
Net sale consideration	3,00,000	3,00,000
Less: Cost of acquisition	40,000	90,000
Less: Cost of improvement	-	Nil
Long Term Capital Gain	2,40,000	-
Short Term Capital Gain	-	2,10,000
Less: Exemption	-	
U/s 54B	2,40,000	Nil
Taxable Long Term Capital Gain	Nil	-
Taxable Short Term Capital Gain	-	2,10,000

**Q 25****PTP Dec 22**

Raghuram (age 44) inherited a vacant land from his father in April, 1998. The land was acquired by his father in January, 1990 for ₹5 lakhs. The fair market value of the land as on 01.04.2001 was ₹25 lakhs. Raghuram entered into an agreement for sale of land in January, 20XX and received ₹5 lakh as advance. This amount was forfeited since the party did not complete the transaction.

Again Raghuram looked for a buyer and found one Sathish interested in the property. The sale consideration was fixed at ₹200 lakh vide agreement made in December 20XX. It was sold and the document was registered in March, 20XY. Brokerage @1 % of the sale consideration was paid. The stamp duty value of the land on the date of sale was ₹215 lakhs. Raghuram acquired a residential building at Chennai for ₹180 lakhs in May 20XY.

Compute the taxable capital gain in the hands of Raghuram for the assessment year 20XY-XZ.

Answer

Particulars	₹
Full Value of Consideration	200,00,000
Less: Brokerage @ 1%	2,00,000
Net Sale Consideration	198,00,000
Less: Indexed Cost of Acquisition [25 lakhs * 363/100]	90,75,000
Gross LTCG	1,07,25,000
Less: Exemption u/s 54F [1,07,25,000 * 180 lakhs/198 lakhs]	97,50,000
Net Taxable LTCG	9,75,000

Q 26**MTP June 23 (Old)**

Mr. Shankar purchased 100 equity shares of M/s Goldi Co. Ltd. on 01-04-2006 at rate of ₹ 1,000 per share in public issue of the company by paying securities transaction tax.

Company allotted bonus shares in the ratio of 1:1 on 01.12.20XW. He has also received dividend of ₹ 10 per share on 01.05.20XX. He has sold all the shares on 01.10.20XX at the rate of ₹ 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02% to celebrate his 70th birthday.

Compute his total income and tax liability for Assessment Year 20XY-XZ, assuming that he is having no income other than given above. Fair market value of shares of M/s. Goldi Co. Ltd. on 31.1.2018 is ₹ 2,000.

**Answer****Computation of total income and tax liability of Mr. Shankar for A.Y. 20XY-XZ**

Particulars	₹
Long term capital gains on sale of original shares	
Gross sale consideration (100 x ₹ 4,000)	4,00,000
Less: Brokerage@1%	4,000
Net sale consideration	3,96,000
Less: Cost of acquisition (100 x ₹ 2,000) (Refer Note 2)	2,00,000
Long term capital gains	1,96,000
Short term capital gains on sale of bonus shares	
Gross sale consideration (100 x ₹ 4,000)	4,00,000
Less: Brokerage@1%	4,000
Net sale consideration	3,96,000
Less: Cost of acquisition of bonus shares	NIL
Short term capital gains	3,96,000
Income from other sources	
Dividend received from M/s Goldi Co. Ltd. is taxable in the hands of shareholders [200 shares x ₹ 10 per share]	2,000
Total Income	5,94,000

Tax Liability	₹
Tax on dividend	Nil
20% of (₹ 3,96,000 - ₹ 2,98,000, being unexhausted basic exemption limit)	19,600
12.5% of (₹ 1,96,000 - ₹ 1,25,000)	8,875
	28,3475
Add: Health and education cess @4%	1,139
Tax payable	29,614
Tax payable (rounded off)	29,610

Q 27**MTP June 23 (Old)**

Mr. Shankar purchased 100 equity shares of M/s Goldi Co. Ltd. on 01-04-2006 at rate of ₹ 1,000 per share in public issue of the company by paying securities transaction tax. Company allotted bonus shares in the ratio of 1:1 on 01.12.20XW. He has also received dividend of ₹ 10 per share on 01.05.20XX. He has sold all the shares on 01.10.20XX at the rate of ₹ 4,000 per share through a recognized stock exchange and paid brokerage of 1% and securities transaction tax of 0.02% to celebrate his 70th birthday.

Compute his total income and tax liability for Assessment Year 20XY-XZ, assuming that he is having no income other than given above. Fair market value of shares of M/s. Goldi Co. Ltd. on 31.1.2018 is ₹ 2,000.

**Answer****Computation of total income and tax liability of Mr. Shankar for A.Y. 20XY-XZ**

Particulars	₹
Long term capital gains on sale of original shares	
Gross sale consideration (100 x ₹ 4,000)	4,00,000
Less: Brokerage@1%	4,000
Net sale consideration	3,96,000
Less: Cost of acquisition (100 x ₹ 2,000) (Refer Note 2)	2,00,000
Long term capital gains	1,96,000
Short term capital gains on sale of bonus shares	
Gross sale consideration (100 x ₹ 4,000)	4,00,000
Less: Brokerage@1%	4,000
Net sale consideration	3,96,000
Less: Cost of acquisition of bonus shares	NIL
Short term capital gains	3,96,000
Income from other sources	
Dividend received from M/s Goldi Co. Ltd. is taxable in the hands of shareholders [200 shares x ₹ 10 per share]	2,000
Total Income	5,94,000

Q 28**MTP Dec 23 (New)**

Lucky has a house property acquired on 18/08/2009 for ₹ 6,00,000. He used the house for his own residential purpose. On 18/08/2012 he incurred capital expenditure on re-construction of house ₹ 3,00,000. On 15/05/20XX, he brought office goods (inflammable) worth ₹ 1,00,000 at home to be delivered to a party staying near to his home. At the night of that day accidental fire took place and damaged the whole house property, furniture worth ₹ 5,00,000 and business stock.

Insurance claim received on 18/08/20XX –

- for the house ₹ 1,00,000 in cash & a new house allotted to him (fair market value of which is ₹ 44,00,000 on 18/08/20XX);
- for house-hold furniture ₹ 2,00,000; and
- for stock ₹ 80,000.

Analyse –

- Tax-treatment under the head Capital gains.
- How shall your answer differ if such compensation is received by the assessee on 15/04/20XY.



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Answer

As the damage occurred due to accidental fire, such case is governed by the provision of sec. 45(1A).

Computation of capital gain in the hands of Lucky for the A.Y. 20XY-XZ

Particulars	Workings	Details (₹)	Amount (₹)
Sale consideration of house	₹ 1,00,000 + ₹ 44,00,000		45,00,000
Less: Expenses on transfer			Nil
Less:			
(i) Indexed cost of acquisition	₹ 6,00,000 × 363/148	14,71,622	
(ii) Indexed cost of improvement	₹ 3,00,000 × 363/200	5,44,500	20,16,122
Long Term Capital Gain			24,83,878
For Furniture: No capital gain liability arises as furniture is a personal asset of the assessee and hence not a capital asset. Compensation received on loss of furniture shall be treated as capital receipt and hence not liable to tax.			
For Stock: Compensation received on loss of stock shall be liable to tax u/s 28. In the given case, loss of ₹ 20,000 (₹ 1,00,000 – ₹ 80,000) shall be allowed under the head "Profits & gains of business or profession".			

In case such compensation is received on 15/04/20XY then the capital gain of ₹ 24,83,878 as computed above shall be taxable in the next Assessment year.

Q 29

MTP Dec 23 (New)

Sunil owns a commercial building in Kolkata which is acquired for ₹4 lakhs during 1996-97. Its fair market value on 1st April 2001 is ₹16 lakhs. He sold it for ₹320 lakhs on 31st December 20XX when the stamp duty value was ₹360 lakhs. He paid 3% of the sale consideration as brokerage. He acquired a residential building in Delhi for ₹120 lakhs on 1st April 20XY.

Compute capital gain for the Assessment Year 20XY-XZ.

Answer

Computation of Capital Gain for the Assessment Year 20XY-XZ

Particulars	₹
Full value of sale consideration	3,60,00,000
(-) Transfer expenses	9,60,000
Net sale consideration	3,50,40,000
(-) Indexed cost of acquisition $[16,00,000 \times \frac{363}{100}]$	58,08,000
Long Term Capital Gain	2,92,32,000
(-) Amount of exemption u/s 54F $[120,00,000 \times \frac{29232000}{35040000}]$	1,00,10,958
Taxable Long Term Capital Gain	1,92,21,041



Q 30

MTP Dec 23 (New)

Mr. Manoj is a resident individual who retired from employment in March, 20XX. He sold a residential building for ₹ 60 lakh to Zeet Ltd., Delhi on 3rd February, 20XY. Mr. Manoj paid 2% commission on sale price to Mr. Pritham for fetching the buyer. The building was inherited by him as per the 'will' of his mother on 5th April, 2000. She had acquired the said building on 18th October, 1990 for ₹ 1 lakh. The Fair Market Value (FMV) of the building as on 1st April, 2001 was ₹ 5 lakh. The Stamp duty value of the building on the date of sale was ₹ 70 lakh. Earlier, Mr. Manoj had entered into an agreement with Mr. Ram in August, 20XX for sale of the same building and forfeited advance money of ₹ 2 lakh. He purchased a residential apartment in Madurai for ₹ 30 lakh on 28th March, 20XY and subscribed to REC capital Gain bonds for ₹ 20 lakh in November, 20XY. Compute the income under the head 'Capital Gain' for Mr. Manoj for the assessment year 20XY-XZ. Mr. Manoj does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

Answer

Particulars	₹
Full Value of Consideration	70,00,000
Less: Brokerage @ 2% of ₹60 lakhs	1,20,000
Net Sale Consideration	68,80,000
Less: Indexed Cost of Acquisition	
[₹ 5 lakhs * 363/100]	18,15,000
Gross LTCG	50,65,000
Less: Exemption u/s 54F	30,00,000
Less: Exemption u/s 54EC (not purchased within 6 months from date of transfer)	Nil
Net Taxable LTCG	20,65,000

Q 31

PTP Dec 23 (Old)

Mr. Rajasekar purchased a House Properly on 14th April 1999 for ₹ 2,30,000. He entered into an agreement with Mr. Bharath for sale of the house on 21st September, 2005 and received an advance of ₹ 25,000. However, since Mr. Bharath did not remit the balance amount, Mr. Rajasekar forfeited the advance. Later on, he gifted the House Property to his friend Mr. Anantharaman on 15th June 2004. Following renovations were carried out by Mr. Rajasekar and Mr. Anantharaman to the House Property-

Particulars	₹
By Mr. Rajasekar during FY 1999-2000	1,00,000
By Mr. Anantharaman during FY 2009-2010	1,00,000
By Mr. Anantharaman during FY 2011-2012	2,50,000

The Fair Market Value of the Property as on 01.04.2001 is ₹ 2,25,000. Mr. Anantharaman entered into an agreement with Mr. Chandrasekhar for sale of the House on 1st June 2019 and received an advance of ₹ 1,00,000. The said amount was forfeited by Mr. Anantharaman since Mr. Chandrasekhar could not fulfil the terms of the agreement. Finally, the House was sold by Mr. Anantharaman to Mr. Swaminathan on 2nd January 20XY for a consideration of ₹ 17,85,000. Compute the Capital Gains chargeable to tax in the hands of Mr. Anantharaman for the AY 20XY-20XZ.



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Answer

Particulars	₹
Full Value of Consideration	17,85,000
Less: Indexed Cost of Acquisition $[(2,30,000 * 363/100)]$	8,34,900
Less: Indexed Cost of Improvement	
By Rajasekar in FY 1999-2000	Nil
By Anant in FY 2009-10 $(1,00,000 * 363/148)$	2,45,270
By Anant in FY 2011-12 $(2,50,000 * 363/184)$	4,93,207
Gross LTCG	96,423

Q 32**MTP June 24**

During the previous year 2024-25, Mr. Madhusudhan sold the following capital assets:

Asset	Sale Proceeds (₹)	Cost of Acquisition (₹)	Date of Acquisition (₹)	Fair Market value as on 01.04.2001
Debentures	6,48,000	1,85,000	30.06.2005	1,68,000
Gold	18,22,000	8,42,400	25.08.2005	8,10,000
Building	25,11,900	9,00,000	10.05.2008	9,86,400

Assuming that his business income is ₹ 3,47,500, determine his income for the A.Y. 2025-26. Cost Inflation Index: F.Y. 2001-02:100, F.Y. 2005-06: 117, F.Y. 2008-09: 137, F.Y. 2024-25: 363

Answer

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

Particulars	₹
Profits and Gains of Business or Profession	3,47,500
Capital Gains (Working)	30,54,500
Total Income	34,02,000

Working: Computation of Capital Gains of Mr. Madhusudhan for the A.Y.2025-26

Particulars	Debenture (₹)	Gold (₹)	Building (₹)
Sale Proceeds	6,48,000	18,22,000	25,11,900
Less: Expenses on transfer	Nil	Nil	Nil
Net sale consideration	6,48,000	18,22,000	25,11,900
Less: Cost of acquisition (Index benefit is not available)	1,85,000		
Less: Indexed Cost of acquisition [No indexation benefit available]		8,42,400	
Less: Indexed Cost of acquisition [No indexation benefit available]			9,00,000
Long Term Capital Gain	4,63,000	9,79,600	16,11,900

**Q 33****PTP June 24**

Ms. Kavita, an individual, sold an agricultural land for ₹ 40 lakh on 10.03.2025. The land is located at 3.6 kms (aerial distance) from the local limits of municipality whose population was 600000 according to the last preceding census. It was acquired by her on 30.06.2014 for ₹ 18 lakh. She also sold a vacant land located in urban area for ₹ 75 lakh in June, 2024 and the value of land for stamp duty purposes was ₹ 80 lakh. This vacant land was obtained as gift from her father in May 2013 which was originally acquired by her father in October, 2001 for ₹ 12 lakh. The Fair Market Value (FMV) of the vacant land in May 2013 was ₹ 40 lakh. Kavita deposited ₹ 30 lakh in section 54EC bonds on 25.03.2025.

Cost inflation index: F.Y. 2001-02 = ₹100; F.Y.2013-14 = ₹220; F.Y.2014-15 = ₹240, F.Y.2024-25 = ₹363.

Under the Income Tax Act, 1961 compute income from capital gains in the hands of Kavita for the assessment year 2025-26. She does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

Answer**Capital gain in the hands of Kavita for the Asst. Year 2025-26**

	₹	₹
Sale of urban vacant land:		
Sale consideration	75,00,000	
Value of land for stamp duty purposes	80,00,000	
Since the difference between the sale consideration and value for stamp duty purposes is less than 10%, Actual sale consideration to be adopted as deemed sale consideration.	75,00,000	
Less: Indexed cost of acquisition $[12,00,000 \times 363/100]$	43,56,000	31,44,000
Sale of agricultural land:		
Since the land is located within 6 kms from the local limits of municipality and the population as per the preceding census is more than ₹1 lakh but less than ₹10 lakhs, it is a capital asset liable for capital gain (loss) upon transfer.		
Sale consideration	40,00,000	
Less: Cost of acquisition [No indexation benefit as asset was transferred after 23.07.2024]	18,00,000	22,00,000
		53,44,000
Less: Deduction under section 54 EC		
As the investment was made on 25.03.2025 which is more than 6 months from the date of transfer in respect of urban vacant land, no deduction would be considered against such long-term capital gain.		
However, the agricultural land sold in March, 2025 is eligible for the exemption limited to the capital gain. Thus, the deposit of ₹30 lakhs would however entitle the taxpayer to claim only ₹22.00 lakhs as deduction.		22,00,000
Long-term capital gain		31,44,000

**Q 34****MTP Dec 24**

Shiv has jewellery acquired on 17/07/2010 for ₹ 5,00,000. On 18/08/2013 Shiv incurred improvement expenditure on such jewellery by adding diamond to it worth ₹ 3,00,000. On 18/08/2021, he transferred such jewellery to his friend Mona for ₹ 40,00,000. Shiv already has a self-occupied house property in Lucknow; however on 17/03/2022 he purchased another residential house property for ₹30,00,000 for the purpose of letting out. As on 5/04/2023, his friend offered him house worth ₹25,00,000 (Value for Stamp duty purpose is only ₹ 14,00,000/-) for ₹15,00,000 only & Shiv purchased the same. On 7/04/2024, Shiv sold the new house acquired from his friend for ₹19,00,000. Value determined for the purpose of stamp duty purposes ₹ 22,00,000 and market value as on the date of transfer is ₹ 26,00,000. Calculate capital gain in hands of Shiv for several years.

Answer

Computation of capital gain of Shiv for the A.Y. 2022-23:

Particulars	Working	Details (₹)	Amount (₹)
Sale consideration for jewellery			40,00,000
Less: Expenditure on transfer			Nil
Net Sale consideration			40,00,000
Less: Indexed cost of acquisition	$\text{₹ } 5,00,000 \times 317 / 167$	9,49,102	
Less: Indexed cost of improvement	$\text{₹ } 3,00,000 \times 317 / 220$	4,32,273	13,81,375
Long term capital gain			
Less: Exemption u/s 54F [$\text{₹}30,00,000 / \text{₹}40,00,000 \times \text{₹ } 26,18,625$]			19,63,969
Taxable Long term capital gain			6,54,656

Computation of capital gain of Shiv for the A.Y. 2024-25: Since the assessee acquired another house property therefore the earlier exemption availed u/s 54F shall be revoked and shall be liable to long term capital gain. Hence taxable long-term capital gain for the A.Y.2024-25 is ₹ 19, 63,969.

Computation of capital gain of Shiv for the A.Y. 2025-26

Particulars	₹	₹
Sale consideration	Value determined for Stamp duty [Sec. 50C]	22,00,000
Less: Expenditure on transfer		Nil
Net sale consideration		22,00,000
Less: Cost of acquisition	15,00,000	
Less: Cost of improvement	Nil	15,00,000
Short term capital gain		7,00,000



Q 35

MTP Dec 24

Sunil has a house property acquired on 7/07/1995 for ₹ 3,00,000. He incurred improvement expenditure on such property ₹ 70,000 on 16/08/2000 and ₹ 50,000 on 17/07/2010. Market value of such property as on 1/04/2001 is ₹ 4,50,000. On 16/08/2013, such property is compulsorily acquired by the Government and compensation decided at ₹ 11,50,000. 20% of the compensation received on 31/03/2024 and balance on 2/06/2024. On further appeal, on 16/08/2024 enhanced compensation is declared by the Government ₹ 2,00,000. Expenditure incurred to get enhanced compensation is ₹ 11,000. Such compensation received on 18/08/2025. Compute income under the head Capital Gains of Sunil for the assessment year 2024-25, 2025-26 and 2026-27.

Answer

Computation of capital gains of Sunil for the A.Y. 2024-25:

Particulars	Working	Details (₹)	Amount (₹)
Sale consideration			11,50,000 ¹
Less: Expenses on transfer			Nil
Net sale consideration			11,50,000
Less: i) Indexed cost of acquisition	₹ 4,50,000 ² * 220 ⁴ /100	9,90,000	
ii) Indexed cost of improvement ³	₹ 50,000 * 220 ⁴ /167	65,868	10,55,868
Long Term Capital Gain			94,132
1. The initial compensation (i.e. ₹ 11,50,000) decided by the Government shall be treated as sale consideration. 2. Cost of acquisition is the original cost of acquisition (i.e. ₹ 3,00,000) or Fair market value as on 1/04/2001 (i.e. ₹ 4,50,000) whichever is higher. 3. Cost of improvement incurred before 1/04/2001 is to be completely ignored. 4. Though the property was compulsorily acquired by the Government in the P.Y 2013-14 but the compensation was received in the P.Y.2023-24, therefore the amount shall be taxable in the P.Y. 2023-24, however indexation benefit shall be available till the previous year 2013-14.			

Computation of capital gains of Mr. Sunil for the A.Y. 2025-26: As the assessee has not received enhanced compensation during the P.Y.2024-25, hence nothing is taxable in the A.Y. 2025-26.

Computation of capital gains of Mr. Sunil for the A.Y. 2026-27:

Particulars	Working	Details (₹)	Amount (₹)
Sale consideration	Enhanced compensation		2,00,000
Less: Expenses on transfer			11,000
Net sale consideration			1,89,000
Less: i) Indexed cost of acquisition		Nil	
ii) Indexed cost of improvement		Nil	Nil
Long Term Capital Gain			1,89,000

In case of enhanced compensation, the cost of acquisition shall be taken as nil and the nature of capital gain shall be same as that of initial compensation.

**Q 36****PTP Dec 24**

Mrs. Parul sold her commercial plot (land) on 1st January, 2025 for ₹ 86,00,000. Value determined for the purpose of stamp duty is ₹ 80,00,000.

Such plot is acquired on 1st April, 2006 for ₹ 1,05,000. Brokerage paid on purchase and transfer of said land are ₹ 5,000 and ₹ 86,000 respectively.

On 1st March, 2025, Mrs. Parul purchased Power Finance Corporation (PFC) Limited bonds of ₹ 60,00,000.

You are required to compute income taxable under the head 'Capital Gains' for Assessment Year 2025-26 in the hands of Mrs. Parul. Assuming Mrs. Parul exercise the option of shifting out of the default tax regime provided under section 115BAC of the Income Tax Act, 1961.

Cost inflation index for the various financial years are as under:

2005-2006	:	117
2006-2007	:	122
2007-2008	:	129
2024-2025	:	363

Indicate clearly the reasons for treatment of each item.

Answer

Computation of capital gain in the hands of Mrs Parul for the Assessment Year 2024-25

Particulars	₹	₹
Actual sale consideration	86,00,000	
Value adopted for stamp duty	86,00,000	
Value adopted for stamp duty		86,00,000
Less: - Brokerage paid on transfer		86,000
Net sale consideration		85,14,000
Less: - Cost of acquisition [Indexation benefit not available]		1,10,000
Long term capital gain		84,04,000
Less: - Exemption under section 54EC (But restricted to ₹ 50,00,000)		50,00,000
Taxable Long term capital gain		34,04,000

Option 1- Tax @12.5% on LTCG computed without indexation- $34,04,000 \times 12.5\% = 4,25,500$

Option 2- Tax @20% on LTCG computed with indexation- $(85,14,000 - 3,27,295 - 50,00,000) \times 20\% = 6,37,341$

Note- Indexed cost of acquisition $1,10,000 \times 363/122 = 3,27,295$

Hence it is better to not opt for indexation as the tax payable is lower in **option 1**.

**Q 37****MTP June 25**

On 23rd June, 2024, Rajat sold gold, the sale consideration of which was ₹15,00,000. He had acquired this gold on 20th August, 2000 for ₹4,00,000. Fair market value of that gold on 1st April, 2001 was ₹3,60,000. Compute the amount of capital gain chargeable to tax for the assessment year 2025-26. Also compute if such asset was transferred by him on 23-12-2024.

Answer

When capital asset is transferred prior to 23-07-2024:

Computation of Capital Gains of Rajat for the A.Y. 2025-26

Particulars	Working	₹
Sale consideration		15,00,000
Less: Expenses on transfer		Nil
Net Sale consideration		15,00,000
Less: Indexed cost of acquisition	₹ 4,00,000* × 363/100	14,52,000
Long term capital gain		48,000
Tax before surcharge and cess [₹ 48,000 × 20%]		9,600

* If an asset is acquired before 1/4/2001 then its cost of acquisition will be higher of the following:

- Actual cost of acquisition; or
- Fair market value of the asset as on 1/4/2001

When capital asset is transferred on or after 23-07-2024:

Computation of Capital Gains of Rajat for the A.Y. 2025-26

Particulars	₹
Sale consideration	15,00,000
Less: Expenses on transfer	Nil
Net Sale consideration	15,00,000
Less: cost of acquisition	4,00,000
Long term capital gain	11,00,000
Tax before surcharge and cess [₹ 11,00,000 × 12.5%]	1,37,500

**Q 38****MTP June 25**

Sunil has a house property acquired on 7/07/1995 for ₹3,00,000. He incurred improvement expenditure on such property ₹70,000 on 16/08/2000 and ₹50,000 on 17/07/2010. Market value of such property as on 1/04/2001 is ₹4,50,000.

On 16/08/2020, such property is compulsorily acquired by the Government and compensation decided at ₹21,50,000. 20% of the compensation received on 31/03/2025 and balance on 2/06/2025. On further appeal, on 16/08/2025 enhanced compensation is declared by the Government ₹2,00,000. Expenditure incurred to get enhanced compensation is ₹11,000. Such compensation is received on 18/08/2026. Compute income under the head Capital Gains of Sunil for the assessment year 2025-26, 2026-27 and 2027-28.

Answer

Computation of capital gains of Sunil for the A.Y. 2025-26

Particulars	Working	Details	Amount
Sale consideration			21,50,000 ⁴
Less: Expenses on transfer			Nil
Net Sale consideration			21,50,000
Less: i) Indexed cost of acquisition	$\text{₹ } 4,50,000^5 \times 301^6 / 100$	13,54,500	
ii) Indexed cost of improvement ⁷	$\text{₹ } 50,000 \times 301^3 / 167$	90,120	14,44,620
Long term capital gain			7,05,380

Computation of capital gains of Mr. Sunil for the A.Y. 2026-27: As the assessee has not received enhanced compensation during the P.Y. 2025-26, hence nothing shall be taxable in the A.Y. 2026-27.

Computation of capital gains of Mr. Sunil for the A.Y. 2027-28

Particulars	Working	Details	Amount
Sale consideration	Enhanced Compensation		2,00,000
Less: Expenses on transfer			11,000
Net Sale consideration			1,89,000
Less: i) Indexed cost of acquisition		Nil	Nil
ii) Indexed cost of improvement		Nil	Nil
Long term capital gain			1,89,000

In case of enhanced compensation, the cost of acquisition shall be taken as nil and the nature of capital gain shall be same as that of initial compensation.

4. The initial compensation (i.e. ₹ 11,50,000) decided by the Government shall be treated as sale consideration.

5. Cost of acquisition is the original cost of acquisition (i.e. ₹ 3,00,000) or Fair market value as on 1/04/2001 (i.e. ₹ 4,50,000) whichever is higher.

6. Though the property was compulsorily acquired by the Government in the P.Y. 2020-21 but the compensation was received in the P.Y. 2024-25, therefore the amount shall be taxable in the P.Y. 2024-25, however indexation benefit shall be available till the previous year 2020-21 as transfer has taken place before 23-07-2024.

7. Cost of improvement incurred before 1/04/2001 is to be completely ignored.



Q 39

PTP June 25

Mr. Devendra, a resident Indian aged 55 years, held 10,000 shares of Pulse Ltd., an Indian listed company since 1st February, 2021, bought for ₹1,500 per share. On 1st May, 2024, the company announced right shares issue in the ratio of 1:1 for ₹1,200 per share. On this date, the market price of its share was ₹1,900 per share. Mr. Devendra sold 5,000 right entitlements to Mr. Prakash Singh for ₹500 per right entitlement on 12th May, 2024. Mr. Devendra himself exercised his right for the remaining shares on 31st May, 2024. On the date of exercising this option, the market price of the shares was ₹ 2,000 per share.

On 12th December, 2024, Mr. Devendra sold all the 15,000 shares for ₹2,500 per share. He invested ₹4,00,00,000 in the acquisition of a new residential house on 24th January, 2025, by utilising the sale proceeds from the sale of shares as well as the right entitlement. Mr. Devendra does not own any other residential house on the date of purchase of this house.

You are required to compute income taxable under the head "Capital Gains" for Assessment Year 2025-26 in the hands of Mr. Devendra assuming he opted for new default tax regime under section 115BAC of the Income Tax Act, 1961. Short-Term and Long-Term Capital gain should be calculated separately.

Cost Inflation Index (CII) for the various financial years are as under:

Financial Year 2020-21 : 301

Financial Year 2024-25 : 363

Answer

Computation of Capital gains in the hands of Mr. Devendra for the AY 2025-26	₹
(i) Sale of original shares	
Sale of original shares (Long-term capital gains since held for more than 12 months)	
Sale consideration (10,000 shares x ₹ 2,500)	2,50,00,000
Less Cost of acquisition (10,000 shares x ₹ 1,500)	1,50,00,000
Long-Term Capital Gains	1,00,00,000
Less: Exemption under section 54F (Since entire net sale consideration was invested)	1,00,00,000
Taxable LTCG	Nil
(ii) Sale of right shares	₹
Sale consideration (5,000 shares x ₹ 2,500)	1,25,00,000
Less Cost of acquisition (5,000 shares x ₹ 1,200)	60,00,000
Short-term Capital Gains	65,00,000
(iii) Sale of right entitlement	
Sale consideration (5,000 x ₹ 500 per entitlement)	25,00,000
Less: Cost of acquisition	Nil
Short-term capital gain – as the right is held only for 12 days	25,00,000
Note: Exemption under section 54F is not available on short-term capital gains.	



Chapter 7

Income From Other Sources

Q1

ICMAI Study Material

Sunder died on 31st July 2024 while being in Central Government service. In terms of rules governing his service, his widow Mrs. Sunder is paid a family pension of ₹ 10,000 p.m. and dearness allowance of 40% thereof. State whether the amount of family pension is assessable in her hands, and if so, under what head of income. Can she claim any relief/deduction on such receipt? Compute taxable income for the assessment year 2025-26 and tax thereon.

Answer

Computation of gross total income of Mrs. Sunder for the A.Y.2025-26

Particulars	Old Regime		Default Regime	
	Details	Amount	Details	Amount
Income from other sources				
Family pension [(₹ 10,000 + ₹ 4,000) x 8] [From 01-08-2024 to 31-03-2025]		1,12,000		1,12,000
Less: Standard deduction being minimum of the following:				
a) 1/3rd of the pension	37,333		37,333	
b) Statutory limit	15,000	15,000	25,000	25,000
Total Income		97,000		97,000
Tax on above		Nil		Nil

It is assumed that other income of Mrs. Sunder is nil.

Q2

ICMAI Study Material

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

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



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Letting out of vacant land	25,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of C.A	10,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹ 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹ 12,000)	20,000
Income tax paid	2,000
Payment made for personal expenses	18,000
Payment made to LIC as premium	2,000

Answer

Computation of income of Mrs. X under the head Income from other source for the A.Y. 2025-26

Particulars	Details	Amount
Private tuition fee received		10,000
Casual income		
Winning from lottery		2,000
Award from KBC (a TV show) [Gross]		3,20,000
Pension	25,000	
Less: Standard deduction		
1) 1/3rd of amount received (i.e. ₹ 8,333)		
2) ₹ 15,000	8,333	16,667
Interest on bank deposit		25,000
Director's fee		5,000
Letting out of vacant land		25,000
Remuneration for checking the examination copy of employer school	Taxable as Salary	--
Remuneration for checking examination copy of CA		10,000
Income tax refund	Not an income	--
Interest on income tax refund		100
Composite rent	10,000	
Less: Expenditure	5,000	5,000
Rent on sub-letting of house property	20,000	
Less: Rent paid to original owner	12,000	8,000
Income from Other Source		4,26,767

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

**Q 3****ICMAI Study Material**

Shri Anil follows cash basis of accounting and has furnished the Receipts & Payment A/c of previous year 2024-25 for computing his income:

Particulars	Receipts	Payments
Interest on listed debenture of A Ltd.	18,000	
Letting of building & machinery @ ₹ 15,000 p.m. under a composite lease	1,50,000	
Collection charges		1,000
Repairs		5,000
Capital repairs		16,000
Interest paid outside India without deducting tax on loan taken for construction of building		8,000
Gift from father	6,000	
Ground rent received (related to financial year 2023-24)	600	

The following additional information are also provided -

Allowable depreciation on Building and Machinery - ₹ 4,000

Fire Insurance on Building and Machinery (not paid) - ₹ 1,000

Answer

Particulars	Details	Details	Amount	Amount
Interest on debenture of A Ltd.	₹ 18,000 / 90%			20,000
Interest received on letting of assets			1,50,000	
Less: Expenses paid				
Collection charges		1,000		
Repair		5,000		
Capital repairs		Nil		
Depreciation		4,000	10,000	1,40,000
Gift from father [As received from relative]				Nil
Ground rent received				600
Income from other source				1,60,600

**Q 4****PTP Dec 22**

Rupesh furnishes you the following details for the financial year 20XX-XY:

Particulars	₹
Director sitting fees from Sky (P) Ltd	50,000
Dividend from Indian companies	1,20,000
Interest on moneys borrowed for purchase of shares from which dividend income was earned.	60,000
Interest on Public Provident Fund Ale	80,000
Rent received for sub-letting a leasehold house property	1,00,000
Lease rent for the sublet leasehold property	36,000
Gift received from relatives on the occasion of marriage	55,000
Gift received from non-relatives on the occasion of marriage	80,000
Gift received from friends on the occasion of 25th birthday	60,000
Fixed deposit interest from PSU banks	16,000
Savings bank account interest	12,000
Net Agricultural income from land in Malaysia	1,60,000

Compute total income of Rupesh for the assessment year 20XY-XZ.

Answer

Total Income	₹4,48,000

Particulars	₹
Director sitting fees from Sky (P) Ltd	50,000
Dividend from Indian companies	1,20,000
Less: Interest expense incurred to earn dividend income (restricted to 20% of dividend income)	(24,000)
Interest on PPF- Exempt u/s10	80,000
Rent received for sub-letting a leasehold house property	1,00,000
Less: Lease rent for the sublet leasehold property	(36,000)
Gift received from relatives on the occasion of marriage	-
Gift received from non-relatives on the occasion of marriage	-
Gift received from friends on the occasion of 25th birthday	60,000
Fixed deposit interest from PSU banks	16,000
Savings bank account interest	12,000
Net Agricultural income from land in Malaysia	1,60,000
Gross Total Income	4,58,000
Less: Deduction u/s 80TTA - interest on savings account	(10,000)
Total income	4,48,000

**Q 5****PTP June 23 (Old)**

Examine the following transactions in the context of Income-tax Act, 1961:

- (i) Mr. Mandella transferred 300 shares of Beautiful Africa Pvt Ltd. to Nelson Pvt. Ltd. on 12.9.20XX for ₹ 6,00,000 when the market price was ₹ 10,00,000. The indexed cost of acquisition of shares for Mr. Mandella was computed at ₹ 8,90,000. The transfer was not subjected to securities transaction tax. Determine the income chargeable to tax in the hands of Mr. Mandella and Beautiful Africa Pvt Ltd. because of the above transaction.
- (ii) Mr. Ramakrishna Hedge is employed in a company with taxable salary income of ₹ 4,00,000. He received a cash gift of ₹ 1,75,000 from WE CAN Charitable Trust (registered under section 12AB) in March 20XX for meeting his medical expenses. Is the cash gift so received from the trust chargeable to tax in the hands of Mr. Ramakrishna Hedge?

Answer

- (i) **Transfer of unquoted equity shares for inadequate consideration:**

Any movable property received for inadequate consideration by any person is chargeable to tax under section 56(2)(x), if the difference between aggregate Fair Market Value of the property and consideration exceeds Rs. 50,000. Thus, share received by Nelson (P) Ltd. from Mr. Mandella for inadequate consideration is chargeable to tax under section 56(2)(x) to the extent of Rs. 4,00,000. As per section 50CA, since, the consideration is less than the fair market value of unquoted shares of Beautiful Africa (P) Ltd., fair market value of shares of the company would be deemed to be the full value of consideration. It is presumed that the shares of Beautiful Africa (P) Ltd are unquoted shares. The full value of consideration (Rs. 10,00,000) less the indexed cost of acquisition (Rs. 8,90,000) would result in a long-term capital gain of Rs. 1,10,000 in the hands of Mr. Mandella.

- (ii) **Taxation under sec. 56(2) (x) of money received from a charitable Trust:**

The provisions of section 56(2)(x) would not apply to any sum of money or any property received from any trust or institution registered under section 12AB. Cash gift of Rs. 1,75,000 received from WE CAN, being a trust registered under section 12AB, for meeting medical expenses and such amount would not be chargeable to tax under section 56(2)(x) in the hands of Mr. Ramakrishna Hedge.

Q 6**MTP June 23 (New)**

Mrs. Mala, resident and ordinarily resident, furnishes the following information for the previous year 20XY-XZ. Compute her income from other sources for the assessment year 20XY-XZ.

- (i) Winning from lottery received ₹ 1,40,000 (expenses incurred ₹ 2,000).
- (ii) Gift received from one of her friend on the occasion of marriage of her son Mr. Bala ₹ 1,01,000
- (iii) Dividend from Tata Steel ₹ 30,000. Interest of ₹ 10,000 paid on borrowed capital for investment in shares.
- (iv) Family pension received ₹ 48,000.
- (v) Income from agriculture land situated in Bangladesh ₹ 24,000.



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Answer**Computation of Income from Other Sources of Mrs. Mala for the A.Y. 20XY-XZ**

Particulars	₹	₹
Winning from lottery [₹ 1,40,000/70%]		2,00,000
Gift received at the time of marriage ceremony		1,01,000
Dividend from Tata Steel	30,000	
Less: Interest [Subject to maximum of 20% of dividend income]	6,000	24,000
Family Pension	48,000	
Less: Standard Deduction [Lower of ₹ 15,000 or 1/3rd of pension]	15,000	33,000
Income from agriculture land situated in Bangladesh		24,000
Income from Other Sources		3,82,000

It is assumed that she is an ordinarily resident

Q7**MTP Dec 23 (New)**

Bose has following incomes for the year ending 31st March 20XY:

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

Compute income from other sources for the assessment year 20XY-XZ.

Note: 1. Moreover, as per section 194, tax on dividend is required to be deducted at the time of payment.

Answer**Computation of income from other sources for the Assessment Year 20XY-XZ**

Particulars	₹
Interest (tax free) $[1,00,000 \times 10\% \times \frac{110}{100}]$	11,000
Interest (less tax)	-
Interest (unlisted) $[18,000 \times \frac{110}{90}]$	22,000
Interest (listed) $[13,500 \times \frac{100}{90}]$	15,000



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Family Pension	42,000
Gifts (upto ₹ 50,000)	-
(-) Standard Deduction [1/3 of ₹42000 or ₹15000]	14,000
(-) Interest @ 2% [₹ (10,000,+18000+13500)]	830
Income from other sources	73,170

Q 8**MTP Dec 23 (New)**

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

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

Answer

Computation of income of Mrs. X under the head Income from other source for the A.Y. 20XY-XZ:

Particulars	₹	₹
Private tuition fee received		10,000
Casual income		
Winning from lottery		2,000
Award from KBC (a TV show) [Gross]		3,20,000
Pension	25,000	
Less: Standard deduction		
(i) 1/3rd of amount received (i.e. ₹ 8,333)		



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

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

Q 9**PTP Dec 23 (New)**

Ms. Sonali, submits the information of following transaction/income during the previous year 20XX-XY:

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

You are required to compute the income of Ms. Sonali chargeable under the head "Income from other sources" for A.Y. 20XY-XZ. Ms. Sonali does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

**Answer**

Income from Other Sources of Ms Sonali for the A.Y. 20XY-XZ = ₹ 1,19,200

S. No.	Particulars	₹
i.	Interest on Post Office Saving Bank Account - Exempt u/s 10	-
ii.	Winnings from lotteries - taxable on gross basis (28,840/70%)	41,200
iii.	Received a motor car as gift from her friend on the occasion of her birthday- motor car is not a property so not taxable u/s 56(2)(x)	-
iv.	Cash gift of ₹ 15,000 each from her four friends (15,000*4)	60,000
v.	Income from undisclosed source	10,000
vi.	Rent received from sub-letting of house property (30,000- 22,000)	8,000
	Income from other sources	1,19,200

Q10**MTP June 24**

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

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

Compute income from other sources of Mr. Ratnam.

Answer

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

Particulars	₹	₹	₹	₹
Dividend			11,00,000	
Less: Interest Expenditure being lower of the following				
Actual Interest Expenses	3,00,000			
20% of dividend	2,20,000	2,20,000		
Less: Collection Charges			2,20,000	8,80,000
Family pension			1,68,000	
Less: Standard Deduction (Being lower of the following)				
- 1/3rd of Pension		56,000		



- ₹ 15,000		15,000	15,000	1,53,000
Sub-letting of House			35,000	
Less: Expenses				
- Payment of Rent		20,000		
- Other Expenses		7,500	27,500	7,500
Lottery income [₹ 35,000 / 70%]				50,000
Income from Other Sources				10,90,500

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

Q11**PTP June 24**

Mrs Bharti (aged 50 years), submits the information of following transaction/income during the previous year 2023-2024:

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

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

Answer

Income from Other Sources of Mrs Bharti for the A.Y. 2024-2025

S. No.	Particulars	₹	₹
i.	Dividend received from co-operative society	11,00,000	15,000
ii.	Winning from game show 'Kaun Banega Punji-Pati' (Net of taxes)		1,25,000
iii.	Family pension received from employer of deceased husband	60,000	45,000
		15,000	



iv.	She purchased a painting for ₹ 65,000, although fair market value (FMV) was ₹ 80,000 Difference does not exceed ₹ 50,000, hence not taxable		Nil
v.	Rent of a factory building along with plant and machinery i.e., composite rent Less: - Repairs Insurance Depreciation on factory building Depreciation on plant & machinery	95,000 2,000 2,500 5,000 3,500	82,000
vi.	Rent received from a vacant plot of land		80,000
vii	Interest received on loan given to relative		7,500
Income taxable under the head Income from other sources			3,54,500

Q12**MTP Dec 24**

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

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

Answer

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

Particulars	Details (₹)	Amount (₹)
Private tuition fee received		10,000
Casual income:		
Winning from lottery		2,000
Award from KBC (a TV show) [Gross]		3,20,000
Pension:	25,000	
Less: Standard deduction		
1) 1/3rd of amount received (i.e. ₹ 8,333)		
2) ₹ 15,000	8,333	16,667



Interest on bank deposit		25,000
Director's fee		5,000
Letting out of vacant land		25,000
Income from Other Source		4,03,667

Q13**MTP Dec 24**

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

Particulars	Amount (₹)
Pension from employer of deceased husband	21,000
Remuneration for checking the examination copy of employer's school	10,000
Remuneration for checking the examination copy of CMA	15,000
Income tax refund	5,000
Interest on income tax refund	100
Composite rent (related expenditures are ₹ 5,000)	10,000
Rent on sub-letting of house property (rent paid to original owner ₹ 12,000)	20,000

Answer

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

Particulars	Details (₹)	Amount (₹)
Pension from employer of deceased husband	21,000	
Less: Standard deduction		
1) 1/3rd of amount received (i.e. ₹ 7,000)		
2) ₹ 15,000	7,000	14,000
Remuneration for checking the examination copy of employer's school	Taxable Salary	—
Remuneration for checking the examination copy of CMA		15,000
Income tax refund	Not an income	—
Interest on income tax refund		100
Composite rent	10,000	
Less: Expenditure	5,000	5,000
Rent on sub-letting of house property	20,000	
Less: Rent paid to original owner	12,000	8,000
Income from Other Source		42,100

**Q14****PTP Dec 24**

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

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

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

Answer

Particulars	₹	₹
Amount received from evaluation of answer books of professional examinations	70,000	
Less: Expenses	1,200	
Net income		68,800
Interest on income-tax refund		7,000
Cash gift received from his friend on his marriage anniversary Gift received on marriage is exempt but on anniversary is taxable since it is more than ₹ 50,000, entire amount is taxable		76,000
Amount received from his son, Mr. Abhijit		Nil
Amount received from letting out of residential house property		Nil
Dividend received (gross) from listed Indian companies	65,000	
Less: Interest maximum allowed is 20% of dividend amount	13,000	
		52,000
Income from other sources		2,03,800

**Q15****MTP June 25**

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

- Gift of Sculptures worth ₹51,000/- on his birthday from his friend
- Received a car from his cousin on payment of ₹3,00,000/-. FMV of which was ₹3,60,000/-
- Received cash gift of ₹20,000/- each from three of his friends A, B and C on 24.09.2024
- Acquired an office building on 12.12.2024 from his friend Raj for a consideration of ₹12 lakhs, stamp value of which is ₹15 lakhs.
- In respect of Land of Mr. Jyoti acquired by Government in the year 2015, he received the following amount on 15.12.2024 as interest on enhanced compensation on the order of the court-

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

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

Answer

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

S. No.	Particulars	₹
i.	Since sculptures is included in the definition of "Property", therefore, when sculptures is received without consideration, the same is taxable under section 56(2)(x) as the aggregate FMV of sculptures exceeds ₹50,000/-	51,000
ii.	Since car is not included in the definition of "property", therefore the difference of ₹3 Lakhs between FMV and purchase price of car is non-taxable under section 56(2)(x)	Nil
iii.	Cash gifts received from friends is taxable u/s 56(2)(x), since its aggregate value exceeds ₹50,000/- (i.e ₹20,000×3)	60,000
iv.	Immovable property (office building) purchased for inadequate consideration is taxable u/s 56(2)(x). Therefore the difference of ₹3 Lakhs between SDV and purchase price of building is taxable u/s 56(2)(x)	2,02,500
v.	As per section 145B interest received during the year on enhanced compensation shall be deemed to be the Income of the year in which such interest is received irrespective of the method of accounting followed by the Assessee. Hence, the interest received by Mr Jyoti is taxable in P.Y. 2024-25 (₹1,25,000 + ₹1,65,000 + ₹1,15,000 = ₹4,05,000) Less: Deduction u/s 57 @ 50% of ₹4,05,000 (₹2,02,500)	2,02,500
	Income from Other Sources	6,13,500

**Q16****MTP June 25**

Mrs. Rajani who draws salary of ₹18,000 p.m. received the following gifts during the previous Year 2024- 25.

1. Gift of ₹75,000/- from her sister-in-law.
2. Gift of ₹21,000 from her husband's friend on 01.02.2025.
3. Gift of ₹51,000/- each received from her two friend on the occasion of her marriage.
4. Gift of jewellery worth ₹3,00,000/- on 01.08.2024 from her fiancée.
5. Gift of ₹51,000 on 01.12.2024 from her father's sister.
6. Gift of ₹11,000 on 01.06.2024 from her brother's father-in-law.
7. Gift of ₹1,50,000 on 01.07.2024 from her close friend.

Compute her Gross Total Income for A.Y. 2025-26. Assume assessee opt out from default tax regime u/s 115BAC.

Answer

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

Particulars	₹	₹
Income from Salary:		1,66,000
Salary (₹18,000×12) Less Standard Deduction u/s 16 (₹ 50,000)		
Income From Other Sources:		
Gift from her sister-in-law (husband's sister is exempt as the donor is covered in the definition of 'relative')	Nil	
Gift from her husband's friend is taxable	21,000	
Gift received from her two friends are exempt as it's received on the occasion of her marriage	Nil	
Gift of jewellery is taxable as jewellery is included in the definition of property u/s 56(2)(x) & FMV exceeds ₹50,000	3,00,000	
Gift from her father's sister is exempt as the donor is covered in the definition of "relative"	Nil	
Gift from her brother's father-in-law is taxable as the donor is not covered in the definition of "relative"	11,000	
Cash gift from her close friend is taxable	1,50,000	4,82,000
Gross Total Income		6,48,000

**Q17****PTP June 25**

Mr. Sharad, a resident individual, aged 51 years provides the details of following transaction/income related to the previous year 2024-25.

S. No.	Particulars	₹
i.	Interest earned on Central government securities	50,000
ii.	Token money received for sale of house property, (it was forfeited as negotiations cancelled)	1,00,000
iii.	Dividend from Co-operative society (Gross)	15,000
iv.	Lumpsum amount withdrawn from unrecognized provident fund whose breakup is as below: Accumulated Employer's contribution = ₹85,000 Accumulated Employee's contribution = ₹80,000 Accumulated interest on employer's contribution = ₹25,000 Accumulated interest on employee's contribution = ₹20,000	2,10,000
v.	Lottery income received (Net)	35,000
vi.	Purchased from Mr.Sonu (his friend) jewellery for ₹ 50,000 (Fair market value ₹85,000) and a diamond for ₹20,000 (Fair market value ₹36,000)	70,000

He has taken loan for investment in shares of Co-operative society from which dividend income is earned. On this loan an interest of ₹2,500 was paid during the previous year. Compute the income of Mr. Sharad chargeable under the head "Income from other sources" for the Assessment Year 2025-26 assuming that he exercised the option of shifting out of the new default tax regime provided under section 115BAC of the Income Tax Act, 1961. Reason for the treatment of each item should form part of your answer.

Answer

Computation of income chargeable under Income from Other Sources of Sharad for the AY 2025-26

Particulars	₹	₹
Interest earned on Central Government securities.		50,000
Token money received for sale of house property, forfeited.		1,00,000
Dividend received from Co-operative society.	15,000	
Less: Interest on loan taken for investment in shares of Co-operative Society.	2,500	
		12,500
Lottery income -grossed up. ₹ 35,000 X 100 / 70		50,000
Interest from employee's contribution to unrecognized provident fund upon withdrawal.		20,000
Accumulated balance of employee's contribution withdrawn from unrecognized provident fund – not taxable.		Nil
Interest from unrecognized provident fund in respect of employer's contribution taxable under the head 'Salary' hence not considered.		Nil



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Accumulated balance of employer's contribution upon withdrawal from unrecognized provident fund taxable under the head 'salary' hence not considered.		Nil
Acquisition of movable property for inadequate consideration:		
Fair market value of jewellery	85,000	
Fair market value of diamond	36,000	
	1,21,000	
Less: Consideration paid		
For jewellery ₹ 50,000 + for diamond ₹ 20,000	70,000	
		51,000
Income from other sources		2,83,500



Chapter 8

Clubbing of Income

Q1

ICMAI Study Material

Mr. & Mrs. X have three children and two of them are not studying. Both Mr. & Mrs. X are working in A Ltd. and getting children education allowance ₹ 500 per month and hostel allowance ₹ 1,000 per month. Compute taxable children education allowance and hostel allowance, if they opt for old regime.

Answer

Computation of taxable allowance of Mr. & Mrs. X for the A.Y. 2025-26:

Particulars	Mr. X		Mrs. X	
	Details	Amount	Details	Amount
Education allowance (₹ 500 × 12)	6,000		6,000	
Less: Exemption (₹ 100 × 12 × 2)	2,400	3,600	2,400	3,600
Hostel Allowance (₹ 1,000 × 12)	12,000		12,000	
Less: Exemption (₹ 300 × 12 × 2)	7,200	4,800	7,200	4,800
Taxable Allowance		8,400		8,400

Q2

ICMAI Study Material

Mr. Das retired on 31/3/2025. At the time of retirement, 18 months leave was lying to the credit of his account. He received leave encashment equivalent to 18 months Basic salary ₹ 1,26,000. His employer allows him 1 1/2 months leave for every completed year of service. During his tenure, he availed of 12 months leave. At the time of retirement, he also gets D.A. ₹ 3,000. His last increment of ₹ 1,000 in basic was on 1/4/2024. Find taxable leave encashment.

Answer

Working :

Calculation of completed year of service: Employee has received 18 months leave encashment on termination of service as well he had enjoyed leave of 12 months during his tenure. That means he had received a leave benefit of 30 months. Since leave allowed by employer is 1 1/2 months for every completed year of service, this signifies that Mr. Das had completed 20 years (being 30/1 1/2) of service.

Salary here means, Basic + DA + Commission, being last 10 months average from the date of retirement. There is no increment in last 10 months (last increment was on 1/4/2024) and there is no commission, hence Average Salary = ₹ 7,000 (i.e. ₹ 1,26,000/18) + ₹ 3,000 = ₹ 10,000 p.m.



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Computation of taxable leave encashment of Mr. Das for the A.Y. 2025-26 :

Particulars	Details	Amount
Leave Encashment received		1,26,000
Less: Minimum of the following is exempt u/s 10(10AA)(ii):		
a) Actual amount received	1,26,000	
b) Statutory Amount	25,00,000	
c) 10 months × Av. Salary p.m. (10 × 10,000)	1,00,000	
d) {1 × completed year of service - Leave taken} × Avg. salary p.m. [{1 × 20 - 12} × ₹ 10,000]	80,00	80,000
Taxable Leave Encashment		46,000

Q 3**ICMAI Study Material**

Shri Mayur has two minor children named Lakshmi (age 10) and Sarath (age 14). Following details pertain to the minor children for the year ended 31.03.2025:

- Minor Lakshmi won Carnatic music competition in TV channel and was awarded cash prize of ₹ 2,00,000.
- Minor Lakshmi received cash gifts from friends of Mayur ₹ 43,000. No single gift exceeded ₹ 10,000.
- Minor Sarath received gift of gold chain whose fair market value was ₹ 80,000 from his maternal uncle on the occasion of his 14th birthday. He also received cash gift of ₹ 12,000 from friends of Mayur on his birthday.
- Out of accumulated savings of daughter Lakshmi, one vacant land was acquired. The stamp duty value of the land ₹ 3,60,000. The documented value of the land ₹ 3,20,000.

On the basis of aforesaid information, you are requested to answer the following assuming he has opted for old tax regime:

- What will be the income liable to be clubbed in hands of Shri Mayur on account of Lakshmi?
- What will be the income liable to be clubbed in hands of Shri Mayur on account of Sarath?
- What will be the income liable to be taxed in the hands of Lakshmi?

Answer

(a) ₹ 41,500; (b) ₹ 10,500; (c) ₹ 2,00,000



Q 4

MTP June 23 (New)

Mr. Singh is a trader. Particulars of his income and those of the members of his family are given below. These incomes relate to the previous year ended 31st March, 20XY:

Particulars	₹
Income from business (Mr. Singh's)	90,000
Salary derived from an educational institution by Mrs. Singh. She is the principal of the institution	50,000
Interest on company deposits derived by Master Deep Singh (minor son). These deposits were made in the name of Deep Singh by his father's father about 6 years ago.	12,000
Receipts from sale of paintings and drawings made by minor Dipali Singh (minor daughter of Mr. & Mrs. Singh and noted child artist)	60,000
Income by way of lottery earnings by Master Dipindar Singh (minor son of Mr. Singh)	6,000

Discuss whether the above will form part of the assessable income of any individual and also analyze the same in terms of provisions of income tax law.

Answer

Computation of Total Income for the A.Y. 20XY-XZ

Particulars	Details	Amount (₹)		
		Mr. Singh	Mrs. Singh	Minor Daughter
Salaries				
Salary of Mrs. Singh			50,000	
Profits and gains of business or profession				
Business income		90,00		
Sale of paintings & drawings (made by daughter)				60,000
Income from other sources				
Interest income of 1st minor son	12,000			
Less: Exemption u/s 10(32)	1,500	10,500		
Lottery Income of 2nd minor son	6,000			
Less: Exemption u/s 10(32)	1,500	4,500		
Gross Total Income		1,05,000	50,000	60,000
Less: Deduction under Chapter VI A		Nil	Nil	Nil
Total Income		1,05,000	50,000	60,000

Note:

Income of a minor child shall be clubbed with income of the parent whose total income (excluding this income) is higher - Sec. 64(1A)

**Exceptions:**

The above clubbing provision shall not apply in the following cases -

- The income arises or accrues to the minor child due to any manual work done by him; or
- The income arises or accrues to the minor child due to his skill, talent, specialised knowledge or experience; or
- The minor child is suffering from any disability of nature specified u/s 80U.

Q 5**MTP Dec 23 (old)**

Mr. X gifted 1,000 shares of a non-domestic company worth ₹ 6,00,000 (acquired on 15/3/20XX) to Mrs. X out of natural love and affection as on 15/4/20XX. On 31/1/20XY, Mrs. X received dividend ₹ 60,000 on such shares in India. On 1/2/20XY, Mrs. X sold such shares for ₹ 10,00,000 and received consideration in India.

Show tax treatment, if on 1/2/20XY, Mrs. X invested ₹ 10,60,000 in -

- Case A - A house property from which rent accrued in the previous year 20XX-XY is ₹ 53,000.
- Case B - A newly formed partnership firm and contributed initial capital. Interest received (taxable portion) on such contribution ₹ 13,250 and share of profit ₹ 20,000.
- Case C - A newly started proprietorship business & contributed capital, profit accrued for the year is ₹ 42,400

Answer

Statement showing treatment of provision of sec. 64(1)(iv) in hands of Mr. X for the A.Y. 20XY-XZ

Particulars	Case A		Case B		Case C	
	Mr. X	Mrs. X	Mr. X	Mrs. X	Mr. X	Mrs. X
Dividend from non-domestic company	60,000	-	60,000	-	60,000	-
Short term Capital gain (Note 1)	4,00,000	-	4,00,000	-	4,00,000	-
Income from house property (Note 2)	21,000	16,100	-	-	-	-
Interest on capital in partnership firm (Note 3)	-	-	7,500	5,750	-	-
Share of profit in firm	-	-	-	-	-	-
Exempted u/s 10(2A)]						
Profit from proprietorship business (Note 3)	-	-	-	-	24,000	18,400
Total	4,81,000	16,100	4,67,500	5,750	4,84,000	18,400



Note 1: Computation of capital gain and its treatment

Particulars	₹
Sale consideration	10,00,000
Less: Cost of acquisition	6,00,000
Short term capital gain	4,00,000
Treatment: Since the shares have been gifted by Mr. X to Mrs. X the provision of sec. 64(1)(iv) shall be applicable and such gain shall be taxable in hands of Mr. X.	

Note 2: Computation of Income from house property of Mrs. X for the A.Y. 20XY-XZ

Particulars	₹
Gross Annual Value	53,000
Less: Municipal tax	Nil
Net Annual value	53,000
Less: Deduction u/s 24(a) [being 30% ₹ 53,000]	15,900
Income from house property	37,100

Note 3: Statement showing distribution of income between Mr. X & Mrs. X

Since the new investment has been acquired out of -	
Gifted money (equivalent)	₹ 6,00,000
Capital gain	₹ 4,00,000
Dividend income	₹ 60,000
Hence, income shall be clubbed in hands of Mr. X to the extent of 600/1060 and in hands of Mrs. X 460/1060	
Taxpoint: Income arising to the transferee from the accretion of such property or from accumulated income of such property is not to be clubbed in the total income of the transferor.	

Case	In hands of Mr. X	In hands of Mrs. X
A	$(₹ 37,100 * 600) / 1,060 = ₹ 21,000$	$(₹ 37,100 * 460) / 1,060 = ₹ 16,100$
B	$(₹ 13,250 * 600) / 1,060 = ₹ 7,500$	$(₹ 13,250 * 460) / 1,060 = ₹ 5,750$
C	$(₹ 42,400 * 600) / 1,060 = ₹ 24,000$	$(₹ 42,400 * 460) / 1,060 = ₹ 18,400$
Note: In case of new source of income, previous year starts from the date when such new source of income comes into existence.		

**Q 6****PTP Dec 23 (old)**

Mrs. Anandhi started the business in 20XV. Her capital in the business as on 1.4.20XW stood at ₹ 3,00,000. Mr. Anand (her husband) gifted a sum of ₹ 4,00,000 to Mrs. Anandhi on 10.12.20XW, which was also invested in the aforesaid business on the same date.

She earned a profit of ₹ 1,50,000 and ₹ 3,90,000 during the previous year 20XW-XX and 20XX-XY respectively.

Compute the amount of the income to be clubbed in the hands of Mr. Anand.

Answer

Amount of income liable to tax in the hands of Anandhi = ₹ 2,06,471

Q 7**MTP Dec 23 (new)**

Mr. Todi is a member of HUF. It consists of Mr. Todi, Mrs. Todi, Mr. Todi's major son (Mr. A) & Mr. Todi's minor son (B).

On 1/4/20XW, Mr. Todi transferred his house property acquired through his personal income to the HUF without any consideration.

On 1/7/20XX, HUF is partitioned and such property being divided equally.

Net annual value of the property for the P.Y. 20XW-XX is ₹ 80,000 & that for the P.Y. 20XX-XY is ₹ 1,00,000. Examine the tax treatment for both the years.

Answer

Computation of income from house property in the hands of Mr. Todi for the A.Y. 20XX-XY:

Particulars	₹	₹
Net Annual Value (NAV)		80,000
Less: Standard deduction u/s 24(a)	30% of NAV	24,000
Income from house property		
Tax treatment for the A.Y. 20XX-XY: Since Mr. Todi transferred his house property acquired out of personal income to his HUF without adequate consideration, therefore income generated from such house property i.e. ₹ 56,000 shall be clubbed in hands of Mr. Todi as per provision of sec. 64(2).		

Tax treatment for the A.Y. 20XY-XZ: In the previous year 20XX-XY, partition took place on 1/7/20XX; hence the treatment shall be as under:

Particulars	₹	₹
Net Annual Value (NAV)		1,00,000
Less: Standard deduction u/s 24(a)	30% of NAV	30,000
Income from house property		70,000



Income earned till partition from April' 20XX to June' 20XX i.e. ₹ 17,500 $[(₹ 70,000/12) \times 3]$ shall be clubbed in hands of Mr. Todi and income earned after partition i.e. ₹ 52,500 $[(₹ 70,000/12) \times 9]$ shall be divided among the family members. However, as per provision of sec. 64(2) income of Mrs. Todi shall be clubbed in hands of Mr. Todi.

Particulars	Mr. Todi	Mrs. Todi	Mr. A	Mr. A
Income from house property before partition clubbed in hands of Mr. Todi as per sec. 64(2)	17,500	-	-	-
Share of Income from house property ₹ 52,500/4	13,125	13,125	13,125	13,125
Income clubbed as per provision of sec. 64(2)	+ 13,125	(13,125)	-	-
Income clubbed as per provision of sec. 64(1A) [Note 1]	+ 13,125	-	-	(13,125)
Less: Exemption u/s 10(32)	(1,500)	-	-	-
Total income from house property	55,375	Nil	13,125	Nil

Note 1: It is assumed that Mrs. Todi has no other income.



Chapter 9

Set-Off & c/f of Losses

Q1

ICMAI Study Material

P, Q and R are partners in a firm sharing profits and losses in the ratio of 1:1:2, provide the following information. Find firm's net income assuming that salary and interest are not paid to partners:

1. Net income of the firm in assessment year 2024-25 is (-) ₹1,20,000, out of which unadjusted depreciation is ₹ 40,000.
2. On 31.05.2024, R retires from the firm and the other partners carry on the same business.
3. The firm's income for the Assessment Year 2025-26 before adjusting the aforesaid loss and depreciation is ₹1,20,000.

Answer

Where a change occurs in the constitution of firm, on account of retirement or death of a partner, the proportionate loss of the retired or deceased partner shall not be carried forward. However, this section shall not apply in case of unabsorbed depreciation. Accordingly,

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

Particulars	Details	Amount	Amount
Income before adjusting brought forward loss and depreciation			1,20,000
Less: Brought forward loss (excluding unabsorbed depreciation)	80,000		
Less: Loss which cannot be set off (Working)	30,000	50,000	
Less: Unabsorbed depreciation		40,000	90,000
Total Income			30,000

Working: Computation of share of R in brought forward loss and loss which cannot be set off

Particulars	Amount
Total unabsorbed brought forward loss	1,20,000
Less: Unabsorbed depreciation	40,000
Less: Unabsorbed depreciation	80,000
Share of R in aforesaid loss $[(₹ 80,000 / 4) * 2]$	40,000
Less: Share of R in current profit before adjusting brought forward loss & depreciation $[(₹ 1,20,000 / 12 * 2) * 2 / 4]$	10,000
Loss which cannot be set-off	30,000

**Q 2****ICMAI Study Material**

Mr. Tony had estates in Rubber, Tea and Coffee. He derives income from them. He has also a nursery wherein he grows plants and sells. For the previous year ending 31.3.2025, he furnishes the following particulars of his sources of income from estates and sale of plants. Compute taxable income:

1. Manufacture of Rubber ₹ 5,00,000.
2. Manufacture of Coffee grown and cured ₹ 3,50,000.
3. Manufacture of Tea ₹ 7,00,000.
4. Sale of plants from nursery ₹ 1,00,000.

Answer

Computation of income of Mr. Tony for the A.Y. 2025-26

Particulars	Agricultural income	Business income
Income from growing and manufacturing rubber [Rule 7A]		
65% of ₹ 5,00,000	3,25,000	
35% of ₹ 5,00,000		1,75,000
Income from growing and curing coffee [Rule 7B(1)]		
75% of ₹ 3,50,000	2,62,500	
25% of ₹ 3,50,000		87,500
Income from growing and manufacturing tea [Rule 8]		
60% of ₹ 7,00,000	4,20,000	
40% of ₹ 7,00,000		4,20,000
Sale of plants from nursery	1,00,000	
Total	11,07,500	5,42,500

Q 3**ICMAI Study Material**

From the following incomes and losses for the Previous Year 2024-25, compute Gross Total Incomes of Mr. Sen

Particulars	Amount ₹
Income from Business A	2,00,000
Loss from Business B	1,20,000
Long term Capital Gain	50,000
Short term Capital Loss	35,000
Bank Interest on fixed deposit	10,000
Brought forward loss of the year 2020-21 2021-22 2022-23 are as follows:	
Loss from Business B	40,000
Long term Capital Loss	20,000

Answer

Gross Total Income- ₹50,000



Q 4

PTP June 23 (Old)

Sanket of Cuttack gives you the following information for the previous year 2023-24:

	Particulars
(i)	Loss from let out property in Delhi ₹ 5,20,000
(ii)	Loss from self-occupied property at Nagpur ₹ 1,40,000
(iii)	Income from let out property at Chennai ₹ 80,000
(iv)	Profit from textile trade in Kolkata ₹ 9,80,000
(v)	Loss from trading in securities derivatives (SIT paid) ₹ 5,30,000
(vi)	Loss from horse race ₹ 25,000
(vii)	Profit from trade in commodity derivatives (CTI paid) ₹ 80,000.
(viii)	Loss from trading in furniture (discontinued w.e.f. 01.04.2016) relating to assessment year 2016-17 ₹ 50,000 brought forward.

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

Answer

Total Income ₹ 2,80,000

Eligible Carry forward of losses:-

- The balance of loss from house property Rs. (5,20,000 - 1,40,000) = Rs. 3,80,000 to be carried forward for set off in subsequent assessment years.
- Loss from horse race Rs. 25,000 is not eligible for set off against other incomes. It is to be carried forward.

Q 5

MTP June 23 (Old)

Mr. Samir submits the following details of his income for the assessment year 2024-25:

Particulars	₹
Income from salary (computed)	3,00,000
Loss from let out house property	(-) 40,000
Income from sugar business	50,000
Loss from iron ore business b/f (discontinued in P.Y. 2018-19)	(-) 1,20,000
Short term capital loss	(-) 60,000
Long term capital gain	40,000
Dividend	5,000
Income received from lottery winning (Gross)	50,000
Winnings from card games (Gross)	6,000
Agricultural income	20,000
Short-term capital loss under section 111A	(-) 10,000
Bank interest on Fixed deposit	7,000



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Calculate gross total income and losses to be carried forward, assuming that he does not opt for the provisions of section 115BAC.

Answer

Computation of Gross Total Income of Mr. Samir for the A.Y. 2024-25:

Particulars	₹	₹
Salaries		
Income from Salary	3,00,000	
Less: Loss from house property set-off against salary income as per section 71	(40,000)	2,60,000
Profits and gains of business or profession		
Income from sugar business	50,000	
Less: Brought forward loss of ₹ 1,20,000 from iron-ore business set-off as per section 72(1) to the extent of ₹ 50,000	(50,000)	Nil
Balance business loss of ₹ 70,000 of P.Y.2018-19 to be carried forward to A.Y.2025-26		
Capital gains		
Long term capital gain	40,000	
Less: Short term capital loss of ₹ 60,000 set-off to the extent of ₹ 40,000	(40,000)	Nil
Balance short-term capital loss of ₹ 20,000 to be carried forward		
Short-term capital loss of ₹ 10,000 u/s 111A also to be carried forward		
Income from other sources		
Dividend (fully taxable in the hands of shareholders)	5,000	
Winnings from lottery	50,000	
Winnings from card games	6,000	
Bank FD interest	7,000	68,000
Gross Total Income		3,28,000
Losses to be carried forward to A.Y. 2025-26		
Loss of iron-ore business (₹ 1,20,000 – ₹ 50,000)	70,000	
Short term capital loss (₹ 20,000 + ₹ 10,000)	30,000	

Notes:

- (1) Agricultural income is exempt under section 10(1)
- (2) It is presumed that loss from iron-ore business relates to P.Y. 2018-19, the year in which the business was discontinued.



Q 6

MTP Dec 23 (New)

Pandya submits the following particulars for the year 2023-24:

- (i) Income from let-out property in Salem ₹60,000
- (ii) Loss from let-out property in Coimbatore ₹ 2,80,000
- (iii) Profit from retail business in Chennai ₹ 3,50,000
- (iv) Loss from derivative trading in securities ₹ 60,000
- (v) Brought forward Loss from wholesale business (discontinued during 2020-21) ₹50,000
- (vi) Long term Capital gain ₹ 75,000
- (vii) Short term capital loss ₹ 1,25,000.

Compute total income after set-off of losses and also mention losses eligible to carry forward.

Answer

Computation of total income of Pandya for the Assessment Year 2024-25

Particulars	Amount	Amount
Income from House Property	60,000	
(-) Loss (out of ₹2,80,000)	60,000	Nil
Income from Profits & Gains of Business & Profession (Business Income)	3,50,000	
(-) Loss (Out of ₹2,20,000)	2,00,000	
	1,50,000	
(-) b/f loss	50,000	1,00,000
Long Term Capital Gain	75,000	
(-) Short Term Capital Loss (STCL) (out of ₹ 1,25,000)	75,000	Nil
Net Total Income		1,00,000
Note: House Property loss ₹20,000, speculation loss ₹60,000 and STCL ₹50,000 are to be carry forwarded.		

Q 7

PTP Dec 23 (New)

Mr. Deepak has derived the following income/loss as computed below for the previous year 2023-24:

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



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You are required to compute the total income of Mr. Deepak for the assessment year 2024-25, showing clearly the manner of set-off and the items eligible for carry forward. He filed his income-tax return every year before the due date. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.

Answer

Total Income ₹ 7,02,000

Total amount of losses to be carried forward to A.Y.2025-26 ₹ 90,000

Q 8

MTP June 24

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

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

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

Answer

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

Particulars	Details	Amount
Salaries		6,00,000
Income from House Property		
Income from House A	1,50,000	
Less: Loss from House B	(3,75,000)	(2,00,000)
	Loss to be c/f	(25,000)
Profits and Gains of Business or Profession		
Income from Business I	3,00,000	



Loss from Business II	(50,000)	2,50,000
Income from Business III (speculative)	10,000	
Loss from Business IV (speculative)	(20,000)	-
Loss to be c/f	(10,000)	
Income from Other Sources		
Interest on FD	5,000	
Winning from Lottery	15,000	20,000
Loss from owning and maintaining of race horses (loss to be c/f)	(10,000)	
Gross Total Income		6,70,000
Losses to be carried forward:		
Loss from Owning and Maintaining Race Horses		10,000
Loss from House Property		25,000
Speculation Loss		10,000

Q 9

PTP June 24

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

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

You are required to compute the total income of Mr Anupreet for the assessment year 2024-25' showing clearly the manner of set off and the items eligible for carried forward with reasons.

He filed his Income Tax Return on time every year. He does not opt to be taxed under section 115BAC of the Income Tax Act, 1961.



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Answer**Total Income of Mr. Anupreet for the A. Y. 2024 - 25**

Particulars	Amount	Amount
Salary income	5,00,000	
Less: Loss from other sources	3,00,000	
Less: Loss from house property	2,00,000	NIL
Profit from speculation business	6,00,000	
Less: C/f loss of speculation business	3,50,000	
Less: Loss from non-speculation business	2,50,000	NIL
Profit from STCG	40,000	
Less: Loss from non-speculation business	40,000	NIL
Total taxable income		NIL
List of items to be c/f :		
1. Unabsorbed depreciation (P.Y. 2015-16)		1,65,000
2. Loss from non-speculation business.		10,000
3. Loss from LTCG		1,50,000
4. Loss from house property		20,000

Q10**MTP Dec 24**

Mr. Bhola has furnished you the following data –

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

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

Answer

Statement showing computation of Gross Total Income & Losses to be carried forward:

Particulars	Amount
Salaries	80,000
Income from house property	(1,30,000)
Income from other sources:	
Winning from lotteries	3,50,000
Other income	(90,000)
Gross total income	3,50,000



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

Q 11

MTP Dec 24

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

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

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

Answer

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

Particulars	Details (₹)	Amount (₹)	Amount (₹)
Salaries		2,60,000	
Income from house property			
House property A	60,000		
House Property B [# Max. limit, balance shall be carried forward]	(2,80,000)	(2,00,000)	
Profits & gains of Business or Profession			



Speculation income	20,000		
Other business income	(1,30,000)		
Income from agricultural business [exempted u/s 10(1)]	Nil	(1,10,000)	
Capital Gains			
Short term capital gain		30,000	
Long term capital gain	(1,00,000)	Nil	
Long term capital loss cannot be set off against any income & shall be carried forward			
Income from Other Sources			
Casual income			
Income from lottery	10,000		
Income from horse races	1,70,000		1,80,000
As no loss can be set off against such income.			
Income from activity of owning and maintaining race- horses			
Loss from activity of owning and maintaining race-horses cannot be set off against any income & shall be carried forward	(1,50,000)	Nil	
Other income			
Interest on securities		(70,000)	
Gross Total Income		(90,000)	1,80,000

Q12**PTP Dec 24**

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

- Loss from self-occupied property: 3,40,000
- Income from the business of buying and selling shares of listed companies (there were no delivery of shares involved): 4,50,000
- Loss from other speculative business: 13,10,000
- Salary income : 10,00,000 (Computed)
- Short-term capital loss on sale of depreciable assets : 3,60,000
- Long term capital gain on sale of residential building: 1,30,000
- Lottery income (Gross): 55,000
- Brought forward business loss: 33,000 (this loss relates to Assessment Year 2021-22. This business was discontinued on 31.3.2022.) You are required to compute the total income of Mr. Sumeet for the Assessment Year 2024-25 assuming he has opted for the default tax regime under section 115BAC of the Income Tax Act, 1961. Also specify the amount of losses to be carried forward and up to which assessment year, if any.



Answer

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

Particulars	₹	₹
Income from salary		10,00,000
Income from house property		
Less: Loss from self-occupied – not allowed to be set off against income from any other head under default tax regime	3,40,000	
Income from Business/ profession		
Income from speculative business of shares (Since no delivery is taken)	4,50,000	
Less: Loss from other speculative business	4,50,000	
Capital Gains		
Long term capital gains	1,30,000	
Less: Short term capital loss on sale of depreciable asset	1,30,000	
Other Sources		
Lottery income		55,000
Total income		10,55,000
Losses to be carried forward		
(i) Loss from other speculative business upto AY 2028-29 (4 AYs)		8,60,000
(ii) Short term capital loss upto AY 2032-33 (8 AYs)		2,30,000
(iii) Brought forward business loss up to AY 2029-30 (8 AYs)		33,000
(iv) House property loss – cannot be carried forward under default tax regime.		Nil

Q13

MTP June 25

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

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

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

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

Q14**PTP June 25**

Mr. Sadanand, a resident individual, aged 54 years, gives you the following particulars about his income for the previous year 2024-25:

- Income from salary (Computed as per the relevant provisions of the Act) : ₹8,00,000
- Net annual value of house property : ₹1,70,000
- Income from textile business : ₹4,50,000 (Before providing ₹65,000 for depreciation as per the Income Tax Rules)
- Income from speculative business : ₹2,60,000
- Long-term capital gain on sale of building : ₹3.00,000
- Loss on maintenance of race-horses : ₹56,000
- Loss on gambling : ₹1,20,000

He has the following losses brought forward :

- Unabsorbed depreciation (relating to A.Y. 2015-16) : ₹10,000
- Loss from speculative business (relating to A.Y. 2021-22) : ₹24,000
- Short-term capital loss (relating to A.Y. 2024-25) : ₹7,500

Compute the Gross Total Income of Mr. Sadanand for the Assessment Year 2025-26 assuming he has opted for new default tax regime provided under section 115BAC of the Income Tax Act, 1961. Also list out the losses to be carried forward to further Assessment Years specifying the Assessment Year up to which such losses can be carried forward.



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Answer

Computation of income chargeable under Income from Other Sources of Sharad for the AY 2025-26

Particulars		₹
Interest earned on Central Government securities.		50,000
Token money received for sale of house property, forfeited.		1,00,000
Dividend received from Co-operative society.	15,000	
Less: Interest on loan taken for investment in shares of Co-operative Society. [within the limit of 20% of income]	2,500	
		12,500
Lottery income -grossed up. ₹ 35,000 X 100 / 70		50,000
Interest from employee's contribution to unrecognized provident fund upon withdrawal.		20,000
Accumulated balance of employee's contribution withdrawn from unrecognized provident fund – not taxable.		-
Interest from unrecognized provident fund in respect of employer's contribution taxable under the head 'Salary' hence not considered.		-
Accumulated balance of employer's contribution upon withdrawal from unrecognized provident fund taxable under the head 'salary' hence not considered.		-
Acquisition of movable property for inadequate consideration:		
Fair market value of jewellery	85,000	
Fair market value of diamond	36,000	
	1,21,000	
Less: Consideration paid		
For jewellery ₹ 50,000 + for diamond ₹ 20,000	70,000	
		51,000
Income from other sources		2,83,500



Chapter 10

Deductions

Q1

ICMAI Study Material

Wasim has a car (1.5 ltr.) used for office as well as for personal purpose. During the year car is used 80% for business purpose being certified by the employer. During the year, he incurred ₹ 50,000 on maintenance and running of such car. The entire cost is reimbursed by the employer. Find taxable perquisite if assessee wish to claim higher deduction, when – (a) A proper log book is maintained; (b) A proper log book is not maintained.

Answer

a) When log book is maintained

Taxable perquisite in the hands of Wasim

Actual expenditure incurred by the employer is reduced to the extent it is used for office purpose, as a proper record is kept and duly certified by employer.

Amount reimbursed by the employer ₹ 50,000

Less: Deduction (80% of ₹ 50,000) ₹ 40,000

Taxable amount ₹ 10,000

b) When log book is not maintained

Taxable perquisite in the hands of Wasim

Actual expenditure incurred by the employer is reduced to the extent of ₹ 1,800 p.m. even though it is used for office purposes but a proper record is not kept.

Amount reimbursed by the employer ₹ 50,000

Less: Deduction (₹ 1,800 × 12) ₹ 21,600

Taxable amount ₹ 28,400

Q2

ICMAI Study Material

Amit is provided with two cars, to be used the official & personal work, by his employer Raj. The following information is available from the employer records for computing the taxable value of perk (assuming car 1, is exclusively used by Amit).



Particulars	Car 1	Car 2
Cost of the car	6,00,000	4,00,000
Running and maintenance (borne by the company)	40,800	28,000
Salary of driver (borne by the company)	24,000	24,000

Answer

Valuation of perquisite for Mr. Amit

Particulars	Working	Details	Amount
Valuation of perquisite in respect of Car 1			
- Depreciation of car	10% of ₹ 6,00,000	60,000	
- Maintenance		40,800	
- Driver salary		24,000	1,24,800
Valuation of perquisite in respect of Car 2 (assumed capacity of engine does not exceed 1.6 cc)	$(₹ 1,800 + ₹ 900) \times 12$		32,000
Value of car perquisite			1,57,200

Q 3**ICMAI Study Material**

Determine taxable perquisite in the following cases:

- Miss Shradha received a wrist-watch of ₹ 3,000 on 17/7/2024 and a golden chain worth ₹ 12,000 on 18/8/2024 from her employer, Mr. Raju.
- Miss Rakhi received ₹ 11,000 cash-gift from her employer, Dipu Ltd.
- Mr. Anirudha is working with X & Co. a partnership firm. During the year, the employer firm gifted a diamond ring worth ₹ 80,000 to wife of Mr. Anirudha.

Answer

- Taxable perquisite in the hands of Shradha shall be ₹ 10,000 (being ₹ 3,000 + ₹ 12,000 – ₹ 5,000)

An alternate view is possible that where value of the gift exceeds ₹ 5,000, then entire value shall be taxable. In that case value of perquisite would be ₹ 15,000

- Taxable perquisite in the hands of Rakhi shall be ₹ 11,000.
- Taxable perquisite in the hands of Mr. Anirudha shall be ₹ 75,000.

An alternate view is possible that where value of the gift exceeds ₹ 5,000, then the entire value shall be taxable. In that case value of the perquisite would be ₹ 80,000.



Q 4

ICMAI Study Material

X Ltd. has sold the following assets to its employee, Mr. Amit. Compute taxable perquisite.

Assets	Date of purchase	Purchase value	Date of sale	Sale price
Computer	1/7/2021	2,00,000	18/8/2024	20,000
Car	1/4/2022	3,00,000	1/3/2025	50,000
Television	1/4/2019	50,000	1/4/2024	2,000
Sofa set	1/4/2009	80,000	1/7/2024	5,000

Answer

Computation of taxable value of perquisite in hands of Mr. Amit for the A.Y.2025-26

Assets	Written down value	Sale value	Taxable perquisite
Computer	25,000	20,000	5,000
Car	1,92,000	50,000	1,42,000
Television	25,000	2,000	23,000
Sofa set	Nil	5,000	Nil
Taxable Perquisite			1,70,000

1. Calculation of WDV of Computer :

Particulars	Amount
Purchase value	2,00,000
Less: Depreciation from 1/7/2021 to 30/6/2022 @ 50%	1,00,000
WDV as on 1/7/2022	1,00,000
Less: Depreciation from 1/7/2022 to 30/6/2023 @ 50%	50,000
WDV as on 1/7/2023	50,000
Less: Depreciation from 1/7/2023 to 30/6/2024 @ 50%	25,000
WDV as on 1/7/2024	25,000
Less: Depreciation from 1/7/2024 to 18/8/2024 (as not being a complete year)	Nil
WDV as on the date of sale	25,000

2. Calculation of WDV of Car

Particulars	Amount
Purchase value	3,00,000
Less: Depreciation from 1/4/2022 to 31/3/2023 @ 20%	60,000
WDV as on 1/4/2023	2,40,000
Less: Depreciation from 1/4/2023 to 31/3/2024 @ 20%	48,000
WDV as on 1/4/2024	1,92,000



Less: Depreciation from 1/4/2024 to 1/3/2025 (as not being a complete year)	Nil
WDV as on date of sale	1,92,000

3. Calculation of WDV of television :

Particulars	Amount
Purchase value	50,000
Less: Depreciation from 1/4/2019 to 31/3/2024 @ 10%	25,000
WDV as on the date of sale	25,000

4. Depreciation on sofa set is charged @ 10% as per straight-line method. Since the asset is used for more than 10 years, hence its WDV will be Nil.

Q 5

ICMAI Study Material

Himalaya Ltd. reimburses the following expenditure on medical treatment of the son of an employee Karan. The treatment was done at UK:

1. Travelling expenses ₹ 1,15,000.
2. Stay expenses at the UK permitted by RBI ₹ 45,000 (Actual expenses ₹ 70,000).
3. Medical expenses permitted by RBI ₹ 50,000 (Actual expenses ₹ 70,000).

Compute the taxable perquisites for the assessment year 2025-26 in the hands of Karan, if his annual income from salary before considering medical facility perquisite was (i) ₹ 1,50,000; (ii) ₹ 2,00,000.

Answer

Taxable value of perquisite in hands of Mr. Karan is as under:

Particulars	Workings	Details	Case 1	Case 2
Medical expenditure	Amount paid in excess of RBI permission and actual expenditure shall not qualify for exemption.	₹70,000- ₹50,000	₹20,000	₹20,000
Stay cost	Stay cost in excess of RBI permission and actual expenditure shall not qualify for exemption.	₹70,000- ₹45,000	₹25,000	₹25,000
Travel cost	Travel cost (Note)		Nil	₹1,15,000
Total taxable perquisite			₹45,000	₹1,60,000



Q 6

ICMAI Study Material

Sri Ramprasad retired on 1/7/2024. On retirement, he received from his provident fund ₹ 3,00,000 as lump sum consisting of:

Employer's contribution ₹ 1,25,000

Employee's contribution ₹ 1,25,000

Mention the treatment of amount so received if –

1. The Provident Fund is Unrecognised Provident Fund
2. The Provident Fund is Recognised Provident Fund and
 - a. Employee retired after 23 years 7 months service.
 - b. Employee retired after 4 years 7 months service due to his blindness.
 - c. Employee retired after 3 years 7 months service and joined another company having RPF and the old RPF balance has been transferred to new employer's RPF.
 - d. Employee retired after 3 years 10 months service and started his own business.

Answer

1) Lump sum received from URPF is taxable as under:

Employer's contribution	₹ 1,25,000 taxable as salary
Employee's contribution	₹ 1,25,000 not taxable
Interest on employer's contribution	₹ 25,000 taxable as salary
Interest on employee's contribution	₹ 25,000 taxable as income from other sources

Note: Total amount received is ₹ 3,00,000. Employer's and employee's contribution together is ₹ 2,50,000. So, the balance ₹ 50,000 is interest. As employer and employee contributed equal amount hence the interest is also divided equally.

2)

- a. Since employee retires after five years of service hence lump sum amount received from RPF is fully exempted – Sec. 10(12)
- b. Since employee retires due to his incapability to work, hence lump sum received from RPF is fully exempted - Sec. 10(12)
- c. Though employee left the job before five years of service but joined another organisation maintaining RPF and did not withdrew the amount but transferred the balance in RPF account with new organisation, hence the same will be treated as continuation of service and lump sum from RPF is fully exempted - Sec. 10(12)
- d. Since employee left the job before five years of service, hence amount received shall be taxable as in case of URPF [discussed above in (1)].

**Q 7****ICMAI Study Material**

Mr. Sharma has been appointed as an accountant of ABC Ltd as on 1/4/2022, since then he is working with the same company. The salary structure and increment details are as under:

Basic ₹ 5000 - 1000 - 8000 - 1500 - 14000

D.A. ₹ 3000 – 500 – 5000 – 1000 - 10000

He and his employer contribute to URPF 14% of basic and DA. Every year 9% interest is credited to such fund. As on 1/4/2024, the fund gets recognition. Hence, the accumulated balance in URPF was transferred to RPF. Comment on tax treatment of such transferred balance.

Answer

Statement showing treatment of transferred balance:

Year	Employer's contribution to fund	Exempted amount considering the fund as RPF	Difference
2022-2023	14% of (60,000 + 36,000) i.e. ₹ 13,440	12% of ₹ 96,000 i.e. ₹ 11,520	₹ 1,920
2023-2024	14% of (72,000 + 42,000) i.e. ₹ 15,960	12% of ₹ 1,14,000 i.e. ₹ 13,680	₹ 2,280
Total			₹ 4,200

Current year (i.e. 2024-25) contribution shall be treated as RPF and the taxable amount will be ₹ 2,640 [being (14 - 12)% of (₹ 84,000 + ₹ 48,000) i.e. 2% of ₹ 1,32,000].

Since the interest rate is less than the exempted limit (i.e. 9%), hence interest portion is not taxable.

Total taxable salary on account of provident fund for the A.Y. 2025-26 is ₹ 6,840 (being ₹ 4,200 + ₹ 2,640).

Q 8**ICMAI Study Material**

Compute taxable Entertainment allowance & net salary of Sri Hanuman Prasad from the following data: Basic salary ₹ 8,000 p.m. D.A. ₹ 2,000 p.m. Taxable perquisite ₹ 35,000, Entertainment Allowance ₹ 4,000 p.m. Out of such allowance ₹ 20,000 is expended and balance amount is saved. Assuming he is:

1. Government employee, opts for old regime
2. Non-Government employee, opts for old regime

How shall your answer differ if the assessee has not opted for the old tax regime



Answer

Under old tax regime

Computation of taxable income of Sri Hanuman Prasad for the A.Y. 2025-26

Particulars	Government Employee		Non-Government Employee	
	Details	Amount	Details	Amount
Basic Salary		96,000		96,000
Dearness Allowance		24,000		24,000
Entertainment Allowance		48,000		48,000
Taxable perquisite		35,000		35,000
Gross Taxable Salary		2,03,000		2,03,000
Less: Deduction u/s				
16(ia) Standard Deduction	50,000		50,000	
16(ii) Entertainment allowance	5,000	55,000	Nil	50,000
Net Taxable Salary		1,48,000		1,53,000

Entertainment Allowance is exempted to the extent of minimum of the following:

a. Actual Entertainment Allowance	₹48,000
b. 20% of Basic Salary	₹19,200
c. Statutory amount	₹5,000

Under the default tax regime

Computation of taxable income of Sri Hanuman Prasad for the A.Y.2025-26

Particulars	Government Employee		Non-Government Employee	
	Details	Amount	Details	Amount
Basic Salary		96,000		96,000
Dearness Allowance		24,000		24,000
Entertainment Allowance		48,000		48,000
Taxable perquisite		35,000		35,000
Gross Taxable Salary		2,03,000		2,03,000
Less: Deduction u/s				
16(ia) Standard Deduction	75,000		75,000	
16(ii) Entertainment allowance	Nil	75,000	Nil	75,000
Net Taxable Salary		1,48,000		1,28,000

**Q 9****ICMAI Study Material**

Mrs. R Mukherjee furnished the following information for the previous year 2024-25:

Particulars	Amount
Donation to Prime Minister's National Relief Fund	15,000
Donation to Jawaharlal Nehru Draught Memorial Relief Fund	10,000
Donation to a notified temple	30,000
Donation of cloth worth ₹ 10,000 to Bharat Sevashram Sangha to be distributed among Ayla typhoon victims	
Donation to an approved University	2,000
Gross Total Income	3,00,000
Payment of life insurance premium on the life of her daughter ₹ 20,000 (Policy value ₹ 2,00,000)	

Compute total income if she has opted for old tax regime

Answer

₹ 2,44,000

Q 10**ICMAI Study Material**

For the Assessment year 2025-26, the Gross Total Income of Mr. Chaturvedi was ₹ 1,68,240 which includes long- term capital gain of ₹ 45,000 and Short-term capital gain of ₹ 8,000. The Gross Total Income also includes interest income from fixed deposits with banks of ₹ 12,000. Mr. Chaturvedi has invested in PPF ₹ 60,000 and also paid a medical insurance premium ₹ 11,000. Mr. Chaturvedi also contributed ₹ 15,000 to Public Charitable Trust eligible for deduction under section 80G. State

- What will be the amount of deduction available u/s 80C?
- What will be the amount of deduction available u/s 80D?
- What will be the amount of deduction available u/s 80G?
- What will be his total income, if he has opted for the old tax regime?

Answer

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

Particulars	Details	Amount
Gross total income		1,68,240
Less: Deduction u/s		
80C (for contribution to PPF)	60,000	
80D (for payment of Medical insurance premium)	11,000	
80G (for Donation to Public Charitable Trust) [Note]	2,612	73,612
Total Income (Rounded off u/s 288A)		94,630



Note: Computation of deduction u/s 80G

Computation of Adjusted GTI:

Adj. GTI = GTI – Long-term capital gain - Deduction u/s 80C to 80U other than 80G

= ₹ 1,68,240 – ₹ 45,000 – ₹ 11,000 – ₹ 60,000 = ₹ 52,240

Qualifying amount for donation = 10% of Adjusted GTI = 10% of ₹ 52,240 = ₹ 5,224

Deduction: In case of donation to public charitable trust, rate of deduction is 50% of qualifying amount. Hence, deduction u/s 80G shall be ₹ 2,612 (being 50% of ₹ 5,224).

Q 11

PTP Dec 22

Determine the quantum of deduction under the applicable provisions of Chapter VI-A in the following cases:

- (i) Rahul engaged in manufacture of household utensils applied for housing loan for the first house property for self-residential use. The loan was sanctioned in June 2021 of ₹40 lakhs and the balance ₹8 lakhs was met from his own source. Interest on loan for the year ended 31.03.2022 amounts to ₹2,40,000.
- (ii) Pramod employed in a listed company availed loan from SBI for the purpose of purchase of electric car. The cost of electric car was ₹15,00,000 for which he borrowed loan of ₹12 lakhs. Interest payable on loan amounts to ₹1,70,000.
- (iii) Priti (P) Ltd. contributed ₹5 lakhs to an electoral trust and incurred ₹90,000 on advertisement in a brochure of a recognized political party.
- (iv) The gross total income of Everest (P) Ltd. includes profits and gains of ₹11 lakhs from the collecting and processing of bio-degradable waste for producing bio-gas. The company began the business in the financial year 2018-19.

Answer

- (i) As per section 80EEA interest on moneys borrowed for acquisition of residential house by a resident taxpayer is eligible for extra deduction of Rs.1,50,000 in addition to Rs.2,00,000 allowable under section 24.

Borrower Rahul bought first residential house but the cost of the property is more than Rs.45 lakhs. Out of total interest of Rs.2,40,000 after claiming deduction of Rs.2,00,000 under section 24 the balance of Rs.40,000 is not eligible for claiming deduction under section 80EEA.

- (ii) As per section 80EEB in the case of individual who has taken loan from financial institution for purchase of electric vehicle, interest on loan is eligible for deduction up to a maximum of Rs.1,50,000.

In this case interest payable on the loan is Rs.1,70,000. The assessee hence can avail deduction of Rs.1,50,000 under section 80EEB.

- (iii) Borrower Rahul bought first residential house but the cost of the property is more than Rs.45 lakhs. Out of total interest of Rs.2,40,000 after claiming deduction of Rs.2,00,000 under section



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24 the balance of Rs.40,000 is not eligible for claiming deduction under section 80EEA.

The amount of expenditure by way of advertisement in a brochure of a political party Rs.90,000 is not eligible for deduction in view of section 37(2B).

However, the said amount is eligible for deduction under section 80GGB. Thus, the both the payments are deductible under section 80GGB.

- (iv) As per section 80JJA profits and gains derived from the business of collecting and processing or treating of bio-degradable waste is eligible for deduction @100% for first 5 assessment years beginning with the assessment year in which the business commences.

Therefore, 100% of the income so included from the said activity in the gross total income Everest (P) Ltd is eligible for deduction.

Q12

PTP June 23 (Old)

Determine the quantum of deduction under Chapter VI-A in respect of the following cases for the assessment year 20XY-XZ:

- (i) Basu acquired a residential apartment fm: ₹18 lakh on 16.06.20XX and paid stamp duty of ₹1,08,000 and registration fee of ₹36,000. He also paid ₹7,000 by cash for preventive health check up for himself.
- (ii) Chatterjee on 05.03.20XX subscribed to a life insurance policy whose capital sum assured was ₹12 lakh and annual premium payable being ₹60,000. The policy term is 8 years.
- (iii) Tripathi, a self-employed professional contributed ₹ 40,000 to notified pension scheme (NPS) on 20.02.20XY. Also, he paid ₹60,000 towards tuition fees to his son pursuing part-time MBA course in a reputed college.
- (iv) Mukherjee engaged in business paid ₹20,000 through net banking to a recognized political party by way of donation. Also, he gave donation .of ₹1,00,000 to National Sports Fund. His total income before computing the above said deductions was ₹8 lakh.

Answer

Determination of the quantum of deduction under Chapter VI-A

(i) **In the case of Basu:**

The stamp duty and registration fee paid for acquisition of residential apartment is eligible for deduction under section 80C. Therefore, the entire amount of Rs. 1,44,000 is deductible. Rs. 5,000 paid toward preventive health check up by way of cash is eligible for deduction under section 80D.

(ii) **In the case of Chatterjee:**

Any life insurance policy taken on or after 01.04.2012 where the premium payable on the policy exceeds 10% of the actual capital sum assured, such excess is not eligible for deduction. In this case, the capital sum assured is Rs. 12 lakh. The premium up to 10% i.e. Rs. 1,20,000 is eligible for deduction under section 80C. The balance amount of premium of Rs.40,000 is not eligible for deduction.



(iii) **In the case of Tripathi:**

The amount contributed to NPS by an individual is eligible for deduction up to a maximum of Rs. 50,000 only. Since he has contributed only Rs. 40,000 deduction permissible is Rs. 40,000. Amount paid by way of tuition fees for part-time education is not eligible for deduction under section 80C.

(iv) **In the case of Mukherjee:**

The amount contributed to a recognized political party is eligible for deduction under section 80GGC @ 100%. His donation to National Sports Fund is eligible for deduction @100% without any limitation with reference to total income - section 80G(1)(i)(ii)(iii)(iv)

Q13

MTP June 23 (Old)

Mr. X, is suffering from low-vision (certified as severe disability). He has following incomes details -

Net Salary	₹ 45,000
Short term capital gain	₹ 45,000
Long term capital gain	₹1,50,000

Mrs. X, suffering from leprosy (certified as 50% disable), is fully dependant on Mr. X. Compute his total income.

Answer

Since Mr. X is suffering from severe disability, he can claim deduction u/s 80U of ₹1,25,000. Further, Mrs. X is also a person with disability & dependent on Mr. X, therefore, Mr. X can also claim deduction u/s 80DD of ₹ 75,000.

Computation of total income of Mr. X

Particulars	₹	₹
Salaries		45,000
Capital gains		
Short term capital gains	45,000	
Long term capital gains	1,50,000	1,95,000
Gross Total Income		
Less: Deduction u/s		
80DD (Relative with disability)	75,000	90,000 ¹
80U (Assessee is a person with severe disability)	1,25,000	1,50,000
Total Income		

**Q 14****PTP June 23 (New)**

Discuss with reason the quantum of deduction allowable under Chapter VI-A of The Income Tax Act, 1961 in respect of the following cases:

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

Note: Total deduction u/s 80C to 80U cannot exceed GTI excluding LTCG, STCG covered u/s 111A, and casual income like winning from lotteries, etc.

Answer

Eligibility for deductions under Chapter VI-A:

- (i) Payment of tuition fee for brother's son is not eligible for deduction since brother's son is not covered in section 80C(4).
- (ii) As per section 80DDB when medical expenditure is incurred for medical treatment of certain diseases and the patient is senior citizen the quantum of deduction is Rs.1,00,000 without considering the actual amount of expenditure.
- (iii) Interest on loan taken for pursuing education is deductible under section 80E. The amount thus eligible is Rs.12,000 and the principal is not eligible for deduction.
- (iv) Interest on moneys borrowed for the purchase of electric vehicle is deductible up to a maximum of Rs.1,50,000. The principal repayment is not eligible for deduction.

Q 15**MTP June 23 (New)**

Mr. Roy is a self-employed person. During the previous year 20XX-XY, his gross total income was ₹ 1,80,000. He lives in a rented house in Kolkata for which he pays ₹ 2,500 p.m. as rent. During the same period, he donates ₹ 5,000 to the Chief Minister's Relief Fund. You are required to compute the deduction in respect of rent paid for the A.Y. 20XY-XZ.

Answer**Computation of Deduction u/s 80GG**

Particulars	₹	₹
Gross Total Income		1,80,000
Less: Deduction		



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U/s 80G	5,000	
U/s 80GG (Note 1)	12,500	17,500
Total Income		1,62,500

Note 1 : Computation of Deduction u/s 80GG

Particulars	Working	Amount ₹
Least of the following shall be deductible:		
(i) ₹5,000 per month	₹5,000 * 12	60,000
(ii) 25% of Adjusted Gross total income	25% of ₹1,75,000 [#]	43,750
(iii) Excess of rent paid over 10% of Adj. GTI	₹30,000 - (10% of ₹1,75,000 [#])	12,500
Deduction u/s 80GG		12,500

Adjusted GTI = Gross total income – Long term capital gain – Short term capital gain covered u/s 111A – All deduction under 80's other than section 80GG – Income u/s 115A, u/s 115AB, u/s 115AC, u/s 115ACA, u/s 115AD = ₹1,75,000

Q16

MTP June 23 (New)

For the Assessment year 20XY-XZ, the Gross Total Income of Mr. Chaturvedi was ₹ 1,68,240 which includes long-term capital gain of ₹ 45,000 and Short-term capital gain of ₹ 8,000. The Gross Total Income also includes interest income from fixed deposits with banks of ₹ 12,000. Mr. Chaturvedi has invested in PPF ₹ 60,000 and also paid a medical insurance premium ₹ 11,000. Mr. Chaturvedi also contributed ₹ 15,000 to Public Charitable Trust eligible for deduction under section 80G.

Calculate the total income and the amount of deduction under each section of the Income Tax Law. [80C, 80D, 80G]

Answer

Computation of total income of Mr. Chaturvedi for A.Y. 20XY-XZ

Particulars	₹	₹
Gross total income		1,68,240
Less: Deduction u/s		
- 80C (for contribution to PPF)	60,000	
- 80D (for payment of Medical insurance premium)	11,000	
- 80G (for Donation to Public Charitable Trust) [Note 1]	2,612	73,612
Total Income (Rounded off u/s 288A)		

Note: Computation of deduction u/s 80G

Computation of Adjusted GTI:

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Adj. GTI	=	GTI – Long term capital gain - Deduction u/s 80C to 80U other than 80G
	=	₹ 1,68,240 – ₹ 45,000 – ₹ 11,000 – ₹ 60,000 = ₹ 52,240
Qualifying amount for donation	=	10% of Adjusted GTI
	=	10% of ₹ 52,240
	=	₹ 5,224

Deduction: In case of donation to public charitable trust, rate of deduction is 50% of qualifying amount. Hence, deduction u/s 80G shall be ₹ 2,612 (being 50% of ₹ 5,224).

Q 17**MTP Dec 23 (New)**

Das, a resident individual, aged 62, furnished the following particulars of income for 20XX-XY:

- (i) Income from salary (computed): ₹ 4,00,000
- (ii) Income from house property (computed): ₹ 75,000
- (iii) Business loss: ₹ 1,50,00
- (iv) Dividend from Indian companies: ₹ 75,000
- (v) Receipts from horse races: ₹ 28,000.

He made the following payment:

- (i) Life insurance premium on own life (sum assured ₹1,00,000 taken on 01-04-2021)
- (ii) ₹1500 paid in cash
- (iii) Medical insurance premium on the health of spouse ₹ 30,000 paid by cheque
- (iv) Expenses on horse race ₹ 3,000

You are required to calculate his taxable income and tax payable for the assessment year 20XY-XZ on the assumption that he does not opt section 115BAC.

Answer**Calculation of Taxable Income and Tax Payable of Das for the assessment year 20XY-XZ:**

Particulars	₹
Salary	4,00,000
Income from house property	2,60,000
PGBP (Business loss)	(1,50,000)
Income from other sources:	
Winnings $[28000 \times \frac{100}{70}]$	40,000
Dividend	75,000
Gross Total Income	6,25,000
(-) Sec 80C - LIC Premium $[1,00,000 \times 10\%]$	10,000



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(-) Sec 80D - Medical insurance premium	25,000
Total Income	5,90,000
Tax Liability	31,720



Chapter 11

Return & PAN

Q1

PTP June 23 (New)

Briefly explain the cases where a return of loss has to be filed on or before the due date specified under section 139(1) of the Income-tax Act, 1961 for carry forward of the losses.

Answer

The assessee has to file a return of loss under section 139(3) within the time allowed under section 139(1) in order to carry forward and set off of following losses:-

- (a) Loss under the head Capital Gains,
- (b) Loss from activity of owning and maintaining race horses,
- (c) Business loss,
- (d) Speculation business loss and
- (e) Loss from specified business u/s 35D.



Chapter 12

TDS and TCS

Q1

PTP Dec 22

State the quantum of tax deductible at source in the following independent cases:

- (i) Salary of General Manager (computed) ₹ 6,00,000 who has opted for section 115BAC.
- (ii) Dividend declared by a company & a resident shareholder eligible for dividend of ₹60,000
- (iii) Interest paid by a partnership firm to HUF ₹15,000
- (iv) Interest paid ₹45,000 to a bank on housing loan by an individual engaged in business with turnover exceeding ₹200 lakhs every year.
- (v) Payment made to contractor Mr.P by a company ₹90,000 out of which a single contract value was ₹37,000 and every other contract value was less than 10,000.
- (vi) Commission paid to a brokerage firm by a company during the year of ₹11,000.
- (vii) Rent paid ₹2,70,000 by Dr. Q engaged in profession with aggregate receipt of ₹21 lakhs for the preceding financial year.
- (viii) Residential apartment acquired by a company for accommodation by its director for ₹55 lakhs.

Answer

- (i) The quantum of tax deductible at source on this income when opted section 115BAC by the employee is Rs.23,400.
- (ii) Tax is deductible at source @ 10% being Rs.6,000 as the amount exceeds Rs.5,000.
- (iii) As per section 194A tax is deductible at 10% being Rs.1,500.
- (iv) Payment of interest on housing loan to a bank is not liable for tax deduction at source. This is irrespective of whether the payer of interest is engaged in business or not.
- (v) TDS @ 1% is deductible on Rs.37,000 as the contract value exceeded Rs.30,000. The TDS amount being Rs.370. In respect of the balance amount of Rs.53,000 no tax is deductible at source.
- (vi) The amount of commission paid is less than Rs.15,000. Therefore, no tax is deductible at source.
- (vii) As the gross receipt from profession is less than Rs.50 lakhs no tax is deductible at source on payment of rent by Dr.Q even though it exceeds the monetary limit of Rs.2,40,000.
- (viii) As the purchase value of immovable property exceeds Rs.50 lakhs tax is deductible at source @ 1% on the total amount of consideration being Rs.55,000.



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Q 2

PTP June 23 (New)

State the time limit in which tax deducted by the deductor shall be deposited to Central Government Account under section 200 (read with rule 30) of the Income-tax Act, 1961.

Answer

Deposit of TDS with in Time-Limit [Sec.200 read with Rule 30]\

Tax deducted by the deductor shall be deposited electronically through internet banking facility to the credit of the Central Government within following time limit–

TDS	TCS
(i) Tax is deducted on behalf of the Government	
• Where the tax is paid without production of an income-tax challan	On the same day
• Where the tax is paid with production of an income-tax challan	On or before 7 days from the end of the month in which tax is deducted
(ii) When the Assessing Officer (after obtaining prior approval from Joint Commissioner) permits quarterly payment of tax	
• Where deduction is made u/s192, 194A, 194D or 194H	Within July 7 (for Quarter ending on June 30), October 7 (for Quarter ending on September 30), January 7 (for Quarter ending on December 31) & April 30 (for Quarter ending on March 31)
(iii) In any other case	
• For the month of March	Within forthcoming 30 th April
• For the months other than month of March	Within 7 days from the end of the month in which tax is deducted at source.
Exception: Where tax is deducted u/s194-IA or 194-IB, tax shall be paid to the credit of the Central Government within a period of 30 days from the end of the month in which the deduction is made and shall be accompanied by a challan-cum-statement in Form No. 26QB (for sec.194-IA)/ 26QC (for sec.194-IB)	



Q 3

PTP June 23 (Old)

Briefly explain the legal provision and decide the applicability of TDS/TCS provisions with quantum of TDS/TCS applicable for the Assessment year 2023-24 in the following cases:

- (i) Alps Ltd declared dividend @20% on equity shares of ₹100 each. Ganesh has 500 equity shares in the company.
- (ii) Govind earned insurance commission of ₹ 70,000 from a domestic insurance company.
- (iii) Gokul had acquired 7.75 % Savings (Taxable) Bonds, 2018 for ₹ 1,00,000 for which interest was received for the year being ₹ 7750.
- (iv) Alok & Co (firm) paid rent of ₹2,70,000 during the year 2022-23 to the building owner.

Answer

Persons not eligible to file updated return [section 139(8A)]

A person shall not be eligible to furnish an updated return, where:

- (i) a search has been initiated under section 132 or books of account or other documents or any assets are requisitioned under section 132A in the case of such person; or
- (ii) a survey has been conducted under section 133A [other than section 133A(2A)], in the case of such person; or
- (iii) a notice has been issued to the effect that any money, bullion, jewellery or any other valuable article or thing seized or requisitioned under section 132 or section 132A in the case of any other person belongs to such person; or
- (iv) a notice has been issued to the effect that any books of account or documents, seized or requisitioned under section 132 or section 132A in the case of any other person, pertain or pertains to, or any other information contained therein, relate to, such person, for the assessment year relevant to the previous year in which such search is initiated or survey is conducted or requisition is made and any assessment year preceding such assessment year.

Also, where a person has already furnished updated return cannot file updated return for the same assessment year.

Similarly, where any proceedings for assessment or reassessment or re-computation or revision is pending or has been completed is not eligible to file updated return.

**Q 4****PTP Dec 23 (Old)**

State in the following cases whether TDS / TCS provisions are applicable and if so, the quantum of TDS /TCS:

- (i) Ottaeri Ravi & Co. (firm) had to pay ₹30,000 as interest on loan to Mr. A (resident Indian).
- (ii) Basu (P) Ltd. paid ₹ 1,28,000 (in aggregate) as contract charges to Sivam & Co. (P) Ltd. for works contract.
- (iii) Chillode LLP paid ₹20,000 as commission to Gobi (individual).
- (iv) Mantri & Co. (firm) paid rent of ₹ 2,40,000 to Aachi during the financial year.
- (v) Shenbaga Ltd engaged in manufacture produced scrap which was purchased for ₹ 5 lakhs for use as raw material for manufacture of another product by Sakura & Co.
- (vi) Padmavathy has lottery winning of ₹3 lakhs.

Answer**Applicability and quantum of TDS / TCS**

- (i) It is covered by section 194A as the amount exceeds ₹ 5,000 and TDS@ 10% is attracted.
- (ii) Since the aggregate amount exceeds ₹ 1,00,000, it is liable for TDS under section 194C @2% being ₹ 2,560
- (iii) As the amount exceeds ₹ 15,000 it is liable for TDS under section 194H @5% being Rs 1,000.
- (iv) No TDS is attracted under section 194-I as the aggregate rent does not exceed ₹ 2,40,000.
- (v) When scrap is purchased for manufacture of another product by the buyer Sakura & Co, it is not liable for TCS under section 206C.
- (vi) Income from lottery winnings is liable for TDS @ 30%. The quantum of TDS being ₹ 90,000.



Chapter 13

Computation of Total Income

Q1

ICMAI Study Material

Anil (aged 67 years) is an employee of a Government organisation at Burdwan. During the year ending 31.3.2025, he received the following income from his employer:

Particulars	₹
Salary	20,000 p.m.
Dearness allowance	4,000 p.m.
Entertainment allowance	6,500 p.m.
Annual bonus	20,000

Rent-free unfurnished accommodation of which licence fee is ₹ 30,000 whereas fair rental value is ₹1,00,000.

Find his taxable income and tax liability, under the old tax regime, for the assessment year 2025-26 on the basis of the following further information:

1. His own contribution to a Provident Fund is ₹ 30,000 and his employer's contributed the same amount.
2. He pays life insurance premium ₹ 30,000 p.a.

Answer

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

Particulars	Details	Amount	Amount
Salaries			
Basic salary			2,40,000
Bonus			20,000
Allowances:			
Dearness allowance		48,000	
Entertainment allowance		78,000	1,26,000
Perquisite u/s 17(2):			
Rent free accommodation	Licence fee		30,000
Employer's contribution to PF	Contribution to SPF		Nil
Gross Taxable Salary			4,16,000



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Particulars	Details	Amount	Amount
Less: Deduction u/s			
16(ia) Standard Deduction		50,000	
16(ii) Entertainment allowance (Least of the followings):	He is a Government employee		
- 20% of basic			
- Maximum limit			
- Actual amount		5,000	45,000
Gross Total Income			3,61,000
Less: Deduction u/s			
80C	Note		60,000
Total Income			3,01,000

Computation of Tax Liability of Mr. Anil for the A.Y.2025-26

Particulars	Rate	On	Tax
Upto ₹ 3,00,000	-		-
From ₹ 3,00,001 to ₹ 3,01,000	5%	50	50
Tax liability before cess			50
Less: Rebate u/s 87A			50
Tax and cess payable			Nil

Computation of Deduction u/s 80C

Particulars	Amount
Insurance premium	30,000
Employee's own contribution to SPF	30,000
Total	60,000

Q 2

ICMAI Study Material

Mrs. Ria (age 46 years), a professor in a college furnishes the following particulars of her income for the previous year 2024-25:

Particulars	(₹)
a. Income from salary	3,51,000
b. Income from House Property	
i. Rent Received	24,000
ii. Municipal Tax	2,000
c. Income from other sources	
i. Bank interest on fixed deposit	12,000
ii. Dividend from Indian Company	10,000
iii. Examiner's remuneration from Calcutta University	5,700



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d. Deposited in P.P.F.	40,000
e. Own Contribution to R.P.F.	12,000
f. Paid premium on insurance on own health	16,000
g. Donated ₹ 10,000 to National Relief Fund and ₹ 15,000 to a trust registered u/s 80G(5)	

From the above information, compute total income and tax liability (under the old tax regime) of Mrs. Ria for the assessment year 2025–26, if she has opted for old tax regime.

Answer

Computation of total income of Mrs. Ria for the A.Y. 2025-26

Particulars	Amount	Amount	Amount
Salaries			3,51,000
Income from house property			
Gross Annual Value being Rent Received		24,000	
Less: Municipal Tax paid		2,000	
Net Annual Value (NAV)		22,000	
Less: Standard Deduction u/s 24(a) [30% of NAV]		6,600	15,400
Income from other sources			
Bank Interest on fixed deposit		12,000	
Dividend from Indian companies		10,000	
Examiner's Remuneration		5,700	27,700
Gross Total Income			3,94,100
Less: Deductions			
- u/s 80C			
Own Contribution to RPF	12,000		
Deposit in PPF	40,000	52,000	
- u/s 80D (Mediclin)		16,000	
- u/s 80G			
Donation to National Defence Fund		10,000	
Donation to Trust (50%)		7,500	85,500
Total Income			3,08,600
Tax on above [(₹ 2,50,000 x 0%) + (58,600 x 5%)]			2,930
Less: Rebate u/s 87A			2,930
Tax Payable			Nil

**Q 3****ICMAI Study Material**

Sri Chandan Saha furnished the following information for the previous year 2024-25:

Particulars	(₹)
Income from salary (net)	6,00,000
Income from house property	1,40,000
Short-term capital loss	15,000
Long-term capital gain on 20-06-2024	40,000
Interest on bank fixed deposit	25,000
Dividend from Indian Company	10,000

He made the following payments:

- Life insurance premium on own life ₹ 25,000 (sum assured ₹ 2,00,000 taken on 15.10.2024)
- Deposit in Public Provident Fund ₹ 1,40,000
- Own contribution to Recognised Provident Fund ₹ 20,000
- Medical insurance premium on own health ₹ 10,000 and on the health of spouse ₹ 8,000 paid by cheque.

Compute his income and tax payable (under the old tax regime) for the assessment year 2025-26.

Answer

Computation of total income of Sri Chandan Saha for the A.Y. 2025-26

Particulars	Amount	Amount	Amount
Income from salary			6,00,000
Income from house property			1,40,000
Capital Gains			
Long term capital gain		40,000	
Less: Short term capital loss		15,000	25,000
Income from other sources			
Interest on bank fixed deposit		25,000	
Dividend from Indian companies		10,000	35,000
Gross Total Income			8,00,000
Less: Deductions			
Less: Deductions			
LIC (Max. upto 10% of sum assured)	20,000		
Deposit in PPF	1,40,000		
Own contribution to RPF	20,000		
Max. Limit	1,80,000	1,50,000	
- u/s 80D (Mediclinam)		18,000	1,68,000
Total Income			6,32,000



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Computation of Tax liability of Sri Chandan Saha for the A.Y. 2025-26

Particulars	Rate	On	Details	Amount
LTCG of ₹ 25,000	20%			5,000
Other Income (Note)				
Upto ₹ 2,50,000	-			
From ₹ 2,50,001 to ₹ 5,00,000	5%	2,50,000	12,500	
From ₹ 5,00,001 to ₹ 6,07,000	20%	1,07,000	21,400	33,900
Tax Liability				38,900
Less: Rebate u/s 87A				-
				38,900
Add: Health and Education cess	4% of ₹ 38,900			1,556
Tax and cess payable				40,456
Rounded off u/s 288B				40,460

Q 4

PTP Dec 22

Following is the profit and loss account of Ashok (age 56) a resident for the year ended 31.03.20XY:

Particulars	(₹)	Particulars	(₹)
To Rent	2,70,000	By Gross Profit	10,50,000
To Car repair & running expenses	10,000	By Cash Gift from friend	35,000
To Income tax	15,000	By Profit on sale of car	35,000
To Medical expenses	20,000	By Interest on income tax refund	1,300
To Administration expenses	1,30,000		
To Salary	90,000		
To Net Profit	5,71,300		
	11,06,300		11,06,300

Other Information:

- He bought a motor car on 1st March, 20XY for ₹2 lakhs by paying cash.
- He sold his old motor car on 8th September, 20XX whose WDV as on 01.04.20XX was ₹60,000 and book value ₹80,000 for ₹97,000.
- Medical expenses given above includes medical expenses for wife ₹7,000.
- Let out a residential property for a monthly rent of ₹25,000 to Amin throughout the financial year 20XX-XY. Municipal tax of ₹30,000 was paid in cash in December, 20XX.
- Incurred ₹50,000 towards medial expenditure for employees due to fire accident in business premises. This amount is included in administrative expense given above.
- Paid health insurance premium for himself and wife ₹20,000 by crossed cheque. Also paid health insurance premium for his two children by net banking ₹12,000.
- Repaid housing loan principal by cash ₹1,05,000 and life insurance premium of his brother ₹20,000 and of himself ₹25,000.



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Compute the total income of Ashok for the assessment year 20XY-XZ.

Answer

Computation of total income of Ashok for the Assessment Year 20XY-XZ

Particulars	(₹)
Income from house property	1,89,000
Income from Business	5,37,000
Capital gains	37,000
Income from Other Sources	1,300
Gross Total Income	7,64,300
Less: Deduction under Chapter VI-A	1,55,000
Total Income	6,09,300

Q 5

PTP June 23 (Old)

Nikhil, 40 years has provided following details relating to his income for the previous year 20XX-XY.

- Income from business ₹ 15,00,000
- Income from saving bank interest ₹ 12,000
- Interest on PPF ₹ 36,000
- Investment in PPF ₹ 1,50,000

You are requested to compute his tax liability and advise him whether he should opt for new tax regime under section 115BAC.

Answer

Tax Liability (Rounded off u/s. 288B):-

Old Tax Regime	₹ 2,26,820
New Tax Regime	₹ 159,740

In the instant case, tax liability under alternative tax regime u/s. 115BAC is lower, hence it is advisable to opt for provision of section 115BAC.

Q 6

PTP June 23 (Old)

AB & Co is an Association of Persons (AOP) consisting of Adhi (age 65) and Balu (age 37) as members with equal share in the profits and losses. The net profit of AOP was ₹ 6,00,000 before considering the following:

- Interest on capital to members Adhi ₹ 60,000 and Balu ₹ 40,000.
- Salary of members Adhi ₹ 2,40,000 and Balu ₹ 1,80,000.

Other incomes: Adhi ₹ 2,90,000; Balu ₹ 2,30,000



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Compute the income tax liability of AOP; Members Adhi and Balu for the Assessment Year 20XY-XZ. Both Adhi and Balu did not opt for section 115BAC.

Answer

Tax liability of AOP = ₹ 33,800

Tax liability of members:-

Adhi	17,230 (Round off)
Balu	Nil

Q 7

MTP June 23 (Old)

X and Y, being members of an AOP with equal ratio, furnishes the following details, compute tax liability of AOP and members:

Profit and Loss Account for the year ended 31-3-20XY

Particulars	Amount (₹)	Particulars	Amount (₹)
Bonus to employee	5,000	Gross Profit	60,000
Other Expenses	14,000	Short term capital gain	6,000
Salary to -			
X	5,000		
Y	5,000		
Interest on capital @ 15%			
X	5,000		
Y	7,000		
Depreciation u/s 32	10,000		
Net profit	15,000		
	66,000		66,000

Additional information:

- (1) Other expenses include expenditure of ₹ 4000, which is disallowed u/s 37.
- (2) Other personal income of X & Y -

Particulars	X	Y
Interest exempt u/s 10(15)	₹ 5,000	₹ 20,000
Interest on loan	₹ 25,000	₹ 2,49,000
Brought forward loss from house property	₹ 25,000	₹ 10,000



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Answer

Computation of total income of AOP for the A.Y. 20XY-XZ

Particulars	Details (₹)	Amount (₹)	Amount (₹)
Profits and gains of business or profession			
Net profit as per profit and loss account		15,000	
Add: Expenditure disallowed but debited in P/L Account			
Salary to member disallowed u/s 40(ba) [₹ 5,000 + ₹ 5,000]	10,000		
Interest on capital disallowed u/s 40(ba) [₹ 5,000 + ₹ 7,000]	12,000		
Other expenses disallowed u/s 37	4,000	26,000	
		41,000	
Less: Income credited but taxable under other head			
Short term capital gain		6,000	35,000
Capital Gains			
Short term capital gain			6,000
Total Income			41,000
Tax on above (using rates applicable on an individual)			
Note 1			Nil

Note 1 : Computation of total income of X & Y excluding share from AOP

Particulars	X	Y
Income from other sources		
Interest exempt u/s 10(15)	Nil	Nil
Interest on loan	25,000	2,49,000
Total income excluding share from AOP	25,000	2,49,000

Since total income of X & Y excluding share from AOP does not exceed maximum exempted limit, hence AOP shall be taxable at the rate applicable to an individual.

Computation of total income of X & Y for the A.Y. 20XY-XZ

Particulars	X		Y	
	Details (₹)	Amount (₹)	Details (₹)	Amount (₹)
Profits and gains of business or profession:				
Salary from AOP	5,000		5,000	
Interest on capital	5,000		7,000	
Balance income other than short term capital gain in equal ratio	6,500	16,500	6,500	18,500
Capital Gains: Short term capital gain		3,000		3,000



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Income from other sources				
Interest exempt u/s 10(15)	Nil		Nil	
Interest on loan	25,000	25,000	2,49,000	2,49,000
Total income		44,500		2,70,500
Tax on above less rebate plus cess (Slab rate) (R/off)		Nil		Nil

Since AOP is not charged to tax, hence rebate u/s 86 is not available.

Q 8

PTP June 23 (New)

Mr. Rishabh, a resident individual, aged 54 years, a professor in a college furnishes the following particulars of his income for the previous year 20XX-20XY:

S. No.	Particulars	₹
1.	Income from salary (computed)	5,00,000
2.	Interest on bank fixed deposit (net of TDS)	49,500
3.	Income from house property (computed)	2,40,000
4.	Long-term capital gain	50,000
5.	Dividend from Indian Companies	10,000
6.	Income-tax refund received relating to assessment year 20XX-20XY including ₹ 34,500 interest of ₹ 2,000	34,500
7.	Short-term capital loss	25,000

He made the following payments:

- Deposit in Public Provident Fund ₹ 1,50,000.
- Own contribution to Recognised Provident Fund ₹ 25,000.
- Life insurance premium on own life ₹ 25,000 (sum assured ₹ 2,00,000 taken on 1st October, 20XX).
- Medical insurance premium on own health ₹ 20,000 and on the health of spouse ₹ 10,000 paid by cheque.

You are required to calculate his taxable income and tax payable for the assessment year 20XY-20XZ. Mr. Rishabh does not opt to be taxed under section 115BAC.

Answer

Taxable income	₹ 6,57,000
Tax Payable	₹ 45,660 (Rounded off)



Q 9

PTP June 23 (New)

Mr. Raja, a retail trader of Delhi gives the following Trading and Profit and Loss Account for the year ended 31st March, 20XY:

Particulars	Amount (₹)	Particulars	Amount (₹)
To Opening stock	90,000	By Sales	85,00,000
To Purchases	78,00,000	By Closing stock	80,000
To Gross Profit	6,90,000		
	85,80,000		85,80,000
To Salary	60,000	By Gross profit b/d	6,90,000
To Rent and rates	48,000	By Income from UTI	3,000
To Interest on loan	10,000		
To Depreciation	1,05,000		
To Printing & stationery	24,000		
To Postage & telegram	1,200		
To Loss on sale of shares (Short term)	9,500		
To Other general expenses	8,000		
To Net Profit	4,27,300		
	6,93,000		6,93,000

Additional Information:-

- (i) It was found that some stocks were omitted to be included in both the Opening and Closing Stock, the values of which were:

Opening stock	₹9,000
Closing stock	₹18,000

- (ii) Salary includes ₹ 10,000 paid to his brother, which is unreasonable to the extent of ₹ 2,500.
 (iii) The whole amount of printing and stationery was paid in cash by way of one time payment to Mr. Sonu.
 (iv) Rent and rates includes GST liability off 3,400 paid on 7th April, 20XY.
 (v) Other general expenses include ₹ 2,000 paid as donation to a Public Charitable Trust.
 (vi) Depreciation as per Income-tax Act, 1961 is ₹ 1,20,000.

You are required to calculate the profits and gains of business of Mr. Raja as per normal provisions of the Act. Assuming he has not opted for the provisions of section 115BAC.

Also assume that the whole of the amount of turnover received by account payee cheque or use of electronic clearing system through bank account during the previous year.

Answer

Income from business	₹ 4,56,300



Q10

MTP June 23 (New)

For the previous year 20XX-XY, Mr. Swarup has furnished the following information:

Particulars	₹
Income from salary (computed)	5,20,000
Income from house property	95,000
Bank Interest on fixed deposit	18,000
Long-term capital gains	30,000
Short-term capital loss	5,000

He made the following payments:

S. No.	Particulars	₹
1.	LIP on own life (sum assured ₹ 2,00,000)	22,000
2.	LIP on wife's life (sum assured ₹ 1,00,000)	10,000
3.	Deposit in PPF	18,000
4.	Paid for mediclaim (on own health)	12,000
5.	Medical expenses on treatment of dependent (Physically handicapped brother)	25,000
6.	Donation to Prime Minister's National Relief Fund	10,000
7.	Donation to Ramkrishna Mission	12,000

Analyze his different component of income and determine his total income and tax payable for the A.Y. 20XY-XZ.

Answer

Computation of total income of Mr. Swarup for the A.Y. 20XY-XZ

Particulars	Amount (₹)	Amount (₹)	Amount (₹)
Income from salary			5,20,000
Income from house property			95,000
Capital Gains			
Long-term capital gains		30,000	
Short-term capital loss		5,000	25,000
Income from other sources			
Bank Interest on fixed deposit			18,000
Gross Total Income			6,58,000
Less: Deductions			
- u/s 80C			
LIP on own life (Subject to max. of 10% of sum assured)	20,000		
LIP on wife's life	10,000		



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Deposit in PPF	18,000	48,000	
- u/s 80D (mediclaim)		12,000	
- u/s 80DD (Medical expenses on treatment of dependent)		75,000	
- u/s 80G			
Donation to Prime Minister's National Relief Fund	10,000		
Donation to Ramkrishna Mission (50% ¹)	6,000	16,000	1,51,000
Total Income			5,07,000
Tax on above (Rounded off)			17,260
[104% of {(₹ 25,000 * 20%)} + {(₹ 2,50,000 * 0%)+ (₹ 2,32,000 * 5%)}			

Q 11**PTP Dec 23 (Old)**

With brief reason state the tax treatment/consequence for the following transactions:

- Maintenance amount of ₹ 20,000 paid every month by Vittal out of salary to his divorced wife as per court decree.
- Insurance claim received by Suri, an individual employed in private sector at Salem for his residential building damaged by fire.
- Income from let out. property ₹ 3,00,000. The property was received by way of gift from father by a married daughter Uma.
- Royalty of 30 lakhs paid by Sky (P) Ltd, Kolkata to Danish LLC of Canada for use of patent in India to manufacture a product.

Answer**Tax treatment / consequence of certain transactions**

- The amount paid by way of maintenance to divorced wife is not a diversion of income by overriding title.
- When a building is covered by insurance policy against natural calamities, insurance claim is meant for restoring the building to its previous stage. The claim may be adequate or inadequate for restoring the building to its level before such natural calamity.

The amount so received by a person employed in a private sector in respect of residential building is a capital receipt and not chargeable to tax.

Alternative: Under section 45(1A) the amount received from insurance company is taxable as capital gain in the year of receipt,

- Gift of asset to daughter is not liable for clubbing in the hands of the transferor. Therefore, the income from the transferred let out property is taxable in the hands of Uma.

The rental income liable to tax would be ₹ 2,10,000 after deduction of 30% under section 24.

- Royalty accrues at the place where it is used. Since the patent is used by Sky (P) Ltd in India the royalty income accrues or arises in India.

Therefore, the royalty income of Danish LLC of Canada is taxable in India.

¹ As payment is within limit



Q12

PTP Dec 23 (Old)

Prakash (age 35 years) furnishes the following information for the financial year 20XX-XY:

I.	Details relating to Business:
	Sale of readymade garments ₹ 155 lakhs. Wants to admit income as per section 44AD.
	Sale proceeds realised during the financial year 20XX-XY - ₹ 90 lakhs. Of which amounts realised through banking channel viz; by RTGS, NEFT etc. ₹ 40 lakhs and balance by cash.
	Sale proceeds of financial year 20XX-XY realised from 1st April, 20XY and up to the 'due date' for filing the return of income ₹ 50 lakhs of which ₹ 20 lakhs by cash and balance through banking channel.
	Depreciation computed under section 32 = ₹ 7,60,000
	Brought forward business loss ₹ 2,30,000 of the assessment year 20XW-XX relating to discontinued business of wholesale trade in sugar.
II.	Income under the head 'Other Sources':
	Gift from grandfather ₹ 60,000
	Cash gift from friends (non-relatives) ₹ 40,000 on the occasion of birthday.
	Loss from Horse race ₹ 15,000.
III.	Investments and payments:
	Life insurance policy on self ₹ 20,000; Parents ₹ 50,000
	Children school tuition fees ₹ 60,000; Sukanya Samruddhi scheme deposit ₹ 10,000.
	Housing loan principal repaid ₹ 30,000 (in respect of self-occupied house property).
	Education loan interest paid during the year ₹ 18,000. Loan repayment started in April, 2012.
	Medical insurance premium paid ₹ 90,000 for 3 years up to 30.06.2026.

Compute total income of Prakash for the assessment year 20XY-XZ by giving reasons for treatment of each item.

Answer

Total Income of Prakash for the assessment year 20XY-XZ ₹ 7,25,000

Q13

PTP Dec 23 (Old)

Suresh, an individual, reported the following relating to financial year 20XX-XY:

- Gross receipt from interior decoration ₹ 28,00,000. He wants to admit income by opting presumptive provision.
- Dividend from Indian companies ₹ 1,40,000 (gross).
- Interest on loan obtained for purchase of shares (in respect of which dividend income was earned referred to above) ₹ 45,000.
- Purchased vacant land from Anil for ₹ 13 lakhs. Stamp duty value ₹ 15,20,000. Anil is not a relative of Suresh.



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- (v) Let out a generator on hire for a monthly rent of ₹ 48,000 from 1st November, 20XX. Acquired the generator for ₹ 11 lakhs of which ₹ 2 lakhs was paid by cash and balance by account payee crossed cheque.
- (vi) Gifted one let out buildings to son's wife on 1st October, 20XX. The building fetched monthly rent of ₹19,000 throughout the previous year.
- (vii) Gifted a let out vacant land to grandson (aged 11 years) 2 PYs ago. Rental income thereon ₹ 8,000 per month.
- (viii) Lottery winnings during the year ₹ 60,000. Cost of lottery tickets acquired during the year ₹75,000.

Compute the total income of Suresh for the assessment year 20XY-XZ.

Answer

Total income of Suresh for the assessment year 20XY-XZ ₹ 21,24,100

Q14

PTP Dec 23 (New)

Mrs. Jyoti, aged 46 years, a resident individual furnishes the following particulars for the previous year 20XX-XY:

S.No.	Particulars	₹
i.	Salary income (Gross)	9,50,000
ii.	Loss from self-occupied house property	(2,40,000)
iii.	Interest on saving bank account	12,000
iv.	Deposit in Public Provident Fund (PPF)	1,50,000
v.	Dividend from Indian companies	50,000
vi.	LIC premium paid for dependent father, aged 75 years.	30,000

You are required to calculate total taxable income and tax liability for the assessment year 20XX-XY and advise her whether she should opt for alternative tax regime under section 115BAC of the Income Tax Act, 1961 or not?

Answer

Total income of Mrs Jyoti for the A.Y.20XY-20XZ

	Regular provision ₹	Section 115 BAC ₹
Salary Income (Gross)	9,50,000	9,50,000
Less: Standard Deduction	50,000	50,000
Net Salary	9,00,000	9,00,000
Less: Loss from House Property	(2,00,000)	Nil
Interest on Savings Account	12,000	12,000
Dividend from Indian Companies	50,000	50,000



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Less: Deductions		
Deposit in PPF	(1,50,000)	Nil
LIC premium for father	Nil	Nil
Interest Income	(10,000)	Nil
Taxable Income	6,02,000	9,62,000
Tax & Cess payable	34,216	56,472

Advise: In the instant case, tax liability under alternative tax regime under section 115BAC is higher, hence it is advisable NOT to opt for new scheme.

Q15

MTP June 24

Miss Hema (aged 32 years) submits the following particulars for the assessment year 2024-25:

	₹
Income from House Property	50,400
Income from Business	72,600
Long-term capital gains on sale of building	21,840
Interest from fixed deposit with a bank	18,000
Donations made to:	
- Approved University of national eminence	3,600
- Prime Minister's Drought Relief Fund (in kind)	1,800
- Prime Minister's National Relief Fund	4,500
- Prime Minister's Drought Relief Fund (paid by cheque)	2,500
- Approved charitable Institution (paid by cheque)	16,200
- Approved Political Party	10,000
Payment of medical insurance premium on his own health to GICI by cheque	31,600

Compute her total income if she has opted for option given u/s 115BAC(6).

Answer

Computation of Total Income of Miss Hema for the A.Y. 2024-25

Particulars	₹	₹
Income from House Property		50,400
Profits & gains of business or profession		72,600
Capital gains: Long term capital gains		21,840
Income from Other Sources		18,000
Gross Total Income		1,62,840
Less: Deduction under chapter VIA		
Sec. 80D (Medical Insurance) (Max Limit)	25,000	



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Sec. 80GGC (Donation to political party)	10,000	
Sec. 80G (Donation)	14,650 ⁵	49,650
Total Income		1,13,190

⁵ Statement showing amount of deduction u/s 80G:

Donation made to	Amount (₹)	Rate	Deduction(₹)
Approved University of national eminence	3,600	100%	3,600
Prime Minister's Drought Relief Fund (in kind)	1,800	-	-
Prime Minister's National Relief Fund	4,500	100%	4,500
Prime Minister's Drought Relief Fund (paid by cheque)	2,500	50%	1,250
Approved charitable Institution (paid by cheque)	10,600*	50%	5,300
Total amount of donation u/s 80G			14,650

* Calculation of Deduction for donation on which limit is applicable:

Computation of limit		
Adjusted GTI	GTI – LTCG – Deductions other than deduction u/s 80G	₹1,62,840 – ₹21,840 – ₹25,000 – ₹10,000 = ₹1,06,000
Limit	10% of Adjusted GTI	10% of ₹1,06,000 = ₹10,600

Q16

PTP June 24

Mr Pawan, aged 36 years, a resident individual furnishes the following particulars of his income for the previous year 2023-2024:

S. No	Particulars	Amount (₹)
i	Annual value of let-out property	60,000
ii	Profit and gains from manufacturing business (After deducting normal depreciation of ₹ 8,000 and additional depreciation of ₹ 4,000)	5,36,000
iii	Interest received on fixed deposit from bank (Gross)	1,00,000
iv	Interest received from company deposits (Gross)	60,000
v	Saving bank account interest received by minor son of Mr Pawan	1,000

He contributed the following amounts by cheque:

S. No	Particulars	Amount (₹)
i	Sukanya Samriddhi Account Scheme in the name of his minor daughter	25,000
ii	Own contribution to Recognised Provident Fund	30,000
iii	Prime Minister's National Relief Fund	20,000

You are required to calculate total taxable income and his tax liability for the assessment year 2024-2025 under the default tax regime under section 115B AC 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 under section 115BAC or normal provisions of the Act.



Answer

Total income of Mr Pawan for the A.Y.2024-2025

		Regular provision (₹)	Section 115 BAC (₹)
i	Income from House Property	42,000	42,000
ii	Income from Business	5,36,000	5,40,000
iii	Income from other sources	1,60,000	1,61,000
	Gross total income	7,38,000	7,43,000
	Less: - Deductions under Chapter VI-A	55,000	Not eligible
	Deduction under section 80G	20,000	Not eligible
	Total Taxable Income	6,63,000	7,43,000
	Tax liability	45,100	29,300
	Add: - Health & Education cess @4%	1,804	1,172
	Tax and cess payable	46,904	30,472

In the instant case, tax liability under default tax regime under section 115BAC is lower, hence it is advisable to must opt for default tax regime under section 115BAC.

Q17

MTP Dec 24

Compute total income of Sri Bajaj of Delhi from the following data, if he opts for old regime:

Particulars	Amount (₹)
Profits & gains of business or profession	8,00,000
Income from house property (let-out and situated at Kolkata)	40,000
Income from other sources	10,000
Rent paid for office	8,000
Rent paid for residential house	1,20,000

Answer

Calculation of total income of Sri Bajaj for the A.Y. 2024-25

Particulars	Amount (₹)
Profits & gains of business or profession	8,00,000
Income from house property	40,000
Income from other sources	10,000
Gross Total Income	8,50,000
Less: Deduction u/s 80GG (Note 1)	35,000
Total Income	8,15,000
Note 1: Computation of deduction u/s 80GG —	



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Particulars	Working	Details (₹)	Amount (₹)
Least of the following shall be deductible:			
1. ₹ 5,000 per month	₹ 5,000 × 12	60,000	
2. 25% of Adjusted Gross total income	25% of ₹8,50,000(Note 2)	2,12,500	
3. Excess of rent paid over 10% of Adj. GTI	₹ 1,20,000 – [10% of ₹8,50,000 (Note 2)]	35,000	35,000
Note 2: Adjusted GTI = Gross total income – Long term capital gain – Short term capital gain covered u/s 111A – All deduction under 80's other than section 80GG – Income u/s 115A, etc. = ₹ 8,50,000 Note: Rent paid for office is irrelevant for the purpose of Sec. 80GG.			

Q18**MTP Dec 24**

Calculate taxable income and tax liability as per old tax regime of Sri Dev from the following information:

1. He is working with X Ltd. for a basic of ₹ 24,000 p.m. and dearness allowance ₹ 2,000 p.m. Bonus ₹ 50,000
2. He and his employer contribute to RPF @ 6% of salary.
3. His income from business & profession is ₹ 52,000
4. During the year, interest on fixed deposit ₹ 5,000
5. LIC premium paid ₹ 4,000.

Answer

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

Particulars	Details (₹)	Amount (₹)
Salaries		
Basic	2,88,000	
Bonus	50,000	
Dearness allowance	24,000	
Employer's contribution to RPF (as less than 12% of salary)	Nil	
Gross Salary	3,62,000	
Less: Standard Deduction u/s 16(ia)	50,000	3,12,000
Profits & gains of business or profession		52,000
Income from other sources		
Interest on Fixed deposit		5,000
Gross Total Income		3,69,000
Less: Deduction u/s 80C ¹		22,720
Total Income		3,46,280



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Computation of Tax Liability for the A.Y. 2024-25

Income	Rate	On Amount(₹)	Tax (₹)
Up to ₹ 2,50,000			
From ₹ 2,50,001 to ₹ 3,46,280	5%	96,280	4,814
Tax liability			4,814
Less: Rebate u/s 87A			4,814
			Nil
Add: Health and Education cess			Nil
Tax and cess payable			Nil

Particulars	Amount (₹)
LIC premium paid	4,000
Employees contribution to RPF (6% of basic and DA)	18,720
Total	22,720

Q19

PTP Dec 24

Mr. Ram, a 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 nationalised bank. During the financial year 2023-24, he paid interest on housing loan amounting to ₹72,10,000 each for both the houses and total principal repayment of ₹2,50,000 for each. 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 total taxable income and tax liability of Mr. Ram for the assessment year 2024-25 under the default tax regime under section 115BAC of the Income Tax Act, 1961 and also optional tax regime as per the Regular provisions (old regime) of the Income Tax Act, 1961. Advise Mr. Ram whether he should pay tax under default tax regime under section 115BAC of the Income-tax Act, 1961 or Regular provisions (old regime) of the Income Tax Act, 1961 for the assessment year 2024-25.

Answer

Computation of total income of Mr Ram for the for the Assessment Year 2024-25

	Regular provision (₹)		Section 115 BAC (₹)	
Income from House Property (let out)				
Rent Received	7,80,000		7,80,000	
Less: - Standard deduction under section 24	2,34,000		2,34,000	
Less: - Interest on loan	2,10,000		2,10,000	
		3,36,000		3,36,000
Income from House Property (Self-Occupied)				
Rent Received	Nil		Nil	
Less: - Interest on loan	2,00,000	(2,00,000)	Nil	Nil
Income from House Property		1,36,000		3,36,000



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Income from Business				
Income from Ram Enterprises (computed)		9,60,000		9,60,000
Gross total income		10,96,000		12,96,000
Less: - Deductions under Chapter VI-A				
Deduction under section 80C				
Housing loan principal repaid		1,50,000		Not eligible
Total Taxable Income		9,46,000		12,96,000
Tax liability		1,01,700		1,09,200
Add: Health & Education cess @ 4%		4,068		4,368
Tax and cess payable		1,05,768		1,13,568
In the instant case, tax liability under default tax regime under section 115BAC is higher, hence it is advisable to Mr Ram should opt out of section 115BAC (or opt old regime).				

Q 20**MTP June 25**

Akhil, 35 years, has provided following details relating to his income for the previous year 2024-25:

- Income from business ₹15,00,000
- Income from saving bank interest ₹12,000
- Interest on PPF ₹36,000
- Investment in PPF ₹ 1,50,000

You are requested to compute his tax liability and advise him whether he should opt for the old tax regime by exercising option given u/s 115BAC (6).

Answer

Computation of Income and Tax Liability of Mr. Akhil for A.Y. 2025-26

Particulars	Old Tax Regime (₹)	Default Tax Regime (₹)
Business Income	15,00,000	15,00,000
Interest on saving bank deposit	12,000	12,000
Interest on PPF	Exempt	Exempt
Gross Total Income	15,12,000	15,12,000
Less: Deduction		
U/s 80C (PPF Contribution)	1,50,000	NA
U/s 80TTA (Interest on Saving Bank Interest)	10,000	NA
Total Income	13,52,000	15,12,000
Tax on above	2,18,100	1,43,600
Less: Rebate u/s 87A (As income exceeds ₹ 5,00,000)	NA	NA
Tax after rebate	2,18,100	1,43,600
Add: Surcharge	Nil	Nil



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Tax and surcharge	2,18,100	1,43,600
Add: Health & Education cess	8,724	5,744
Tax liability (Rounded off u/s 288B)	2,26,820	1,49,340

In the instant case, tax liability under default tax regime is lower, hence it is advisable to not to opt for option available u/s 115BAC(6).

Q 21

MTP June 25

Compute the tax liability of Mr. Ratan under the old tax regime, who is a handicapped, for the A.Y.2025-26:

Particulars	Amount (₹)
Net salary	2,85,000
Annual value of let-out house property	60,000
Lottery income	50,000
Taxable business & profession income	50,000
He paid LIC premium	10,000
Mr. Ratan deposited in LIC annuity plan ₹ 12,000 & paid medical insurance premium ₹ 5,000.	

Answer

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

Particulars	Details (₹)	Amount (₹)
Salaries		
Net salary		2,85,000
Income from house property		
Annual value of let-out house property	60,000	
Less: Standard deduction u/s 24(a)	18,000	42,000
Profits & gains of business or profession		50,000
Income from other sources		
Lottery income		50,000
Gross Total Income		4,27,000
Less: Deduction u/s		
80C (LIC Premium)	10,000	
80CCC (Deposit in LIC annuity plan)	12,000	
80D (Medical insurance premium paid)	5,000	
80U (Assessee is handicapped)	75,000	1,02,000
Total Income		3,25,000



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Computation of Tax liability of Mr. Ratan for the A.Y. 2025-26

Particulars	Rate	On	Details	Amount
Casual income (Note) ₹ 50,000	30%			15,000
Other Income (Note)				
Upto ₹2,50,000	-			
From ₹2,50,001 to ₹ 2,75,000	5%	25,000	1,250	1,250
Tax Liability				16,250
Less: Rebate u/s 87A				12,500
				3,750
Add: Health & Education cess	4% of ₹ 3,750			150
Tax and cess payable				3,900

Note: Taxable income can be divided as follows:

- Casual income ₹50,000 on which tax @ 30% is applicable, and
- Income other than casual income ₹2,75,000 (being ₹3,25,000 – ₹50,000) on which slab is applicable.

Q 22

PTP June 25

Mr. Rajesh, a resident individual, aged 45 years, furnishes the following particulars of his income for the previous year 2024-25:

Sl. No.	Particulars	Amount (₹)
i	Income from garments business as per Profit & Loss Account	10,80,000
ii	Short-term capital gain on transfer of shares on which STT is ₹1,40,000 paid as on 1st December, 2024.	1,40,000
iii	In the year 2023-24, he had gifted ₹1,00,000 to his son who was aged 10 years. In the same year the gifted amount was deposited in PQR Company Pvt. Ltd. The company was paying Interest @ 12% per annum.	12,000

He made the following payments by cheque:

- Life insurance premium paid for his life: ₹24,000 (10% of sum assured).
- Contribution towards Prime Minister National Relief Fund : ₹50,000.

You are required to calculate total taxable income and tax liability of Mr. Rajesh for the Assessment Year 2025-26 under the new default tax regime under section 115BAC of the Income Tax Act, 1961 and optional tax regime as per the Regular provisions (old regime) of the Income Tax Act, 1961. Also Advise Mr. Rajesh which scheme is beneficial for him.



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Answer

Computation of total income of Rajesh for A.Y 2025-26 under both the regimes.

	Optional tax regime		Default tax regime [Sec.115BAC(1A)]	
	₹	₹	₹	₹
Income from Business				
Income from garments business as per Profit & loss a/c		10,80,000		10,80,000
Income from Capital Gains				
Short term capital gain on transfer of shares on which STT is paid as on 1st December, 2024		1,40,000		1,40,000
Income from other sources				
Interest earned from deposit out of money gifted to his minor son is includible in the hands of Rajesh as per section 64(1A)	12,000		12,000	
Less: - Exemption under section 10(32)	1,500		Not eligible	
		10,500		12,000
Gross total income		12,30,500		12,30,500
Less: - Deductions under Chapter VI-A				
Under section 80C				
Life insurance premium	24,000		Not eligible	
Under section 80G				
Contribution towards PM National Relief Fund eligible for 100% deduction without any qualifying limit	50,000		Not eligible	
		74,000		
Total Income		11,56,500		12,32,000
Tax liability				
Tax on short term capital gain on transfer of shares under section 111A @ 20% on ₹1,40,000		28,000	OR	28,000
Tax on remaining taxable income of ₹10,16,500 (₹12,500 + ₹1,00,000 + ₹4,950)		1,17,450		
Tax on total income of ₹10,92,000 (₹20,000 + ₹30,000 + ₹13,800)				63,800
Total tax		1,45,450		91,800
Add: HEC @ 4%		5,818		3,672
Tax liability		1,51,268		95,472
In the instant case, tax liability under default tax regime under section 115BAC(1A) is lower, hence it is advisable to opt for section 115BAC(1A).				



Chapter 14

Advance Tax

Q1

ICMAI Study Material

Find out the amount of advance tax payable by Mr. A on specified dates under the Income tax Act, 1961 for the financial year 2024-25:

Business income	₹ 14,85,000
Long term capital gain on 31-5-2024	₹ 60,000
Winning from lotteries on 12-6-2024	₹ 50,000
Interest on loan	₹ 10,000
Other income	₹ 5,000
Investment in PPF	₹ 10,000
Tax deducted at source:	
Case 1	₹ 1,70,000
Case 2	₹ 23,680

Answer

Particulars	Details	Amount
Profits and gains of business or profession		14,85,000
Capital gains: Long term capital gains		60,000
Income from other sources		
Winning from lotteries	50,000	
Interest on loan	10,000	
Other income	5,000	65,000
Gross Total Income		16,10,000
Less: Deduction u/s 80C		NA
Total Income		16,10,000

Computation of tax liability of Mr. A for the previous year 2024-25

Income	Case 1	Case 2
Long term capital gain (₹ 60,000 @ 20%)	12,000	12,000
Winning from lotteries (₹ 50,000 @ 30%)	15,000	15,000
Balance income (₹ 15,00,000)	1,40,000	1,40,000
Tax	1,67,000	1,67,000
Less: Rebate u/s 87A	Nil	Nil



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	1,67,000	1,67,000
Add: Health & Education cess	6,680	6,680
	1,73,680	1,73,680
Less: Tax Deducted at Source	1,70,000	23,680
Total Advance tax payable	3,680	1,50,000

Advance tax to be paid on specified dates –

Case 1: Since amount of advance tax payable is less than ₹ 10,000, assessee is not liable to pay advance tax.				
Case 2:				
Date	Alternate 1		Alternate 2	
	Working	Amount	Working	Amount
15-06-2024	15% of ₹ 1,50,000	22,500	15% of ₹ 1,50,000	22,500
15-09-2024	30% of ₹ 1,50,000	45,000	[(45% of ₹ 1,50,000) – ₹22,500]	45,000
15-12-2024	30% of ₹ 1,50,000	45,000	[(75% of ₹ 1,50,000) – (₹22,500 + ₹ 45,000)]	45,000
15-03-2025	25% of ₹ 1,50,000	37,500	[100% of ₹ 1,50,000 – (₹ 22,500 + ₹ 45,000 + ₹45,000)]	37,500
Total		1,50,000	Total	1,50,000

Q 2

ICMAI Study Material

Find out the amount of advance tax payable by ABC Ltd. on specified dates for the F.Y. 2024-25:

Business income	₹ 1,75,000
Long-term capital gain on 16-7-2024	₹ 2,50,000
Bank interest	₹ 10,000
TDS on business income	₹ 20,550

Answer

Computation of total income of ABC Ltd. for the previous year 2024-25

Particulars	Amount
Profits and gains of business or profession	1,75,000
Capital gains: Long term capital gains	2,50,000
Income from other sources: Bank Interest	10,000
Total Income	4,35,000

Computation of tax liability of ABC Ltd. for the previous year 2024-25

Particulars	Long term capital gain	Other income
Income	2,50,000	1,85,000
Tax rate	20%	30%



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Tax on above	50,000	55,500
Add: Surcharge	Nil	Nil
Tax and surcharge payable	50,000	55,500
Add: Health & Education cess	2,000	2,220
Tax and cess payable	52,000	57,720
Less: TDS	-	20,550
Advance tax payable	52,000	37,170

Advance tax to be paid on specified dates – Alternate 1

Date	Advance tax on LTCG		Advance tax on income other than LTCG		Total (a+b)
	Working	Amount	Working	Amount	
15-06-2024	As LTCG occurred on 16/7/2024	Nil	15% of ₹ 37,170	5,576	5,576
15-09-2024	45% of ₹ 52,000	23,400	0% of ₹ 37,170	311,151	34,551
15-12-2024	30% of ₹ 52,000	15,600	30% of ₹ 37,170	11,151	26,751
15-03-2025	25% of ₹ 52,000	13,000	25% of ₹ 37,170	9,292	22,292
Total		52,000		37,170	89,170

Q 3

ICMAI Study Material

Find out the amount of advance tax payable by A on specified dates for the financial year 2024-25:

Business income (Tax of ₹ 14,272 is deducted at source) = ₹ 8,25,000

Agricultural income = ₹ 86,000

Answer

Computation of tax liability of A for the previous year 2024-25

Particulars	Amount
Tax on ₹ 9,11,000 (i.e. agricultural income ₹ 86,000 + non-agricultural income ₹ 8,25,000)	41,100
Less: Tax on ₹ 3,86,000 (i.e. agro income ₹ 86,000 + maximum exempted limit ₹ 3,00,000)	4,300
Tax liability	36,800
Less: Rebate u/s 87A	Nil
	36,800
Add: Health & Education cess	1,472
Tax and cess payable	38,272
Less: TDS	14,272
Advance tax payable	24,000



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Advance tax to be paid on specified dates –

Date	Alternate 1		Alternate 2	
	Working	Amount	Working	Amount
15-06-2024	15% of ₹ 24,000	3,600	15% of ₹ 24,000	3,600
15-09-2024	30% of ₹ 24,000	7,200	[(45% of ₹ 24,000) – ₹ 3,600]	7,200
15-12-2024	30% of ₹ 24,000	7,200	[(75% of ₹ 24,000) – (₹ 3,600 + ₹ 7,200)]	7,200
15-03-2025	25% of ₹ 24,000	6,000	[100% of ₹ 24,000 – (₹ 3,600 + ₹ 7,200 + ₹ 7,200)]	6,000
Total		24,000	Total	24,000



Chapter 15

Objective Questions

ICAI Study Mat

1. Mr. Karan filed his return of income for AY 2022-23 showing total income of ₹ 7 lakhs on 1.1.2023. The fee payable by him under section 234F is –
 - (a) Nil
 - (b) ₹ 1,000
 - (c) ₹ 5,000
 - (d) ₹ 10,000
2. Mr. Arjun, aged 53 years, has a total income of ₹ 51 lakhs for AY 2022-23. His total income comprises of salary, income from house property and interest on savings bank account. His tax liability for AY 2022-23 would be –
 - (a) ₹ 13,96,200
 - (b) ₹ 14,82,000
 - (c) ₹ 15,35,820
 - (d) ₹ 14,69,000
3. Mr. Aarav gifted a house property valued at ₹ 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 ₹ 25,000 per month throughout the PY 2021-22. Compute income from house property for AY 2022-23. In whose hands is the income from house property chargeable to tax?
 - (a) ₹ 3,00,000 in the hands of Mr. Aarav
 - (b) ₹ 2,10,000 in the hands of Mr. Aarav
 - (c) ₹ 2,10,000 in the hands of Geetha
 - (d) ₹ 2,10,000 in the hands of Deepa
4. Rajan, a resident Indian, has incurred ₹ 15,000 for medical treatment of his dependent brother, who is a person with severe disability and has deposited ₹ 20,000 with LIC for his maintenance. For AY 2022-23, Rajan would be eligible for deduction under section 80DD of an amount equal to –
 - (a) ₹ 15,000
 - (b) ₹ 35,000
 - (c) ₹ 75,000
 - (d) ₹ 1,25,000



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5. Mr. Harini earned income of ₹ 4,00,000 from sale of tea grown and manufactured in Shimla. Income from sapling and seedling grown in nursery at Cochin is ₹ 80,000. The basic operations were not carried out by her on land. Her agricultural income is
- (a) ₹ 4,80,000
 - (b) ₹ 4,00,000
 - (c) ₹ 2,40,000
 - (d) ₹ 3,20,000
6. ₹ 2 lakh is paid to Mr. Vallish, a resident individual on 15.3.2022 by the State of Haryana on compulsory acquisition of his urban agricultural land.
- (a) No tax is deductible at source
 - (b) Tax is deductible@ 1%
 - (c) Tax is deductible@ 5%
 - (d) Tax is deductible@ 10%
7. Which of the following statements is not true with respect to the AY 2022-23:
- (a) No exemption under section 80TTA would be available to resident senior citizens
 - (b) Share of profit will not be exempt in the hands of partner, if firm claims exemption of income under section 10AA
 - (c) Exemption will be available in respect of long term capital gains of ₹ 90,000 on STT paid listed equity shares
 - (d) Exemption under section 10(32) on income of minor child is allowed for more than two children also
8. Mr. Prem earned income of ₹ 22 lakhs from manufacture and sale of coffee grown, cured, roasted and grounded by him in India. The business income chargeable to tax in his hands would be –
- (a) ₹ 8,80,000
 - (b) ₹ 5,50,000
 - (c) ₹ 13,20,000
 - (d) ₹ 16,50,000
9. Mr. Ramanan, a resident aged 40 years, has a total income of ₹ 3,25,000 for AY 2022-23, comprising of his salary income and income from house property. His tax liability for AY 2022-23 would be –
- (a) ₹ 3,900
 - (b) ₹ 1,300
 - (c) ₹ 2,600
 - (d) Nil



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10. Mr. Shaleen, a businessman, whose total income (before allowing deduction under section 80GG) for AY 2022-23 is ₹ 4,60,000, paid house rent at ₹ 12,000 p.m. in respect of residential accommodation occupied by him at Chennai. The deduction allowable to him under section 80GG for AY 2022-23 is-
 - (a) ₹ 98,000
 - (b) ₹ 1,15,000
 - (c) ₹ 60,000
 - (d) ₹ 24,000
11. Mr. Shiva made a donation of ₹ 50,000 to National Children's Fund and ₹ 20,000 to Rajiv Gandhi Foundation by cheque. He made a cash donation of ₹ 10,000 to a public charitable trust. The deduction allowable to him under section 80G for AY 2022-23 is-
 - (a) ₹ 80,000
 - (b) ₹ 70,000
 - (c) ₹ 60,000
 - (d) ₹ 35,000
12. Which of the following returns can be revised under section 139(5)?
 - (a) Only a return of income filed u/s 139(1)-
 - (b) A return of income filed u/s 139(1) or a belated return filed u/s 139(4)
 - (c) A return of income filed u/s 139(1) or a return of loss filed u/s 139(3)
 - (d) A return filed u/s 139(1) or u/s 139(3) or u/s 139(4)
13. A firm pays salary and interest on capital to its resident partners. The salary and interest paid fall within the limits specified in section 40(b). Which of the following statements is true?
 - (a) Tax has to be deducted u/s 192 on salary and u/s 194A on interest
 - (b) Tax has to be deducted u/s 192 on salary but no tax needs to be deducted on interest
 - (c) No tax has to be deducted on salary but tax has to be deducted u/s 194A on interest
 - (d) No tax has to be deducted at source on either salary or interest
14. Mr. X, a resident, is due to receive ₹ 4.50 lakhs on 31.3.2022, towards maturity proceeds of LIC policy taken on 1.4.2018, for which the sum assured is ₹ 4 lakhs and the annual premium is ₹ 1,25,000. Mr. Z, a resident, is due to receive ₹ 95,000 on 1.10.2021 towards maturity proceeds of LIC policy taken on 1.10.2013 for which the sum assured is ₹ 90,000 and the annual premium is ₹ 10,000.
 - (a) Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X and Mr. Z
 - (b) Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. X
 - (c) Tax is required to be deducted on income comprised in maturity proceeds payable to Mr. Z
 - (d) No tax is required to be deducted on income comprised in maturity proceeds payable to either Mr. X or Mr. Z



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15. Provision of rent free accommodation and motor car owned by Beta Ltd. to its employee Mr. Anand, where motor car is allowed to be used by Mr. Anand both for official and personal purposes, is a -
- (a) perquisite taxable in case of all employees
 - (b) perquisite taxable only in case of specified employees
 - (c) perquisite of rent free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees
 - (d) perquisite of rent free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees
16. In respect of loss from house property, which of the following statements are correct?
- (a) While computing income from any house property, the maximum interest deduction allowable under section 24 is ₹ 2 lakhs
 - (b) Loss from house property relating to a particular year can be set-off against income under any other head during that year only to the extent of ₹ 2 lakhs
 - (c) The loss in excess of ₹ 2 lakh, which is not set-off during the year, can be carried forward for set-off against any head of income in the succeeding year(s)
 - (d) All of the above
17. Mr. Ravi incurred loss of ₹ 4 lakh in the PY 2021-22 in retail trade business. Against which of the following incomes earned during the same year, can he set-off such loss?
- (a) profit of ₹ 1 lakh from wholesale cloth business
 - (b) long-term capital gains of ₹ 1.50 lakhs on sale of land
 - (c) speculative business income of ₹ 40,000 © The Institute of Chartered Accountants of India
 - (d) All of the above
18. Mr. Harish, aged 40 years, earned income of ₹ 15,000 during PY 2021-22 from post office savings bank account. What portion of such income would be ultimately included in his total income?
- (a) ₹ 15,000
 - (b) ₹ 5,000
 - (c) ₹ 1,500
 - (d) Nil
19. Mr. Devansh has agricultural income of ₹ 2,30,000 and business income of ₹ 2,45,000. Which of the following statements are correct?
- (a) Agricultural income has to be aggregated with business income for tax rate purposes.
 - (b) No aggregation is required since agricultural income is less than basic exemption limit.
 - (c) No aggregation is required since business income is less than basic exemption limit.
 - (d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds ₹ 5,000.



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20. Mr. Arvind gifted a house property to his wife, Ms. Meena and a flat to his daughter-in law, Ms. Seetha. Both of the properties were let out. Which of the following statements are correct?
- (a) Income from both properties is to be included in the hands of Mr. Arvind by virtue of section 64.
 - (b) Income from property gifted to wife alone is to be included in Mr. Arvind's hands by virtue of section 64.
 - (c) Mr. Arvind is the deemed owner of house property gifted to Ms. Meena and Ms. Seetha.
 - (d) 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.
21. The benefit of payment of advance tax in one installment on or before 15th March is available to assessee's computing profits on presumptive basis –
- (a) under section 44AD
 - (b) under section 44AD and 44ADA
 - (c) under section 44AD and 44AE
 - (d) under section 44AD, 44ADA and 44AE
22. M/s Mohan & Sons paid ₹ 35,000 to Mr. Goel on 01.05.2021 towards fee for legal advisory services without deduction of tax at source. Another payment of ₹ 47,000 was due to Mr. Goel on 31.07.2021 and TDS on entire amount (i.e. ₹ 35,000 plus ₹ 47,000) was deducted and then the net amount was paid. However, the total tax deducted was deposited on 15.11.2021. The interest chargeable under section 201(1A) will be:
- (a) ₹ 650
 - (b) ₹ 433
 - (c) ₹ 486
 - (d) ₹ 597
23. Jenny has invested in debt securities of Haryali Pvt. Ltd., a company deriving its main source of income from business of growing and processing organic vegetables and fruits. Thus, the company has 80% of income exempt as agricultural income and 20% is taxable as business income. During the PY 2021-22, Jenny derived ₹ 5,000 as interest income from the above investments. Which of the following statements are correct on taxability:
- (a) Interest will be exempt from tax to the extent of 80%, since Haryali Pvt. Ltd has 80% exempted income.
 - (b) Interest will be exempt from tax to the extent of 20%, since Haryali Pvt. Ltd has claimed 80% of income as exempt.
 - (c) Interest will be fully taxable
 - (d) Interest will be fully exempt



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24. Virat, runs a business of manufacturing of shoes in PY 2019-20. During the PY 2019-20 and PY 2020-21, Virat had incurred business losses. For PY 2021-22, he earned business profit (computed) of ₹ 3 lakhs. Considering he may/may not has sufficient business income to set off his earlier losses, which of the following order of set off shall be considered: (He does not income from any other source)
- (a) First adjustment for loss of PY 2019-20, then loss for PY 2020-21 and then unabsorbed depreciation, if any, income is available for adjustment.
 - (b) First adjustment for loss of PY 2020-21, then loss for PY 2019-20 and then unabsorbed depreciation, if any, income is available for adjustment.
 - (c) First adjustment for unabsorbed depreciation, then loss of PY 2020-21 and then loss for PY 2019-20, if any, income is available for adjustment
 - (d) First adjustment for unabsorbed depreciation, then loss of PY 2019-20 and then loss for PY 2020-21, if any, income is available for adjustment
25. Mr. Kishore celebrated his 50th marriage anniversary. On this occasion, his wife received a diamond necklace worth ₹ 5,00,000 from Kishore's brother. Kishore's son gifted him a luxurious car worth ₹ 15,00,000, His grandchildren gifted them a new furniture set worth ₹ 3,00,000. Also, he received cash gifts from his friends amounting collectively to ₹ 80,000. Which of them the following statements stand true on taxability.
- (a) Neither Mr. Kishore nor Mrs. Kishore will be liable for tax for any gifts since they have been received on occasion of marriage anniversary
 - (b) Mr. Kishore & Mrs. Kishore will jointly share the tax liability on all the gifts
 - (c) Mrs. Kishore will be liable to pay tax on diamond set and Mr. Kishore will bear tax for the cash gifts received
 - (d) Mr. Kishore will be liable for tax on cash gifts only.
26. Mr. Joe, a foreign national, working with Mint Inc., a USA company, came India during the PY 2020-21 for rendering services on behalf of the employer. He wishes to claim his salary income earned during his stay in India as exempt. Which of the following conditions are NOT necessary to be fulfilled to claim such remuneration as exempt income
- (a) Mint Inc. should not engage in a business activity in India.
 - (b) Mr. Joe should be an overseas citizen of India
 - (c) Mr. Joe stay in India should not exceed 90 days during the PY 2020-21
 - (d) Remuneration received by Mr. Joe should not liable to be deducted from Mint Inc.'s income chargeable to tax under the Act



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27. Mr. Anuj, a businessman, whose total income (after allowing deduction under chapter VI-A except under section 80GG) for AY 2021-22 is ₹ 5,95,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of ₹ 9,000. Deduction allowance under section 80GG for AY 2021-22 is:
- (a) ₹ 48,500
 - (b) ₹ 1,48,750
 - (c) ₹ 60,000
 - (d) ₹ 1,08,000
28. Sujata, aged 16 years, received scholarship of ₹ 50,000 during the previous year 2020-21. Which of the following statements are true regarding taxability of such income:
- (a) Such income shall be assessed in hands of Sujata
 - (b) Such income to be included with the income of parent whose income before such clubbing is higher
 - (c) Such income is completely exempt from tax
 - (d) Such income to be clubbed with father's income
29. M/s Thakural & Sons paid ₹ 11,00,000 as remuneration to its partners. The same was in accordance with partnership deed. Partners are also entitled to interest on capital @ 11% as per partnership deed. Total interest paid during the year is ₹ 1,30,000. The book profit before interest on capital and remuneration is ₹ 37,00,000. The salary allowable as deduction to M/s Thakural & Sons is:
- (a) ₹ 22,62,000
 - (b) ₹ 11,00,000
 - (c) ₹ 23,10,000
 - (d) ₹ 22,32,000
30. Mr. Warner, an Indian citizen and a Government employee, left India for the first time on 31.01.2020 on account of his transfer to High Commission in United Kingdom. During PY 2020-21, he visited India only for a week on occasion of his brother marriage. During FY 2019-20, his income composition includes salary, foreign allowances, rent from property in Singapore and interest earned from fixed deposits maintained with SBI. His taxable income for PY 2020-21 will include:
- (a) All of them, since Mr. Warner is a resident in India, hence his global income will be taxable
 - (b) Only interest earned from fixed deposits maintained in India
 - (c) No income shall be taxable since Mr. Warner is a non-resident in India for PY 2020-21
 - (d) Salary and interest income of fixed deposits with SBI



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31. Ashok took possession of property on 31st August 2020 booked by him three years back at ₹ 25 lakhs, The Stamp Duty Value (SDV) of the property as on 31st August 2020 was ₹ 31 lakh and on date of booking it was ₹ 29 lakh. He had paid ₹ 2 lakh by A/c payee cheque as down payment on date of booking. Which of the following will be considered as income, if any, and in which previous year?
- (a) ₹ 4 lakhs in PY 2020-21
 - (b) ₹ 4 lakhs in PY 2017-18
 - (c) ₹ 6 lakhs in PY 2020-21
 - (d) No income shall be taxable, since down payment was paid by A/c cheque while booking the property
32. ABC Ltd. wants 400 customized backpacks which will be distributed by the company to its employees on the annual event. ABC Ltd. hires a local vendor for this task and ABC Ltd. informs the local vendor about its specifications for the backpacks. The local vendor procures its own raw material and supplies the required backpacks to the Company. He charges ₹ 1,00,000 for the backpacks from ABC Ltd. While making payment to the vendor, at what rate ABC Ltd. is required to deduct tax at source?
- (a) 1%
 - (b) 2%
 - (c) 10%
 - (d) No tax is required to be deducted at source.
33. Which of the following benefits are not allowable to Ms. Sakshi, a non-resident, while computing her total income and tax liability for AY 2021-22 under the Income-tax Act, 1961?
- (a) Deduction of 30% of gross annual value while computing her income from house property in Bangalore
 - (b) Tax rebate of ₹ 9,500 from tax payable on her total income of ₹ 4,40,000
 - (c) Deduction for donation made by her to Prime Minister's National Relief Fund
 - (d) Deduction for interest earned by her on NRO savings account.
34. Unexhausted basic exemption limit, if any, of a non-resident for AY 2021-22 can be adjusted against –
- (a) Only LTCG taxable @20%
 - (b) Only STCG taxable @15%
 - (c) Both (a) and (b)
 - (d) Neither (a) nor (b)



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35. During the PY 2020-21, Mr. Samar, a non-resident, received ₹ 75,00,000 on account of sale of agricultural land in Mauritius. The money was first received in Mauritius and then remitted to his Indian bank account. Is the sum taxable in India?
- (a) No, as agricultural income is exempt u/s 10(1).
 - (b) No, as the income has accrued and arisen outside India and is also received outside India.
 - (c) Yes, since it is remitted to India in the same year.
 - (d) Yes, as agricultural income earned outside India is not exempted in India in the hands of a non-resident.
36. Gross total income of Arpita for PY 2020-21 is ₹ 6,00,000. She had taken a loan of ₹ 7,20,000 in the financial year 2017-18 from a bank for her husband who is pursuing MBA course from IIM, Kolkata. On 02.04.2020, she paid the first installment of loan of ₹ 45,000 and interest of ₹ 65,000. Compute her total income for AY 2021-22.
- (a) ₹ 6,00,000
 - (b) ₹ 5,35,000
 - (c) ₹ 4,90,000
 - (d) ₹ 5,55,000
37. Soumil, aged 47 years, paid medical insurance premium of ₹ 15,000 and ₹ 20,000 to insure health of himself and his spouse, respectively. He also paid medical insurance premium of ₹ 43,000 to insure health of his father, aged 69 years, not dependant on him. He had also incurred ₹ 4,000 in cash on preventive health check up of his father. Total deduction admissible under section 80D to Mr. Soumil is:
- (a) ₹ 55,000
 - (b) ₹ 29,000
 - (c) ₹ 68,000
 - (d) ₹ 72,000
38. Mr. X, a resident employee of Hindustan Company established in India, received a scholarship of ₹ 5,00,000 from his employer to meet the cost of education of his children. X actually spent an amount of ₹ 4,50,000 on education of his children. What will be the amount of income exempt in the hands of X?
- (a) Nil
 - (b) ₹ 4,50,000
 - (c) ₹ 50,000
 - (d) ₹ 5,00,000



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39. Mr. Pulkit, aged 45 years, paid health insurance premium in lump sum of ₹ 90,000 for three years on 01-05-2020. Compute the amount of deduction allowable to him for AY 2021-22.
- ₹ 90,000
 - ₹ 30,000
 - ₹ 25,000
 - Nil
40. Mr. Agarwal moved to Mumbai. He took a property on rent for his residential purpose. However, the property was not fully occupied by him. He let out the property to his friend at ₹ 15,000 p.m. from 01.04.2020 to 31.03.2021. Mr. Agarwal is of the view that income from subletting of property is taxable as Income from House Property. As tax advisor of Mr. Agarwal, find out whether his view is correct?
- Correct, as any income from a house property is taxable under the head Income from House Property.
 - Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Profits and Gains of Business or Profession.
 - Incorrect, as Mr. Agarwal is not the owner of the property let out by him. The income from subletting shall be taxable under the head Income from other sources.
 - Correct, as income from subletting of a property is directly attributable to the property itself and hence, chargeable to tax as income from house property.
41. Mr. Happy, a US citizen, came to India for an assignment from 11.01.2017 to 09.10.2017 and went back to his home country on completion of the same. He thereafter, visited India on 05.07.2019 again for an assignment, which ended on 26.05.2020. What is the latest date by which Mr. Happy should depart from India after completing the assignment so as to qualify as non-resident for PY 2020-21? (Assume that he shall not be visiting India again during the year)
- 29-05-2020
 - 30-05-2020
 - 31-05-2020
 - 28-09-2020
42. M/s PQR & Co., a firm carrying on business, furnishes the following particulars for the PY 2020-21.

Particulars	₹
Book profits (before setting of unabsorbed depreciation and brought forward business loss)	2,70,000
Unabsorbed depreciation of PY 2013-14	1,20,000
Brought forward business loss of PY 2019-20	2,00,000

Compute the amount of remuneration allowable under section 40(b) from the book profit.

- ₹ 2,43,000
- ₹ 1,80,000
- ₹ 1,50,000



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(d) Nil

43. Mr. B acquires 1000 equity shares on 01.01.2018 at ₹ 200. The Fair Market Value of the said shares on 31.01.2018 is ₹ 500. Mr. B sells the said shares on 30.04.2020 at ₹ 400. Calculate the amount of capital gain in the hands of Mr. B, assuming that securities transaction tax has been paid by Mr. B on acquisition and transfer of the said equity shares.

(a) Nil

(b) (-) ₹ 1,00,000

(c) ₹ 2,00,000

(d) ₹ 3,00,000

44. Mr. Dinesh owns 7 goods vehicle and declares profit on presumptive basis under section 44AE for AY 2021-22. He is –

(a) liable to pay advance tax in four instalments in June, September, December and March

(b) liable to pay advance tax in three instalments in September, December and March

(c) liable to pay advance tax in one instalment in March

(d) not liable to pay advance tax since he is declaring profit on presumptive basis.

45. Mr. Ravi incurred loss of ₹ 4 lakh in the PY 2020-21 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

(i) Profit of ₹ 1 lakh from apparel business

(ii) Long-term capital gains of ₹ 2 lakhs on sale of jewellery

(iii) Salary income of ₹ 1 lakh

Choose the correct answer.

(a) Only (i)

(b) Only (ii)

(c) Only (iii)

(d) Both (i) and (ii)

46. During the AY 2020-21, Mr. A has a loss of ₹ 8 lakhs under the head "Income from house property" which could not be set off from 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 AY 2020-21. Now, while filing return of income for AY 2021-22, Mr. A wishes to set off the said loss during PY 2020-21. Determine whether Mr. A can claim the said set off?

(a) No, Mr. A cannot claim set off of loss of ₹ 8 lakhs during AY 2021-22 as he failed to file his return of income u/s 139(1) for AY 2020-21.

(b) Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from its income from house property during AY 2021-22, if any, and the balance has to be carried forward to AY 2022-23.

(c) Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from its income from any head during AY 2021-22 and the balance, if any, has to be carried forward to AY 2022-23.

(d) Yes, Mr. A can claim set off of loss of ₹ 8 lakhs during AY 2021-22 from its income from house



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property, if any, and the balance has to be carried forward to AY 2022-23.

47. Mr. P has a house property in Delhi whose Municipal value is ₹ 1,00,000 and the Fair Rental Value is ₹ 1,20,000. The standard rent is fixed at ₹ 1,08,000. It was self-occupied by Mr. P from 01.04.2020 to 31.07.2020. With effect from 01.08.2020, it was let out at ₹ 10,000 per month. Compute the net annual value of the house property for AY 2021-22 if the municipal taxes paid by him during the year were ₹ 20,000.
- (a) ₹ 1,00,000
(b) ₹ 88,000
(c) ₹ 60,000
(d) ₹ 1,08,000
48. An assessee purchases furniture worth ₹ 80,000 on 05.09.2020 and makes the payment of ₹ 45,000 by account payee cheque and ₹ 20,000 in cash on the same date. The balance of ₹ 15,000 is paid by the assessee by bearer cheque on 06.09.2020 when the furniture is delivered in his office. Compute the amount of actual cost of furniture to the assessee.
- (a) ₹ 45,000
(b) ₹ 80,000
(c) ₹ 60,000
(d) ₹ 65,000
49. Maya had bought 3,000 STT paid listed shares of a company on 25.02.2020 at ₹ 300 per share. The company announces and allots bonus shares in the ratio of 1:3 on 01.07.2019. After the allotment of bonus shares, the shares were sold by Maya on 10.03.2021 at ₹ 400 per share and STT was paid on it. Compute the amount of capital gain/loss in her hands for AY 2021-22.
- CII – FY 2018-19: 280; FY 2020-21:301
- (a) Long term capital gain of ₹ 7,00,000.
(b) Long term capital gain on sale of original shares of ₹ 3,00,000. Short term capital gain on sale of bonus shares of ₹ 4,00,000.
(c) Long term capital of ₹ 6,71,071.
(d) Long term capital gain on sale of original shares of ₹ 2,71,071. Short term capital gain on sale of bonus shares of ₹ 4,00,000.
50. XYZ & Co., a partnership firm, owns a house property which is utilized by the partners for their residence. On 31.10.2020, the firm sells the property at a long-term capital gain of ₹ 3,50,000. Can the firm or partners claim exemption under section 54?
- (a) Yes, the firm can claim exemption u/s 54 as the firm has earned long term capital gains from the transfer of a residential house.
(b) Yes, the partners can claim exemption u/s 54 as the property was used by them for residential purpose and the said property has been indirectly transferred by the partners only in the capacity of a firm. © The Institute of Chartered Accountants of India
(c) Neither the firm nor the partners can claim deduction u/s 54 as the said deduction is allowed only in case of a commercial property.



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- (d) The firm cannot claim deduction u/s 54 as deduction under the said section is allowed only to an individual or HUF. Further, the partners cannot claim deduction u/s 54 as the transferor in the instant case is the firm.
51. X Ltd. credits a sum of ₹ 45,000 as commission to Y Ltd., an Indian company on 25.06.2020 without deducting tax at source. Y Ltd. paid its entire tax liability on its income by way of advance payment of tax during PY 2020-21 and filed its return of income for AY 2021-22 on 15.07.2021. X Ltd. also has a certificate in Form No. 26A from a chartered accountant. Compute the amount of deduction that shall be allowed to X Ltd. in respect of the commission credited to Y Ltd. assuming that X Ltd. follows mercantile system of accounting.
- (a) ₹ 45,000
(b) Nil
(c) ₹ 13,500
(d) ₹ 31,500
52. On 20.10.2020, Pihu (minor child) gets a gift of ₹ 20,00,000 from her father's friend. On the same day, the amount is deposited in Pihu's bank account. On the said deposit, interest of ₹ 13,000 was earned during the PY 2020-21. In whose hands the income of Pihu shall be taxable? Also, compute the amount of income that shall be taxable.
- (a) Income of ₹ 20,11,500 shall be taxable in the hands of Pihu's father.
(b) Income of ₹ 20,13,000 shall be taxable in the hands of Pihu's father.
(c) Income of ₹ 20,11,500 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
(d) Income of ₹ 20,13,000 shall be taxable in the hands of Pihu's father or mother, whose income before this clubbing is higher.
53. A Ltd. is 100% holding company of B Ltd. A Ltd. transfers a capital asset (acquired in 2002 for ₹ 50,000) on 16.06.2020 for ₹ 3,70,000 to B Ltd. B Ltd. is an Indian company, while A Ltd. is a foreign company. The capital asset is transferred as stock-in-trade to B Ltd. Determine whether any capital gains shall be chargeable to tax in the instant case?
- (a) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer at all. Hence, no capital gains tax liability shall arise.
(b) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer if the transferee company is an Indian company. Hence, no capital gains tax liability shall arise.
(c) A transfer between a holding company and 100% subsidiary company is treated as a "transfer" as there is no specific exclusion in this regard. Hence, capital gains tax liability shall arise.
(d) Any transfer between a holding company and 100% subsidiary company is not treated as a transfer if the transferee company is an Indian company. However, this rule is not applicable if the capital asset is transferred as stock-in-trade. Hence, capital gains tax liability shall arise.



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54. Mr. Raj (a non-resident and aged 65 years) is a retired person, earning rental income of ₹ 40,000 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 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 ₹ 10,000.
 - (b) No, he is not liable to pay advance tax in India as his tax liability in India is less than ₹ 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".
 - (d) Both (b) and (c)
55. Which of the following persons is/are liable to pay advance tax as per the provisions of Income-tax Act, 1961?
- I. A resident individual aged 62 years having only income from capital gains of ₹ 20,00,000 (estimated) during PY 2020-21.
 - II. A resident individual aged 58 years having only income from other sources of ₹ 2,00,000 (estimated) during PY 2020-21.
 - III. A private company having estimated total income of ₹ 1,00,000 during PY 2020-21.
 - IV. A partnership firm which has estimated its total income to be Nil for PY 2020-21.
 - V. A HUF having estimated total income of ₹ 6,00,000 during PY 2020-21.
- (a) I, III, V
 - (b) I, II, III, IV, V
 - (c) III, V
 - (d) III, IV, V
56. Mr. Sujal and his brother jointly own a bungalow. They had taken a housing loan to purchase the bungalow. The loan is sanctioned in the name of Mr. Sujal and his brother in the year 2015. Interest on housing loan for the PY 2020-21 amounted to ₹ 5,00,000 which is paid by Mr. Sujal (₹ 2,50,000) and his brother (₹ 2,50,000). The bungalow is used by them for their residence. In this case, what will be the amount of deduction available under section 24(b) to Mr. Sujal and his brother?
- (a) ₹ 30,000 each
 - (b) ₹ 2,00,000 each
 - (c) ₹ 2,50,000 each
 - (d) ₹ 5,00,000 each



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57. Sumit acquired a building for ₹ 15 lakh in June, 2018 in addition to the cost of ₹ 3 lakh in respect of the land on which the building is situated. It was used for personal purposes until he commenced business in June, 2020 and since then it was used for business purposes. The amount of depreciation eligible in his case for the AY 2021-22 would be:
- ₹ 1,50,000
 - ₹ 1,45,800
 - ₹ 1,80,000
 - ₹ 1,21,500
58. M/s Unnati Group, a proprietorship firm following cash system of accounting incurred the following expenditure during the PY 2020-21:
- Customs duty of AY 2021-22: ₹ 75,000 paid on 15.5.2021
 - Income tax paid for AY 2020-21: ₹ 84,000 paid on 16.6.2020
- Calculate the amount of expenditure allowable to Unnati Group while computing its business income for AY 2021-22.
- ₹ 1,59,000
 - ₹ 75,000
 - Nil
 - ₹ 84,000
59. ABC a partnership firm was dissolved on 1-5-2020. A machine acquired on 1-5-2018 for ₹ 3,50,000 was distributed amongst the partners on dissolution for ₹ 3,00,000. The value of machinery as per books of account and Fair Market Value on 1-5-2020 was ₹ 2,50,000 and ₹ 4,00,000, respectively. What will be the full value of consideration of this machine?
- ₹ 3,00,000
 - ₹ 4,00,000
 - ₹ 3,50,000
 - ₹ 2,50,000
60. Iskon Pvt. Ltd., a foreign company and non-resident in India for AY 2021-22, engaged in the business of trading of tube-lights outside India. The principal officer of the company has approached you to enlighten him regarding the provisions of the Income-tax Act, 1961 pertaining to the person who is required to verify the return of income in case of Iskon Pvt. Ltd. Advise him.
- The return of income in case of Iskon Pvt. Ltd. can be verified by the managing director.
 - The return of income in case of Iskon Pvt. Ltd. can be verified by any director.
 - The return of income in case of Iskon Pvt. Ltd. may be verified by a person who holds a valid power of attorney from such company to do so.
- I or II or III
 - Only I
 - I or II depending upon the availability of the managing director
 - Only III



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61. In which of the following transactions, quoting of PAN is mandatory by the person entering into the said transaction?
- I. Opening a Basic savings bank deposit account with a bank.
 - II. Applying to a bank for issue of a credit card.
 - III. Payment of ₹ 40,000 to mutual fund for purchase of its units.
 - IV. Cash deposit with a post office of ₹ 1,00,000 during a day.
 - V. A fixed deposit of ₹ 30,000 with a NBFC registered with RBI.
 - VI. Sale of shares of an unlisted company for an amount of ₹ 60,000.
- (a) II, IV
 - (b) II, III, IV
 - (c) I, II, III, V, VI
 - (d) II, IV, VI
62. Financial Year 2024-25 shall be considered as
- (a) Assessment Year for the P.Y. 2023-24 and previous year for the A.Y. 2024-25
 - (b) Assessment Year for the P.Y. 2023-24 and previous year for the A.Y. 2025-26
 - (c) Assessment Year for the previous year 2024-25
 - (d) Previous year for the assessment year 2024-25
63. For the purpose of levying tax on income other than agricultural income, Union List contained entry
- (a) 82
 - (b) 92C
 - (c) 92D
 - (d) None of the Above
64. Following is not a head of income:
- (a) Income from House Property
 - (b) Salaries
 - (c) Income from Interest on securities
 - (d) None of the Above
65. If total income of a person is ₹ 2,67,888.34, it shall be rounded off to:
- (a) ₹ 2,67,888/-
 - (b) ₹ 2,67,890/-
 - (c) ₹ 2,67,880/-
 - (d) None of the Above



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66. Income tax is a:
- (a) Indirect Tax
 - (b) Entertainment Tax
 - (c) Direct Tax
 - (d) None of the Above
67. Mr. X, partner of M/s XYZ, is assessable as
- (a) Firm
 - (b) HUF
 - (c) An Individual
 - (d) None of the Above
68. Hindu Undivided family is said to be resident in India if
- (a) The family has a house in India where some of its members reside
 - (b) The member of such HUF is in India during the previous year
 - (c) Control and management of its affairs wholly or partly situated in India
 - (d) The Karta has been resident in India in at list 9 out of 10 previous years preceding the relevant previous year
69. An individual is said to be resident in India if
- (a) He has a house in India
 - (b) He is in India in the previous year for a period of 182 days or more
 - (c) He is in India for a period of 30 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
 - (d) His parents are Indian citizen.
70. An Indian citizen leaving India during the previous year for employment purpose is said to be resident if
- (a) He has a house in India
 - (b) He is in India in the previous year for a period of 182 days or more
 - (c) He is in India for a period of 60 days or more during the previous year and for 365 or more days during 4 previous years immediately preceding the relevant previous year
 - (d) His parents are Indian citizen.
71. An individual, being foreign national, came to India first time during the previous year 2024-25 on 01-03-2025 for 200 days, his residential status for the previous year 2024-25 is.
- (a) Non-resident
 - (b) Resident but not ordinarily resident in India
 - (c) Resident and ordinarily resident in India
 - (d) Resident in India



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72. Following income of a resident and ordinarily resident is taxable in India, that is
- (a) Bank interest from State Bank of India, Delhi
 - (b) Bank interest from Bank of America, New York Branch
 - (c) Rental income from house property located in London
 - (d) All of the above
73. Which of the following is an agriculture income?
- (a) Dividend paid by a company out of its agriculture income.
 - (b) Share of Profit of a Partner from a firm engaged in an agriculture operation
 - (c) Income from supply of water by an assessee from a tank in its agriculture land.
 - (d) Interest received by a money lender in the form of agricultural produce.
74. Which of the following incomes received by an assessee are exempt under section 10 of the Income Tax Act?
- (a) Agriculture Income
 - (b) Salary of a partner from a firm
 - (c) Salary received by a member of a ship's crew.
 - (d) All of (a), (b) and (c) above
75. In case of an individual or HUF, agricultural income is
- (a) Exempted
 - (b) Exempted but included in the total income for the rate purpose
 - (c) Fully taxable provided it is earned from India
 - (d) Taxable at flat rate of 10%
76. In case of an assessee engaged in the business of manufacturing of tea, his agricultural income is:
- (a) 60% of total receipt of the business
 - (b) 60% of income of the business
 - (c) Nil
 - (d) Total business income
77. Remuneration to partner of a firm engaged in the business of growing and manufacturing rubber in India is:
- (a) Partly agricultural income and partly non-agricultural income
 - (b) Agricultural income
 - (c) Non-Agricultural income
 - (d) None of the above



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78. Following activity shall be considered as agricultural activity:
- (a) Subsequent operation on the agricultural land
 - (b) Basic operation on the agricultural land
 - (c) Basic and subsequent operation on the agricultural land
 - (d) Both (b) and (c)
79. Which of the following is not taxable under head 'Salaries'?
- (a) Remuneration paid to the lecturer of a college for setting a question paper by a university.
 - (b) Salary received by a member of the Parliament.
 - (c) Commission received by an employee director of a company.
 - (d) Both (a) and (b) above
80. The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-Government employee is
- (a) ₹ 3,00,000
 - (b) ₹ 5,00,000
 - (c) ₹ 20,00,000
 - (d) ₹ 25,00,000
81. Standard deduction u/s 16(ia) is
- (a) ₹ 75,000
 - (b) Lower of (i) ₹ 75,000; and (ii) Gross Salary
 - (c) ₹ 40,000
 - (d) Nil
82. Employer's contribution to unrecognized provident fund
- (a) Is exempt from tax
 - (b) 10% of Salary of employee is taxable
 - (c) Is exempted subject to maximum of 2/5 of salary of the employee
 - (d) Is fully taxable
83. If a domestic servant is engaged by the employer and salary is paid by him, the perquisite is
- (a) Taxable in the hands of all employees
 - (b) Not taxable in the hands of both specified and non-specified employers
 - (c) Taxable in the hands of specified employees only
 - (d) Taxable to the extent of ₹ 120 per person in the hands of all employees.



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84. Which of the following is taxable under the head 'salaries'?
- (a) Salary received by a Member of State Legislature.
 - (b) Commission received by an employee director of a company.
 - (c) Family pension received
 - (d) Both (a) and (b) above
85. Who among the following is a specified employee?
- (a) A director of a company
 - (b) An employee drawing a salary of ₹ 15,000 p.m.
 - (c) A person who is an owner of equity shares carrying 10% voting power in the employer company.
 - (d) Both (a) and (b) above
86. Rate of Interest accruing to a particular employee by virtue of his employer's contribution to Recognized Provident Fund is 12.5% p. (a) In such a case
- (a) Total Interest accrued is taxable
 - (b) Total Interest accrued is exempt
 - (c) Only 10% Interest is taxable
 - (d) Only 3% of interest is taxable
87. Statutory limit u/s.16(ii) for deduction of entertainment allowance in case of a non-Government employee is
- (a) ₹ 5,000
 - (b) 12.5% of employees' salary
 - (c) 20% of employees' salary
 - (d) NIL
88. Taxable value of perquisite being sweat equity shares allotted by the employer is:
- (a) The fair market value of such shares as on the date when such option is exercised by the employee as reduced by the amount paid
 - (b) The fair market value of such shares as on the date when such option is vested to the employee as reduced by the amount paid
 - (c) Fair market value subject to standard deduction of ₹ 50,000
 - (d) Not taxable in hands of employee.
89. Net Annual Value of a self-occupied property treated as such is:
- (a) Fair Rent
 - (b) Nil
 - (c) Reasonable Expected Rent as reduced by municipal tax paid during the previous year.
 - (d) None of the Above



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90. One out of the following house properties are not exempted, which is:
- (a) House property of a political party
 - (b) House property let out for the purpose of own business of tenant.
 - (c) House property of a local authority
 - (d) None of the Above
91. A house property located outside India is:
- (a) Taxable in hands of all assessee
 - (b) Taxable in hands of non resident assessee
 - (c) Taxable in hands of resident and ordinarily resident assessee
 - (d) Exempted from tax in India
92. Deduction u/s 24(a) is
- (a) 30% of net annual value of the house property
 - (b) 30% of gross annual value of house property
 - (c) 30% of actual rent received
 - (d) None of the Above
93. Interest relating to pre-construction period is allowable:
- (a) In 5 equal installments from the year in which it was incurred
 - (b) In the year in which it was incurred
 - (c) In the year in which house property was constructed
 - (d) None of the Above
94. Following assessee(s) can be considered a house property as self occupied:
- (a) Individual & HUF
 - (b) All assessee
 - (c) All assessee other than company
 - (d) All assessee other than firm
95. For the purpose of claiming higher deduction u/s 24(b), while computing income (under the old tax regime) of a self-occupied property, assessee is required to take:
- (a) Loan on or before 01-04-1999
 - (b) Loan on or after 01-04-1999
 - (c) Loan after 01-04-1999
 - (d) Loan on 01-04-1999



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96. Income from sub-letting is:
- (a) Taxable under the head 'Income from House Property'
 - (b) Taxable under the head 'Income from Other Sources'
 - (c) Exempted
 - (d) None of the above
97. Deduction u/s 24(a) is not available when:
- (a) Net annual value is zero
 - (b) Net annual value is positive
 - (c) Net annual value is zero or negative
 - (d) None of the above
98. Which of the following deductions is /are not allowed in case of a deemed to be let-out house?
- (a) New construction allowance
 - (b) Repairs
 - (c) Vacancy allowance
 - (d) All of the above
99. Which of the following is not allowed as a deduction for computation of business Income?
- (a) Loss incurred due to theft in factory after working hours
 - (b) Anticipated future losses
 - (c) Loss caused by white ants
 - (d) Loss due to accidental fire in stock-in-trade
100. Preliminary expenses are incurred in every business. What are the expenses that qualify for deduction u/s.35D?
- (a) Expenses for drafting memorandum and articles of association
 - (b) Payment of duty at the office of Registrar of Companies
 - (c) Expenditure incurred in preparation of project report
 - (d) All of the above
101. Expenditure incurred by a company for the purpose of promoting family planning among its employees, being of a capital nature
- (a) Is not allowed as a deduction
 - (b) Allowed as deduction in 4 equal installments in 4 years
 - (c) 1/5 of expenditure is allowed as deduction in the previous year
 - (d) 4/5 of expenditure is allowed as deduction in 4 equal installments in 4 years after the previous year



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102. The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to _____ of the cost of project.
- (a) 3%
 - (b) 5%
 - (c) 8%
 - (d) 20%
103. Deduction u/s 24(a) is not available when:
- (a) Net annual value is zero
 - (b) Net annual value is positive
 - (c) Net annual value is zero or negative
 - (d) None of the above
104. Which of the following deductions is /are not allowed in case of a deemed to be let-out house?
- (a) New construction allowance
 - (b) Repairs
 - (c) Vacancy allowance
 - (d) All of the above
105. Which of the following is not allowed as a deduction for computation of business Income?
- (a) Loss incurred due to theft in factory after working hours
 - (b) Anticipated future losses
 - (c) Loss caused by white ants
 - (d) Loss due to accidental fire in stock-in-trade
106. Preliminary expenses are incurred in every business. What are the expenses that qualify for deduction u/s.35D?
- (a) Expenses for drafting memorandum and articles of association
 - (b) Payment of duty at the office of Registrar of Companies
 - (c) Expenditure incurred in preparation of project report
 - (d) All of the above
107. Expenditure incurred by a company for the purpose of promoting family planning among its employees, being of a capital nature
- (a) Is not allowed as a deduction
 - (b) Allowed as deduction in 4 equal installments in 4 years
 - (c) 1/5 of expenditure is allowed as deduction in the previous year
 - (d) 4/5 of expenditure is allowed as deduction in 4 equal installments in 4 years after the previous year



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108. The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to _____ of the cost of project.
- (a) 3%
 - (b) 5%
 - (c) 8%
 - (d) 20%
109. U/s 54, the capital gain will be allowed as an exemption if the house property under transfer is held for
- (a) Less than 12 months preceding the date of transfer
 - (b) More than 12 months preceding the date of transfer
 - (c) Less than 36 months preceding the date of transfer
 - (d) More than 24 months preceding the date of transfer
110. Capital gain on Slump sale is
- (a) always short-term capital gain
 - (b) always long-term capital gain
 - (c) Depends on period of holding of capital asset being undertaking transferred
 - (d) Not taxable
111. While computing capital gain on sale of immovable property, full value of consideration shall be:
- (a) Actual consideration
 - (b) Actual consideration less expenses on transfer
 - (c) Actual consideration or stamp duty value of the property transferred, whichever is higher, subject to certain restriction
 - (d) Stamp Value of the property transferred
112. Cost of acquisition of capital asset being immovable property acquired through gift covered u/s 49(4) is:
- (a) Actual cost of acquisition to the previous owner
 - (b) Nil
 - (c) Stamp duty value of the property as considered while computing income u/s 56(2)
 - (d) Actual cost of acquisition to the assessee.
113. Personal effect do not cover the followings
- (a) Immovable property
 - (b) Drawings
 - (c) Jewellery
 - (d) All of the above



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114. Profit on sale of rural agricultural land is

- (a) Not taxable as it is agricultural income
- (b) Not taxable under the head 'Capital gains' but under the head 'Income from Other Sources'
- (c) Not taxable as rural agricultural land is not considered as a capital asset
- (d) Taxable if it is compulsorily acquire(d)

115. Short term capital gain on sale of equity share through stock exchange

- (a) is exempt u/s 10(38)
- (b) is exempt u/s 10(37)
- (c) is covered u/s 111A, hence liable to tax @ 20%
- (d) is taxable @ 15% and @ 10% if index benefit is not claime(d)

116. Caution money forfeited by the assessee is:

- (a) Taxable in the year of forfeiture under the head "Income from Other Sources"
- (b) Exempt fully
- (c) Taxable in the year of forfeiture under the head "Capital Gain"
- (d) Considered as casual income and liable to tax @ 30%.

117. Gift of a capital asset is not considered as transfer, however exception is:

- (a) Shares acquired under the Employees Stock Option Plan
- (b) Jewellery
- (c) Immovable property
- (d) Nil

118. Cost of acquisition of self-generated asset is nil, the exception is:

- (a) Goodwill
- (b) Route permit
- (c) Bonus shares acquired before 01-04-2001
- (d) Loom hours

119. Interest on delayed compensation or enhanced compensation is taxable:

- (a) On accrual basis
- (b) On receipt basis
- (c) Exempt from tax
- (d) As per method of accounting of the assessee.

120. While computing taxable interest on delayed compensation, a standard deduction is allowed @

- (a) 50%
- (b) 30%
- (c) 15%
- (d) Nil



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121. Short term capital gain on sale of equity share through stock exchange
- (a) is exempt u/s 10(38)
 - (b) is exempt u/s 10(37)
 - (c) is covered u/s 111A, hence liable to tax @ 20%
 - (d) is taxable @ 15% and @ 10% if index benefit is not claimed
122. Caution money forfeited by the assessee is:
- (a) Taxable in the year of forfeiture under the head "Income from Other Sources"
 - (b) Exempt fully
 - (c) Taxable in the year of forfeiture under the head "Capital Gain"
 - (d) Considered as casual income and liable to tax @ 30%.
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 - (b) Jewellery
 - (c) Immovable property
 - (d) Nil
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- (a) On accrual basis
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 - (c) Exempt from tax
 - (d) As per method of accounting of the assessee.
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- (a) 50%
 - (b) 30%
 - (c) 15%
 - (d) Nil
127. Short term capital gain on sale of equity share through stock exchange
- (a) is exempt u/s 10(38)
 - (b) is exempt u/s 10(37)
 - (c) is covered u/s 111A, hence liable to tax @ 20%
 - (d) is taxable @ 15% and @ 10% if index benefit is not claimed



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128. A person is deemed to have a substantial interest in a company if he is
- (a) The owner of at least 20% of the equity capital of the company
 - (b) The owner of at least 25% of the equity capital of the company
 - (c) Entitled to 10% of profits of the concern
 - (d) An employee director
129. Income of minor is clubbed however the clubbing provision is not applicable if
- (a) Minor is a married daughter
 - (b) Minor is handicapped as specified u/s 80U
 - (c) Parents are separated
 - (d) None of the above
130. As per se(c)60, income is clubbed if
- (a) Asset yielding income is transferred as revocable transfer
 - (b) Income is transferred without transferring asset yielding income
 - (c) Asset yielding income is transferred as irrevocable transfer
 - (d) None of the above
131. Any income from an asset transferred to spouse without adequate consideration is clubbed in the hands of the transferor if:
- (a) Such asset is hold by the spouse as on the last day of the previous year
 - (b) Relationship between them exist as on the date of accrual of income
 - (c) Transferee is not a senior citizen
 - (d) None of the above
132. For the purpose of se(c) 64, an individual have a substantial interest in a company if he holds 20% of voting right alongwith his relative. Here, relative do not include:
- (a) Spouse
 - (b) Father
 - (c) Father-in-law
 - (d) None of the above
133. When income of a minor is clubbed, assessee will get deduction u/s 10(32) of :
- (a) ₹ 1,500 per child
 - (b) Income clubbed subject to maximum of ₹ 1,500 per child
 - (c) Such deduction is not available u/s 10(32) but u/s 10(33)
 - (d) ₹ 2,000 per child



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134. Unabsorbed business losses cannot be carried for more than
- (a) 7 assessment years
 - (b) 8 assessment years
 - (c) 10 assessment years
 - (d) 12 assessment years
135. Long term capital loss can be adjusted against
- (a) Any income excluding winning from lottery
 - (b) Any capital gain
 - (c) Any long term capital gain
 - (d) Any speculative business income
136. Loss from Derivative trading is
- (a) Short-term Capital Loss
 - (b) Speculative business loss
 - (c) Non-speculative business loss
 - (d) Loss u/h 'Income from Other Sources'
137. Loss from specified business covered u/s 35AD can be adjusted against
- (a) Any other business income
 - (b) Any income other than salary
 - (c) Income from other specified business
 - (d) Cannot be adjusted
138. Unabsorbed depreciation can be carried forward for
- (a) Any number of years
 - (b) 8 years
 - (c) 4 years
 - (d) 7 years
139. Deduction u/s 80CCC allowed to an individual for the amount paid by him in an annuity plan of LIC is restricted to
- (a) ₹ 5,000
 - (b) ₹ 7,500
 - (c) ₹ 1,50,000
 - (d) ₹ 12,500



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140. Deduction under the section 80E is allowed in respect of

- (a) Donations to charitable institutions
- (b) Medical treatment of handicapped person
- (c) Interest on loan taken for education
- (d) Profits earned from exports

141. 80GGA available for donations made to

- (a) Charitable Institutions
- (b) Educational Institutions
- (c) Research Associations
- (d) Religion organizations

142. Deduction u/s. 80JJA is available if the assessee

- (a) Is engaged in scientific research
- (b) Sets up an industrial unit in a backward area
- (c) Is engaged in agriculture business
- (d) Is engaged in the business of collecting and processing biodegradable waste.

143. On donation to whom of the following a 50% deduction is allowable u/s 80G?

- (a) National Defence Fund
- (b) Prime Ministers National Relief Fund
- (c) Draught Relief Fund
- (d) National Foundation for Communal Harmony

144. Section 80QQB of the Income Tax Act, 1961, deals with

- (a) Interest on debentures of a govt. company
- (b) Royalty Income of authors
- (c) Royalties from textbooks
- (d) Profits from export of computer software

145. Third due date for payment of advance tax in case of an individual is of the previous year

- (a) 15-Dec
- (b) 15-June
- (c) 15-Sept
- (d) 15-Mar

146. Advance tax is required to be paid by all assessee only if estimated advance tax liability is

- (a) ₹ 5,000 or more
- (b) ₹ 10,000 or more
- (c) More than zero
- (d) ₹ 50,000 or more



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147. While computing advance tax, the following income shall not be considered:
- (a) Agricultural income
 - (b) Long term capital gain
 - (c) Speculative profit
 - (d) None of these
148. Tax is required to be deducted at from payment made to a resident on winning from lottery
- (a) 30%
 - (b) 30% + Surcharge + HEC
 - (c) 30% + HEC
 - (d) 31%
149. Tax is required to be deducted at from payment made to a road transport operator who declares that he does not own more than 10 goods carriage.
- (a) Nil
 - (b) Nil if he furnished the PAN
 - (c) 1%
 - (d) 2%
150. Tax is required to be deducted at from rent payable on plant and machinery to a resident (Assuming PAN details are available)
- (a) Nil
 - (b) 15%
 - (c) 1%
 - (d) 2%
151. Tax is required to be deducted at from interest payable to a resident. (Assuming PAN details are available)
- (a) 10%
 - (b) 20% if payee is domestic company else 10%
 - (c) 10% + Surcharge (if any) + HEC
 - (d) 20%
152. Tax is required to be collected on sale of:
- (a) Scrap
 - (b) Tendu Leaves
 - (c) Alcoholic Liquor
 - (d) All of the above



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153. TDS is not required to be deducted u/s 194A if the amount of interest on loan does not exceed:
- (a) ₹ 5,000
 - (b) ₹ 2,500
 - (c) ₹ 7,500
 - (d) ₹ 20,000
154. On salary, tax is required to be deducted at the time of:
- (a) Payment or crediting the employee, whichever is earlier
 - (b) Crediting the employee
 - (c) Payment
 - (d) Retirement of employee
155. Where the karta of a HUF is absent from India, the return of income can be signed by:
- (a) any member of the family
 - (b) any male member of the family
 - (c) any other adult member of the family
 - (d) any member holding power of attorney
156. Where assessment has not been completed, belated income tax return for assessment year 2025-26 can be filed upto:
- (a) 31.12.2025
 - (b) 31.01.2026
 - (c) 31.03.2026
 - (d) 31.12.2026
157. Following form number is to be used for filing the return of income by an individual having business income?
- (a) Form No. 1
 - (b) Form No. 2
 - (c) Form No. 5
 - (d) Form No. 3
158. Quoting 'Permanent Account Number' (PAN) is compulsory in the following transaction –
- (a) Payment to LIP exceeding ₹ 50,000 in a financial year
 - (b) Sale or purchase of any immovable property valued at ₹ 4,00,000
 - (c) Time deposit upto ₹ 35,000 with a bank
 - (d) None of the above



159. When assessment has not been completed, revised return can be filed within _____ from the end of the relevant previous year.

- (a) 9 months
- (b) 6 months
- (c) 12 months
- (d) 2 years

Answers

1	(d)	2	(d)	3	(b)	4	(d)	5	(d)
6	(a)	7	(b)	8	(a)	9	(d)	10	(c)
11	(c)	12	(d)	13	(d)	14	(b)	15	(c)
16	(b)	17	(d)	18	(c)	19	(c)	20	(d)
21	(b)	22	(d)	23	(c)	24	(a)	25	(d)
26	(b)	27	(a)	28	(c)	29	(b)	30	(d)
31	(a)	32	(d)	33	(b)	34	(d)	35	(b)
36	(b)	37	(d)	38	(d)	39	(c)	40	(c)
41	(a)	42	(b)	43	(a)	44	(a)	45	(d)
46	(d)	47	(b)	48	(a)	49	(b)	50	(d)
51	(a)	52	(c)	53	(d)	54	(b)	55	(c)
56	(b)	57	(d)	58	(c)	59	(b)	60	(d)
61	(a)	62	(b)	63	(a)	64	(c)	65	(b)
66	(c)	67	(c)	68	(c)	69	(b)	70	(b)
71	(a)	72	(d)	73	(b)	74	(a)	75	(b)
76	(c)	77	(a)	78	(d)	79	(d)	80	(d)
81	(b)	82	(a)	83	(c)	84	(b)	85	(d)
86	(d)	87	(d)	88	(a)	89	(b)	90	(b)
91	(c)	92	(a)	93	(d)	94	(a)	95	(b)
96	(b)	97	(c)	98	(d)	99	(b)	100	(a)
101	(c)	102	(b)	103	(d)	104	(a)	105	(b)
106	(b)	107	(b)	108	(a)	109	(d)	110	(c)
111	(c)	112	(c)	113	(d)	114	(c)	115	(c)
116	(a)	117	(a)	118	(c)	119	(b)	120	(a)
121	(c)	122	(a)	123	(c)	124	(d)	125	(c)
126	(a)	127	(b)	128	(a)	129	(b)	130	(b)
131	(b)	132	(c)	133	(b)	134	(b)	135	(c)
136	(c)	137	(c)	138	(a)	139	(c)	140	(c)
141	(c)	142	(d)	143	(c)	144	(b)	145	(a)
146	(b)	147	(d)	148	(a)	149	(b)	150	(d)
151	(a)	152	(d)	153	(a)	154	(c)	155	(c)
156	(a)	157	(d)	158	(a)	159	(a)		



PTP Dec'22

Choose the most appropriate answer:

1. Sriram born on 1st April, 1962 has total income of ₹7,50,000 for the assessment year 2022-23. He has opted for section 115BAC. How much is his income-tax liability (including cess)?
 - (a) ₹ 39,000
 - (b) ₹ 65,000
 - (c) ₹ 36,400
 - (d) ₹ 26,000
2. Gupta (age 56) a salaried employee has income from salary computed ₹4,00,000 and short-term capital gain from sale of listed shares (computed) ₹1,50,000. What is the tax liability?
 - (a) ₹ 31,200
 - (b) ₹ 18,250
 - (c) ₹ 23,400
 - (d) ₹ 10,400
3. Shri Ambalal has total income of ₹350 lakhs. It includes income from business ₹3 crores & rental income ₹50 lakhs,
How much is rate for surcharge applicable for the assessment year 2022-23?
 - (a) 10%
 - (b) 15%
 - (c) 25%
 - (d) 37%
4. Eknath (P) Ltd. engaged in manufacturing activity. For the assessment year 2022-23, its total income is ₹50 lakh. It is eligible and has opted for section 115BAA. How much is the income tax payable by Eknath (P) Ltd. for the assessment year 2022-23?
 - (a) ₹ 12,58,400
 - (b) ₹ 11,40,000
 - (c) ₹ 13,00,000
 - (d) ₹ 7,80,000
5. Alok & Co. is engaged in trade of garments. Total interest on term loan taken from SBI due for the previous year 2021-22 amounts to ₹5,20,000. It paid ₹2,50,000 towards interest on term loan up to 31st March, 2022. Out of the balance amount ₹1,10,000 was paid before the "due date" for filing the ITR specified in section 139(1). Remaining amount



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was outstanding even after the 'due date' for filing the ITR specified in section 139(1). How much of interest is deductible for the assessment year 2022-23?

- (a) ₹ 5,20,000
 - (b) ₹ 3,60,000
 - (c) ₹ 4,10,000
 - (d) ₹ 2,70,000
6. Ms. Mala is employed in X Co. Ltd. She wants interest-free loan from the employer to meet some personal expenses. How much of loan from the employer would be free from computation of interest on such loan being taxed as perqui ite?
- (a) ₹ 2,00,000
 - (b) ₹ 1,00,000
 - (c) ₹ 50,000
 - (d) ₹ 20,000
7. Sangma has tea estate in Assam. His income from growing and manufacturing tea for the year ended 31st March, 2022 was ₹10 lakh . How much of such income is agricultural income?
- (a) ₹ 10,00,000
 - (b) ₹ 6,00,000
 - (c) ₹ 4,00,000
 - (d) ₹ 2,50,000
8. Dr. Ramseshan received ₹1 lakh a lifetime achiever award for rendering medical service from a social club. How much of such award is taxable as income?
- (a) ₹ 1,00,000 - Fully taxable
 - (b) ₹ 6,00,000 - Exempt under section 10(17A)
 - (c) 50% is taxable
 - (d) ₹ 95,000 is taxable
9. Mr. A let out a property for a monthly rent of ₹30,000 during the whole of the financial year 2021-22. He paid municipal tax of ₹60,000 in December, 2021 for financial years 2019-20, 2020-21 and 2021-22 being ₹20,000 per annum. How much is the income under the head 'house property' taxable in the hands of Mr.A?
- (a) ₹ 3,40,000
 - (b) ₹ 3,00,000
 - (c) ₹ 2,10,000
 - (d) ₹ 1,92,000



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10. Ranjit (age 50) has income by way of lottery winning ₹25 lakhs and loss under the head 'House property' ₹1,50,000. How much is his net tax liability for the assessment year 2022-23?

- (a) ₹ 5,85,000
- (b) ₹ 5,38,000
- (c) ₹ 4,60,000
- (d) ₹ 7,80,000

Answers

1	(a)	2	(a)	3	(c)	4	(a)	5	(b)
6	(d)	7	(b)	8	(a)	9	(c)	10	(d)

PTP June'23 (old)

- Harish is proprietor of Harish & Co who acquired a know-how for ₹12 lakh on 15th July, 2022. It was used for manufacture of a new product with effect from 1st January, 2023. How much is the quantum of depreciation allowable on know-how for the assessment year 2023-24?
 - (a) ₹ 4,80,000
 - (b) ₹ 3,00,000
 - (c) ₹ 2,40,000
 - (d) ₹ 1,50,000
- What heads of income are liable to tax in the hands of registered trade union?
 - (a) All heads of income except income under the head 'salaries'
 - (b) Income from other sources
 - (c) Income from house property and other sources
 - (d) Capital gains and other sources
- Ashwin (age 56) a resident individual has total income of ₹57,50,000. How much is the tax liability if he has opted for section 115BAC for the assessment year 2023-24?
 - (a) ₹17,58,900
 - (b) ₹16,73,100
 - (c) ₹15,21,000
 - (d) ₹15,18,400



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4. Richard (age 34) is a foreign citizen who came to India for the first time and stayed for 100 days in the financial year 2022-23. What is his residential status for the assessment year 2023-24?
- (a) Resident and ordinarily resident
 - (b) Resident but not ordinarily resident
 - (c) Non-resident
 - (d) Deemed resident
5. What is the maximum limit for deduction in respect of interest on moneys borrowed in the case of self-occupied property?
- (a) ₹1,00,000
 - (b) ₹2,00,000
 - (c) ₹3,00,000
 - (d) ₹1,50,000
6. A sum of unexplained investment of ₹20 lakh was detected in the case of Raj in August, 2022. How much is the amount tax payable on such unexplained investment?
- (a) ₹6,24,000
 - (b) ₹12,00,000
 - (c) ₹15,60,000
 - (d) ₹16,80,000
7. Pradeep (age 45) paid ₹30,000 towards health insurance premium for himself and wife. He also incurred ₹39,000 towards medical expenditure for his father, a senior citizen who is not covered by a health insurance policy. How much of the amount is deductible under section 80 D?
- (a) ₹25,000
 - (b) ₹50,000
 - (c) ₹64,000
 - (d) ₹69,000
8. Subbu has loss under the head 'house property' of ₹1,10,000 for the assessment year 2023-24. For how many subsequent assessment years such loss is eligible for carry forward for the purpose of set off?
- (a) 4 subsequent assessment years after the year of loss
 - (b) 6 subsequent assessment years after the year of loss
 - (c) 8 subsequent assessment years after the year of loss
 - (d) No time limit



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9. Trivedi availed loan from SBI of ₹20 lakh for purchase of electric scooter in April, 2022. Interest due on the loan for the previous year amounts to ₹10,000. How much is the maximum amount eligible for deduction under section 80EEB?
- (a) ₹2,00,000
(b) ₹1,50,000
(c) ₹1,00,000
(d) ₹50,000
10. Zeenat (age 63) resident in India has ₹45,000 as interest on fixed deposits and ₹15,000 as savings bank accounts. How much is eligible for deduction under section 80TTB?
- (a) ₹15,000
(b) ₹45,000
(c) ₹50,000
(d) ₹60,000

Answers

1	(d)	2	(a/b/c/d)	3	(b)	4	(c)	5	(b)
6	(c)	7	(c)	8	(c)	9	(b)	10	(c)

MTP June'23 (old)

1. Rate of Interest accruing to a particular employee by virtue of his employer's contribution to Recognized Provident Fund is 12.5% p. a. In such a case:
- (a) Total Interest accrued is taxable
(b) Total Interest accrued is exempt
(c) Only 10% Interest is taxable
(d) Only 3% of interest is taxable
2. Net Annual Value of a self-occupied property treated as such is:
- (a) Fair Rent
(b) Nil
(c) Reasonable Expected Rent as reduced by municipal tax paid during the previous year.
(d) None of the Above



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3. Deduction u/s 24(a) is computed as:
- (a) 30% of net annual value of the house property
 - (b) 30% of gross annual value of house property
 - (c) 30% of actual rent received
 - (d) None of the Above
4. Deduction u/s 35AD is available in respect of expenditure on specified business provided such business commenced its operation on or after 01-04-2009 subject to an exception that:
- (a) Business of industrial undertaking may be commenced at any time on or after 01-04-2007
 - (b) Business of laying and operating a cross-country natural gas pipeline network may be commenced at any time on or after 01-04-2007
 - (c) Business of cold chain facility may be commenced at any time on or after 01-04-2007
 - (d) All of the above
5. An individual purchased a painting on 01-11-2022 for ₹ 5,00,000 though fair market value of the asset is ₹ 5,25,000. Income taxable u/s 56(2)(x) is:
- (a) ₹25,000 i.e., difference between market value and actual consideration
 - (b) Nil as this is not gift
 - (c) Nil as difference between market value and actual consideration does not exceed ₹ 50,000
 - (d) The provision of sec. 56(2)(x) is not applicable for any transaction entered during P.Y. 2022-23.
6. The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-Government employee is:
- (a) ₹ 75,600
 - (b) ₹ 77,760
 - (c) ₹ 2,40,000
 - (d) ₹ 3,00,000
7. Unabsorbed business losses cannot be carried for more than:
- (a) 7 assessment years
 - (b) 8 assessment years
 - (c) 10 assessment years
 - (d) 12 assessment years



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8. Tax is deducted at source on winning from lottery, the rate for such deduction in case of resident individual deductee is:
- 30.9%
 - Maximum marginal rate of tax
 - 30% if such winning exceeds ₹ 10,000
 - 33.99%
9. Short term capital gain on sale of equity share through stock exchange:
- is exempt u/s 10(38)
 - is exempt u/s 10(37)
 - is covered u/s 111A, hence liable to tax @ 15%
 - is taxable @ 20% and @ 10% if index benefit is not claimed.
10. The preliminary expenses that can be amortized under the Income Tax Act, 1961 has to be restricted to _____ of the cost of project.
- 3%
 - 5%
 - 8%
 - 20%

Answers

1	(d)	2	(b)	3	(a)	4	(b)	5	(c)
6	(d)	7	(b)	8	(c)	9	(c)	10	(b)

PTP June'23 (New)

1. Total income is to be rounded off to nearest multiple off _____ and tax is to be rounded off to nearest multiple of ₹ _____
- Hundred, Ten
 - Ten, Ten
 - Ten, One
 - One, One



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2. An Indian company would
 - (a) be always resident in India irrespective of control and management.
 - (b) be resident in India if its control and management is wholly situated in India.
 - (c) be resident in India if its control and management is wholly or partly situated in India.
 - (d) be resident in India if its control and management is wholly situated outside India.
3. Income from asset transferred to spouse will be taxable in the hands of transferor if
 - (a) asset has been transferred in pursuance of an agreement to live apart.
 - (b) asset was transferred for an adequate consideration.
 - (c) asset was transferred before marriage.
 - (d) asset was transferred for inadequate consideration.
4. Which of the following expenditure on scientific research is not allowed as deduction?
 - (a) Capital expenditure incurred on scientific research during the year related to the business.
 - (b) Revenue expenses incurred during the previous year.
 - (c) Revenue expenses on payment of salary to employees engaged in scientific research and purchase of material used in scientific research incurred during three years immediately preceding the commencement of business.
 - (d) Expenditure incurred on acquisition of land during the year for scientific research.
5. Taxable value of perquisite being sweat equity shares allotted by the employer is
 - (a) fair market value subject to standard deduction of 50,000.
 - (b) the fair market value of such shares as on the date when such option is vested to the employee as reduced by the amount paid.
 - (c) the fair market value of such shares as on the date when such option is exercised by the employee as reduced by the amount paid.
 - (d) Not taxable in hands of employee.
6. Which of the following is not an income taxable as income from other sources?
 - (a) Family pension
 - (b) Director's sitting fee for attending board meetings
 - (c) Rent received for house property including use of plant and machinery, where rent is separable between rent for house property and rent for use of plant and machinery.
 - (d) Rent received for house property including use of plant and machinery, where rent is inseparable between rent for house property and rent for use of plant and machinery.

Answers



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1	(b)	2	(a)	3	(d)	4	(d)	5	(c)
6	(c)								

MTP June'23 (New)

- A person is said to be of Indian origin if
 - He or either of his parents were born in undivided India
 - He or either of his siblings were born in undivided India
 - He or either of his parents or either of his grandparents were born in undivided India
 - He was born in India
- In case of an assessee engaged in the business of manufacturing of tea, his agricultural income is –
 - 60% of total receipt of the business
 - 60% of income of the business
 - Nil
 - 40% of income of the business
- Net Annual Value of a self-occupied property treated as such is:
 - Fair Rent
 - Nil
 - Reasonable Expected Rent as reduced by municipal tax paid during the previous year.
 - None of the Above
- In case of loss, a partnership firm may claim deduction in respect of remuneration to partner to the extent of:
 - ₹ 1,50,000/-
 - ₹ 1,50,000/- or actual remuneration, whichever is lower
 - ₹ 1,50,000/- or 90% of book profit, whichever is lower
 - Nil
- TDS is not required to be deducted u/s 194A if the amount of interest on loan does not exceed:
 - ₹ 5,000
 - ₹ 2,500
 - ₹ 7,500
 - ₹ 20,000



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6. Where assessment has not been completed, belated income tax return for the assessment year 2023-24 can be filed upto:
- (a) 31.12.2023
 - (b) 31.01.2024
 - (c) 31.03.2024
 - (d) 31.12.2024

Answers

1	(c)	2	(c)	3	(b)	4	(b)	5	(a)
6	(a)								

MTP June'23 (New)

1. The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-Government employee is
- (a) ₹ 75,600
 - (b) ₹ 77,760
 - (c) ₹ 2,40,000
 - (d) ₹ 3,00,000
2. When income of a minor is clubbed, assessee will get deduction u/s 10(32) of :
- (a) ₹ 1,500
 - (b) Income clubbed subject to maximum of ₹ 1,500
 - (c) Such deduction is not available u/s 10(32) but u/s 10(33)
 - (d) None of the above
3. Mr. X is engaged in growing and manufacturing tea in India. His income from this activity is ₹ 1,40,000. His agriculture income will be –:
- (a) ₹ 70,000
 - (b) ₹ 84,000
 - (c) ₹ 1,40,000
 - (d) ₹ 56,000



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4. An individual (aged 28 Years) born in India left for first time for employment in France on 30.10.2022. His visit outside India is for the first time. His residential status for the assessment year 2023-24 will be –
- Resident and ordinarily resident
 - Resident but not ordinarily resident
 - Non-resident
 - Residential Status is not applicable
5. The provision of sec.56(2)(x) is applicable on
- All assessee
 - Only on corporate assessee
 - On an individual only
 - On an individual and HUF only
6. Interest relating to pre-construction period is allowable:
- In 5 equal installments from the year in which it was incurred.
 - In the year in which it was incurred
 - In the year in which house property was constructed
 - None of the Above

Answers

1	(d)	2	(b)	3	(b)	4	(a)	5	(a)
6	(d)								

MTP Dec' 23 (Old)

1. For the purpose of levying tax on income other than agricultural income, Union List contained entry.
- 82
 - 92C
 - 92D
 - None of the Above



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2. An individual, being foreign national, came to India first time during the previous year 2022-23 on 01-03-2023 for 200 days, his residential status for the previous year 2022-23 is.
- (a) Non-resident
 - (b) Resident but not ordinarily resident in India
 - (c) Resident and ordinarily resident in India
 - (d) Resident in India
3. The maximum amount of leave salary not chargeable to tax as specified by the Government in case of a non-Government employee is.
- (a) ₹ 25,00,000
 - (b) ₹ 77,760
 - (c) ₹ 2,40,000
 - (d) ₹ 3,00,000
4. A payment of ₹25,000 is made to the road transport-operator on 20-02-2023 in cash, consequently, amount disallowed u/s 40A(3) is.
- (a) Nil
 - (b) ₹ 25,000
 - (c) ₹ 5,000
 - (d) None of the above
5. Profit on sale of rural agricultural land is
- (a) Not taxable as it is agricultural income
 - (b) Not taxable under the head 'Capital gains' but under the head 'Income from Other Sources'
 - (c) Not taxable as rural agricultural land is not considered as a capital asset
 - (d) Taxable if it is compulsorily acquired.
6. An individual purchased a painting on 01-11-2022 for ₹ 5,00,000 though fair market value of the asset is ₹5,25,000. Income taxable u/s 56(2)(x) is:
- (a) ₹ 25,000 i.e., difference between market value and actual consideration
 - (b) Nil as this is not gift
 - (c) Nil as difference between market value and actual consideration does not exceed ₹ 50,000
 - (d) The provision of sec. 56(2)(x) is not applicable for any transaction entered during P.Y. 2022-23.



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7. Tax is deducted at source on winning from lottery, the rate for such deduction in case of resident individual. deductee is:
- 30.9%
 - Maximum marginal rate of tax
 - 30% if such winning exceeds ₹ 10,000
 - 33.99%
8. As per sec.60, income is clubbed if
- Asset yielding income is transferred as revocable transfer
 - Income is transferred without transferring asset yielding income.
 - Asset yielding income is transferred as irrevocable transfer
 - None of the above
9. Quoting 'Permanent Account Number' (PAN) is compulsory in the following transaction –
- Payment to LIP exceeding ₹ 50,000 in a financial year
 - Sale or purchase of any immovable property valued at ₹ 4,00,000
 - Time deposit up to ₹ 35,000 with a bank
 - None of the above
10. Best Judgment assessment is covered u/s
- 143(3)
 - 143(1)
 - 144
 - 147

Answers

1	(a)	2	(a)	3	(a)	4	(a)	5	(c)
6	(c)	7	(c)	8	(b)	9	(a)	10	(c)



PTP Dec' 23 (Old)

1. Ganesh (age 62 years), a resident in India, has total income of ₹ 4,70,000 and agriculture income of ₹ 2,40,000. He has not opted for section 115BAC. How much is the income-tax liability of Ganesh for the assessment year 2023-24?
 - (a) ₹ 54,080
 - (b) ₹ 35,360
 - (c) ₹ 22,860
 - (d) ₹ 17,680
2. Maruti Industries engaged in manufacture of electronic spare parts acquired a machinery for ₹ 3,00,000 plus GST @ 18% on 05.11.2022. The machinery was put to use from 10.12.2022. How much is the eligible amount of depreciation (including additional depreciation) for the assessment year 2023-24? Assume Maruti Industries has claimed GST input on machinery.
 - (a) ₹ 52,500
 - (b) ₹ 61,950
 - (c) ₹ 1,05,000
 - (d) ₹ 1,23,900
3. Chitra (age 33 years) received ₹ 5,00,000 by way of arrear rent from a nationalized bank in April, 2022. The arrear rent relates to assessment year 2021-22 and 2022-23. How much of arrear rent is chargeable to tax for the assessment year 2023-24?
 - (a) Nil
 - (b) ₹ 1,75,000
 - (c) ₹ 3,50,000
 - (d) ₹ 5,00,000
4. Baby Priya (age 15 years) is a talented singer who earned ₹ 3,00,000 in previous year 2022-23 by giving performance in various places. The income was deposited in bank and interest income for the previous year 2022-23 was ₹ 21,000. How much of minor's income is liable for clubbing for the assessment year 2023-24?
 - (a) Nil
 - (b) ₹ 21,000
 - (c) ₹ 3,00,000
 - (d) ₹ 3,21,000



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5. Sunil, employed in a bank, availed housing loan in the financial year 2019-20. The interest on money borrowed for construction of residential house (self-occupied by him) for the previous year 2022-23 was ₹ 2,20,000. He has opted for section 115 BAC. How much of interest on housing loan is deductible?
- (a) Nil
(b) ₹ 30,000
(c) ₹ 2,00,000
(d) ₹ 2,20,000
6. Chopra Industries borrowed term loan of ₹ 30 lakhs for purchase of machinery in the previous year 2021-22. For the previous year 2022-23, it paid term loan interest of ₹ 1,70,000 and has arrear of ₹ 2,40,000. Assume that it would not be able to pay arrear interest till the date of filing of ITR for assessment year 2023-24. How much of interest on term loan is deductible while computing the total income of Chopra Industries for the assessment year 2023-24?
- (a) Nil
(b) ₹ 1,70,000
(c) ₹ 2,40,000
(d) ₹ 4,10,000
7. Suresh (age 66 years) has income by way of fixed deposit interest from SBI of ₹ 1,10,000 and savings account interest from SBI of ₹ 13,000. How much of interest income is eligible for deduction under section 80 TTB while computing the total income of Suresh? Assume he has opted for section 115 BAC.
- (a) Nil
(b) ₹ 10,000
(c) ₹ 40,000
(d) ₹ 50,000
8. Govind has agricultural land measuring 3 acres in a village with aerial distance of 5 kms from the local limits of Surat Municipality whose population exceeded 12 lakhs. He wants to sell the agricultural land. What would be the tax consequence of such transaction?
- (a) It is not a capital asset and therefore no capital gains on sale of such agricultural land.
(b) It is a capital asset and therefore upon sale gain if any would be liable to tax as 'capital gains'.
(c) It is not a capital asset but the profit is chargeable to tax as income under the head 'business or profession'.
(d) It is not a capital asset but the profit is chargeable to tax as income under the head 'other sources'.
9. Bala paid annual premium of ₹ 1,60,000 in respect of a life insurance policy taken on life of his wife on 05.06.2020 whose capital sum assured was 12 lakhs. How much of the premium paid by Bala is deductible under section 80C for the assessment year 2023-24?
- (a) ₹ 1,50,000



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- (b) ₹ 1,20,000
- (c) ₹ 1,60,000
- (d) NIL, since the annual premium exceeded 10% of capital sum assured.

- 10.** Palani has loss of 4 lakhs from speculation business. For how many subsequent assessment years he is eligible to carry forward such loss for set off ?
- (a) Not eligible for carry forward
 - (b) 4 subsequent assessment years
 - (c) 8 subsequent assessment years
 - (d) No time limit

Answers

1	(a/b/c/d)	2	(a)	3	(c)	4	(b)	5	(a)
6	(b)	7	(a)	8	(b)	9	(b)	10	(b)

MTP Dec' 23 (New)

- 1.** Suraj has loss under the head 'house property' ₹ 2,50,000 for the assessment year 2023-24 and income under the head 'Salaries' ₹ 4,00,000. What is his total income?
- (a) ₹ 1,50,000
 - (b) ₹ 2,00,000
 - (c) ₹ 4,00,000
 - (d) ₹ 2,50,000
- 2.** Vimal has acquired a new plant and machinery for his factory for ₹ 2,00,000 on 31st December 2022. What is the amount of depreciation allowable for the assessment year 2023-24?
- (a) ₹ 35,000
 - (b) ₹ 30,000
 - (c) ₹ 70,000
 - (d) ₹ 40,000
- 3.** Aman (age 54) has incurred ₹ 1,50,000 for the treatment of specified disease of his dependent brother (age 62) and get re-imbursement from his employer upto ₹ 80,000. What is the amount of deduction allowable u/s 80 DDB of the Income-tax Act?
- (a) ₹ 1,50,000
 - (b) ₹ 70,000
 - (c) ₹ 20,000
 - (d) Nil



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4. Aswin leaves India for the purpose of employment on 20th September 2022. He never visited foreign country before leaving. What is his residential status for the assessment year 2023-24?
 - (a) Non-Resident
 - (b) Resident and Ordinarily resident
 - (c) Resident but not ordinarily resident
 - (d) Deemed Resident
5. Rohit earns monthly salary of ₹ 1,75,000. What is his tax liability if he has opted for section 115 BAC for the assessment year 2023-24?
 - (a) ₹4,44,600
 - (b) ₹4,60,200
 - (c) ₹3,82,200
 - (d) ₹ 3,66,600
6. Pallavi engaged in manufacturing of tea in India and earns a profit of ₹12,00,000. What is her agricultural income for computation of total income?
 - (a) 60% of profit
 - (b) 40% of profit
 - (c) 100% of profit
 - (d) Nil
7. Which of the following is not a capital asset u/s 2(14) of the Income-tax Act?
 - (a) Agricultural land in Urban area
 - (b) Agricultural land in rural area
 - (c) Non-agricultural land in urban area
 - (d) Non-agricultural land in rural area

Answers

1	(b)	2	(a)	3	(c)	4	(a)	5	(c)
6	(d)	7	(b)						

MTP Dec' 23 (New)



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1. Dividend received from a company engaged in agricultural operation is _____:
 - (a) Agricultural Income
 - (b) Business Income
 - (c) Partly agricultural income and partly business income
 - (d) Income from other sources

2. The quantum of Rebate u/s 87A applicable to a resident individual, is the lower of 100% of tax liability or ₹ _____.
 - (a) 10,000
 - (b) 7,500
 - (c) 12,500
 - (d) 15,000

3. Indexed cost of any improvement is an amount, which bears to the _____ in the same proportion as Cost Inflation Index for the year in which the asset is transferred bears to the Cost Inflation Index for the year in which the improvement to the asset took place.
 - (a) cost of acquisition
 - (b) cost of improvement
 - (c) sale consideration
 - (d) expenses on transfer

4. Deduction u/s _____ of the Income-tax Act is applicable to an individual in respect of repayment of loan for higher education.
 - (a) 80DD
 - (b) 80DDB
 - (c) 80E
 - (d) 80EE

5. As per sec. 193 of the Income-tax Act, any person responsible for payment of interest on securities (other than interest on Government securities and certain specified securities) to any resident person, the rate of TDS will be applicable @ _____.
 - (a) 10% (with surcharge, health and education cess)
 - (b) 10% (no surcharge, health and education cess)
 - (c) 20% (with surcharge, health and education cess)
 - (d) 20% (no surcharge, health and education cess)



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6. In case of loss, a partnership firm may claim deduction in respect of remuneration to partner to the extent of:
- ₹ 1,50,000/-
 - ₹ 1,50,000/- or actual remuneration, whichever is lower
 - ₹ 1,50,000/- or 90% of book profit, whichever is lower
 - Nil
7. Mr. A has three minor children deriving interest from bank deposits to the tune of ₹ 2,000, ₹ 1,300, ₹ 1,600 respectively. Exemption available under section 10(32) of the Income Tax is –
- ₹ 4,900
 - ₹ 4,300
 - ₹ 4,500
 - ₹ 5,000
8. If an assessee fails to file return within the time limit allowed u/s 139(1) or within the time allowed under a notice issued u/s 142(1), he can file a belated return, on or before _____ of the relevant assessment year or before the completion of assessment (u/s 144), whichever is earlier.
- 30th November
 - 31st March
 - 31st December
 - 31st October

Answers

1	(d)	2	(c)	3	(b)	4	(c)	5	(b)
6	(b)	7	(b)	8	(c)				

PTP Dec' 23 (New)

1. Dr. Rao is a famous physician at Chennai. His gross receipt from profession was ₹ 48,40,000 for the previous year 2022-23. He wants to admit income under the applicable presumptive provision of Income-tax Act, 1961. How much must be admitted as income on presumptive basis?
- ₹ 24,20,000
 - ₹ 7,26,000
 - ₹ 2,90,400
 - ₹ 3,87,200



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2. On the occasion of his birthday Mr. Saajay received cash gifts of ₹60,000 from his relatives and ₹ 1,10,000 from his friends. How much of the cash gift is liable to tax under the Income-tax Act, 1961 for A.Y. 2023-24?
- (a) ₹ 1,10,000
(b) ₹ 1,20,000
(c) ₹ 1,70,000
(d) ₹ 60,000
3. As per Section 194I of The Income-tax Act, 1961 any person, other than individual or HUF is responsible to deduct tax at source on rent to a resident person if the aggregate amount of rent credited or paid during the financial year to the payee exceed ₹ ____ for A.Y. 2023-24.
- (a) 50,000
(b) 1,00,000
(c) 1,20,000
(d) 2,40,000
4. The aggregate amount of deduction under section 80C, 80CCC and 80CCD of the Income-tax Act, 1961 [other than deduction in respect of employer's contribution and additional contribution 80CCD(1B)] shall not exceed ₹ _____ for A.Y. 2023-24.
- (a) 1,00,000
(b) 1,50,000
(c) 2,00,000
(d) No limit
5. Madhav is a resident individual. His father is wholly dependent on him and suffering from 90% disability. Madhav has incurred an amount of ₹ 85,000 for maintaining and medical treatment of his father. The amount of deduction u/s 80D of the Income-tax Act, 1961, he can claim in his income-tax return for A.Y. 2023-24 is ₹ _____
- (a) 50,000
(b) 85,000
(c) 1,25,000
(d) 1,50,000
6. Which of the following is an agriculture income under the Income-tax Act, 1961?
- (a) Dividend received from a company engaged in agricultural operation.
(b) Interest on arrears of rent receivable in respect of agricultural land.
(c) Interest received by a money lender in the form of agricultural produce.
(d) Interest on capital received by a partner from a firm engaged in agricultural operation.



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7. Interest on capital of or loan from partner of a firm is allowed as deduction u/s 40(b) of the Income tax Act, 1961 to the extent of
- 18% p.a. or at the rate mentioned in partnership deed whichever is less.
 - 12% p.a. even if it is not mentioned in partnership deed.
 - 12% p.a. or at the rate mentioned in partnership deed whichever is less.
 - 9% p.a. or at the rate mentioned in partnership deed whichever is less.

Answers

1	(a)	2	(a)	3	(d)	4	(b)	5	(c)
6	(d)	7	(c)						

MTP June' 24

- An individual has loss under the head 'house property' ₹ 2,50,000 for the assessment year 2024-25 and income under the head 'Salaries' ₹ 14,00,000. What is his total income, if he is paying tax u/s 115BAC(1A)?
 - ₹ 11,50,000
 - ₹ 12,00,000
 - ₹ 14,00,000
 - Nil
- An assessee has incurred preliminary expenses of ₹ 20,000/- in the month of April 2023. His business started in the month of May 2023. What is the amount of deduction allowable to him u/s 35D for the assessment year 2024-25?
 - ₹ 4,000
 - ₹ 5,000
 - ₹ 10,000
 - ₹ 20,000
- Ram (age 64) has earned interest on fixed deposit ₹ 55,000. What is the amount of deduction available to him under chapter VIA, if he has exercised the option available u/s 115BAC(6)?
 - ₹ 50,000 u/s 80TTB
 - ₹ 10,000 u/s 80TTA
 - ₹ 25,000 u/s 80TTB
 - NIL
- Miss Monica, a foreign national, comes India every year for 100 days since 2007-08. What would be her residential status for the previous year 2023-24?
 - Non-Resident



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- (b) Resident and Ordinarily resident
(c) Resident but not Ordinarily resident
(d) Deemed Resident
5. Mr. Amit has retired from his job on 31/3/2023. From 1/4/2023, he was entitled to a pension of ₹ 12,500 p.m. What would be his income under the head "Salaries" for the A.Y. 2024-25, if he has not exercised the option available u/s 115BAC(6)?
- (a) ₹ 1,00,000
(b) ₹ 1,50,000
(c) ₹ 50,000
(d) NIL
6. Pallavi engaged in manufacturing of rubber in India and earns a profit of ₹ 12,00,000. What is her agricultural income for computation of total income?
- (a) 65% of profit
(b) 35% of profit
(c) 100% of profit
(d) NIL

Answers

1	(c)	2	(a)	3	(a)	4	(c)	5	(a)
6	(d)								

PTP June' 24 (New)

1. An Mrs Parul is engaged in the business of growing and manufacturing rubber in India. Her income from this activity for the Financial year 2023-24 is 2,50,000. As per the Income Tax Act, 1961 her agriculture will be:
- (a) 2,50,000
(b) 1,87,500
(c) 1,62,500
(d) 1,50,000
2. Ganesh (aged 45 years), employed in Moses Ltd., has received children education allowance of 2,000 per month. He has 3 school going children. How much of education allowance is taxable under the Income Tax Act, 1961 for the assessment year 2024-25?
- (a) 24,000
(b) 13,200



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- (c) 21,600
(d) 20,400
3. R acquired an asset for 5,22,000 which includes 72,000 as GST for which R has claimed input tax credit. The actual cost of acquisition to be included in the block of asset under The Income Tax Act, 1961 for the assessment year 2024-25 shall be:
- (a) 5,22,000
(b) 4,50,000
(c) 5,94,000
(d) NIL
4. Mr Radhe is a working and Mr Shyam is a non-working partner of M/s Sun-Shine partnership firm. M/s Sun-Shine partnership firm is subjected to tax audit under section 44AB of the Income Tax Act, 1961 for the previous year 2023-2024. What is the due date for filing return of income for Mr Radhe and Mr Shyam for the assessment year 2024-2025?
- (a) 31st July, 2024 for both Mr Radhe and Mr Shyam
(b) 31st July, 2024 for Mr Radhe and 31st October, 2024 for Mr Shyam
(c) 31st July, 2024 for Mr Shyam and 31st October, 2024 for Mr Radhe
(d) 31st October, 2024 for both Mr Radhe and Mr Shyam
5. Amount received by the nominee at the time of closure or opting out of National Pension System (NPS) referred to in section 80CCD of the Income Tax Act, 1961 due to death of assessee is exempt upto of total amount payable for the assessment year 2024-25.
- (a) 100%
(b) 40%
(c) 30%
(d) 25%
6. Mr Jiyansh sold his capital asset on 16th July, 2023 and tax payable on long-term capital gain is 1,25,000. What will be the advance tax payable by him on 15th September, 2023?
- (a) 18,750
(b) 37,500
(c) 31,250
(d) 56,250

Answers

1	(c)	2	(c)	3	(b)	4	(d)	5	(a)
6	(d)								



MTP Dec' 24

1. Interest on company deposit in Canada amounted to ₹ 30,000, out of which 1/3rd received in India. Find out the income which is liable to be taxed in India in case of a non-resident for A.Y. 2024-25.
 - (a) ₹ 10,000
 - (b) ₹ 30,000
 - (c) ₹ 20,000
 - (d) NIL
2. Mr. Laloo Singh, received hostel allowance of ₹ 1,000 p.m. He has three children. None of his children are studying. The taxable hostel allowance if he opts for old regime will be:
 - (a) ₹ 8,400
 - (b) ₹ 12,000
 - (c) ₹ 4,800
 - (d) Nil
3. Share of Profit of Mr. A who is Partner in M/s AB & Co. is-
 - (a) Exempt from tax
 - (b) Taxable as his Business Income
 - (c) Taxable as his Salary
 - (d) Taxable as Income from Other Sources
4. Mr. X incurred a loss of ₹ 90,000 for owning and maintaining race-horses and received rent from land for ₹ 1,30,000. His income from other sources will be:
 - (a) ₹40,000
 - (b) ₹1,30,000
 - (c) ₹ 90,000
 - (d) NIL
5. Under old regime, the maximum amount which can be donated in cash for claiming deduction under section 80G for the P.Y. 2023-24 is –
 - (a) ₹ 5,000
 - (b) ₹ 10,000
 - (c) ₹ 10,000
 - (d) ₹ 2,000



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6. Mothi has won a state government lottery of ₹ 1,00,000 on 11-10-2023. The state government should deduct tax on such winning amounting to –
- ₹ 30,900
 - ₹ 33,000
 - ₹ 29,070
 - ₹ 30,000

Answers

1	(a)	2	(c)	3	(a)	4	(b)	5	(d)
6	(d)								

MTP Dec' 24

- Mr. Vijay being a Government employee has a car (1.7 ltr.) used for office as well as for personal purpose. During the year, he incurred ₹ 40,000 on maintenance and ₹ 20,000 on driver's salary. The entire cost is reimbursed by employer. Find taxable perquisite?
 - ₹ 60000
 - ₹ 20400
 - ₹ 39600
 - ₹ 25500
- Brought forward loss from house property of ₹ 3,10,000 of A.Y 2023-24 is allowed to be set-off against income from house property of A.Y. 2024-25 of ₹ 5,00,000 to the extent of –
 - ₹2, 00,000
 - ₹3, 10,000
 - ₹2, 50,000
 - ₹ 1, 00,000
- R a person of Indian Origin visited India on 03.10.2023 and plans to stay here for 185 days. During 4 years prior to previous year 2023-24, he was in India for 750 days. Earlier to that he was never in India. His total income other than the foreign income during the previous year is ₹20 lakhs. For A.Y. 2024-25, the residential status of R shall be:
 - Resident and Ordinarily Resident in India
 - Resident but not Ordinarily Resident in India
 - Non-Resident
 - Deemed Resident



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4. Maximum deduction u/s 80GG shall be limited to –
- ₹5,000 p.m.
 - ₹1000 p.m.
 - ₹3000 p.m.
 - ₹2000 p.m.
5. When assessment has not been completed, revised return can be filed within _____ from the end of the relevant previous year.
- 6 months
 - 12 months
 - 2 years
 - 9 months
6. The rate of TDS in case of listed debentures for the financial year 2023-24 is –
- 20%
 - 15%
 - 10%
 - 5%

Answers

1	(b)	2	(b)	3	(b)	4	(a)	5	(d)
6	(d)								

PTP Dec' 24

1. Mr. Sunil's minor daughter earned 50,000 from her special talent. Under the Income Tax Act, 1961, This income will be clubbed with—
- The income of Mr. Sunil
 - The income of Mrs. Sunil
 - Mr. Sunil or Mrs. Sunil, whoever's income is higher
 - It will not be clubbed
2. As per the Income Tax Act, 1961, in case of loss, a partnership firm may claim deduction in respect of remuneration paid to partner to the extent of
- 1,50,000/-
 - 1,50,000/- or actual remuneration, whichever is lower.
 - 1,50,000/- or 90% of book profit, whichever is lower.
 - NIL



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3. As per the Income Tax Act, 1961, income from saplings shall be considered as
- Agricultural income
 - Business income
 - Partly agricultural income and partly business income
 - income from other sources
4. Exemption under section 54 of the Income Tax Act, 1961 is available to
- All assesseees.
 - individuals only.
 - individual as well as HUF.
 - All assesseees other than a company.
5. Mr. Nitin had bought a laptop for ₹ 50,000 on 01.04.2021 for his personal use. He started using this laptop for his business purposes only since 02.05.2023. On that date, the market value of the laptop was ₹40,000. What is the amount of depreciation allowable to him under the Income Tax Act, 1961 for the financial year 2023-24 assuming the rate of depreciation to be 40%.
- ₹20,000
 - ₹16,000
 - ₹7,200
 - ₹2,880
6. Mr. Raina, a resident individual, files all his income tax returns on time. He has opted for default tax regime under section 115BAC of the Income Tax Act, 1961 for the Assessment year 2024-25. During the year he withdrew the following sums in cash from his savings bank account maintained with ABC Bank (ABC Bank is not a co-operative bank):

23rd June, 2023: ₹ 1.50 Crore

26th September, 2023: ₹ 1 Crore

Which of the following statements is correct in this respect?

- There is no tax/TDS implication in this case.
- ABC Bank will need to deduct TDS at the rate of 2%.
- ABC Bank will need to deduct TDS at the rate of 5%.
- ABC Bank will need to deduct TDS at the rate of 1%.

Answers

1	(d)	2	(b)	3	(a)	4	(c)	5	(a)
6	(a/b/c/d)								



MTP June' 25

1. Which of the following is an agriculture income?
 - (a) Dividend paid by a company out of its agriculture income
 - (b) Share of Profit of a Partner from a firm engaged in an agriculture operation
 - (c) Income from supply of water by a assessee from a tank in its agriculture land
 - (d) Interest received by a money lender in the form of agricultural produce
2. Mr. Pratik, aged 48 years and a resident in India, has a total income of ₹6,50,00,000, comprising long term capital gain taxable @20% under section 112 of ₹55,00,000, short term capital gain taxable @15% under section 111A of ₹65,00,000 and other income of ₹5,30,00,000. What is the tax liability for A.Y.2025-26 under the default tax regime?
 - (a) ₹2,27,48,700
 - (b) ₹2,48,68,870
 - (c) ₹2,40,15,870
 - (d) ₹2,18,68,700
3. Which of the following receipt is taxable under the head 'Income from Other Sources'?
 - (a) Uncommuted pension received from ex-employer
 - (b) Rental income from house property
 - (c) Income on transfer of rural agro land
 - (d) Income from racing establishment
4. While computing taxable interest on delayed compensation, a standard deduction is allowed @
 - (a) 50%
 - (b) 30%
 - (c) 15%
 - (d) Nil
5. When income of a minor is clubbed, assessee will get deduction u/s 10(32) of:
 - (a) ₹ 1,500 per child
 - (b) Income clubbed subject to maximum of ₹ 1,500 per child
 - (c) Such deduction is not available u/s 10(32) but u/s 10(33)
 - (d) ₹ 2,000 per child



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6. TDS is not required to be deducted u/s 194A if the amount of interest on loan does not exceed:
- ₹ 5,000
 - ₹ 2,500
 - ₹ 7,500
 - ₹ 20,000

Answers

1	(b)	2	(a)	3	(d)	4	(a)	5	(b)
6	(a)								

MTP June' 25

- Which of the following shall be considered as Financial Year 2024-25.?
 - Assessment Year for the P.Y. 2023-24 and previous year for the A.Y. 2024-25
 - Assessment Year for the P.Y. 2023-24 and previous year for the A.Y. 2025-26
 - Assessment Year for the previous year 2024-25
 - Previous year for the assessment year 2024-25
- An individual purchased a Bullion on 01-11-2024 for ₹5,00,000 though fair market value of the asset is ₹5,25,000. Income taxable u/s 56(2)(x) is:
 - ₹25,000 i.e., difference between market value and actual consideration
 - Nil as this is not gift
 - Nil as difference between market value and actual consideration does not exceed ₹50,000
 - The provision of sec. 56(2)(x) is not applicable for any transaction entered during P.Y. 2024-25
- What is the due date of filing the return of income in case of a company who is required to furnish a report in Form No. 3CEB under section 92E pertaining to international transaction(s)?
 - September 30 of the assessment year
 - November 30 of the assessment year
 - July 31 of the assessment year
 - October 31 of the assessment year



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4. During the P.Y 2024-25, Mr. Sambit, resident in India, has made the contribution to PPF for ₹1,50,000 and also paid insurance premium on the life of the spouse where policy taken on 01.04.2018 (Assured Value ₹2,20,000) for ₹25,000. What is the deduction allowable under section 80C for A.Y.2025-26 if he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A)?
- (a) 1,72,000
(b) 1,50,000
(c) 1,75,000
(d) None of the above
5. On 1st June 2024, Mr. Rohit made three fixed deposits of ₹3,00,000 each for 9 months at an interest rate of 9% p.a. with the Park street, M.G Road and Central branches of HDDD Bank, which has adopted Core Banking System. The fixed deposits mature on 28th February 2025. Assuming Mr. Rohit has furnished his PAN, what would be the TDS implication under Section 194A for the financial year 2024–25?
- (a) No TDS, as interest earned from each branch is below ₹40,000
(b) TDS of ₹6,075 is required to be deducted, as interest is aggregated across all branches
(c) TDS of ₹2,025 per branch is not required since each branch operates independently
(d) No TDS is required since the interest does not exceed ₹50,000
6. XYZ company engaged in the business of manufacturing & Bio-technology incurs (i) expenditure on scientific research towards land ₹10 lakhs and building ₹12 lakhs; (ii) other capital expenditures ₹8 lakhs and (iii) revenue expenditure of ₹5 lakhs. The quantum of deduction under Section 35 (2AB) shall be
- (a) Nil (as the company engaged in the business of manufacturing & Bio-technology)
(b) ₹ 30 lakhs (100% of capital expenditure including cost of land & building)
(c) ₹ 25 lakhs (100% of total expenditure other than cost of land)
(d) ₹ 23 lakhs (100% of total expenditure other than cost of building)

Answers

1	(b)	2	(c)	3	(b)	4	(b)	5	(b)
6	(c)								



PTP June' 25

1. For Assessment Year 2025-26, as per the Income Tax Act, 1961, liability to deduct tax at source u/s 193 in case on interest on securities arises at the time of
 - (a) accrual of interest.
 - (b) payment of interest.
 - (c) credit of interest to the account of the payee/interest payable account or payment thereof, whichever is earlier.
 - (d) None of the above
2. For Assessment Year 2025-26, deduction u/s 80JJAA of the Income Tax Act, 1961, in respect of employment of new workers shall be allowed to
 - (a) any assessee to whom Section 44AB applies.
 - (b) all assessee.
 - (c) an Indian company.
 - (d) None of the above
3. PRT Ltd., a domestic Indian company, bought back its 10,000 shares from 10 shareholders on 15th November, 2024. The original issue price was ₹ 110 per share and the buy-back price is ₹ 300 per share. What is the tax treatment of this transaction under the Income Tax Act, 1961?
 - (a) PRT Ltd. needs to pay additional income tax on such buy-back.
 - (b) It will be treated as capital gains in the hands of the shareholder.
 - (c) It will be treated as deemed dividend and taxable under income from other sources in the hands of the shareholder.
 - (d) It will be treated as dividend and PRT Ltd. needs to pay dividend distribution tax on the same.
4. Nakul won ₹6,000 as a lottery prize on 12.04.2024. What is the amount of TDS on such winning under the Income Tax Act, 1961?
 - (a) Nil
 - (b) ₹ 600
 - (c) ₹ 1,800
 - (d) ₹ 1,200
5. Who from the followings will be considered as a specified employee of ABC Pvt. Ltd. as defined u/s 17(2)(iii) of the Income Tax Act, 1961 for the assessment year 2025-2026?
 - (a) Mr. D, a part time director employee but resigned on 02-05-2024
 - (b) Mr. E, who holds 15% of its equity shares and his wife holds 6% of its equity shares
 - (c) Mr. F, who joined it on 01-02-2025 and his taxable monetary salary for the year from ABC Pvt. Ltd. is ₹50,000 p.m.
 - (d) None of the above



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6. For the previous year 2024-2025, standard deduction from family pension under default new tax regime and under old tax regime is ₹ and ₹ respectively.
- (a) ₹15,000 and ₹25,000
(b) ₹15,000 and ₹15,000
(c) ₹25,000 and ₹25,000
(d) ₹25,000 and ₹15,000

Answers

1	(c)	2	(a)	3	(c)	4	(a)	5	(a)
6	(d)								

HALL OF FAME



**IDT
65**

CMA HARSHAL TANK



**IDT
80**

SAGAR GIROTI



**IDT
78**

SNEHAL KUMARI



**IDT
66**

CMA DEEKSHITH SHETTY



**IDT
65**

CMA GAURAV KUMAR



**IDT
65**

CMA ROHAN MISHRA



**IDT
61**

KUSHAL JAIN



**IDT
60**

CMA SONIA N THAKWANI



**IDT
60**

NAMRATA MANDAL

HALL OF FAME



IDT 77



PRIYANKA MANDAL

**CMA INTER
DEC 2023**

IDT 79



ROSHNI LODHA

**CMA INTER
JUNE 2023**

TAX 80



SHUBHAM KUMAR AGARWAL

**CMA INTER
DEC 2023**

**IDT
73**



SAKSHI KAUSHIK

**IDT
69**



DIPIKA SHAH

**IDT
69**



CMA AVANI SHAH

**IDT
64**



PRAJAKTA D. AVHAD

**IDT
63**



ANIRBAN MALIK

**IDT
61**



NILESH YADAV