

Topic: Basics, Agriculture Income & House Property

Total Marks: 62 Marks
Time Allowed: 120 minutes

Answers:

Part-A Multiple Choice Questions

[Total 12 Marks]

1. Answer : B
2. Answer : B
3. Answer : D
4. Answer : B
5. Answer : C
6. Answer : B

Part- B Descriptive Questions

[Total 50 Marks]

Solution 1:

There are two units of the house. Unit I with 3/4th area is used by Mr. Roy for self-occupation throughout the year and no benefit is derived from that unit, hence, it will be treated as self-occupied and its annual value will be nil. Unit 2 with 1/4th area is let-out during the previous year and its annual value has to be determined as per section 23(1).

Computation of Income from house property of Mr. Roy for the A.Y. 26-27

Particulars	Amount ₹
Unit I (3/4 area – Self Occupied)	
Annual Value of house used for self-occupation under section 23(2)	Nil
Less: Deduction under section 24(b) 3/4th of ₹ 1,51,000	1,13,250
Loss from house property	(1,13,250)

Unit I (1/4 area – Let out)	Amount in ₹	
Municipal Value	(A)	1,12,500
Fair Rent	(B)	1,17,500
Whichever is Higher	(C)	1,17,500
Standard Rent	(D)	1,25,000
Expected Rent lower of (C) & (D)	(E)	1,17,500
Actual Rent Received/Receivable minus Unrealized Rent	(F)	1,08,000
[Actual rent received/receivable for the period let out less unrealized rent as per		

Unit I (1/4 area – Let out)	Amount in ₹	
Rule 4 = (₹ 12,000 × 11) - (₹ 12,000 × 2) = ₹ 1,32,000 - ₹ 24,000]		
Gross Annual Value (GAV)		
The actual rent of ₹ 1,08,000 is lower than expected rent of ₹ 1,17,500 owing to vacancy, since had the property not been vacant in March 2022, the actual rent would have been ₹ 1,20,000 (i.e. ₹ 1,08,000 + ₹ 12,000), which is higher than the ER of ₹ 1,17,500. Therefore, actual rent is the GAV.		1,08,000
Less: Municipal taxes (paid by the owner during the previous year)		(11,250)
1/4th of (10% of ₹ 4,50,000) = ₹ 45,000/4 = ₹ 11,250		
Net Annual Value (NAV)		96,750
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 96,750	29,035	
(b) Interest on borrowed capital	37,750	(66,775)
Income from house property		29,975
Loss under the head “Income from house property” (-1,13,250 + 29,975)		(83,275)

Note – Alternatively, as per income-tax returns, unrealized rent can be deducted from GAV. In such a case, GAV would be ₹ 1,32,000, being higher of expected rent of ₹ 1,17,500 and actual rent of ₹ 1,32,000. Thereafter, unrealized rent of ₹ 24,000 and municipal taxes of ₹ 11,250 would be deducted from GAV of ₹ 1,32,000 to arrive at the NAV of ₹ 96,750.

Solution 2:

(i) Computation of tax liability of Mr. B for the A.Y. 2026-27 as per 115BAC

(A) Tax payable including surcharge on total income of ₹ 1,01,00,000

₹ 4,00,000 – ₹ 8,00,000@5%	₹ 20,000
₹ 8,00,001 – ₹ 12,00,000@10%	₹ 40,000
₹ 12,00,001 – ₹ 16,00,000@15%	₹ 60,000
₹ 16,00,001 – ₹ 20,00,000@20%	₹ 80,000
₹ 20,00,001 – ₹ 24,00,000@25%	₹ 1,00,000
₹ 24,00,001 - ₹ 1,01,00,000@30%	<u>₹ 23,10,000</u>
Total	₹ 26,10,000
Add: Surcharge@15%	<u>₹ 3,91,500</u>
Tax liability without marginal relief	₹ 30,01,000

(B) Above amount is restricted to

Tax on 1 crore + (NTI - 1Cr)	
(25,80,000 + 10% surcharge) + 1,00,000	₹ 29,38,000

(C) Tax payable: lower of (A) & (B)

Add: Health and education cess @4%	<u>₹ 1,17,520</u>
Tax liability	<u>₹ 30,55,520</u>
Marginal relief (A-B)	₹ 63,000

(ii) Computation of tax liability of Mr. B for the A.Y. 2026-27 as per Normal Provisions

(D) Tax payable including surcharge on total income of ₹ 1,01,00,000

₹ 2,50,000 – ₹ 5,00,000@5%	₹ 12,500
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₹ 5,00,001 – ₹ 10,00,000@20%	₹ 1,00,000
₹ 10,00,001 – ₹ 1,01,00,000@30%	₹ <u>27,30,000</u>
Total	₹ 28,42,500
Add: Surcharge@15%	₹ <u>4,26,375</u>
Tax liability without marginal relief	₹ 32,68,875
(E) Above amount is restricted to	
Tax on 1 crore + (NTI - 1Cr)	
(28,12,500 + 10% surcharge) + 1,00,000	₹ 31,93,750
(F) Tax payable: lower of (A) & (B)	₹ 31,93,750
Add: Health and education cess @4%	₹ <u>1,27,750</u>
Tax liability	₹ 33,21,500
Marginal relief (A-B)	₹ 75,125

Solution 3:**Computation of tax liability of Mr. Raghav for A.Y. 2024-25**

Particulars	₹
Tax on total income of ₹ 6,50,000	
Tax at slab rate	12,500
Less: Rebate u/s 87A (Lower of tax payable or ₹ 60,000)	12,500
Tax Liability	Nil

Solution 4:**(a) Computation of total income of Mr. X for the A.Y. 2026-27 under default tax regime u/s 115BAC**

For the purpose of partial integration of taxes, Mr. X has satisfied both the conditions i.e.

1. Net agricultural income exceeds ₹ 5,000 p.a., and
2. Non-agricultural income exceeds the basic exemption limit of ₹ 4,00,000.

His tax liability is computed in the following manner:

Particulars	₹	₹
Income from salary		15,80,000
Income from house property		2,50,000
Net agricultural income [₹ 4,80,000 – ₹ 1,70,000]	3,10,000	
Less: Exempt u/s 10(1)	<u>(3,10,000)</u>	-
Gross Total Income		18,30,000
Less: Deductions under Chapter VI-A		-
Total Income		<u>18,30,000</u>

Step 1 : ₹ 18,30,000 + ₹ 3,10,000 = ₹ 21,40,000

Tax on ₹ 21,40,000 = ₹ 2,35,000

(i.e., 5% of ₹ 4,00,000 plus 10% of ₹ 4,00,000 plus 15% of ₹ 4,00,000 plus 20% of ₹

- 4,00,000 plus 25% of ₹ 1,40,000)
- Step 2** : ₹ 3,10,000 + ₹ 4,00,000 = ₹ 7,10,000
Tax on ₹ 7,10,000 = ₹ 15,500 (i.e. 5% of ₹ 3,10,000)
- Step 3** : ₹ 2,35,000 – ₹ 15,500 = ₹ 2,19,500
- Step 4 & 5** : Total tax payable = ₹ 2,19,500
= ₹ 2,19,500 + 4% of ₹ 2,19,500 = ₹ 2,28,280.

(b) Computation of total income of Mr. X for the A.Y. 2026-27 under normal provisions of the Act

For the purpose of partial integration of taxes, Mr. X has satisfied both the conditions i.e.

1. Net agricultural income exceeds ₹ 5,000 p.a., and
2. Non-agricultural income exceeds the basic exemption limit of ₹ 2,50,000.

His tax liability is computed in the following manner:

Particulars	₹	₹
Income from salary		15,80,000
Income from house property		2,50,000
Net agricultural income [₹ 4,80,000 – ₹ 1,70,000]	3,10,000	
Less: Exempt u/s 10(1)	(3,10,000)	-
Gross Total Income		18,30,000
Less: Deductions under Chapter VI-A		-
Total Income		18,30,000

- Step 1** : ₹ 18,30,000 + ₹ 3,10,000 = ₹ 21,40,000
Tax on ₹ 21,40,000 = ₹ 4,54,500
(i.e., 5% of ₹ 2,50,000 plus 20% of ₹ 5,00,000 plus 30% of ₹ 11,40,000)
- Step 2** : ₹ 3,10,000 + ₹ 2,50,000 = ₹ 5,60,000
Tax on ₹ 5,60,000 = ₹ 24,500
(i.e. 5% of ₹ 2,50,000 plus 20% of ₹ 60,000)
- Step 3** : ₹ 4,54,500 – ₹ 24,500 = ₹ 4,30,000
- Step 4 & 5** : Total tax payable = ₹ 4,30,000
= ₹ 4,30,000 + 4% of ₹ 4,30,000 = ₹ 4,47,200.

Solution 5:

In case of income derived from the sale of coffee grown and cured by the seller in India, 25% income on such sale is taxable as business income. In case of income derived from the sale of coffee grown, cured, roasted and grounded by the seller in India, 40% income on such sale is taxable as business income.

Business income of Mr. Raja = 25% of ₹ 10 lakhs = ₹ 2.5 lakhs

Business income of Mr. Shyam = 40% of ₹ 20 lakhs = ₹ 8 lakhs

Solution 6:**Computation of Gross total income of Mr. Akash for the A.Y. 2026-27**

Particulars	₹	₹
I Income from House Property		
Unit-II (75% of floor area)		
<u>Gross Annual Value</u>		
(a) Actual rent received (₹ 8,500 x 12)	₹ 1,02,000	
(b) Expected rent	₹ 1,27,500	
[Higher of municipal value (i.e. ₹ 1,60,000) and fair rent (i.e. ₹ 1,70,000) but restricted to standard rent (i.e. ₹ 1,90,000) ₹ 1,70,000 x 75%]		1,27,500
Higher of (a) or (b) is GAV		
Less: Municipal taxes (₹ 1,60,000 x 8% x 75%)		9,600
NAV		1,17,900
Less: Deductions u/s 24		
(a) 30% of NAV	₹ 35,370	
(b) Interest on loan (See note)	₹ 96,750	
		1,32,120 (14,220)
II Profits & Gains of business & profession		
Income from Profession		8,00,000
Less: Light & Water Charges (25% of ₹ 2,000)	₹ 500	
Municipal taxes (25% of ₹ 12,800)	₹ 3,200	
Repairs (25% of ₹ 1,45,000)	₹ 36,250	
Interest on loan taken for repair (25% of ₹ 36,000)	₹ 9,000	
Interest on loan taken for construction of house property (25% of ₹ 60,000)	₹ 15,000	
Depreciation	₹ 8,000	71,950
Gross Total Income		7,13,830

Note:**Computation of Interest on loan**

	₹
Interest for the year (₹ 5,00,000 x 12%)	60,000
Pre-construction period Interest- 12% of ₹ 5,00,000 for 33 months = ₹ 1,65,000	
To be allowed in 5 equal instalments from the year of completion (₹ 1,65,000 x 1/5)	33,000
	36,000

Interest on loan taken for repair (no restriction for let out property)	1,29,000
Total Interest deduction u/s 24(b)	96,750
Total Interest deduction u/s 24(b) for let out property (75% x ₹ 1,29,000)	

Solution 7:

Yes, he has the power to do so.

Since the business of Mr. X is discontinued on 1st January, 2026, the income of the period from 1.4.2025 to 1.1.2026 may, at the discretion of the Assessing Officer, be charged to tax in A.Y.2025-26 (PY 25-26) itself.

Following are the other exceptions to the general rule “Income of the previous year is assessed in the assessment year following the previous year” i.e., the income of the previous year is assessed in the previous year itself.

- (i) Shipping business of non-resident
- (ii) Persons leaving India with no present intention of returning
- (iii) AOP/BOI/Artificial Juridical Person formed for a particular event or purpose and likely to be dissolved
- (iv) Persons likely to transfer property to avoid tax.

Solution 8**Computation of Business Taxable Income**

Particulars	Amount (₹)	Taxable Business %	Taxable Income (₹)
Manufacture of Rubber	500000	35	175000
Manufacture of Coffee grown and cured	350000	25	87500
Manufacture of Tea	700000	40	280000
Sale of plant from Nursery	100000	0%	-
Total			5,42,500

Solution 9**Agricultural Income Computation**

Particulars	Amount (₹)
Net Agricultural Income (40%) [Sale in Raw Form]	9,50,000
Market Value of 60% Paddy (Deemed Sale)	28,60,000
Less: Cost of Cultivation (60%)	-14,40,000
Net Agricultural Income (60%)	14,20,000
Total Agriculture Income	23,70,000

Business Income Computation

Particulars	Amount (₹)
Sale Value of Rice	38,00,000
Less: Market Value of Paddy (60%)	-28,60,000
Less: Manufacturing Expenses	-3,60,000
Net Business Income	5,80,000