Note -

1) Business loss can be carried forward for max 8 years. Loss from textile business incurred in PY 17-18 (AY 18-19) can be carried forward and set off till PY 25-26 that is CY. So in the present qn, out of the loss of ₹60000, ₹50000 is set off in CY and remaining ₹10000 shall be lapse.

2) Losses from owning and maintaining Horse races can be set off against Income from owning and maintaining Horse Races so losses of PY 22-23 set off in CY to the extent of Income from owning and maintaining Horse Races i.e ₹15000 and remaining shall be carried forward to next AY.

Q10

Mr Aditya PY 25-26 AY 26-27

Computation of Total Income

	₹	₹
Income from salary	300000	
(-) Loss from House Property (max 200000 can be setoff)	200000	100000
Income from speculative Business	5000	
(-) Loss from speculative Business	(5000)	—
Income from trading Business	45000	
(-) loss from trading Business AY 21-22	(5000)	40000
LTCG on sale of urban land	200000	
(-) LTCL on sale of shares	(75000)	
LTCL on sale of listed shares	(102000)	23000
	GTI/NTI	163000

Losses to be c/f to Next AY [PY 26-27, AY 27-28]	—
Speculative Business losses (25000 - 5000)	20000
Specified Business losses	20000
loss from House Property (250000 - 200000)	50000
loss from O & M Race Horses	2000

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Computation of Total Income

Income from salary	18000	18000
Income from House Property		
Net Annual value	70000	
(-) Std dedn 30% of NAV	(21000)	
	49000	49000
Income from Business	80000	
(-) current year depn	(8000)	
	72000	
(-) unabsorbed Depn	(9000)	63000
Income from speculative Business	12000	
(-) loss from speculative Business	(12000)	
LTCG on sale of land	15800	
(-) STCL (AY 25-26)	(7800)	8000
	GTI / NTI	138000

losses to be c/f to Next AY [PY 26-27, AY 27-28]

1) Loss from owning and Main. Race Horses — 9000

2) Loss from speculative Business (16000 - 12000) — 4000

Teacher's Signature: ....

NOTE –

IF Assessee follow presumptive taxation u/s 44AD/ 44ADA or 44AE then this section over rides sec 28 to 43, so against this income, unabsorbed dep^n cannot be set off because it is governed by sec 32(2) but brought forward business losses can be set off.

(5 to 8 marks)

INCOME FROM SALARY

Sec 15 :- Charging section

Income is taxable under the head salary if there is a Employee - Employer relationship (Master-servant relationship)

- contract of service → salary
- contract for service → PGBP

salary received by MP, MLA, MLC → Taxable under IFOS

salary rec'd by partner from partnership firm → Taxable under PGBP

- Notes -

1) salary is taxable on the basis of due or received whichever is earlier.

2) salary is taxable even in case of part-time job like employee working two employer.

3) salary forgone → It is taxable since it is application of Income.

4) salary surrendered to central government → It is not taxable.

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5) Any Amt recd before joining the job or after leaving the job is always taxable under the head salary and it is known as Profit in lieu of salary

→ In this topic we have to find out salary income of Employee.

Statement of salary PY 25-26 AY 26-27

Particulars	₹
Basic salary (Note 1)	xxxx
Dearness Allowance (D.A) (Note 2)	xxxx
Commission (Note 3)	xxxx
Bonus (Note 4)	xxxx
Advance salary/Arrears salary (Note 5)	xxxx
Gratuity (Note 6)	xxxx
Pension (Note 7)	xxxx
Leave salary (Note 8)	xxxx
Allowances (Note 9)	xxxx
Provident fund (Note 10)	xxxx
Voluntary Retirement compensation (VRS) (Note 11)	xxxx
Super Annuation fund (Note 12)	xxxx
Retrenchment compensation (Note 13)	xxxx
Perquisite (Note 14)	xxxx
Gross salary	xxxx
Less:- Deduction u/s 16:	
(i) Professional Tax (Note 15)	(xxx)
(ii) Entertainment Allowance (Note 16)	(xxx)
(iii) standard deduction (Note 17)	(xxx)
Net salary	xxxx

— Note 1 —

Basic salary → It is a Base salary of employee. It is fully Taxable. If Net Basic salary is given then we have to convert it into Gross Basic salary.

— Note 2 —

Dearness Allowance (DA) → DA is fully taxable whether it is "Interms" or "Not in terms".
DA Interms means DA which is forming part of Retirement Benefit Calculation. In all the RBC formulas, DA is considered only if it is "Interms"
→ If nothing is given about DA then assume it is Not in Terms.

— Note 3 —

Commission :- It is fully taxable whether commission is based on Turnover or NOT.

— Note 4 —

Bonus :- It is fully Taxable on receipt basis. If only Bonus declared is given then it should be ignored. If in the Qn only Bonus is given then assume it is recd and it is taxable.

Note 5 –

Advance salary :- It means salary rec'd in advance. It is taxable on receipt basis. If advance against salary or only advance is given then it should be ignored because it is treated as loan.

Arrears salary :- It means salary under dispute or increase of salary retrospectively. It is taxable in the year of receipt.

Note 6 –

Gratuity :-

Gratuity
- Rec'd during employment
  - Taxable for All employee
- Rec'd on Retirement
  - Govt Employee
    - Fully Exempt u/s 10(10)
  - Other employee
    - Exempt u/s 10(10)

→

POGA EE
(Covered by Payment of Gratuity Act 1972)

Exempt

(i) $15/26$ x salary pm x No. of years of completion of service
(ii) Actual Amt Rec'd
(iii) Max :- 20,00,000

Salary pm

Latest Basic salary	xxx
DA (Both)	xxx
	xxx

Non POGA

Exempt

(i) $1/2$ x Avg salary pm x No of years of compln of service
(ii) Actual Amt Rec'd xxx
(iii) Max 20,00,000 xxx

Advance salary pm

Avg Basic salary of last 10 months	xxx
Avg DA (T) of last 10 m	xxx
Avg T/O comm. of last 10 months	xxx
	xxx

excluding month of Retirement

Note -

1) In case of POGA employee if fraction of month is more than 6 months then it should be rounded off.

26 years and 7 months :-	27 years
26 years and 6 months :-	26 years
26 years and 4 months :-	26 years

2) In case of Non POGA employee fraction should be ignored

26 years and 11 months :- 26 years
26 years and 4 months :- 26 years
26 years and 6 months :- 26 years.

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Part A :- He is Pvt employee and covered by POGA 1972

PY 25-26 AY 26-27

Computation of Taxable Gratuity ₹

Actual Gratuity Rec'd		1500000
Less:- Excempt u/s 10(10)		
(i) 15/26 x Salary pm x No. of years of completion of service		
15/26 x 60000 x 27 years	: 934615	
(ii) Actual Amt Rec'd	: 1500000	
(iii) Max	: 2000000	(934615)
Taxable Amt		565385

Salary pm	₹
Basic salary	50000
DA (Both)	10000
	60000

Teacher's Signature:..................

Part B :- He is Pvt employee and Not covered by POGA 1972:

PY 25-26 AY 26-27

Computation of Taxable Gratuity ₹

Actual Gratuity Rec'd		1500000
(-) Exempt u/s 10(10)		
(i) 1/2 × Avg Salary pm × No of years of completion of service		
1/2 × 66000 × 26 years	:- 858000	
(ii) Actual Amt rec'd	:- 1500000	
(iii) Max	:- 20,00,000	(858000)
	Taxable Gratuity	642000

Avg salary pm.

Avg Basic salary of last 10 m	50000
Avg DA(T) of last 10 months	6000
Avg T/O comm of last 10 m	10000
	66000

$12000000 \times 1\% = \frac{120000}{12m} = 10000$

Part C: He is a Government Employee

Gratuity Rec'd	1500000
(-) Exempt u/s 10(10)	(1500000)
	—

Teacher's Signature:.................