

**Question 1: Based on taxable income and tax liability [Study Mat]**

Rosy and Mary are sisters, born and brought up at Mumbai. Rosy got married in 1982 and settled at Canada since 1982. Mary got married and settled in Mumbai. Both of them are below 60 years. The following are the details of their income for the PY ended 31.3.2025.

Sr.	Particulars	Rosy	Mary
1.	Pension received from State Government	-	60,000
2.	Pension received from Canadian Government	20,000	-
3.	Long-term capital gain on sale of land at Mumbai Sale before 15.05.2024	1,00,000	1,00,000
4.	Short-term capital gain on sale of shares of Indian listed companies in respect of which STT was paid Sale before 23.04.2024	20,000	2,50,000
5.	LIC premium paid	-	10,000
6.	Premium paid to Canadian Life Insurance Corporation at Canada	40,000	-
7.	Mediclaim policy premium paid by A/c Payee Cheque	-	25,000
8.	Deposit in PPF	-	20,000
9.	Rent received in respect of house property at Mumbai	60,000	30,000

Compute the taxable income and tax liability of Mrs. Rosy and Mrs. Mary for the AY 2025-26 and tax thereon. Ignore the provisions of section 115BAC.

**Solution: Computation of taxable income of Mrs. Rosy and Mrs. Mary**

Sr No	Particulars	Rosy	Mary
1.	<b>Salaries</b> Pension received from State Govt. 60,000 <b>Less:</b> Standard deduction u/s 16(ia) (50,000) Pension received from Canadian Government is not taxable in the case of a NR since it is earned and received outside India	-	10,000
		-	-
		-	<b>10,000</b>
2.	<b>Income from house property</b> Rent received from house property at Mumbai (assumed to be the annual value in the absence of other information i.e. municipal value, fair rent and standard rent) <b>Less:</b> Deduction u/s 24(a) @ 30%	60,000  (18,000)	30,000  (9,000)
		<b>42,000</b>	<b>21,000</b>
3.	<b>Capital Gains</b> Long-term capital gain on sale of land at Mumbai Short term capital gain on sale of shares of Indian listed companies in respect of which STT was paid	1,00,000 20,000	1,00,000 2,50,000
		<b>1,20,000</b>	<b>3,50,000</b>
<b>A</b>	<b>Gross Total Income [(I)+(II)+(III)]</b>	<b>1,62,000</b>	<b>3,81,000</b>
	<b>Less:</b> Deduction u/c VI-A		
1.	Deduction under section 80C 1. LIC Premium paid 2. Premium paid to Canadian Life Insurance Corp 3. Deposit in PPF	- 40,000 -	10,000 - 20,000

		<b>40,000</b>	<b>30,000</b>
<b>2.</b>	Deduction u/s 80D – Mediclaim	-	25,000
		40,000	55,000
<b>B</b>	Total deduction under Chapter VIA is restricted to income other than capital gains taxable under sections 111A & 112	40,000	31,000
<b>C</b>	Total Income (A-B)	<b>1,22,000</b>	<b>3,50,000</b>
	<b>Tax liability of Mrs. Rosy</b>		
	Tax on long-term capital gains @20% of ₹1,00,000	20,000	
	Tax on short-term capital gains @15% of ₹20,000	3,000	
	Tax on balance income of ₹2,000	Nil	23,000
	<b>Tax liability of Mrs. Mary</b>		
	Tax on STCG @15% of ₹1,00,000 [i.e. ₹2,50,000 less ₹1,50,000, being the unexhausted basic exemption limit as per proviso to section 111A] [See Notes 3 & 4 below]		15,000
	<b>Less:</b> Rebate u/s 87A would be lower of ₹12,500 or tax liability, since total income does not exceed ₹ 5,00,000	-	(12,500)
	Total	23,000	2,500
	<b>Add:</b> HEC @ 4%	920	100
	<b>Total Tax Liability</b>	<b>23,920</b>	<b>2,600</b>

**Notes:**

- (1) LTCG on sale of land is chargeable to tax @20% as per section 112.
- (2) STCG on transfer of equity shares in respect of which STT is paid is subject to tax @15% as per sec 111A.
- (3) In case of resident individuals, if the basic exemption limit is not fully exhausted against other income, then, the LTCG/STCG will be reduced by the unexhausted basic exemption limit and only the balance will be taxed at 20%/15%, respectively. However, this benefit is not available to NR. Therefore, while Mrs. Mary can adjust unexhausted basic exemption limit against LTCG taxable u/s 112 and STCG taxable u/s 111A, Mrs. Rosy cannot do so.
- (4) Since LTCG is taxable at the rate of 20% and STCG is taxable at the rate of 15%, it is more beneficial for Mrs. Mary to first exhaust her basic exemption limit of ₹ 2,50,000 against LTCG of ₹1,00,000 and the balance limit of ₹ 1,50,000 (i.e., ₹2,50,000 – ₹1,50,000) against STCG.
- (5) Rebate u/s 87A would not be available to Mrs. Rosy even though her total income does not exceed ₹5,00,000, since she is non-resident for the AY 2025-26.

**Question 2: Based on total income and tax payable [Study Mat]**

From the following particulars furnished by Mr. X for the year ended 31.3.2025, you are requested to compute his Total Income and tax payable for the AY 2025-26, assuming that he does not opt for paying tax u/s 115BAC.

- (a) Mr. X retired on 31.12.2024 at the age of 58, after putting in 26 years and 1 months of service, from a private company at Mumbai.
- (b) He was paid a salary of ₹ 25,000 p.m. and HRA of ₹6,000 p.m. He paid rent of ₹ 6,500 p.m. during his tenure of service.
- (c) On retirement, he was paid a gratuity of ₹ 3,50,000. He was covered by the payment of Gratuity Act. Mr. X had not received any other gratuity at any point of time earlier, other than this gratuity.
- (d) He had accumulated leave of 15 days per annum during the period of his

service; this was encashed by Mr. X at the time of his retirement. A sum of ₹ 3,15,000 was received by him in this regard. His average salary for last 10 months may be taken as ₹ 24,500. Employer allowed 30 days leave per annum.

(e) After retirement, he ventured into textile business and incurred a loss of ₹ 80,000 for the period upto 31.3.2025.

(f) Mr. X has deposited ₹ 1,00,000 in public provident fund.

**Solution:** Computation of total income of Mr. X for AY 2025-26

Particulars	₹	₹
<b>Income from Salaries</b>		
Basic salary ( ₹25,000 x 9 months)		2,25,000
House rent allowance: Actual amount received (₹6,000 x 9 months)	54,000	
<b>Less:</b> Exemption under section 10(13A) (Note 1)	(36,000)	18,000
Gratuity: Actual amount received	3,50,000	
<b>Less:</b> Exemption under section 10(10)(ii) (Note 2)	(3,50,000)	-
Leave encashment: Actual amount received	3,15,000	
<b>Less:</b> Exemption under section 10(10AA) (Note 3)	(2,45,000)	70,000
Gross Salary		3,13,000
<b>Less:</b> Standard deduction under section 16(ia)		(50,000)
Total		2,63,000
<b>Profits and gains of business or profession</b>		
Business loss of ₹80,000 to be carried forward as the same cannot be set off against salary income		Nil
<b>Gross Total income</b>		<b>2,63,000</b>
<b>Less:</b> Deduction under section 80C Deposit in Public Provident Fund		(1,00,000)
Total Income		1,63,000
<b>Tax on Total Income</b>		Nil

**Notes:**

(1) As per sec 10(13A), house rent allowance will be exempt to the extent of least of the following three amounts:

Particulars	₹
i) HRA actually received (₹6,000 X 9)	54,000
ii) Rent paid in excess of 10% of salary (₹6,500 – 2,500) X 9 months	36,000
iii) 50% of salary	1,12,500

(2) Gratuity of ₹3,50,000 is exempt u/s 10(10)(ii), being the minimum of the following amounts:

Particulars	₹
(i) Actual amount received	3,50,000
(ii) Half month salary for each year of completed service [(25,000 x 15/26) x 26 years]	3,75,000
(iii) Statutory limit	20,00,000

(3) Leave encashment is exempt upto the least of the following:

Particulars	₹
Actual amount received	3,15,000
10 months average salary (₹ 24,500 x 10)	2,45,000
Cash equivalent of unavailed leave calculated on the basis of maximum 30 days for every year of actual service rendered to the employer from whose service he retired (See Note 4 below)	3,18,500
Statutory limit	25,00,000

(4) Since the leave entitlement of Mr. X as per his employer's rules is 30 days credit for each year of service and he had accumulated 15 days per annum during the period of his service, he would have availed/taken the balance 15 days leave every year.

Particulars	₹
Leave entitlement of Mr. X on the basis of 30 days for every year of actual service rendered by him to the employer	=30 days/year X 26 = 780 days
<b>Less:</b> Leave taken /availed by Mr. X during the period of his service	=15 days /year X 26 = 390 days
Earned leave to the credit of Mr. X at the time of his retirement	390 days
Cash equivalent of earned leave to the credit of Mr. X at the time of his retirement	= 390 X ₹24,500 /30 = ₹3,18,500

**Question 3: Based on total income and tax liability & adv. Tax [Study Mat]**  
Balamurugan furnishes the following information for the year ended 31-03-2025:

Particulars	₹
<b>Income from textile business</b>	<b>(1,35,000)</b>
<b>Carry forward HP loss</b>	<b>(15,000)</b>
<b>Lottery winning (Gross)</b>	<b>5,00,000</b>
<b>Speculation business income</b>	<b>1,00,000</b>
<b>Income by way of salary (Computed)</b>	<b>2,70,000</b>
<b>Long term capital gain u/s 112 before 23/7/2024</b>	<b>70,000</b>

Compute his total income, tax liability and advance tax obligations under the default tax regime u/s 115BAC .

**Solution: Computation of total income of Balamurugan**

Particulars	₹	₹
<b>Income from Salaries</b>	2,70,000	
<b>Less:</b> Loss from house property	Nil	
Net Salary (after set off of loss from house property)		2,70,000
<b>Profits and gains of business or profession</b>		
Speculation business income	1,00,000	
<b>Less:</b> Business loss of ₹1,35,000 set-off to the extent of ₹1,00,000	(1,00,000)	
		Nil
Balance current year business loss of ₹35,000 to be set-off against long-term capital gain		
<b>Capital Gains</b>		
Long term capital gain	70,000	
<b>Less:</b> Business loss set-off	(35,000)	
LTCG after set off of business loss		35,000
<b>Income from other sources</b>		

Lottery winnings (Gross)		5,00,000
<b>Total Income</b>		<b>8,05,000</b>

### Computation of tax liability for AY 2025-26

Particulars	₹
On total income of ₹ 2,70,000 (excluding lottery winning & LTCG)	Nil
On LTCG of 5,000 @20% (balance unexhausted basic exemption limit of ₹30,000 can be adjusted against LTCG taxable u/s 112)	1,000
On lottery winnings of 5,00,000 @ 30%	1,50,000
<b>Total</b>	<b>1,51,000</b>
<b>Add:</b> Health & education cess @ 4%	6,040
<b>Total tax Liability</b>	<b>1,57,040</b>

The assessee need not pay advance tax since the total income (excluding lottery income) liable to tax is below the basic exemption limit. Further, in respect of lottery income, tax would have been deducted at source @ 30% u/s 194B. Since the remaining tax liability of ₹ 6,040 (₹ 1,57,040 – ₹ 1,50,000) is less than ₹ 10,000, advance tax liability is not attracted.

#### Question 4: Based on residential status & total income [Study Mat]

Miss Charlie, an American national, got married to Mr. Radhey of India in USA on 2.03.2024 and came to India for the first time on 16.03.2024. She left for USA on 19.9.2024. She returned to India again on 27.03.2025. While in India, she had purchased a show room in Mumbai on 22.04.2024, which was leased out to a company on a rent of ₹ 25,000 p.m. from 1.05.2024. She had taken loan from a bank for purchase of this show room on which bank had charged interest of ₹97,500 upto 31.03.2025. She had received the following cash gifts from her relatives and friends during 1.4.2024 to 31.3.2025:

- From parents of husband ₹ 51,000
- From married sister of husband ₹ 11,000
- From two very close friends of her husband (₹1,51,000 and ₹21,000) ₹1,72,000

- (a) Determine her residential status and compute the total income chargeable to tax along with the amount of tax liability on such income for the AY 2025-26.
- (b) Would her residential status undergo any change, assuming that she is a person of Indian origin and her total income from Indian sources is ₹ 18,00,000 and she is not liable to tax in USA?

#### Solution:

(a) U/s 6(1), an individual is said to be resident in India in any PY, if he satisfies any one of the following conditions:

- (i) He has been in India during the PY for a total period of 182 days or more, or
- (ii) He has been in India during the 4 years immediately PPY for a total period of 365 days or more and has been in India for at least 60 days in the PY.

If an individual satisfies any one of the conditions mentioned above, he is a resident. If both the above conditions are not satisfied, the individual is a non- resident.

Therefore, the residential status of Miss Charlie, an American National, for AY 2025-26 has to be determined on the basis of her stay in India during the PY relevant to AY 2025-26 i.e. PY 2024-25 and in the preceding four year.

Her stay in India during the PY 2024-25 and in the preceding four years are as under:

PY 2024-25	
01.04.2024 to 19.09.2024	172 days
27.03.2025 to 31.03.2025	5 days
<b>Total</b>	<b>177 days</b>
Four preceding PYs	
PY 2023-24 [1.4.2023 to 31.3.2024]	16 days
PY 2022-23 [1.4.2022 to 31.3.2023]	Nil
PY 2021-22[1.4.2021 to 31.3.2022]	Nil
PY 2020-21 [1.4.2020 to 31.3.2021]	Nil
<b>Total</b>	<b>16 days</b>

The total stay of the assessee during the PY in India was less than 182 days and during the four years preceding this year was for 16 days. Therefore, due to non-fulfillment of any of the two conditions for a resident, she would be treated as non-resident for AY 2025-26.

### Computation of total income of Miss Charlie for the AY 2025-26

Particulars	₹	₹
<b>Income from house property</b>		
Show room located in Mumbai remained on rent from 01.05.2024 to 31.03.2025 @ ₹25,000/- p.m.	2,75,000	
Gross Annual Value [₹25,000 x 11]		
<b>Less: Municipal taxes</b>	Nil	
Net Annual Value (NAV)	2,75,000	
<b>Less: Deduction u/s 24</b>		
30% of NAV	82,500	
Interest on Loan	97,500	(1,80,000)
		95,000
<b>Income from other sources</b>		
Cash gifts received from non-relatives is chargeable to tax as per sec 56(2)(x), if the aggregate value of such gifts exceeds ₹50,000.		
- ₹50,000 received from parents of husband would be exempt, since parents of husband fall within the definition of relative and gifts from a relative are not chargeable to tax.	Nil	
- ₹11,000 received from married sister of husband is exempt, since sister-in-law falls within the definition of relative and gifts from a relative are not chargeable to tax.	Nil	
- Gift received from two friends of husband ₹1,51,000 & ₹ 21,000 aggregating to ₹1,72,000 is taxable under section 56(2)(x) since the aggregate of ₹1,72,000 exceeds ₹50,000. (See Note 2 below)	1,72,000	1,72,000
<b>Total Income</b>		<b>2,67,000</b>

### Computation of tax liability by Miss Charlie for the AY 2025-26

Particulars	₹
On total income of ₹2,67,000	850
<b>Add: Health &amp; education cess @ 4%</b>	34
<b>Total tax Liability</b>	<b>884</b>

(b) Residential status of Miss Charlie in case she is a person of Indian origin and her total income from Indian sources exceeds ₹ 18,00,000.

If she is a person of Indian origin and her TI from Indian sources exceeds ₹15,00,000 (₹18,00,000, in her case), the condition of stay in India for a period exceeding 120 days during the PY and 365 days during the four immediately PPY would be applicable for being treated as a resident. Since her stay in India exceeds 120 days in the PY 2024-25. but period of her stay in India during the 4 immediately PPY is less than 365 days (only 16 days), her residential status as per sec 6(1) would continue to be same i.e., NR in India.

Further, since she is not a citizen of India, the provisions of sec 6(1A) deeming an individual to be a citizen of India would not get attracted in her case, even though she is a person of Indian origin and her total income from Indian sources exceeds ₹15,00,000 and she is not liable to pay tax in USA. Therefore, her residential status would be non-resident in India for the PY 2024-25.

**Question 5: Based on Tax liability**

Shri Madan (age 67 Years) gifted a building owned by him to his son's wife Smt. Hema on 01.01.2024, The Building fetched a rental Income of ₹ 10,000 per month throughout the year. Municipal Tax for the first half year of ₹ 5,000 was paid in June 2024 and the municipal tax for the second half year was not paid till 30.09.2025. Income of shri Madan and Smt. Hema other than Income from House Property are given below:

Name	Business Income	Capital Gain	Other Sources
Shri. Madan	1,00,000	50,000 (Long- term)	1,50,000
Smt. Hema	(75,000)	2,00,000 (Short-Term)	50,000

Note- Capital Gain does not relate to Gain from shares and securities

Compute the Total income of Shri. Madan and Smt. Hema taking into account Income from Property given above and also computer their income tax liability for the AY 2025-26

**Solution:**

Particulars	₹	₹
Income From House Property (Note-1)		
Annual Value (₹ 10,000 x 12)	1,20,000	
Less: Municipal Tax paid only allowed as deduction	(5,000)	
Net Annual Value	<b>1,15,000</b>	
Less: Deduction u/s 24 = 30% of Net Annual Value [₹1,15,000 x 30%]	(34,500)	
<b>Income From House Property</b>		80,500
PGBP		1,00,000
<b>Income from Capital Gain (Long Term)</b>		50,000
<b>Income From Other Sources</b>		1,50,000
Gross Total Income		3,80,500
Less:		
<b>Deduction u/c VI-A</b>		Nil
<b>Total Income</b>		<b>3,80,500</b>
Tax Liability		
Tax on Total Income- On Long Term Capital Gain (₹ 50,000 x 12.5%)	6,250	

On Balance Income of ₹ 3,30,500 (3,30,500 - 3L) x 5%	1,525	7,775
Tax Payable		7,775
Less: Rebate u/s 87A (max ₹ 12500) for resident individual TI ≤ ₹5L		(7775)
<b>Tax Liability</b>		<b>Nil</b>

**Note:** We have assumed the LTCG is taxable @12.5% as no date mentioned in the problem.

#### Computation of Total income and Tax on Total Income of Smt. Hema

Particulars	₹
Profits and Gains of Business or Profession: Loss from Business	(75,000)
Income from Capital Gain: Short Term Capital Gains	2,00,000
Income From other Sources	50,000
Gross Total Income	1,75,000
Less: Deduction under chapter VI-A	Nil
<b>Total Income</b>	<b>1,75,000</b>
<b>Total Tax Liability</b>	<b>Nil</b>

**Note:-**

- U/s 64(1)(vi), Income from assets transferred to Son's wife shall be clubbed in the hands of the Transferor, Hence, the Rental Income from the building transferred to Smt. Hema by Shri. Madan Shall be clubbed in the hands of Shri. Madan.
- Business Loss of the Current year, can be set-off under any head other than securities.

#### Question 6: Based on total income [Study Mat]

Mr. Y carries on his own business. An analysis of his trading and profit & loss for the year ended 31-3-2025 revealed the following information:

- The net profit was ₹ 11,20,000.
- The following incomes were credited in the profit and loss account:
  - Income from UTI ₹ 22,000 (Gross)
  - Interest on debentures ₹ 17,500 (Gross)
  - Winnings from horse races ₹ 15,000 (Gross)
- It was found that some stocks were omitted to be included in both the opening and closing stocks, the value of which were:  
Opening stock Rs 8,000. Closing stock ₹ 12,000.
- ₹ 1,00,000 was debited in the profit and loss account, being contribution to a University approved and notified under section 35(1)(ii).
- Salary includes ₹ 20,000 paid to his brother which is unreasonable to the extent of ₹ 2,500.
- Advertisement expenses include 15 gift packets of dry fruits costing ₹ 1,000 per packet presented to important customers.
- Total expenses on car was ₹ 78,000. The car was used both for business and personal purposes.  $\frac{3}{4}$ th is for business purposes.
- Miscellaneous expenses included ₹ 30,000 paid to A & Co., a goods transport operator in cash on 31-1-2025 for distribution of the company's product to the

warehouses.

9. Depreciation debited in the books was ₹ 55,000. Depreciation allowed as per Income-tax Rules, 1962 was ₹ 50,000.

10. Drawings of ₹ 10,000 debited in the books.

11. Investment in NSC ₹ 15,000 debited in the books.

Compute the total income assuming they are not opting for 115BAC.

**Solution:** Computation of Taxable Income and Tax Liability of Mr. Y

Particulars	₹
Profits and gains of business or profession (See Working Note 1 below)	11,21,500
Income from other sources (See Working Note 2 below)	54,500
<b>Gross Total Income</b>	<b>11,76,000</b>
<b>Less:</b> Deduction under section 80C (Investment in NSC)	15,000
<b>Total Income</b>	<b>11,61,000</b>

**Working Note:**

**1. Computation of profits and gains of business or profession**

Particulars		₹
Net profit as per profit and loss account		11,20,000
<b>Add:</b> Expenses debited to profit and loss account but not allowable as deduction		
Salary paid to brother disallowed to the extent considered unreasonable [Section 40A(2)]	2,500	
Motor car expenses attributable to personal use not allowable ( $78,000 \times \frac{1}{4}$ )	19,500	
Depreciation debited in the books of account	55,000	
Drawings (not allowable since it is personal in nature) [See Note (iii)]	10,000	
Investment in NSC [See Note (iii)]	15,000	1,02,000
<b>Total</b>		<b>12,22,000</b>
<b>Add:</b> Under statement of closing stock		12,000
<b>Total</b>		<b>12,34,000</b>
<b>Less: Under statement of opening stock</b>		<b>(8,000)</b>
<b>Less:</b> Contribution to a University approved and notified u/s 35(1)(ii) is eligible for 100% deduction. Since whole of the actual contribution (100%) has been debited to profit and loss account, no further adjustment is required.		Nil
<b>Total</b>		<b>12,26,000</b>
<b>Less:</b> Incomes credited to profit and loss account but not taxable as business income		
Income from UTI [taxable under the head "IFOS"]	22,000	
Interest on debentures (taxable under the head "IFOS")	17,500	
Winnings from horse races (taxable under the head "IFOS")	15,000	(54,500)
<b>Total</b>		<b>11,71,500</b>
<b>Less:</b> Depreciation allowable under the Income-tax Rules, 1962		(50,000)
<b>Total</b>		<b>11,21,500</b>

**Notes:**

(i) Gift of dry fruits to important customers, is incurred wholly and exclusively for business purposes. Hence, the same is allowable as deduction under section 37.

- (ii) Disallowance u/s 40A(3) is not attracted in respect of cash payment exceeding ₹ 10,000 to A & Co., a goods transport operator.
- (iii) Since drawings and investment in NSC have been given effect to in the profit and loss account, the same have to be added back to arrive at the business income.
- (iv) It has been assumed that Dep ₹ 50,000, only the proportional depreciation (i.e., 75% for business purposes) has been included in respect of motor car

**Question 7 : Salaries, Capital Gains, Deductions and Total Income -**  
**Mr. Pankaj, aged 58 years, who retired from the services of the CG on 30.06.2024, furnishes particulars of his Income and other details as under:**

1. Salary at ₹18,000 p.m.
  2. Pension at ₹ 9,000 p.m. for July 2024 to November 2024.
  3. On 01.12.2024, he got 1/3rd of his Pension commuted for ₹ 3,60,000.
  4. A house plot at Ernakulam sold on 01.02.2025 for ₹ 15,00,000 has been purchased by him on 03.11.2006 for ₹ 30,000. Stamp Valuation Authority had assessed the value of said plot at ₹ 18,00,000 which was neither disputed by the Buyer nor by him.
  5. Received Interest on Bank FD of ₹ 2,17,500, Dividend on Mutual Fund Units of ₹ 45,000 and Interest on Maturity of NSC of ₹ 1,50,000 out of which ₹ 1,20,000 was already disclosed by him on accrual basis in the Returns up to AY 2025-2026.
  6. Investment in purchase of NSC for ₹ 90,000 and payment for Mediclaim Insurance for self and wife of ₹ 37,500. Made investment in Tax Magnum Units of Mutual Fund of SBI of 2,40,000.
    - (a) Compute the Total Income assuming he is not opting for 115BAC and opting for Indexation.
    - (b) In the event of Mr. Pankaj being ready to make appropriate investment for b availing exemption in respect of Capital Gain arising from sale of House Plot, what will be the amount to be invested and the period within which the same should be invested?
      - (i) If he wishes to get exemption u/s 54F by constructing a Residential House
      - (ii) If he wants to avail exemption u/s 54EC.
- [CII for PY 2005-2006 is 117; CII for AY-2024-2025 is 363]

**Solution: Computation of Total Income of Mr. Pankaj**

Particulars	₹	₹
1. <b>Salaries:</b> Basic Salary (₹ 18,000 x 3 Months)	54,000	
Pension [W.N-1]	69,000	
<b>Less:</b> Gross Salary	1,23,000	
Deductions u/s 16(ia) Standard Deduction	(50,000)	
Income under the head of "Salaries"		73,000
2. <b>Capital Gains</b>		
Net Sale consideration [WN.2]	18,00,000	
<b>Less:</b> Cost of Acquisition [Refer Notes]	(30,000)	
Long Term Capital Gain		17,70,000
3. <b>Income From Other Sources</b>		
Bank Interest	2,17,500	

NSC Interest [₹ 1,50,000 – 1,20,000]	30,000	
Dividend from Mutual Fund Units	45,000	2,92,500
<b>Gross Total Income</b>		<b>21,35,500</b>
<b>Less: Deductions under Chapter VI-A</b>		
1. u/s 80C NSC	90,000	
2. Units of Mutual Fund of SBI	2,40,000	
Total Deduction	3,30,000	1,50,000
(Restricted to ₹ 1,50,000 (u/s 80CCE))		
- U/s 80D Medical Insurance Premium paid (restricted to ₹ 25,000)	25,000	(1,75,000)
<b>Total Income (Rounded off)</b>		<b>19,60,500</b>

Amount to be invested for Capital Gain Exemption is as under:

For Exemption U/s	Amount to be invested	For conditions to be fulfilled for claiming exemption for Long Term Capital Gains u/s 54EC and 54F refer Chapter 7.
54EC	Capital Gains = ₹ 17,70,000	
54F	Net Consideration = ₹ 18,00,000	

### Working Notes:

#### 1. Taxable Value of Pension

Particulars	₹	₹
(i) Uncommuted Pension – Fully Taxable July to Nov. (₹ 9,000 x 5months)	45,000	
Dec to March – (₹ 9,000 x 2/3 x 4 months)	24,000	69,000
(ii) Commuted Pension – Fully Exempt for Government Employee	3,60,000 (3,60,000)	NIL
<b>Taxable value of Pension</b>		<b>69,000</b>

- Determination of Sale Consideration for the purposes of Capital Gains: U/S.50C, where 10% on sale consideration is less than the value adopted by the Stamp Valuation Authority, the value adopted by the Stamp Valuation authority shall be considered for the purposes of Capital Gains.
- Interest on NSC is taxable under "IFOS" but interest on maturity of NSC does not qualify for deduction u/s 80C. Therefore, only ₹ 90,000 (Purchase in the current year) is allowed as a deduction u/s 80C.
- Sec.80TTA is applicable only for Deposits in a Savings Account. Since he received Interest of ₹ 2,17,500 on Time Deposits (FD), he is not entitled for deduction of ₹ 10,000.
- Since the house property was acquired before 23/07/2024 and transferred on or after 23/07/2024, while computing tax on such LTCG, Mr. X has the option to pay tax u/s 112 at lower of 12.5%(on LTCG computed without indexation benefit) or 20% (on LTCG computed with indexation benefit).

### Question 8: [Past Exam]

Mrs. Rani, a resident aged 50 years is running an acupuncture clinic. Her Income and Expenditure Account and other relevant information for the year ending 31 March 2025 are given below:

Expenditure	₹	Income	₹
To Staff Salary	2,40,000	By Fees Receipts	10,00,000
To Clinic Rent	1,20,000	By Dividend from Indian Companies	10,500
To Medicines and Needles	1,05,000	By Winning from Lotteries net of TDS (TDS 3,000)	7,000
To Depreciation	81,000		
To Administrative Expenses	1,52,000		

To Donation to Prime Minister's National Relief Fund	20,000	By Income Tax Refund	1,750
To Excess of Expenditure	3,01,250		
<b>Total</b>	<b>10,19,250</b>	<b>Total</b>	<b>10,19,250</b>

- (i) Depreciation in respect of all assets has been ascertained at ₹ 60,000 as per Income Tax Rules.
- (ii) Medicines & Needles of ₹ 22,000 have been used for her family.
- (iii) Fees Receipts include ₹ 24,000 being honorarium for valuing acupuncture examination answer books.
- (iv) She has also received ₹ 57,860 from family estate on partition of HUF.
- (v) She has paid an LIC premium of ₹ 12,000 for Self (Sum Assured 50,000).
- (vi) She has paid ₹ 2,500 for purchase of Lottery Tickets.

From the above, compute Total Income and Tax Payable assuming not opted for 115BAC.

**Solution: Computation of Total Income of Mrs. Rani**

Particulars	₹	₹	₹
<b>Profits and Gains of Business and Profession:</b>			
Income as per Income & Expenditure A/c			3,01,250
<b>Particulars</b>	<b>Deduction from Profit</b>	<b>Addition to profit</b>	
Depreciation as per Books		81,000	
Depreciation as per Income Tax Act, 1961	60,000		
Medicines for Personal use		22,000	
Donations to Prime Minister's National Relief Fund		20,000	
<b>Items considered under "IFOS"</b>			
- Dividend from Indian Company	10,500		
- Winnings from Lotteries (net of TDS)	7,000		
- Income from Honorarium (included in fees)	24,000		
Income Tax Refund (not chargeable to tax)	1,750		
Sub total	(1,03,250)	1,23,000	19,750
<b>Total</b>			<b>3,21,000</b>

Particulars	₹	₹	₹
<b>Income from Other Sources:</b>			
Share from Family estate on partition of HUF	57,860		
<b>Less: Exempt u/s 10(2)</b>	(57,860)	-	
Dividend from Indian Company		10,500	
Honorarium for Valuing Answer Books		24,000	
Winnings from Lotteries (W.N.1)	7,000		
<b>Add: Tax Deducted at Source</b>	3,000	10,000	44,500
Income tax Refund (not an Income)		-	
<b>Gross Total Income</b>			<b>3,65,500</b>
<b>Less: Deduction u/c VI-A</b>			
U/s 80C-LIC (subject to 10% of sum assured =10% of ₹ 50,000)		(5,000)	
80G-Donations to Prime Minister's National Relief Fund		(20,000)	(25,000)

<b>Total Income</b>			<b>3,40,500</b>
Total Tax Payable			
Special Rates-Winnings from Lotteries- 30% of ₹ 10,000		3,000	
Normal Rates-[(₹ 3,30,500 - 2,50,000) 5%]		4,025	7,025
<b>Less: Rebate u/s 87A (W.N.2)</b>			<b>(7,025)</b>
Total Income Tax Payable			Nil
<b>Add: HEC 4%</b>			Nil
Total Tax Payable (Round off)			Nil
<b>Less: Tax Deducted at Source on Lotteries</b>			<b>(3,000)</b>
<b>Balance Tax Refundable</b>			<b>(3,000)</b>

**Note:**

1. The Cost of Lottery Ticket of ₹ 2,500 is not an admissible expenditure u/s 58
2. When Total Income of Resident individual does not exceed ₹ 5 Lakhs, Rebate u/s 87A-100% of Tax payable or ₹ 12,500 whichever is less.

**Question 9:**

**Dr. Shashank(age 49) is a Child Specialist of Mumbai. His Income and Expenditure A/c for the FY ended 31-03-2025 is given below:**

<b>Expenditure</b>	<b>₹</b>	<b>Income</b>	<b>₹</b>
To Staff Salary	2,78,000	By Fees Receipts	16,76,000
To Administrative Expenses	1,64,000	By Winning at TV Game	35,000
To Medicine Consumed	3,95,800	Show Net of TDS (TDS	
To Consumables	57,500	15,000)	
To Depreciation	1,25,000	By amount received from	1,15,000
To Rent of Clinic	1,20,000	family estate on partition on	
To Donation National	51,000	HUF	
Children's Fund		By Honorarium for giving	24,000
To Net Profit	6,58,700	Lectures at Seminars	
<b>Total</b>	<b>18,50,000</b>	<b>Total</b>	<b>18,50,000</b>

1. Depreciation computed as per IT Rules, 1962 has been ascertained at ₹ 75,000.
2. Medicines Consumed include Cost of Medicine for self and family of ₹ 18,000 and for treating poor patients of ₹ 24,000 form whom he did not charged any Fee either.
3. Salary includes ₹ 30,000 paid in cash to a Computer Specialist, on 1st August at 3 p.m., who computerized his Patients' data.
4. Donation to National Children's Fund been made by A/c Payee Cheque.
5. He has paid a sum of ₹ 25,000 for a Life Insurance Policy (Sum Assured ₹ 2,00,000) of himself, which was taken on 1-07-2016.
6. He also contributed ₹ 1,20,000 towards Public Provident Fund.
7. Dr. Shashank also paid interest of ₹ 10,000 on Loan taken for higher education of his daughter.
8. Dr. Shashank also made Donation of ₹ 1,00,000 to a Charitable Trust registered & eligible for deduction under IT Act, 1961.

**You are required to compute the Total Income and Tax Payable assuming not opted for 115BAC.**

**Solution: Computation of Total Income of Dr. Shashank For AY 2025-26**

Particulars	₹	₹	₹
<b>Profits and Gains of Business and Profession:</b>			
Income as per Income & Expenditure A/c			6,58,700
<b>Particulars</b>	<b>Deduction from profit</b>	<b>Addition to Profit</b>	
Depreciation as per Books		1,25,000	
Depreciation as per Income Tax Act, 1961	75,000		
Medicines for Personal use [Note: Cost of Medicines consumed for treating poor patients is an admissible expenditure u/s 37.]		18,000	
Salary disallowed u/s 40A(3) - Paid in Cash, Hence disallowed.		30,000	
Donations to National Children's Fund		51,000	
Items considered under "Income from Other Sources"			
LIC Policy Matured	1,15,000		
Winnings from TV Game Show (net of TDS)	35,000		
Income from Honorarium for giving Lectures at Seminars	24,000		
Sub total	(2,49,000)	2,24,000	(25,000)
<b>PGBP</b>			<b>6,33,700</b>
<b>Income from Other Sources:</b>			
Receipt from family estate on partition of HUF	1,15,000		
Less:-Exempt u/s 10(2)	(1,15,000)		
Income from Honorarium for giving Lectures at Seminars		24,000	
Winnings from TV Game Show (TDS at 30%, hence received= 70%)	35,000		
<b>Add: TDS = Deemed Income = ₹ 35,000 × 30/70</b>	15,000	50,000	74,000
<b>Gross Total Income</b>			<b>7,07,700</b>
<b>Less: Deduction under Chapter VI A</b>			
80CCC- LIC Premium (subject to 10% of Sum Assured 10% of ₹ 2,00,000) Premium exceeding 10% of Sum Assured is not eligible for deduction u/s 80C		(20,000)	
80C- PPF		(1,20,000)	
80E -Interest on Loan taken for higher education of his daughter		(10,000)	
80G-Donation to National Children's Fund-100% of Amount paid, no Ceiling Limit		(51,000)	
80G-Donation to Charitable Trusts (as per Note below)		(27,885)	(2,28,885)
<b>Total Income</b>			<b>4,78,815</b>
<b>Total Income (Rounded Off)</b>			<b>4,78,820</b>
Total Tax Payable			
Special Rates – Winnings from TV Game Show - 30% of ₹ 50,000		15,000	
Normal Rates - [(₹ 4,78,820-50,000- 2,50,000) × 5%]		8,941	
Total Income Tax Payable			23,941
Less: Rebate u/s 87A			(12,500)
<b>Total Tax Payable (Round off)</b>			<b>11,441</b>
Less: Tax Deducted at Source on TV Game Show			(15,000)
<b>Balance Tax Refundable</b>			<b>(3,559)</b>

**Note: Computation of 10% of Adjusted Total Income**

Particulars	₹
Gross Total Income	7,07,700
<b>Less:</b> Deduction u/s 80C to 80U, excluding Sec.80G (₹20,000+ 1,20,000+ 10,000).	(1,50,000)
Adjusted Total Income	5,57,700
10% of Adjusted Total Income (10% x ₹ 5,57,700)	55,770
Deduction u/s 80G 50% of (Amount Contributed or 10% of Adjusted Total income, whichever is less (50% × ₹55,770)	27,885

**Question 10: Based on Total income + sett-off [RTP Nov 2022]**

Mr. Kabir, a resident individual aged 45 years, furnishes the following particulars of his income and other details for the PY :

Particulars	Amount (₹)
Income from growing & manufacturing tea	5,00,000
Losses from sugar business	(4,00,000)
Dividend from Indian company carrying on agricultural operations (gross)	1,00,000
Agricultural income	55,000
Salary received as a partner from a partnership firm. The same was allowed to the firm.	4,50,000
Net annual value of house property	4,20,000
Loss from gambling	(1,00,000)
Short term capital gains on sale of land	75,000
Loss on sale of shares listed in BSE. Shares were held for 15 months and STT paid on sale and acquisition	(3,00,000)
Life insurance premium paid (10% of the capital sum assured)	80,000
Bank interest on Fixed deposit (gross)	55,000
Interest on savings bank account	13,000

The other details of brought forward losses pertaining to AY 2025-26 are as follow:

Particulars	Amount (₹)
Brought forward business loss from sugar business	1,00,000
Brought forward short-term capital loss	45,000
Brought forward loss from house property	3,00,000
Brought forward loss from maintenance of race horses	60,000

Compute the total income, if he does not opt for section 115BAC.

**Solution: Computation of total income of Mr. Kabir**

Particulars	Amount (₹)	Amount (₹)
<b>Income from house property</b>		
Net annual value	4,20,000	
<b>Less:</b> Deduction under section 24 (30% of ₹ 4,20,000)	(1,26,000)	
<b>Less:</b> Brought forward loss of ₹ 3 lakhs from house property set off to the extent of ₹ 2,94,000	(2,94,000)	

<b>Income From House Property</b>		<b>Nil</b>
<b>PGBP</b>		
Income from tea business (40% is business income)	2,00,000	
Salary received as partner from a partnership firm is taxable under the head "Profits and gains from business or profession"	4,50,000	
	6,50,000	
<b>Less: Losses from sugar business</b>	(4,00,000)	
	2,50,000	
<b>Less: Brought forward business loss from sugar business</b>	(1,00,000)	
<b>PGBP</b>		<b>1,50,000</b>
<b>Capital Gains</b>		
Short term capital gains on sale of land	75,000	
<b>Less: Brought forward short term capital loss</b>	(45,000)	<b>30,000</b>
<b>Income from Other Sources</b>		
Dividend from Indian company	1,00,000	
Agricultural income (exempt)	-	
Bank interest on fixed deposit	55,000	
Interest on savings bank account	13,000	<b>1,68,000</b>
<b>Gross Total Income</b>		<b>3,48,000</b>
<b>Less: Deduction u/s 80C (life insurance premium paid)</b>	80,000	
<b>Less: Interest on savings bank account u/s 80TTA, to the extent of</b>	10,000	<b>(90,000)</b>
<b>Total Income</b>		<b>2,58,000</b>

#### Losses to be carried forward to AY 2025-26

Particulars	Amount (₹)
Loss from house property	6,000
Loss from maintenance of race horses	60,000
Long term capital loss on sale of STT paid listed shares	3,00,000

#### Notes –

- 60% of the income from tea business is treated as agricultural income and therefore, exempt from tax.
- Agricultural income is exempt under section 10(1).
- Loss from gambling can neither be set off against any other income, nor can it be c/f.

#### Question 11: Based on total income [Study Mat]

Ramdin, aged 33 years, working as Manager (Sales) with Frozen Foods Ltd., provides the following information for the year ended 31.03.2025:

- Basic Salary ₹ 15,000 p.m.
- DA (50% of it is meant for retirement benefits) ₹ 12,000 p.m.
- Commission as a percentage of turnover of the Company 0.5 % Turnover of the Company ₹ 50 lakhs
- Bonus ₹ 50,000

- Gratuity ₹ 30,000
- Own Contribution to R.P.F. ₹ 30,000
- Employer’s contribution to R.P.F. 20% of basic salary
- Interest credited in the R.P.F. account @ 15% p.a. ₹ 15,000
- Gold Ring worth ₹ 10,000 was given by employer on his 25th wedding anniversary.
- Music System purchased on 01.04.2024 by the company for ₹ 85,000 and was given to him for personal use.
- Two old light goods vehicles owned by him were leased to a transport company against the fixed charges of ₹ 6,500 p.m. Books of account are not maintained.
- Received interest of ₹ 5,860 on bank FDRs on 24.4.2024 and interest of ₹ 6,786 (Net) from the debentures of Indian Companies on 5.5.2024.
- Made payment by cheques of ₹ 15,370 towards premium on Life Insurance policies and ₹ 22,500 for Mediclaim Insurance policy for self and spouse.
- Invested in NSC ₹ 30,000 and in FDR of SBI for 5 years ₹ 50,000.
- Donations of ₹ 11,000 to an institution approved u/s 80G and of ₹ 5,100 to Prime Minister’s National Relief Fund were given during the year by way of cheque.

Compute his total income and tax payable thereon for the AY 2025-26.

Assume that Mr. Ramdin has exercised the option to shift out of the default tax regime under section 115BAC.

**Solution: Computation for Mr. Ramdin for AY 2025-26**

Particulars	₹	₹
<b>Income from Salaries</b>		
Basic Salary (₹ 15,000 x 12)		1,80,000
Dearness Allowance (₹ 12,000 x12)		1,44,000
Commission on Turnover (0.5% of ₹ 50 lacs)		25,000
Bonus		50,000
Gratuity (See Note 1)		30,000
Employer’s contribution to recognized provident fund		
Actual contribution [20% of ₹ 1,80,000]	36,000	
<b>Less: Exempt (See Note 2)</b>	(33,240)	2,760
Interest credited in recognized provident fund account @15% p.a.	15,000	
<b>Less: Exempt upto 9.5% p.a.</b>	(9,500)	5,500
Gift of gold ring worth ₹ 10,000 on 25th wedding anniversary by employer (See Note 3)		10,000
Perquisite value of music system given for personal use (being 10% of actual cost) i.e. 10% of ₹ 85,000		8,500
<b>Total</b>		<b>4,55,760</b>
<b>Less: Standard deduction u/s 16(ia)</b>		(50,000)
<b>Total</b>		<b>4,05,760</b>
<b>Profits and Gains of Business or Profession</b>		
Lease of 2 light goods vehicles on contract basis against fixed charges of ₹ 6,500 p.m. In this case, presumptive tax provisions of section 44AE will apply i.e. ₹ 7,500 p.m. for each of the two light goods vehicle (₹ 7,500 x 2 x 12). He cannot claim lower profits and gains since he has not maintained books of account.		1,80,000
<b>Income from Other Sources</b>		
Interest on bank FDRs	5,860	
Interest on debentures (₹ 6786 x 100/90)	7,540	13,400

<b>Gross Total Income</b>		<b>5,99,160</b>
<b>Less: Deductions under Chapter VI-A</b>		
Section 80C		
Premium on life insurance policy	15,370	
Investment in NSC	30,000	
FDR of SBI for 5 years	50,000	
Employee's contribution to recognized provident fund	30,000	(1,25,370)
Section 80D – Mediclaim Insurance		(22,500)
Section 80G (See Note 4)		(10,600)
<b>Total Income</b>		<b>4,40,690</b>
Tax on total income		
Income-tax [5% of ₹ 1,90,690 (i.e., ₹ 4,40,690 – ₹ 2,50,000)]		9,535
<b>Less: Rebate u/s 87A, since total income does not exceed ₹ 5,00,000</b>		<b>9,535</b>
Tax liability		Nil
<b>Less: Tax deducted at source (₹ 7,540 – ₹ 6,786)</b>		<b>754</b>
Net tax refundable		754
<b>Tax refundable (rounded off)</b>		<b>(750)</b>

#### Notes:

- Gratuity received during service is fully taxable.
- Employer's contribution in the recognized provident fund is exempt up to 12% of the salary i.e. 12% of (Basic Salary + DA for retirement benefits + Commission based on turnover)  
= 12% of (₹ 1,80,000+ (50% of ₹ 1,44,000)+ ₹ 25,000)  
= 12% of 2,77,000 = ₹ 33,240
- An alternate view possible is that only the sum in excess of ₹ 5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001 that such gifts upto ₹ 5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. As per this view, the value of perquisite would be ₹ 5,000. In such a case the Income from Salaries would be ₹ 4,00,760.

#### 4. Deduction under section 80G is computed as under:

Particulars	₹
Donation to PM National Relief Fund (100%)	5,100
Donation to institution approved u/s 80G (50% of ₹ 11,000) (amount contributed ₹ 11,000 or 10% of Adjusted Total Income i.e. ₹ 45,129, whichever is lower)	5,500
<b>Total deduction</b>	<b>10,600</b>

Adjusted Total Income = Gross Total Income – Deductions under section 80C and 80D = ₹ 5,99,160 – ₹ 1,47,870 = ₹ 4,51,290.

#### Question 12: Based on Trading P&L A/c [RTP May 2023/ Nov 2022]

Mr. Kamal, having business of manufacturing of consumer items and other products, gives the following Trading and P&L Account for the year ended 31.3.25:

#### Trading and Profit & Loss Account

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Gross profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to staff	71,250	Gross profit	43,86,000

Rent of premises	80,250	Income-tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad Debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
GST demand paid	1,62,525		
Miscellaneous exp	7,88,475		
Net profit of the year	50,85,000		
<b>Total</b>	<b>66,66,000</b>	<b>Total</b>	<b>66,66,000</b>

Following are the further information relating to the FY 2024-25:

- (i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- (ii) Bonus to staff includes an amount of ₹ 7,500 relating to PY 2024-25, paid in the month of December 2025.
- (iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee check.
- (iv) Miscellaneous expenses include:
  - (a) Amount of ₹ 15,000 paid towards penalty for non-fulfillment of delivery conditions of a contract of sale for the reasons beyond control,
  - (b) Amount of ₹ 1,00,000 paid to Political Party by cheque.
- (iii) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- (iv) Mr. Kamal had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2024 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- (v) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000.
- (x) Interest on loans includes an amount of ₹ 80,000 paid to Mr. X, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Kamal for the AY 2025-26 in a most beneficial manner.

**Solution:** Computation of total income of Mr. Kamal

Particulars		₹
Net profit as per profit and loss account		50,85,000
<b>Less:</b>	Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "IFOS"	(30,000)
	Balance	50,55,000
<b>Add:</b>	- Advertisement in the souvenir of political party not allowable as per section 37(2B) (See Note 2)	2,500
	- Payment made to political party by check (See Note 4)	1,00,000
	- Penalty levied by the GST department for delayed filing of returns not allowable as being paid for infraction of law (See Note 5)	5,300
	- Depreciation as per books	1,07,250

	- 30% of interest paid on loan paid to Mr. X, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)	24,000
	Total	52,94,050
<b>Less:</b>	Depreciation allowable as per Income-tax Act, 1961	(65,000)
<b>Less:</b>	Income from specified business (warehousing charges) credited to profit and loss account, to be considered separately	(22,50,000)
	Income from business (other than specified business)	29,79,050
Computation of income/loss from specified business		
<b>Income from specified business</b>	₹ 22,50,000	
<b>Less:</b> Deduction u/s 35AD @ 100% of ₹ 20 lakhs (See Note 6)	(₹ 20,00,000)	
Income from specified business		2,50,000
Profits and gains from business or profession		32,29,050
<b>Income from Other Sources</b>		
Interest on income-tax refund		4,570
<b>Gross Total Income</b>		<b>32,33,620</b>
<b>Less:</b> Deduction under section 80GGC		
Contribution to Political Party (See Note 4)		(1,00,000)
<b>Total Income</b>		<b>31,33,620</b>

#### Notes –

- (1) Bonus for the PY 2024-25 paid after the due date for filing return for that year would have been disallowed u/s 43B for the PY 2024-25. However, when the same has been paid in December 2025, it should be allowed as deduction in the PY 2024-25 (AY 2025-26). Since it is already included in the figure of bonus to staff debited to profit and loss account of this year, no further adjustment is required.
- (2) The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance under section 37(2B).
- (3) The penalty of ₹ 15,000 paid for non-fulfilment of delivery conditions of a contract for reasons beyond control is not for the breach of law but was paid for breach of contractual obligations and therefore, is an allowable expense.
- (4) Payment to political party qualifies for deduction u/s 80GGC since the payment is made by way of a cheque. However, since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- (5) The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- (6) Deduction @ 100% of the capital expenditure is available u/s 35AD in respect of specified business of setting up and operating a warehouse facility for storage of agricultural produce which commences operation on or after 1.04.2009.

#### Computation of tax liability of Mr. Kamal for AY 2025-26 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 31,33,620		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 – ₹ 5,00,000 [@5% of ₹ 2.50 lakh]	12,500	

₹ 5,00,001 – ₹ 10,00,000 [@20% of ₹ 5,00,000]	1,00,000	
₹ 10,00,001- ₹ 31,33,620 [@30% of ₹ 21,33,620]	6,40,086	7,52,586
<b>Add: Health and education cess@4%</b>		30,103
<b>Total tax liability</b>		7,82,689
<b>Total tax liability (rounded off)</b>		<b>7,82,690</b>

### Computation of adjusted total income and AMT of Mr. Kamal for AY 2025-26

Particulars	₹	₹
Total Income (computed above as per regular provisions of income tax)		31,33,620
<b>Add: Deduction u/s 35AD</b>	20,00,000	
<b>Less: Depreciation under section 32 on building [₹ 20 lakhs x 10%]</b>	(2,00,000)	18,00,000
Adjusted Total Income		49,33,620
Alternative Minimum Tax@18.5%		9,12,720
<b>Add: Health and education cess@4%</b>		36,509
<b>Total tax liability</b>		<b>9,49,229</b>
<b>Total tax liability (rounded off)</b>		<b>9,49,230</b>

Since the regular income-tax payable is less than the AMT payable, the ATI shall be deemed to be the TI and tax leviable @18.5% thereof + cess@4%. Therefore, liability as per sec 115JC is ₹ 9,49,230.

### Computation of total income of Mr. Kamal as per section 115BAC for AY 2025-26

Particulars	₹	₹
Gross Total Income as per regular provisions of the IT Act		32,33,620
<b>Add: Deduction under section 35AD</b>	20,00,000	
<b>Less: Depreciation on building [₹ 20 lakhs x 10%]</b>	(2,00,000)	18,00,000
<b>Gross Total Income/TI as per sec. 115BAC</b>		<b>50,33,620</b>
[No deduction under Chapter VI-A allowable]		

### Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 50,33,620		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 @5%	20,000	
₹ 7,00,001 – ₹ 10,00,000 @10%	30,000	
₹ 10,00,001 – ₹ 12,00,000 @15%	30,000	
₹ 12,00,001 – ₹ 15,00,000 @20%	60,000	
Above ₹ 15,00,001 @30%	10,60,086	12,00,086
<b>Add: Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]</b>		1,20,008
		13,20,094
Tax after Marginal Relief		12,33,620
<b>Add: Health and education cess@4%</b>		49,344
<b>Total tax liability</b>		<b>12,82,964</b>
<b>Total tax liability (rounded off)</b>		<b>12,82,960</b>

### Computation of marginal relief

Particulars		₹
(A)	Tax payable including surcharge on total income of ₹ 50,33,620 as per section 115BAC	13,20,094
(B)	Tax payable on total income of ₹ 50 lakhs as per section 115BAC	11,90,000
(C)	Excess tax payable (A-B)	<u>1,30,094</u>
(D)	Tax after marginal Relief (₹11,90,000 + 33,620)	12,23,620

#### Notes:

- (1) Deduction u/s 35AD is not allowable as per section 115BAC(2). However, normal depreciation u/s 32 is allowable.
- (2) An individual exercising option u/s 115BAC is not liable to alternate minimum tax u/s 115JC.

Since the tax liability of Mr. Kamal u/s 115JC is lower than the tax liability as computed u/s 115BAC, it would be beneficial for him not to opt for sec 115BAC for AY 2025-26. Moreover, benefit of AMT credit is also available to the extent of tax paid in excess of regular tax.

#### AMT credit to be carried forward under section 115JEE:

Particulars	₹
Tax liability under section 115JC	9,49,230
<b>Less:</b> Tax liability under the regular provisions of the Income-tax Act, 1961	(7,82,690)
<b>Total</b>	<b>1,66,540</b>

#### Question 13: Based on both tax regime [Study Mat]

Ms. Purvi, aged 55 years, is a CA in practice. She maintains her accounts on cash basis. Her Income and Expenditure account for the year:

Expenditure	₹	Income	₹
Salary to staff	15,50,000	<b>Fees earned:</b>	
Stipend to articled assistants	1,37,000	Audit	27,88,000
		Taxation services	15,40,300
		Consultancy	12,70,000
Printing and stationery	12,22,000	Dividend on shares of X ltd., on Indian company (Gross)	10,524
Meeting, seminar and conference	31,600	Income from UTI (gross)	7,600
Purchase of car (for official use)	80,000	Honorarium received from various institutions for valuation of answer papers	15,800
Repair, maintenance and petrol of car	4,000	Rent received from residential flat let out	85,600
Travelling expenses	5,25,000		
Municipal tax paid in	3,000		

respect of house property			
Incentive to article Assistant	13,000		
Office Rent	12,24,000		
Net profit	9,28,224		
	57,17,824		57,17,824

**Other Information:**

- (i) Allowable rate of depreciation on motor car is 15%.
- (ii) Value of benefits received from clients during the course of profession is 10,500.
- (iii) Incentives to articulated assistants represent amount paid to two articulated assistants for passing CA Intermediate Examination at first attempt.
- (iv) Repairs and maintenance of car include 2,000 for the period from 1-10-2024 to 30-09-2025.
- (v) Salary includes 30,000 to a computer specialist in cash for assisting Ms. Purvi in one professional assignment.
- (vi) The travelling expenses include expenditure incurred on foreign tour of 32,000 which was within the RBI norms.
- (vii) Medical Insurance Premium on the health of dependent brother and major son dependent on her amounts to 5,000 and 10,000, respectively, paid in cash.
- (viii) She invested an amount of 10,000 in National Saving Certificate.
- (ix) She has paid 70,000 towards advance tax during the P.Y. 2024-25.

Compute the total income and tax payable by Ms. Purvi for the AY 2025-26 in a most beneficial manner.

**Solution:** Ms. Purvi for the AY under the default tax regime u/s 115BAC

Particulars	₹	₹
Income from house property (see working note 1)		57,820
PGBP (see working note 2)		9,20,200
Income from other sources (see working note 3)		33,924
<b>Gross Total Income</b>		<b>10,11,944</b>
Less: deductions under Chapter VI-A (not allowable under default tax regime)		-
<b>Total Income</b>		<b>10,11,944</b>
<b>Total Income (rounded off)</b>		<b>10,11,940</b>
<b>Tax on total income</b>		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 7,00,000 @ 5%	20,000	
₹ 7,00,001 - ₹ 10,00,000 @ 10%	30,000	
₹ 10,00,001 - ₹ 10,11,940 @ 15%	1,791	51,791
<b>Add: Health and education cess @ 4%</b>		<b>2,072</b>
Total tax liability		<b>53,863</b>
Less: Advance tax paid		(70,000)
Less: Tax deducted at source on dividend income from an Indian company u/s 194	1,052	
Tax deducted at source on income from UTI u/s 194K	760	(1,812)
<b>Tax Payable/ (Refundable)</b>		<b>(17,949)</b>
<b>Tax Payable/ (Refundable) (rounded off)</b>		<b>(17,950)</b>

**Computation of total income and tax payable by Ms. Purvi under normal provisions of the Act**

Particulars	₹	₹
<b>Gross Total Income</b>		<b>10,11,944</b>
[Income under the “HP” “PGBP” and “IFOS” would remain the same even if Ms. Purvi opts out of the default tax regime under section 115BAC]		
<b>Less: Deductions under Chapter VI – A (See WN-4)</b>		10,000
<b>Total Income</b>		10,01,944
<b>Total Income (rounded off)</b>		<b>10,01,940</b>
<b>Tax on total income</b>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,000 - ₹ 5,00,000 @ 5%	12,500	
₹ 5,00,001 - ₹ 10,00,000 @ 20%	1,00,000	
₹ 10,00,001 - ₹ 10,01,940 @ 30%	582	1,13,082
Add: Health and education cess @ 4%		4,523
<b>Total tax liability</b>		<b>1,17,605</b>
<b>Less: Advance tax paid</b>		(70,000)
<b>Less: TDS u/s 194 on dividend</b>	1,052	
TDS u/s 194K on income from UTI	760	(1,812)
<b>Tax Payable</b>		<b>45,793</b>
<b>Tax Payable (rounded off)</b>		<b>45,790</b>

Since there is tax refundable under default tax regime u/s 115BAC and tax payable under the regular provisions of the Act it would be beneficial for Ms. Purvi to pay tax under default tax regime u/s 115BAC.

**Working Notes:**

**(1) Income from House Property**

Particulars	₹	₹
Gross Annual Value	85,600	
<b>Less: Municipal taxes paid</b>	(3,000)	
Net Annual value (NAV)	82,600	
<b>Less: Deduction u/s 24 @ 30% of NAV</b>	(24,780)	57,820

**Note** - Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent.

**(2) Income under the head “Profits & Gains of Business or Profession”**

Particulars	₹	₹
Net profit as per Income and Expenditure account		9,28,224
<b>Add: Expenses debited but not allowable</b>		
(i) Salary paid to computer specialist in cash disallowed u/s 40A(3), since such cash payment exceeds ₹ 10,000	30,000	
(ii) Amount paid for purchase of car is not allowable u/s 37(1) since it is a capital expenditure	80,000	
(ii) Municipal taxes paid in respect of residential flat let out	3,000	1,13,000
<b>Total</b>		10,41,224
<b>Add: Value of benefit received from clients during the course of profession [taxable as business income under section 28(iv)]</b>		10,500
<b>Total</b>		<b>10,51,724</b>
<b>Less: Income credited but not taxable under this head:</b>		
(i) Dividend on shares of X Ltd., an Indian company (taxable under the head “Income from other sources”)	10,524	

(ii) Income from UTI (taxable under the head "Income from other sources")	7,600	
(iii) Honorarium for valuation of answer papers	15,800	
(iv) Rent received from letting out of residential flat	85,600	(1,19,524)
<b>Total</b>		<b>9,32,200</b>
<b>Less: Depreciation on motor car @15% (See Note (i) below)</b>		<b>(12,000)</b>
<b>Total</b>		<b>9,20,200</b>

**Notes:**

- (i) It has been assumed that the motor car was put to use for more than 180 days during the PY and hence, full depreciation @ 15% has been provided for u/s 32(1)(ii).  
**Note:** Alternatively, the question can be solved by assuming that motor car has been put to use for less than 180 days and accordingly, only 50% of depreciation would be allowable as per the second proviso below section 32(1)(ii).
- (ii) Incentive to articled assistants for passing CA Intermediate examination in their first attempt is deductible under section 37(1).
- (iii) Repairs and maintenance paid in advance for the period 1.4.2024 to 30.9.2024 i.e. for 6 months amounting to ₹1,000 is allowable since Ms. Purvi is following the cash system of accounting.
- (iv) ₹ 32,000 expended on foreign tour is allowable as deduction assuming that it was incurred in connection with her professional work. Since it has already been debited to income and expenditure account, no further adjustment is required.

**(3) Income from other sources**

Particulars	₹
Dividend on shares of X ltd., an Indian company (taxable in the hands of shareholders)	10,524
Income from UTI (taxable in the hands of unit holders)	7,600
Honorarium for valuation of answer papers	15,800
Income from IFOS	<b>33,924</b>

**(4) Deduction under Chapter VI-A :**

Particulars	₹
Deduction under 80C (Investment in NSC)	10,000
Deduction under section 80D (see notes (i) & (ii) below)	Nil
Total deduction under Chapter VI-A	<b>10,000</b>

**Notes:**

- (i) Premium paid to insure the health of brother is not eligible for deduction u/s 80D, even though he is a dependent, since brother is not included in definition of "family" u/s 80D.
- (ii) Premium paid to insure the health of major son is not eligible for deduction, even though he is a dependent, since payment is made in cash.

**Question 14: HP, PGBP & Interest on loan [RTP May 2023]**

Mr. Akash owns a residential house property whose Municipal Value, Fair Rent and Standard Rent are ₹ 1,60,000, ₹ 1,70,000 and ₹ 1,90,000, respectively. The house has two independent units. Unit I (25% of floor area) is utilized for the purpose of his profession and Unit II (75% of floor area) is let out for residential purposes at a monthly rent of ₹ 8,500. Municipal taxes @8% of the Municipal Value were paid during the year by Mr. Akash. He made the following payments in respect of the house property during the PY 2024-25:

Light and Water charges ₹ 2,000, Repairs ₹ 1,45,000, Interest on loan taken for the

repair of property ₹ 36,000. Mr. Akash has taken a loan of ₹ 5,00,000 in July, 2019 for the construction of the above house property. Construction was completed on 30th June, 2022. He paid interest on loan @12% per annum and every month such interest was paid. No repayment of loan has been made so far.

Income of Mr. Akash from his profession amounted to ₹ 8,00,000 during the year (without debiting house rent and other incidental expenditure including admissible depreciation of ₹ 8,000 on the portion of house used for profession).

Determine the Gross total income of Mr. Akash for the AY 2025-26 ignoring the provisions of section 115BAC.

**Solution: Computation of Gross total income of Mr. Akash**

Particulars	₹	₹	₹
<b>Income from House Property</b>			
Unit-II (75% of floor area)			
Gross Annual Value			
(a) Actual rent received (₹ 8,500 x 12)	1,02,000		
(b) Expected rent [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%] Higher of (a) or (b) is GAV	1,27,500	1,27,500	
<b>Less: Municipal taxes (₹ 1,60,000 x 8% x 75%)</b>		(9,600)	
<b>NAV</b>		1,17,900	
<b>Less: Deductions u/s 24</b>			
(a) 30% of NAV	35,370		
(b) Interest on loan (See note)	96,750	(1,32,120)	<b>(14,220)</b>
<b>Profits &amp; Gains of business &amp; profession</b>			
<b>Income from Profession</b>		8,00,000	
<b>Less: Light &amp; Water Charges (25% of ₹ 2,000)</b>	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)	<b>7,28,050</b>
<b>Gross Total Income</b>			<b>7,13,830</b>

**Note: Computation of Interest on loan**

Particulars	₹
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
Interest on loan taken for repair (no restriction for let out property)	36,000
Total Interest deduction u/s 24(b)	<u>1,29,000</u>
<b>Total Interest deduction u/s 24(b) for let out property (75% x ₹ 1,29,000)</b>	<b>96,750</b>

**Question 15: [MTP 24]**

Mr. Amit, having business of manufacturing of furniture, gives the following Trading and Profit & Loss Account for the year ended 31.03.2025:

**Trading and Profit & Loss Account**

Particulars	₹	Particulars	₹
Opening Stock	5,62,500	Sales	2,33,25,000
Purchases	1,88,62,500	Closing Stock	6,75,000
Freight & Cartage	1,89,000		
Gross profit	43,86,000		
	2,40,00,000		2,40,00,000
Bonus to staff	71,250	Gross profit	43,86,000
Rent of premises	80,250	Income tax refund	30,000
Advertisement	7,500	Warehousing charges	22,50,000
Bad debts	1,12,500		
Interest on loans	2,51,250		
Depreciation	1,07,250		
Goods and Services tax demand paid	1,62,525		
Salary	5,50,000		
Miscellaneous expenses	2,38,475		
Net profit	50,85,000		
	66,66,000		66,66,000

Following are the further information relating to the financial year 2024-25:

- i) Income-tax refund includes amount of ₹ 4,570 of interest allowed thereon.
- ii) Salary include ₹ 30,000 paid to his brother which is unreasonable to the extent of ₹ 5,000.
- iii) Advertisement expenses include an amount of ₹ 2,500 paid for advertisement published in the souvenir issued by a political party. The payment is made by way of an account payee cheque.
- iv) Miscellaneous expenses include an amount of ₹ 1,00,000 paid to Political Party by cheque.
- v) Goods and Services Tax demand paid includes an amount of ₹ 5,300 charged as penalty for delayed filing of returns and ₹ 12,750 towards interest for delay in deposit of tax.
- vi) Mr. Amiiit had purchased a warehouse building of ₹ 20 lakhs in rural area for the purpose of storage of agricultural produce. This was made available for use from 15.07.2024 and the income from this activity is credited in the Profit and Loss account under the head "Warehousing charges".
- vii) Depreciation under the Income-tax Act, 1961 works out at ₹ 65,000 excluding depreciation on warehouse building.
- viii) Interest on loans includes an amount of ₹ 80,000 paid to Mr. Mohit, a resident, on which tax was not deducted.

Compute the total income and tax liability of Mr. Amit for the AY 2025-26 in a most beneficial manner, assuming he opted for sec 115BAC.

**Solution: Computation of total income of Mr. Amit as per section 115BAC**

Particulars	₹
Net profit as per profit and loss account	50,85,000
<b>Less:</b> Income-tax refund credited in the profit and loss account, out of which interest on such refund is only taxable, which is to be considered separately under the head "Income from other sources"	(30,000)

<b>Total</b>	<b>50,55,000</b>
<b>Add:</b> Expenses either not allowable or to be considered separately but charged in the profit & loss account	
Salary paid to brother disallowed to the extent considered unreasonable [Sec 40A(2)]	5,000
Advertisement in the souvenir of political party (See Note 1)	2,500
Payment made to political party by cheque (See Note 2)	1,00,000
Penalty levied by the Goods and Services tax department for delayed filing of returns not allowable as being paid for infraction of law (See Note 3)	5,300
Depreciation as per books	1,07,250
30% of interest paid on loan paid to Mr. Mohit, a resident, without deduction of tax at source not allowable as per section 40(a)(ia)	24,000
	<b>52,99,050</b>
<b>Less:</b> Depreciation allowable as per Income-tax Act, 1961	(65,000)
Depreciation on building [Rs 20 lakhs x 10%]	(2,00,000)
<b>PGBP</b>	<b>50,34,050</b>
<b>Income From Other Sources</b>	
Interest on income-tax refund	4,570
<b>Gross Total Income</b>	<b>50,38,620</b>
<b>Less:</b> Deduction u/s 80GGC [Contribution to Political Party] [Not allowable]	Nil
<b>Total Income</b>	<b>50,38,620</b>

**Notes –**

- The amount of ₹ 2,500 paid for advertisement in the souvenir issued by a political party attracts disallowance u/s 37(2B).
- Payment to political party is not an expenditure incurred wholly and exclusively for business purpose and hence not allowance u/s 37(1). Since the amount has been debited to profit and loss account, the same has to be added back for computing business income.
- The interest of ₹ 12,750 paid on the delayed deposit of goods and services tax is for breach of contract and hence, is allowable as deduction. However, penalty of ₹ 5,300 for delay in filing of returns is not allowable since it is for breach of law.
- Deduction u/s 35AD is not allowable as per sec 115BAC(2). However, normal depreciation u/s 32 is allowable.

**Computation of tax liability as per section 115BAC**

Particulars	Rs	Rs
Tax on total income of ₹ 50,38,620		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 – ₹ 7,00,000 [@5% of ₹ 4 lakhs]	20,000	
₹ 7,00,001 – ₹ 10,00,000 [@10% of ₹ 3 lakhs]	30,000	
₹ 10,00,001 – ₹ 12,00,000 [@15% of ₹ 3 lakhs]	30,000	
₹ 12,00,001 – ₹ 15,00,000 [@20% of ₹ 3 lakhs]	60,000	
₹15,00,001 – 50,38,620 [@30% of 35,38,620]	10,61,586	
		12,01,586
<b>Add:</b> Surcharge @10% [Since, the total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore]		1,20,159
		13,21,745
<b>Less:</b> Marginal relief (See computation below)		(94,125)
<b>Total</b>		<b>12,38,620</b>
<b>Add:</b> Health and education cess@4%		49,545
<b>Total tax liability</b>		<b>12,88,165</b>
<b>Total tax liability (Rounded off)</b>		<b>12,88,170</b>

Computation of marginal relief:

Particulars	₹
Tax payable including surcharge on total income of ₹ 50,38,620 as per section 115BAC	13,32,745
Tax payable on total income of ₹ 50 lakhs as per section 115BAC	12,00,000
Excess tax payable [₹ 13,32,745 – ₹ 12,00,000]	1,32,745
Marginal relief (₹ 1,32,745 – ₹ 38,620, being the amount of income in excess of ₹ 50 lakhs)	94,125

**Question 16: [MTP 24]**

Mr. Vishal, aged 33 years, submits the information of following transaction/income during the PY

- i. Mr. Vishal had a house in Delhi. During FY 2023-24, he had transferred the said house to Ms. Deepika, daughter of his brother without any consideration. House would go back to Mr. Vishal after the life time of Ms. Deepika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Vishal. Rent received by Ms. Deepika during the PY 2024-25 from such house property is ₹ 5,50,000.
- ii. Mr. Vishal holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the lifetime of Chandni. Dividend received by Ms. Chandni during the PY 2024-25 is ₹ 4,50,000.
- iii. Mr. Vishal has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
- iv. Other income/loss of Mr. Vishal includes
  - Interest from saving bank account of ₹ 1,75,000
  - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
  - Income from betting of ₹ 25,000
  - Income from card games of ₹ 46,000
  - Loss on maintenance of race horses of ₹ 14,600

Compute the total income of Mr. Vishal for the AY 2025-26 if he has opted out of the default tax regime and the losses to be carried forward.

**Solution: Computation of Total Income of Mr. Vishal**

Particulars	₹	₹
<b>Income from house property</b>		
<b>House in Delhi</b> [Since Mr. Vishal receives direct or indirect benefit from income arising to his brother's daughter, Ms. Deepika, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Vishal, even though the transfer may not be revocable during lifetime of Ms. Deepika]		
Gross Annual Value	5,50,000	
<b>Less:</b> Municipal taxes	-	
Net Annual Value	5,50,000	
<b>Less:</b> Deductions from Net Annual Value		
(a) 30% of Net Annual Value	(1,65,000)	
(b) Interest on loan	-	

		<b>3,85,000</b>
<b>Capital Gains</b>		
<b>Long term capital gain from sale of property</b>	15,000	
<b>Less: STCL can be set-off against both STCG and LTCG. STCL of ₹ 16,000 set off against LTCG to the extent of 15,000. Balance short term capital loss of ₹ 1,000 to be carry forward .</b>	(15,000)	Nil
<b>Income from other sources</b>		
Dividend on preference shares [Taxable in the hands of Mr. Vishal as per sec 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	4,50,000	
Interest from saving bank account	1,75,000	
Cash gift [Taxable as per sec 56(2)(x), since sum of money exceeding 50,000 is received from his niece, who is not a relative]	75,000	
Income from betting [No loss is allowed to be set off against such income]	25,000	
Income from card games [No loss is allowed to be set off against such income]	46,000	7,71,000
<b>Gross Total Income</b>		<b>11,56,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
Deduction u/s 80TTA [Interest from savings bank account]	10,000	(10,000)
<b>Total Income</b>		<b>11,46,000</b>

#### Losses to be carried forward

Particulars	₹
Short term capital loss [₹16,000 – ₹15,000]	1,000
Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses.]	14,600

#### Question 17: [MTP 24]

Mr. Sunil, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2025:

- He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,95,000. He has paid municipal taxes of ₹ 25,000 for the current FY. Both these floors are of equal size.
- As per interest certificate from HDFC bank, he paid ₹ 1,50,000 as interest and ₹ 80,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2022.
- He owns an industrial undertaking established in a SEZ and which had commenced operation during the FY 2019-20. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 150 lakhs from export turnover. Out of ₹ 150 lakhs, only ₹ 120 lakhs have been received in India in convertible foreign exchange on or before 30.9.2025. This industrial undertaking fulfills all the conditions of sec 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 40 lakhs.
- He employed 20 new employees for the said industrial undertaking during the PY 2024-25. Out of 20 employees, 12 were employed on 1st May 2024 for monthly emoluments of ₹ 18,000 and remaining were employed on 1st

September 2024 on monthly emoluments of ₹ 12,000. All these employees participate in RPF and they are paid their emoluments directly to their bank accounts.

v) He earned ₹ 30,000 and ₹ 40,000 as interest on saving bank deposits and fixed deposits, respectively.

vi) He also sold his vacant land on 01.4.2024 for ₹ 15 lakhs. The SDV of land at the time of transfer was ₹ 16 lakhs. This land was acquired by him on 15.10.1998 for ₹ 2.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and SDV on the said date was ₹ 4 lakhs. He had incurred registration expenses of ₹ 12,000 at that time.

The CII for the FY 2024-25 and 2001-02 are 363 and 100, respectively.

vii) He paid insurance premium of ₹ 40,000 towards life insurance policy of his son, who is not dependent on him.

You have to compute total income u/s 115BAC(1A) of Mr. Sunil for the AY 2025-26.

**Solution:** Computation of total income of Mr. Sunil for AY 2025-26 under default tax regime u/s 115BAC

Particulars	₹	₹	₹
<b>Income from house property</b>			
<b>Let out portion [First floor]</b>			
Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,95,000	
<b>Less:</b> Municipal taxes paid by him pertaining to let out portion [₹ 25,000/2]		(12,500)	
Net Annual Value (NAV)		2,82,500	
<b>Less:</b> Deduction u/s 24			
(a) 30% of ₹ 2,82,500	84,750		
(b) Interest on housing loan [₹1,50,000/2]	75,000	(1,59,750)	
		<b>1,22,750</b>	
<b>Self-occupied portion [Ground Floor]</b>			
Annual Value		Nil	
[No deduction is allowable in respect of municipal taxes paid]			
<b>Less:</b> Interest on housing loan [Not allowable under section 115BAC]		Nil	
		Nil	
<b>Income from house property</b>			<b>1,22,750</b>
<b>PGBP</b>			
Income from SEZ unit			<b>40,00,000</b>
<b>Capital Gain</b>			
<b>Long-term capital gains on sale of land (since held for more than 24 months)</b>			
Full Value of Consideration [Actual consideration of ₹15 lakhs, since stamp duty value of ₹16 lakhs does not exceed actual consideration by more than 10%]		15,00,000	
<b>Less:</b> Indexed Cost of acquisition		(4,00,000)	<b>11,00,000</b>

<b>Cost of Acquisition</b>			
Higher of -			
- Actual cost ₹ 2.80 lakhs + 0.12 lakhs = ₹2.92 lakhs and			
- FMV as on 1.4.2001 = 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
<b>Income from Other Sources</b>			
Interest on savings bank deposits		30,000	
Interest on fixed deposits		40,000	70,000
<b>Gross Total Income</b>			<b>52,92,750</b>
<b>Less: Deduction under Chapter VI-A</b>			
<b>Deduction under section 80JJAA</b>			<b>(7,12,800)</b>
30% of the employee cost of the new employees employed during the PY for 240 days or more during the P.Y. 2024-25 allowable as deduction [30% of ₹23,76,000 (12 x 18,000 x 11)]			
<b>As per sec 115BAC, no deduction u/s 10AA or under Chapter VI-A is allowable except u/s 80JJAA</b>			
<b>Total Income</b>			<b>45,79,950</b>

**Question 18: [MTP 24]**

Ms. Priyanka, General Manager of ABC Ltd., Mumbai, furnishes the following particulars for the FY 2024-25:

- (i) Salary ₹ 40,000 per month
- (ii) Value of medical facility in a hospital maintained by the company ₹10,000
- (iii) Rent free accommodation owned by the company
- (iv) Housing loan of ₹ 7,00,000 given on 01.04.2024 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by SBI as on 01.04.2024 in respect of housing loan is 9.5%.
- (v) A dining table was provided to Ms. Priyanka at her residence. This was purchased on 1.6.2021 for ₹ 60,000 and sold to Ms. Priyanka on 1.5.2024 for ₹ 30,000.
- (vi) Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Ms. Priyanka.
- (vii) A Maruti Suzuki car which was purchased by the company on 16.7.2022 for ₹ 2,50,000 was sold to the assessee on 14.7.2024 for ₹ 1,60,000.

**Other income received by the assessee during the PY 2024-25:**

Particulars	₹
a) Interest on Fixed Deposits with a company	7,000
b) Income from specified mutual fund	3,000
c) Interest on bank fixed deposits of a minor married daughter	4,000

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

Compute the gross total income of Ms. Priyanka for the AY 2025-26 if she exercised the option to shift out of the default tax regime under section 115BAC.

**Solution: Computation of gross total income of Ms. Priyanka under normal scheme**

Particulars	₹	₹
Income from salaries (See Working Note below)		5,81,000
Income from Other Sources		
(i) Interest on fixed deposit with a company	7,000	
(ii) Income from specified mutual fund	3,000	
(iii) Interest on Fixed Deposit received by minor daughter (₹4,000 - 1500)	2,500	12,500
<b>Gross total income</b>		<b>5,93,500</b>

**Working Note: Computation of salary income of Ms. Priyanka**

Particulars	₹	₹
Salary [₹ 40,000 x 12]		4,80,000
Medical facility [in the hospital maintained by the company y is exempt]		-
Rent free accommodation 10% of salary (₹ 4,80,000 × 10% )		48,000
Valuation of perquisite of interest on loan [Rule 3(7)(i)] – 9.5% is taxable which is to be reduced by actual rate of interest charged i.e. [9.5% - 6% = 3.5%]		24,500
Use of dining table for 1 month [₹ 60,000 x 10/100 x 1/12]		500
<b>Perquisite on sale of dining table</b>		
Cost	60,000	
<b>Less:</b> Depreciation on straight line method @ 10% for 2 years	(12,000)	
Written Down Value	48,000	
<b>Less:</b> Amount paid by the assessee	(30,000)	18,000
Purchase through credit card		10,000
Perquisite on sale of car		
Original cost of car	2,50,000	
<b>Less:</b> Depreciation from 16.7.2022 to 15.7.2023 @ 20%	50,000	
Value as on 14.07.2024 - being the date of sale to employee	2,00,000	
<b>Less:</b> Amount received from the assessee on 14.07.2024	1,60,000	40,000
<b>Gross salary</b>		<b>6,21,000</b>
<b>Less:</b> Standard deduction		(50,000)
<b>Income from Salaries</b>		<b>5,71,000</b>

**Question 19: [Past Paper Nov 23]**

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

Particulars	₹
Income from the activity of owning and maintaining race horses	40,000
Income from crossword puzzle solving	30,000
Income from Agricultural land in Haryana	25,000
Dividend Income from domestic company (gross)	15,000
(Expenditure incurred in collecting the aforesaid dividend)	2,500
Income from cycling business	1,50,000
Loss from warehousing facility for storage of edible oils	(1,00,000)
Share of loss form PR associates, a firm (having 4 equal partners) in which he is a partner	(23,000)
The following items have been brought forward from the AY 2022-23:	
Brought forward loss form house property	1,00,000

Loss from the activity of owning and maintaining race horses	(37,000)
Loss from gambling	(10,000)
Unabsorbed depreciation	(15,000)
Speculation Loss	(20,000)

Mrs. Jai (wife of Mr Jai) got a salary of ₹ 1,20,000 from PR associates during the year 2024-25. She is not qualified for the job.

Compute the gross total income of Mr Jai for the AY 2025-26 ignoring the provisions of section 115BAC.

**Solution: Computation of gross total income of Mr. Jai for the AY 2025-26**

Particulars	₹	₹
<b>Income under the head "Salaries"</b>		
Salary of Mrs. Jai from PR associates	1,20,000	
<b>Less: Standard deduction u/s 16</b>	(50,000)	70,000
[Salary of Mrs. Jai would be includible in the income of Mr. Jai, since Mr. Jai has a substantial interest in PR associates by having 25% share of profit in it and Mrs. Jai is not qualified for the job]		
<b>Profits and gains from business and profession</b>		
Income from cycling business	1,50,000	
Share of loss from PR associate [Exempt u/s 10(2A)]	-	
<b>Less: Set off of loss from warehousing facility for storage of edible oils</b>	(1,00,000)	
	50,000	
<b>Less: Set off of unabsorbed depreciation of AY 2022-23</b>	(15,000)	35,000
[Note - Alternatively, unabsorbed depreciation can be set-off against income from other sources other than income from crossword puzzle]		
<b>Income from Other Sources</b>		
Income from crossword puzzle solving	30,000	
Income from agricultural land in Haryana [Exempt u/s 10(1)]	-	
Dividend from domestic company (gross)	15,000	
[No deduction is allowed from dividend income other than interest expenses]		
Income from the activity of owning and maintaining race horses	40,000	
<b>Less: Set off of brought loss from activity of owning and maintaining race horses of AY 2022-23, since four years has not lapsed</b>	(37,000)	48,000
<b>Gross Total Income</b>		<b>1,53,000</b>

**Notes:**

- Brought forward loss from house property can be set off only against income of house property. Hence, such loss has to be carried forward to AY 2026-27.
- Loss from gambling can neither be set-off nor be carried forward.
- Brought forward loss from speculative business can be set off against income of any other speculative business. Hence, such loss has to be c/f to AY 2026- 27.

**Question 20: [Past Paper May 23]**

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

Expenditure	₹	Income	₹
To Employees' Remuneration	15,00,000	By Gross Receipts from Profession (last year ₹ 75,00,000) (No TDS was deducted from any of the receipts)	60,60,000
To Office & Administrative Expenses	5,00,000	By Interest on Savings Bank Account	25,000
To Rates and Taxes	15,000	By Winnings from Lottery (Net of cost of lottery tickets of ₹ 500)	99,500
To Interest Expenses	80,000	By Rent Received	2,40,000
To Office Rent	2,40,000		
To Insurance Premium	72,000		
To Professional Fees	2,00,000		
To Depreciation on Computers	1,20,000		
To Excess of Income over Expenditure	3697500		
	64,24,500		64,24,500

The following details relates to FY 2024-25:

- (i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.
- (ii) Mr. Bhasin owns a big house with 2 independent units. Unit - 1 (with 50% floor area) has been let out for residential purposes at a monthly rent of Rs 20,000 for the entire year. Unit - 2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence- cum-office. Other particulars of the house are: Municipal Valuation - ₹ 3,60,000 p.a. Fair Rent - ₹ 4,20,000 p.a. Standard Rent under Rent Control Act - ₹ 4,00,000 p.a.
- (iii) Rates and taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.
- (iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in FY 2012 -13. Neither the loan nor the interest was paid till the due date of filing the return of income.
- (v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.
- (vi) The expense on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2024 to 30th June, 2027 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.
- (vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to Mr. Raunak, an Indian resident on which no tax was deducted at source.
- (viii) There was only one block containing computers which came into existence only on 2nd April, 2024 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% in the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.
- (ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During FY 2024-25, he repaid principal of ₹ 75,000

along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for AY 2025-26, assuming that he has not opted to pay tax u/s 115BAC. Also calculate the total tax payable by him.

**Solution: Computation of total income and tax payable by Mr. Bhasin**

Particulars	₹	₹	₹
<b>Income from Salaries</b>			
Salary of Mrs. Beena [Remuneration paid by Mr. Bhasin to his wife Mrs. Beena who is employed as a manager in his office would be included in his hands, since Mrs. Beena does not have any technical or professional qualification or experience required for the job]		3,00,000	
<b>Less: Standard deduction u/s 16(ia)</b>		(50,000)	<b>2,50,000</b>
<b>Income from house property</b>			
Let out portion (Unit 1 – 50% area)			
<b>Gross Annual Value</b> [Higher of expected rent of ₹ 2,00,000 and actual rent of ₹ 2,40,000 (₹ 20,000 x 12)] [Expected rent is higher of municipal value of ₹ 1,80,000 (₹3,60,000 x 50%) and fair rent of ₹ 2,10,000 (₹ 4,20,000 x 50%), restricted to standard rent of ₹ 2,00,000 (₹ 4,00,000 x 50%)]	2,40,000		
<b>Less: Municipal taxes paid for let out portion (₹ 10,000 x 50%)</b>	(5,000)		
<b>Net Annual Value (NAV)</b>	2,35,000		
<b>Less: Deduction u/s 24</b>			
(a) 30% of NAV	(70,500)		
(b) IOBC for construction of house relating to let out portion (₹80,000 x 50%) (allowed on accrual basis)	(40,000)		
<b>Income from let out portion</b>		<b>1,24,500</b>	
<b>Self-occupied (Unit 2 – 25%)</b>			
[Since Unit 2 representing 50% of the floor area is used for residence as well as business purpose, it is assumed that it is equally used for residence and business purpose]			
<b>Gross Annual Value</b>	Nil		
<b>Less: Municipal taxes [not allowed for self-occupied property]</b>	Nil		
<b>Net Annual Value</b>	Nil		
<b>Less: Deduction under section 24(b)</b>			
Interest on loan for construction of house, ₹ 80,000 x 50% x 1/2 (allowable on accrual basis)	20,000		
Loss from self-occupied portion		<b>(20,000)</b>	
[Loss from self-occupied portion can be set off against income from let out portion]			<b>1,04,500</b>
<b>Profits and gains from business and profession</b>			
Excess of income over expenditure			<b>3697500</b>
<b>Add: Expenses debited to Income &amp; Expenditure A/c but</b>			

not allowable as deduction			
Remuneration paid to his wife Mrs. Beena [As per sec 40A(2) remuneration paid to Mrs. Beena is allowed, since it is as per market rates]	-		
Municipal taxes attributable to let out and self- occupied portions not allowable [₹ 10,000 x 75%]	7,500		
IOBC for construction of house attributable to let out and self- occupied portion not allowable [₹ 80,000 x 75%]	60,000		
IOBC from bank for construction of house attributable to business portion i.e., 25% of ₹ 80,000 [not allowable, since it is not paid on or before due date of filing return of income by virtue of sec 43B]	20,000		
Notional rent for Unit 2 used for business or profession [not allowable u/s 30, since Mr. Bhasin himself is the owner of the property]	2,40,000		
Insurance premium [Personal expenditure not allowable]	72,000		
Professional fees to Mr. Raunak without deducting TDS [₹ 1,00,000 x 30%] [Mr. Bhasin is required to deduct TDS on professional fees payment to Mr. Raunak since his gross receipts from profession exceeds ₹ 50 lakhs during the PY 2023-24. 30% of the sum paid to Mr. Raunak, resident without deducting tax to be disallowed in PY 2024-25]	30,000		
Depreciation as per books	1,20,000	5,49,500	
		<b>42,47,000</b>	
<b>Less:</b> Income credited to Income & Expenditure A/c but not taxable as business income			
Interest on savings bank account [taxable under IFOS]	25,000		
Winnings from lottery [taxable under the head IFOS]	99,500		
Rent received [taxable under the head "IFHP"]	2,40,000	(3,64,500)	
		<b>38,82,500</b>	
<b>Less:</b> Depreciation allowable [2,00,000 (₹ 1,60,000, being new laptops + ₹ 40,000, being printers) x 40%, i.e., ₹ 64,000+16,000 as it was put to use for more than 180 days in the PY 2024-25. Printers and scanners for ₹ 40,000 are eligible for higher depreciation of 40%]		(80,000)	
<b>PGBP</b>			<b>38,02,500</b>
<b>Income from Other Sources</b>			
Interest on savings bank account		25,000	
Winnings from Lottery [No expenditure or allowance is allowed from lottery income]		1,00,000	1,25,000
<b>Gross Total Income</b>			<b>42,82,000</b>
<b>Less:</b> Deduction under Chapter VI-A			
<b>Deduction u/s 80D</b>		18,000	
Medical insurance premium [₹ 72,000 x 1/4, being the previous years in which insurance would be in force] [allowable for self, spouse and dependent children]			
<b>Deduction u/s 80E</b>		40,000	
Interest on loan taken from a nationalised bank for higher education of son			
<b>Deduction u/s 80TTA</b>		10,000	(68,000)
Interest on saving bank account to the extent of			

<b>Total Income</b>			<b>42,14,000</b>
<b>Tax Payable</b>			
On lottery income [30% of ₹ 1,00,000]		30,000	
On other income of ₹ 41,14,000			
Upto ₹ 2,50,000	Nil		
₹ 2,50,000 @5% [₹ 2,50,000 – ₹ 5,00,000]	12,500		
₹ 5,00,000 @20% [₹ 5,00,000 – ₹ 10,00,000]	1,00,000		
₹ 31,14,000 @30% [₹ 10,00,000 – ₹ 41,14,000]	9,34,200	10,46,700	
			<b>10,76,700</b>
<b>Less: HEC@4%</b>			43,068
<b>Tax liability</b>			<b>11,19,768</b>
<b>Less: TDS on lottery winnings @30% u/s 194B</b>			(30,000)
Tax payable			10,89,768
<b>Tax payable (rounded off)</b>			<b>10,89,770</b>

**Question 21: [Past Paper Nov 2022]**

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

Receipts	₹	Payments	₹
Opening Balance b/d	1,25,000	Salary to staff	3,50,000
Fees from visits to other hospitals(net)	5,85,000	Taxes and Insurance	26,000
Fees for March, 2024 received in April,2024	85,000	Entertainment expenses	1,10,000
IPD                      40,000			
OPD                     45,000			
Dividend from shares(net)	18,900	Purchase of Television	48,000
Fees received during the year	10,25,000	Gift to daughter-in law	60,000
Gifts received from relatives of patients	45,000	Interest on loan for repairs to property	65,000
Honorarium for painting services in Jai Hind Art School (net)	22,500	Personal medical expenses	70,000
Income tax refund (Including interest ₹1,500)	12,100	Deposits in PPF A/c	55,000
		Nursing home expenses	3,75,000
		Prof. fees paid for consulting services	1,20,000
		Purchase of furniture at home	1,35,000
		Personal Expenses	3,00,000
		Balance c/f	2,04,500
	<b>19,18,500</b>		<b>19,18,500</b>

**Other Information:**

- He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- Salary includes ₹ 60,000 paid to his sister who is a qualified nurse paid in cash.
- Entertainment expenses include ₹ 25,000 for dinner to doctors in a five star hotel.
- Interest on loan for repairs to property includes ₹ 40,000 for his residential

property.

- e) His daughter in law earned income of ₹ 10,000 from the amount received as gift.  
 f) Fixed Assets values as on 01.04.2024 are as under :  
 Nursing Home Equipment's ₹ 2,20,000, Medical Books (incl. annual publications ₹ 10,000) ₹ 35,000, Laptop ₹ 40,000.  
 g) Television purchased for nursing home purpose on 21.09.2024 is put to use on 03.10.2024.  
 h) He has donated ₹ 10,000 towards PM CARES Fund on 15.08.2024.

You are required to:

- (i) Compute the total income and tax payable by him for AY 2025 -26 as per the regular provisions of the Income-tax Act, 1961. Assume that he has not opted for section 115BAC.  
 (ii) What will be his total income and tax payable, if he opts for the provisions of section 44ADA? Will it be more beneficial for him to adopt 44ADA?

**Solution:**

- (i) **Computation of total income and tax payable by Dr. Rohan for AY 2025-26 as per the regular provisions of the Act**

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from house property</b>			
	Annual Value[Assuming residential property self occupied]		Nil	
	<b>Less: Deduction u/s 24(b)</b>			
	Interest on loan for repairs to property, ₹40,000, restricted to		(30,000)	
	Loss from self-occupied property [can be set-off against Profits and Gains of business or profession or IFOS]			<b>(30000)</b>
<b>II</b>	<b>Profits and Gains from business and profession</b>			
	Gross Receipts			
	Fees from visits to other hospitals [₹5,85,000/90%]	6,50,000		
	Fees for March 2024 received April 2024 [Fees for March 2024 is chargeable to tax during PY 2024-25, since Dr. Rohan is following cash system of accounting] [₹40,000 + 45,000]	85,000		
	Fees received during the year	10,25,000		
	Gifts received from relatives of patients [taxable as business income]	45,000	18,05,000	
	<b>Less: Permissible Deductions</b>			
	Salary to staff [Salary paid to his sister who is a qualified nurse in cash disallowed u/s 40A(3), since such cash payment exceeds ₹ 10,000] [₹ 3,50,000 – ₹ 60,000]	(2,90,000)		
	Taxes and Insurance	(26,000)		
	Entertainment expenses, including dinner to doctors [Assuming that the entire sum was incurred wholly and exclusively for business purpose]	(1,10,000)		

	Interest on loan for repair to property [to the extent relating to business]= ₹ 65,000- ₹40,000 relating to residential property	(25,000)		
	Nursing home Expenses	(3,75,000)		
	Professional fees paid for consulting services	(1,20,000)	(9,46,000)	
			<b>8,59,000</b>	
	<b>Less: Depreciation u/s 32</b>			
	Nursing home equipments [₹2,20,000 x 15%] Note – Nursing home equipment would be eligible for depreciation @15%, being the general rate for plant and machinery. The main solution has, accordingly, been worked out applying 15%. However, if such equipment are in the nature of life saving medical equipment, they would be eligible for higher depreciation @40%. If 40% rate is applied, depreciation would be ₹ 88,000.	33,000		
	Medical Books [₹35,000 x 40%]	14,000		
	Laptop [₹40,000 x 40%]	16,000		
	Television [₹48,000 x 15%, since the television is put to use for 180 days during the PY 2024-25]	7,200	(70,200)	
	<b>PGBP</b>			<b>7,88,800</b>
<b>III</b>	<b>Income from other sources</b>			
	Dividend from shares [₹18,900/90%]		21,000	
	Honorarium for painting services in Jai Hind Art School [₹22,500/90%]		25,000	
	Honorarium (Alternative without TDS )- ₹22,500			
	Interest on Income tax refund		1,500	
	Income earned from gift to daughter in law [Income earned by daughter in law from asset gifted without consideration to her by Dr. Rohan is includible in the hands of Dr. Rohan]		10,000	<b>57,500</b>
<b>IV</b>	<b>Gross Total Income</b>			<b>8,16,300</b>
	<b>Less: Deduction under chapter VI-A</b>			
	Deduction u/s 80C:			
	Deposits in PPF		55,000	
	Deduction u/s 80D:			
	Medical expenses to the extent of ₹ 50,000 since Dr. Rohan is a senior citizen (assuming he has not taken any medical insurance policy)		50,000	
	Deduction u/s 80G			
	Donation towards PM CARES Fund		10,000	<b>(1,15,000)</b>
<b>V</b>	<b>Total Income</b>			<b>7,01,300</b>
	<b>Tax payable</b>			
	Upto ₹ 5,00,000 [since Dr. Rohan is aged 80 years or above]		Nil	
	₹5,00,001 to ₹ 7,01,300 [₹ 2,01,300 @ 20%]		40,260	
				40,260
	<b>Add: HEC @4%</b>			1,610
	<b>Tax Liability</b>			<b>41,870</b>

<b>Less: TDS on fees from visits to other hospitals</b>		65,000	
TDS on dividend from shares		2,100	
TDS on honorarium for painting services in Jai Hind art School		2,500	(69,600)
<b>Tax Refundable</b>			<b>(27,730)</b>

**(ii) Computation of total income and tax payable by Dr. Rohan for AY 2025-26 if he opts for section 44ADA**

	Particulars	₹	₹
<b>I</b>	<b>Income from House Property</b>		
	Loss from self occupied property		(30,000)
<b>II</b>	<b>Income from business and profession</b>		
	Income from profession [₹18,05,000x 50%] [No other expenditure or depreciation is allowed]		9,02,500
<b>III</b>	<b>Income from other Sources</b>		57,500
	Gross Total Income		9,30,000
	<b>Less: Deduction under chapter VI-A</b>		1,15,000
	Total Income		8,15,000
	Tax Payable		
	Upto ₹ 5,00,000	Nil	
	₹ 5,00,000 to ₹ 8,15,000 [₹3,15,000 @ 20%]	63,000	
			63,000
	<b>Less: HEC @4%</b>		(2,520)
	Tax liability		65,250
	<b>Less: TDS</b>		(69,600)
	<b>Tax Refundable</b>		<b>(4,080)</b>

Since tax refundable in case Dr. Rohan opts for the provisions of section 44ADA is lower than the regular provisions of the Act, it would be beneficial for him not to opt for section 44ADA and get his books of account audited and declare income under the regular provisions.

**Question 22: Based on HP, salary, PGBP, IFOS**

During the PY 2024-25, following transactions took place in respect of Mr. Raghav who is 56 years old.

(i) Mr. Raghav owns two house properties in Mumbai. The details in respect of these properties are as under –

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

(ii) Mr. Raghav had a house in Delhi. During FY 2013-14, he had transferred the house to Ms. Vamika, daughter of his sister without any consideration. House would go back to Mr. Raghav after the life time of Ms. Vamika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Raghav. Rent received by Mrs. Vamika during the PY 2024-25 from such house property is ₹ 5,50,000.

(iii) Mr. Raghav receives following income from M/s M Pvt. Ltd. during PY 2024 - 25:

- Interest on Debentures of ₹ 7,50,000; and
- Salary of ₹ 3,75,000. He does not possess the adequate professional qualification commensurate with the salary received by him.

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

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

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

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

(vi) Other income of Mr. Raghav includes

- Interest from saving bank account of ₹ 2,00,000 -
- Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.

Compute the total income of Mr. Raghav for the AY 2025-26.

**Solution: (a) Computation of Total Income of Mr. Raghav**

Particulars	₹	₹
<b>Income from Salary</b> [Since Mrs. Raghav along with her brother holds shares carrying 100% voting power in M/s M Pvt. Ltd., they have a substantial interest in the company. Since Mr. Raghav is working in the same company without any professional qualifications commensurate with his salary, the salary of ₹ 3,75,000 received by him would be included in the hands of Mrs. Raghav.]		
<b>Income from house property</b>		
<b>House 1 [Self-occupied]</b>		
Net annual value	-	
Less: Interest on loan [upto ₹2,00,000]	(2,00,000)	<b>(2,00,000)</b>
<b>House 2 [Let out]</b>		
Gross annual value (Note-1) [₹60,000 x 12]	7,20,000	
<b>Less: Municipal taxes</b>	-	
Net annual value	7,20,000	
<b>Less: Deductions from Net Annual Value</b>		
(a) 30% of Net Annual Value	(2,16,000)	
(b) Interest on loan	(5,00,000)	<b>4,000</b>
<b>House in Delhi</b> [Since Mr. Raghav receives direct or indirect benefit from income arising to his sister's daughter, Ms. Vamika, from the transfer of		

house to her without consideration, such income is to be included in the total income of Mr. Raghav as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Vamika		
Gross Annual Value (Note-2)	5,50,000	
<b>Less: Municipal taxes</b>	-	
Net Annual Value	5,50,000	
<b>Less: Deductions from Net Annual Value</b>		
(a) 30% of Net Annual Value	(1,65,000)	
(b) Interest on loan	-	<b>3,85,000</b>
		<b>1,89,000</b>
<b>Income from Profits and gains from business or profession</b>		
Share of profit from firm [Exempt u/s 10(2A)] Exempt income cannot be clubbed		
<b>Income from other sources</b>		
Dividend on preference shares exceeding ₹ 10,00,000 taxable u/s 115BBDA [Taxable in the hands of Mr. Raghav as per sec 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]	3,00,000	
Interest on debentures	7,50,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable, since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative as per section 56(2)]	75,000	<b>7,88,800</b>
<b>Gross Total Income</b>		<b>15,14,000</b>
<b>Less: Deduction under Chapter VI-A</b>		
Deduction under section 80C [Principal repayment of loan ₹ 5 lakh, restricted to ₹ 1,50,000]	1,50,000	
Deduction under section 80TTA [Interest from savings bank account]	10,000	<b>(1,60,000)</b>
<b>Total Income</b>		<b>13,54,000</b>

- i) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income u/s 2(1A)(a). Therefore, rent received from sub-letting of the land used for grazing of cattle required for agriculture activities is agricultural income. The rent can either be received by the owner of the land or by the original tenant from the sub-tenant.  
Accordingly, rent received by Mr. Rajpal from Mr. Manish for using land for grazing of cattle required for agricultural activities is agricultural income exempt u/s 10(1). As per section 14A, no deduction is allowable in respect of exempt income.
- ii) Consideration for transfer of right to use the manufacturing process falls within the definition of royalty. Income by way royalty payable by Mr. Rakesh, a resident and ordinarily resident, is not deemed to accrue or arise in India in the hands of Mr. Pratham as per section 9(1)(vi)(b), since royalty is payable in respect of right used for the purposes of a business carried on by Mr. Rakesh outside India i.e., in Dubai.
- iii) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income u/s 2(1A)(b)(ii). The process of making the rice ready from paddy for the market may involve manual operations or mechanical operations, both of which constitute processes ordinarily employed to make the product fit for the market.  
Accordingly, the entire income earned by Mr. Netram from sale of rice is agricultural income.

**Note- 1.** Rent receivable has been taken as the gross annual value in the absence of other information.

**Note-2.** Rent receivable has been taken as the gross annual value in the absence of other information.

**Question 23: Based on taxable income and tax liability [Past Paper May 24]**  
**Mr. Sahil, resident Indian aged 40 years, a Manufacturer at Chennai, gives the following Manufacturing, Trading and Profit & Loss Account for the year ended 31.03.2025.**

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

Particulars	₹	Particulars	₹
To Opening Stock	71,000	By Sales	43,50,000
To Purchase of Raw Material	17,20,500	By Closing Stock	2,00,000
To Manufacturing Wages & Expenses	5,80,500		
To Gross Profit	21,78,000		
<b>Total</b>	<b>45,50,000</b>	<b>Total</b>	<b>45,50,000</b>
To Administrative Charges	2,90,000	By Gross Profit	21,78,000
To SGST Penalty Paid (It is not compensatory nature)	7,000	By Dividend from Domestic Companies	15,000
To GST Paid	1,10,000	By winning from lotteries (Net of TDS) (TDS ₹4,500)	10,500
To General Expenses	55,000	By Profit on sale of Shares	45,000
To Miscellaneous Expenses	1,50,500		
To Loss on Sale of Shares	20,000		
To Interest to Bank (on Machinery term loan)	60,000		
To Depreciation	2,00,000		
To Net Profit	13,56,000		
<b>Total</b>	<b>22,48,500</b>	<b>Total</b>	<b>22,48,500</b>

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

- (i) Administrative Charges include ₹ 46,000 paid as commission to brother of Assessee. The Commission amount at the market rate in ₹ 36,000.
- (ii) The assessee paid ₹ 33,000 in cash to a Transport Carrier on 26.12.2024. This amount is included in Manufacturing Expenses. (Assume that the provisions relating to TDS are not applicable on this payment.
- (iii) A Sum of ₹ 4,000 per month was paid as salary to a staff throughout the year and this has not been recorded in books of account.
- (iv) Bank Term Loan Interest actually paid upto 31.03.2025 was ₹ 20,000 and the balance was paid in October 2025.
- (v) Miscellaneous Expenses include ₹ 10,000 contributed to Prime Minister's Relief Fund.
- (vi) Loss on Sale of Shares represents shares sold within a period of 6 months from the date of purchase.
- (vii) Profit on Sale of Shares represents shares held for 2 years & Securities

Transaction Tax was paid on it.

(viii) Housing Loan Principal repaid during the year was ₹ 50,000 and it relates to residential property occupied by him. Interest on Housing Loan was ₹ 2,60,000. Housing Loan was taken from Canara Bank. (Value of house property is ₹ 45 Lakhs, loan value ₹ 25 Lakhs and sanction date 31.03.2017). These amounts were not dealt with in the Profit and Loss Account given above. (Assume this housing loan is eligible for 80EE deduction).

(ix) Depreciation allowable under the Act to be computed on the basis of following information:

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

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

**Solution: Computation of total income and tax liability of Mr. Sahil for AY 2025-26**

Particulars	₹	₹
<b>Income from house property</b>		
Annual value of SOP	Nil	
<b>Less: Deduction u/s 24(b)</b>		
Interest on housing loan of ₹ 2,60,000 restricted to ₹ 2,00,000	(2,00,000)	
	(2,00,000)	
<b>Profits and Gains of Business or Profession</b>		
Net Profit		
<b>Add:</b> Expenses debited to Profit & Loss A/c but not allowable as deduction or to be considered under the head.	13,56,000	
Commission paid to brother [Commission paid to a related person/relative to the extent it is excessive to market rate is disallowed under section 40A(2)]	10,000	
Cash payment to a Transport Carrier [Not disallowed under section 40A(3) since the limit for one time cash payment is ₹ 35,000 in respect of payment to transport operators]	Nil	
Interest to bank on term loan [Interest paid to bank after the due date of filing of return under section 139(1) is disallowed as per section 43B]	40,000	
Contribution to Prime Minister's Relief Fund [Not allowable since the same is not incurred wholly and exclusively for business purpose]	10,000	
SGST Penalty paid [SGST penalty paid is not compensatory in nature and therefore, not allowable]	7,000	
Loss on sale of shares	20,000	
Depreciation as per books of account	2,00,000	
	<b>16,43,000</b>	
<b>Less:</b> Incomes credited to profit and loss account but not taxable as business income		
Dividend from Domestic Companies	(15,000)	
Winnings from lotteries	(10,500)	

Profit on sale of shares	(45,000)	
	<b>15,72,500</b>	
<b>Less:</b> Depreciation allowable as per Income- tax Rules,1962		
On Plant & Machinery [@15% on ₹ 14,00,000, being opening WDV of ₹ 12 lakhs and additions put to use for more than 180 days of ₹ 2 lakhs + @7.5% on ₹ 2,00,000, being additions put to use for less than 180 days]	(2,25,000)	
8% of sales i.e. ₹ 43,50,000 x 8% assuming entire amount of sales are not received by A/c payee cheque or A/c payee draft or ECS or other electronic prescribed modes	3,48,000	
<b>Business Income</b> [As per section 44AD, in case of Mr. Sahil, being an eligible assessee, a sum equal to ₹ 3,48,000 (8% of total turnover i.e., ₹ 43,50,000) or as the case may be, a sum higher than the aforesaid sum claimed to have been earned by him would be deemed to be the business income. In this case, since Mr. Sahil has maintained books of account, he can claim the higher sum actually earned ₹ 13,47,500 as his income from business.] (See Note below the solution for alternate answer)	13,47,500	
<b>Less:</b> Set off of loss from house property as per section 71(3A)	(2,00,000)	
	<b>11,47,500</b>	
<b>Add:</b> Salary paid to staff not recorded in the books [Assuming the expenditure is in the nature of unexplained expenditure, the same is deemed to be income as per section 69C of Mr. Sahil. No deduction would be allowed in respect of such expenditure.] Alternatively, it is possible to assume that the salary not recorded in the books of account was an erroneous omission and the assessee has offered satisfactory explanation about the source of such expenditure. In such a case, it would not be considered as deemed income and the same would be allowed as deduction while computing business income on the basis of books of accounts. In such a case, business income, total income and tax liability (rounded off) would be ₹ 10,99,500, ₹ 10,44,500 and ₹ 1,23,080.	48,000	11,95,500
<b>Capital Gains</b>		
Long term capital gains taxable u/s 112A [Since shares are held for 2 years and STT has been paid]	45,000	
<b>Less:</b> Set off of short term capital loss as per section 70(2)	(20,000)	25,000
<b>Income from other sources</b>		
Dividend from Domestic companies	15,000	
Winning from lotteries (₹ 10,500 + 4,500)	15,000	30,000
<b>Gross Total Income</b>		<b>12,50,500</b>
<b>Less:</b> Deduction under Chapter VI-A		
Deduction under section 80C Principal repayment of housing loan	(50,000)	
Deduction under section 80EE Interest on housing loan of ₹ 60,000 [₹ 2,60,000 – ₹ 2,00,000, allowed u/s 24(b)] allowable under section 80EE upto ₹50,000	(50,000)	

Deduction under section 80G Contribution to Prime Minister's Relief Fund	(10,000)	(1,10,000)
<b>Total Income</b>		<b>11,40,000</b>
<b>Tax liability</b>		
Tax on LTCG of ₹ 25,000 u/s 112A [Exempt upto ₹ 1.25 lakh]		Nil
Tax on winning from lotteries of ₹ 15,000 @30%		4,500
Tax on unexplained expenditure of ₹ 48,000 @60%		28,800
Tax on balance income of ₹ 10,52,500 at slab rate		
Upto ₹ 2,50,000	Nil	
From ₹ 2,50,001 to ₹ 5,00,000 @5%	12,500	
From ₹ 5,00,001 to ₹ 10,00,000 @20%	1,00,000	
From ₹ 10,00,001 to ₹ 10,52,500 @30%	15,750	1,28,250
		1,61,550
<b>Add: Surcharge @25% on tax on unexplained expenditure of ₹ 28,800</b>		7,200
		1,68,750
<b>Add: Health and education cess @4%</b>		6,750
<b>Tax Liability</b>		<b>1,75,500</b>

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