

Additional information -

(i) Mr. Ayush installed new plant and machinery for 65 lakhs on 1.10.2023 which was put to use on 1.1.2024. Depreciation (including additional depreciation) on this amount of 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules, 1962.

(ii) Mr. Ayush took a loan from SBI of 50 lakhs on 1.9.2023 @10.5% p.a. to purchase such plant and machinery. Total interest up to 31.3.2024 has been paid on 31.3.2024 and the same has been debited to profit and loss account.

(iii) Advance tax paid during the year is 17,50,000

(iv) Ayush purchased goods for 40 lakhs from Mr. Ram, his brother. The market value of the goods is 35 lakhs.

(v) He paid 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is 5,00,000 and the policy was taken on 1.4.2016.

(vi) He paid 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.

(vii) On 1.7.2023, Mr. Ayush withdrew 1.5 crores in cash from three current accounts maintained by him with SBI. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Ayush for the A.Y. 2024-25 assuming that he has shifted out of the default tax regime under section 115BAC.

Answer:

Computation of total income of Mr. Ayush for A.Y. 2024-25 under the regular provisions of the Act

	Particulars	₹	₹	₹
I.	Income from business or profession			
	Net profit as per profit and loss account		82,45,000	
	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of 1,75,000 [50,00,000 × 10.5% × 4/12] has to be added back, since the same is debited to the profit and loss account]	1,75,000		
	(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (40 lakhs) and the fair market value (35 lakhs) has to be added back as per section 40A (2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]	<u>5,00,000</u>		
			<u>6,75,000</u>	
			89,20,000	
	Less: Items of income to be treated separately under the respective head of income			
	(i) Income-tax refund including interest on refund of 4,550	15,550		
	(ii) Dividend from Indian companies	15,00,000		
	(iii) Short term capital gains on transfer of listed equity shares	<u>10,00,000</u>		



	<p>Less: Depreciation on interest on loan capitalised to plant and machinery 1,75,000, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized Normal depreciation @15% x 50% on such interest Additional depreciation @20% x 50% on such interest [Since plant & machinery was put to use for less than 180 days in P.Y. 2023-24, it is eligible for 50% of the rate of depreciation]</p>	<p>25,15,550 64,04,450</p> <p>13,125 <u>17,500</u></p> <p><u>30,625</u></p>	<p>63,73,825</p>
II.	Capital Gains Short term capital gains on transfer of listed equity shares		10,00,000
III.	Income from Other Sources Interest on income-tax refund Dividend from Indian companies Gross Total Income Less: Deductions under Chapter VI-A - Deduction under section 80C Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "Person". Accordingly, whole of the amount of 40,000 is allowable as it does not exceed 10% of the 5,00,000, being the sum assured] - Deduction under section 80D Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to 25,000]	<p>4,550 <u>15,00,000</u></p> <p>40,000</p> <p><u>25,000</u></p>	<p><u>15,04,550</u> 88,78,375</p> <p><u>65,000</u></p>
	Total Income		<u>88,13,375</u>
	Total Income (Rounded off)		88,13,380

Computation of tax payable by Mr. Ayush for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of 88,13,380		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [10,00,000 x 15%]		1,50,000
Tax on other Income of 78,13,380		
Up to 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- 78,13,380 [@30% of 68,13,380]	<u>20,44,014</u>	<u>21,56,514</u>
		23,06,514



Add: Surcharge @10%, since total income exceeds 50,00,000 but does not exceed 1 crore		2,30,651
		25,37,165
Add: Health and education cess@4%		<u>1,01,487</u>
Total tax liability		26,38,652
Less: TDS u/s 194N @ 2% on 50 lakhs, being the cash withdrawals exceeding 1 crore	1,00,000	
Less: Advance tax paid	<u>17,50,000</u>	<u>18,50,000</u>
Tax payable		<u>7,88,652</u>
Tax payable (rounded off)		7,88,650

Question 5

MTP1 Sep' 24

Mr. Aman has furnished the following particulars relating to payments made and expenditure incurred towards scientific research for the year ended 31.3.2024:

Sr.no	Particulars	₹ (in lakhs)
i.	Payment made to AB University, an approved University	15
ii.	Payment made to Siya College	17
iii.	Payment made to IIT, Bangalore (under an approved programme for scientific research)	12
iv.	Machinery purchased for in-house scientific research	25

Compute the deduction available under section 35 of the Income-tax Act, 1961 for A.Y. 2024-25, while computing his income under the head "Profits and gains of business or profession" under default tax regime under section 115BAC.

Answer:

Computation of deduction allowable under section 35

Particulars	Amount (in lakhs)	Section	% of deduction	Amount of deduction (in lakhs)
Payment for scientific research				
AB University, an approved University	15	35(1)(ii)	Nil	Nil
Siya College	17	-	Nil	Nil
IIT Bangalore (under an approved programme for scientific research)	12	35(2AA)	Nil	Nil
In-house research				
Capital expenditure - Purchase of Machinery	25	35(1)(iv) r.w. 35(2)	100%	<u>25</u>
Deduction allowable under section 35				<u>25</u>

Deduction under section 35(1)(ii) and 35(2AA) is not allowable under default tax regime under section 115BAC.



Question 6

Karan, a resident aged 50 years, furnishes the following information for the year ended on 31-03-2024:

Particulars	Amount (₹)
Salary (Gross)	2,75,000
Income from let out house property	(2,85,000)
Interest on loan paid for self-occupied house property	1,20,000
Income from sale of rubber products from rubber plants	2,00,000
Business income - Retail business	1,20,000
Business income - wholesale business	(1,00,000)
Brought forward business loss (A.Y. 2023-24)	(1,35,000)
Dividend received from ABC Ltd., an Indian company carrying on agricultural operations	13,500
Long term capital gain from sale of listed equity shares (STT paid on sale and purchase of shares)	2,00,000
Short-term capital gains on sale of shares	(1,10,000)
Lottery winnings (gross)	45,000
Contribution to provident fund and NSC	1,50,000
Income of minor son Raju from special talent	1,50,000
Interest from Bank received by Raju on deposit made out of his special talent	10,000

Compute Karan's total income under the default tax regime under section 115BAC for the A.Y. 2024-25 assuming his wife does not earn any income.

Answer:

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

Particulars	₹	₹
Salary		
Gross salary	2,75,000	
Less: Standard deduction under section 16(ia)	50,000	2,25,000
Income from house property Interest on loan paid for self-occupied property [Not allowable under section 115BAC]	-	
Loss from let out house property	2,85,000	
[Loss from house property is not allowed to be set off against income under any other head while computing income under section 115BAC.]	2,85,000	
Profits and gains from business and profession		
Income from sale of rubber products from rubber plants [70,000 (35% of 2,00,000) is business income and 1,30,000 (65% of 2,00,000) is agricultural income which is exempt from tax]	70,000	
Business Income- Retail business	1,20,000	
	1,90,000	
Less: Set-off of wholesale business loss of 1,00,000	1,00,000	
	90,000	



Less: Set-off of brought forward business loss of 1,35,000 of A.Y.2023-24 allowable to the extent of 90,000 by virtue of section 72(1)	90,000	Nil
[Balance brought forward business loss of 45,000 (i.e., 1,35,000 - 90,000) to be carry forward to A.Y. 2025-26 for set-off against business income of that year]		
Capital Gains		
Long-term capital gain on sale of listed equity shares on which STT is paid	2,00,000	
Less: Set-off of short-term capital loss of 1,10,000	1,10,000	90,000
Income from Other Sources		
Dividend from Indian companies [13,500/90 x 100]	15,000	
Lottery winnings	45,000	
Income of minor son from special talent [Not included in Karan's income since it is earned from special talent]	-	
Interest from bank received by minor son on deposit made out of his income from special talent [Includible in the income of Mr. Karan, since Mrs. Karan does not earn any income]	10,000	
Less: Exemption under section 10(32) [Not allowable under section 115BAC]	-	70,000
Gross Total Income		3,85,000
Less: Deduction under section 80C [Not allowable under section 115BAC]		-
Total Income		3,85,000

Question 7

RTP Sep' 24

Mr. Anand, a resident Indian aged 45 years, has provided you the following information for the previous year ended on 31.03.2024

(i) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2019-20. Total turnover of the undertaking was 200 lakhs. Export turnover received in India in convertible foreign exchange on or before 30.9.2024 is 120 lakhs. This industrial undertaking fulfils all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is 35 lakhs.

(ii) Mr. Anand sold equity shares of different Indian companies on 14th March, 2024:
CII - F.Y. 2017-18: 272; F.Y. 2023-24: 348

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration.

(iii) He made payment of 90,000 on 1.9.2023 vide cheque towards medical insurance as lumpsum premium for himself and his wife till 31.8.2027. He also made cash payment of 7,500 towards preventive health checkup for himself and his wife.

(iv) He received royalty of 2,88,000 from abroad for a book authored by him in the nature of artistic. The rate of royalty as 16% of value of books and expenditure made for earning this royalty was 40,000. The amount remitted to India till 30th September, 2024 is 2,50,000.

(v) He received income-tax refund of 15,750 (including interest 1,750) relating to the assessment year 2023-24.



(vi) He occupies ground floor of his residential building and has let out first floor for residential use for a monthly rent of 15,000. He has paid municipal taxes of 30,000 for the current financial year. Both floors are of equal size. He has taken a loan from bank of 50 lakhs for the construction of this property in 2020 and has repaid 2,05,000 (including interest 1,00,000) during the year 2023-24.

(vii) Mr. Anand deposited 1,30,000 in Public Provident Fund and 80,000 in 5 years term deposit in the name of his minor son, Aman.

You are required to compute the total income and tax liability of Mr. Anand under section 115BAC as well as under normal provisions for the A.Y. 2024-25. Ignore AMT provisions.

Answer:

Computation of total income and tax liability of Mr. Anand for A.Y. 2024-25 under section 115BAC

	Particulars	₹	₹	₹
I.	Income from house property Let out portion [First floor] Gross Annual Value [Rent received is taken as GAV, in the absence of other information] Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [30,000/2]		1,80,000 15,000	
	Net Annual Value (NAV) Less: Deduction u/s 24 (a) 30% of 1,65,000 (b) Interest on loan [1,00,000/2]	49,500 50,000	1,65,000 99,500	
			65,500	
	Self-occupied portion [Ground Floor] Annual Value [No deduction is allowable in respect of municipal taxes paid] Net Annual Value (NAV) Less: Interest on loan [Not allowable under section 115BAC]		Nil Nil Nil	65,000
II.	Profits and gains of business or profession Income from SEZ unit			35,00,000
III.	Capital Gains Short-term capital gains on sale of equity shares of Sam Ltd. (since held for not more than 12 months) Full Value of Consideration [2000 x 150] Less: Brokerage @ 0.1% Net sale consideration Less: Cost of acquisition [2000 x 120]	3,00,000 300 2,99,700 2,40,000		59,700



	Long-term capital gains on sale of equity shares of Jam Ltd. (since held for more than 12 months)			
	Full Value of Consideration [1250 x 100]	1,25,000		
	Less: Brokerage @ 0.1%	125		
	Net sale consideration	1,24,875		
	Less: Cost of acquisition [No indexation benefit would be available]	90,000	34,875	94,575
	Higher of cost of acquisition of 90,000 (72 x 1250) and 62,500, being lower of FMV of 62,500 and full value of consideration of 1,25,000			
IV.	Income from Other Sources			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on income-tax refund		1,750	
				2,49,750
	Gross Total Income			39,09,825
	Less: Deduction under Chapter VI-A [Not allowable under section 115BAC]			
	Total Income			39,09,825
	Total Income (Rounded off)			39,09,830

	Tax on total income of 39,09,830		
	Tax on LTCG exceeding 1 lakh @10% u/s 112A		-
	Tax on STCG of 59,700 @15% u/s 111A		8,955
	Tax on remaining total income of 38,15,255		
	Up to 3,00,000	Nil	
	3,00,001 - 6,00,000[@5% of 3 lakhs]	15,000	
	6,00,001 - 9,00,000[@10% of 3 lakhs]	30,000	
	9,00,001 - 12,00,000[@15% of 3 lakhs]	45,000	
	12,00,001 - 15,00,000[@20% of 3 lakhs]	60,000	
	15,00,001 - 38,15,255[@30% of 23,15,255]	6,94,577	8,44,577
			8,53,532
	Add: Health and education cess@4%		34,141
	Tax liability		8,87,673
	Tax liability (Rounded off)		8,87,670



Computation of total income and tax liability of Mr. Anand for A.Y. 2024-25 under normal provisions of the Act

Particulars	₹	₹	₹
Gross Total Income as per section 115BAC			39,09,825
Less: Interest on loan for self-occupied property [1,00,000/2]			50,000
Gross Total Income as per normal provisions of the Act			38,59,825
Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2023-24, being the 5th year of operations] [Profits of the SEZ x Export Turnover received in India in convertible foreign exchange on or before 30.9.2024/Total Turnover] x 100% [35 lakhs x 120 lakhs/ 200 lakhs x 100%]			21,00,000
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Repayment of housing loan	1,05,000		
Public Provident Fund	1,30,000		
5 years Term deposit (not allowed as deduction in the name of minor son)	-		
	2,35,000		
Restricted to		1,50,000	
Deduction under section 80D			
Medical insurance premium [90,000 x 1/5]	18,000		
Preventive health check-up of 7,500, subject to maximum of 5,000	5,000	23,000	
Deduction under section 80QQB		2,10,000	
Royalty [2,88,000 x 15/16 = 2,70,000, restricted to amount brought into India in convertible foreign exchange 2,50,000 minus 40,000 expenses already allowed as deduction while computing royalty income]			
			3,83,000
Total Income			13,76,825
Total Income (Rounded off)			13,76,830
Tax on total income of 13,76,830			
Tax on LTCG exceeding 1 lakh @10% u/s 112A			-
Tax on STCG of 59,700 @15% u/s 111A			8,955
Tax on remaining total income of 12,82,255			
Up to 2,50,000		Nil	
2,50,001 - 5,00,000[@5% of 2,50,000]		12,500	
5,00,001 - 10,00,000[@20% of 5,00,000]		1,00,000	



10,00,001 - 12,82,255[@30% of 2,82,255		84,677	1,97,177
			2,06,132
Add: Health and education cess@4%			8,245
Tax liability			2,14,377
Tax liability (rounded off)			2,14,380

Question 7

PYQ Nov' 23

Mr. Pramod, a resident aged 55 years, is a retail trader; he furnished the following information for A.Y. 2023-24:

Trading and Profit and Loss Account for the year ended on 31.03.2023:

	₹		₹
To Opening Stock	1,15,000	By Sales	70,80,000
Purchases	55,40,000	Closing Stock	2,10,000
Transport charges	1,20,000		
Gross Profit c/f	<u>15,15,000</u>		
	<u>72,90,000</u>		<u>72,90,000</u>
To Salaries	3,40,000	By Gross Profit b/f	15,15,000
Rates and Taxes	24,000	Rent from H. Property	1,80,000
Administrative Expenses	3,25,000	Rent from furniture	1,20,000
Depreciation	80,000		
Net Profit	<u>10,46,000</u>		
	18,15,000		18,15,000

- (1) All the sales are by account payee cheques or through bank transfers.
 - (2) The opening and closing stocks have been over valued by 15,000 and 20,000 respectively.
 - (3) Rates and taxes include GST liability of 5,000 paid on 01.05.2023 and municipal taxes for let out property 7,000.
 - (4) Administrative expenses include 25,000 paid as donation to National Children's Fund, and a payment for laptop purchased on 15.05.2022 for 60,000 through bank transfer.
 - (5) Transport charges include 30,000 paid in cash on 01.09.2022.
 - (6) He incurred a loss of 8,000 on sale of equity shares on 10.02.2023, which were purchased on 10.06.2022.
 - (7) Depreciation includes 1,200 as depreciation on Trade Marks wrongly charged at 15%.
 - (8) He deposited 50,000 in PPF a/c and has paid life insurance premium 60,000.
 - (9) He paid interest of 70,000 on loan availed in F.Y. 2017-18 for higher education of his wife.
- Compute the total income and the income tax payable by Mr. Pramod for A.Y. 2023-24, if,
- (i) The business profit is computed as per normal provisions and he opts for section 115BAC.
 - (ii) He opts to compute business profit under presumptive taxation under section 44AD and does not opt for section 115BAC.
 - (iii) The business profit is computed as per normal provisions of Income-tax Act and he does not opt for section 115BAC. Which option is advantageous to Mr. Pramod?

Answer:



(i) Computation of total income and tax payable by Mr. Pramod for A.Y. 2023-24 as per normal provisions of the Act (as per books of accounts) and opting for section 115BAC

	Particulars	₹	₹
I	Income from house property		
	Gross Annual Value ¹	1,80,000	
	Less: Municipal taxes paid	<u>7,000</u>	
	Net Annual Value (NAV)	1,73,000	
	Less: Deduction u/s 24(a) - 30% of NAV	<u>51,900</u>	1,21,100
II	Profits and gains of business or profession		
	Net Profit	10,46,000	
	Add: Over statement of opening stock	<u>15,000</u>	
		10,61,000	
	Less: Over statement of closing stock	<u>20,000</u>	
		10,41,000	
	[Note - Alternatively, net of overstatement of opening stock and closing stock i.e., 5,000 can be reduced.]		
	Add: Expenses debited to profit and loss account but not allowable as deduction		
	GST liability paid on 1.5.2023 [Since GST liability has been paid before the due date of filing return of income under section 139(1), the same is deductible]	-	
	Municipal taxes for let out property	7,000	
	Donation to National Children's Fund	25,000	
	Payment for Laptop	60,000	
	Transport charges of 30,000 in cash [Not disallowed since the limit for one-time cash payment is 35,000 in respect of payment to transport operators.]	-	
		11,33,000	
	Less: Incomes credited to profit and loss account but not taxable as business income		
	Rent from house property	1,80,000	
	Rent from furniture	<u>1,20,000</u>	
		8,33,000	
	Less: Depreciation		
	-On Trade Marks [Trade Marks are eligible for depreciation @25%] [1,200/15% x 25% - 1,200, being the wrong depreciation]	800	



	[Note - Alternatively, depreciation of 1,200 wrongly claimed can be added and the amount of correct depreciation of 2,000 can be deducted.]		
	- On laptop [60,000 x 40%]	<u>24,000</u>	8,08,200
III	Capital Gains		
	Short term capital loss of 8,000 on sale of equity shares [Can be set off against capital gain only. Hence, carried forward to A.Y. 2024-25]		-
IV	Income from Other Sources		
	Rent from furniture		<u>1,20,000</u>
	Gross Total Income/Total income [Deduction under Chapter VI-A is not allowed under section 115BAC]		<u>10,49,300</u>
	Computation of Tax payable		
	Tax on 10,49,300		
	Up to 2,50,000	Nil	
	2,50,000 @5% [5,00,000 - 2,50,000]	12,500	
	2,50,000 @10% [7,50,000 - 5,00,000]	25,000	
	2,50,000 @15% [10,00,000 - 7,50,000]	37,500	
	49,300 @20% [10,49,300 - 10,00,000]	<u>9,860</u>	84,860
	Add: Health and education cess @4%		<u>3,394</u>
	Tax payable		<u>88,254</u>
	Tax payable (Rounded off)		<u>88,250</u>

(ii) Computation of total income and tax payable by Mr. Pramod for A.Y. 2023 -24 as per presumptive provisions under section 44AD and not opting for section 115BAC

Particulars	₹	₹
I Income from house property [Computed in (i) above]		1,21,100
II Profits and gains of business or profession		4,24,800
[6% of sales, as all sales are by account payee cheque or through bank transfers] [70,80,000 x 6%]		
III Income from Other Sources [Computed in (i) above]		<u>1,20,000</u>
Gross Total Income		6,65,900
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
- Deposit in PPF A/c		
- Life insurance premium		1,10,000
Deduction under section 80G		
Donation to National Children's Fund [Allowed 100% without qualifying limit]		25,000
Deduction under section 80E		
Interest on loan for higher education of his wife		<u>70,000</u>



Total Income		4,60,900
Computation of Tax Payable		
Tax on 4,60,900		
2,10,900 @ 5% [4,60,900 - 2,50,000]		10,545
Less: Rebate u/s 87A - lower of 10,545 or 12,500 allowable, since total income does not exceed 5,00,000		10,545
Tax Payable		Nil

(iii) Computation of total income and tax payable by Mr. Pramod for A.Y. 2023-24 as per normal provisions of the Act (as per books of accounts) and not opting for section 115BAC

Particulars		₹
Gross Total Income [Computed in (i) above]		10,49,300
Less: Deduction under Chapter VI-A [Computed in (ii) above] [1,10,000 + 25,000 + 70,000]		<u>2,05,000</u>
Total Income		8,44,300
Computation of Tax Payable		
Tax on 8,44,300		
2,50,000 @5% [5,00,000 - 2,50,000]	12,500	
3,44,300 @20% [8,44,300 - 5,00,000]	<u>68,860</u>	81,360
Add: Health and education cess @4%		<u>3,254</u>
Tax payable		<u>84,614</u>
Tax payable (Rounded off)		<u>84,610</u>

Question 8

PYQ Nov' 23

Discuss the liability of tax deduction at source under the Income-tax Act, 1961 in respect of the following cases with reference to A.Y. 2023- 24. (State applicable provision and give brief reasons for your answer, wherever applicable)

Mr. Kumar, a resident senior citizen, aged 86 years, is a retired State Govt. employee. He gets pension of 72,000 p.m. He has his saving account with Bank of Baroda, a bank notified by the Central Govt. u/s 194P, has received the interest on saving account 15,000 during the P.Y. 2022-23. His pension is also credited in this account. In the same bank he has deposited 10 Lakh in a Term Deposit @7% simple interest on 01.07.2022. He has no other income. He has not opted section 115BAC. Discuss requirement of filing of income tax return also.

Answer:

Bank of Baroda, being a specified bank notified by the Central Government u/s 194P is required to deduct tax at source at the rates in force on the total income of Mr. Kumar, being a specified senior citizen (75 years or more) computed as follows:



Computation of total income of Mr. Kumar not opting for section 115BAC and tax liability for A.Y.2023-24

	Particulars	₹	₹
I	Salaries		
	Pension (72,000 x 12)	8,64,000	
	Less: Standard deduction u/s 16(ia)	<u>50,000</u>	8,14,000
II	Income from Other Sources		
	Interest on savings account	15,000	
	Interest on fixed deposit (10 lakh x 7% x 9/12)	<u>52,500</u>	<u>67,500</u>
	Gross total income		8,81,500
	Less: Deductions under Chapter VI-A Under section 80TTB		
	Interest on fixed deposit and savings account, restricted to 50,000, since Mr. Kumar is a resident Indian of the age of 60 years or more	<u>50,000</u>	<u>50,000</u>
	Total Income		8,31,500
	Computation of tax liability for A.Y. 2023-24		
	Tax on 8,31,500 [20% on income exceeding 5 lakhs, being the basic exemption limit, since Mr. Kumar is of the age of 80 years or more]		66,300
	Add: Health and Education Cess@4%		<u>2,652</u>
	Tax liability		<u>68,952</u>
	Tax liability (Rounded off)		<u>68,950</u>

Accordingly, Bank of Baroda is required to deduct tax at source of 68,950 for the P.Y. 2022 -23. In such case, Mr. Kumar is not required to file his return of income for A.Y. 2023-24.

Note - The question mentions that Mr. Kumar has deposited 10 lakhs in a Term Deposit in the same bank but does not specify the duration of the term deposit. The above solution is given assuming that term deposit is not for 5 years. However, alternate assumption that such term deposit is for 5 years is also possible. In such a case, Mr. Kumar would be eligible for deduction under section 80C of 1,50,000 for deposit in 5 years term deposit. In that case, deduction under Chapter VI-A would be 2,00,000, total income would be 6,81,500 and tax liability (rounded off) would be 37,750.



Multiple Choice Questions

<p>Question 1 MTP May'20</p> <p>XYZ LLP falls under which category of person?</p> <p>a) Firm b) Company c) Association of persons d) Artificial judicial person</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>Question 2 MTP April'19</p> <p>Under the provisions of the Income-tax Act, 1961, the term "Person" would not include:</p> <p>a) A body corporate incorporated in a country outside India b) A Limited Liability Partnership (LLP) c) Indian branch of a foreign company d) A local authority</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>Question 3 MTP March'19</p> <p>Mr. Devansh has agricultural income of Rs.2,30,000 and business income of Rs.2,45,000. Which of the following statements are correct?</p> <p>a) Agricultural income has to be aggregated with business income for tax rate purposes. b) No aggregation is required since agricultural income is less than basic exemption limit. c) No aggregation is required since business income is less than basic exemption limit. d) Agricultural income is exempt under section 10(1) but the same has to be aggregated with business income, since it exceeds Rs. 5,000</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>Question 4 MTP Nov'21</p> <p>Miss Nish (68 years) is a resident individual. For the Assessment Year 2024-25, she has following income: Long-term capital gain on transfer of equity shares Rs.1,80,000 (Securities Transaction Tax has been paid on acquisition and transfer of the said shares) Other income Rs.2,75,000. Calculate the tax liability of Miss Nish for Assessment Year 2024-25. Assume that she has not opted for 115BAC.</p> <p>a) Nil b) Rs. 5,670 c) Rs.5,720 d) Rs.8,320</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>
<p>Question 5 MTP Oct '21</p> <p>Mr. Ashutosh, aged 65 years and a resident in India, has a total income of ₹ 3,20,00,000, comprising long term capital gain taxable under section 112 of ₹ 57,00,000, long term capital gains taxable under section 112A of ₹ 65,00,000 and other income of ₹ 1,98,00,000. What would be his tax liability for A.Y. 2024-25. Assume that Mr. Ashutosh has not opted for the provisions of section 115BAC.</p> <p>a) ₹ 90,05,880 b) ₹ 97,25,690 c) ₹ 97,34,400 d) ₹ 97,22,440</p>	<input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/>



Question 6

MTP Sep'22

During the P.Y.2023-24, Mr. Rohan has ₹ 80 lakhs of short-term capital gains taxable u/s 111A, ₹ 70 lakhs of long-term capital gains taxable u/s 112A and business income of ₹ 2.90 crores. Which of the following statements is correct?

- a) Surcharge@25% is leviable on income-tax computed on total income of ₹ 4.40 crores
- b) Surcharge@15% is leviable on income-tax computed on total income of ₹ 4.40 crore
- c) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@25% on income-tax
- d) Surcharge@15% is leviable in respect of income-tax computed on capital gains of ₹ 1.50 crore; in respect of business income of ₹ 2.90 crores, surcharge is leviable@37% on income-tax

Question 7

MTP Oct'22

Mr. Ashish's total income comprises of long-term capital gains on sale of land ₹ 5 lakhs; short-term capital gains on sale of STT paid listed equity shares ₹ 2 lakhs; income from lottery ₹ 1 lakh and savings bank interest ₹ 30,000. He invests ₹ 1.50 lakhs in PPF. His tax liability for A.Y.2024-25, assuming that he is a resident Indian of the age of 40 years and does not opt for the provisions of section 115BAC, is -

- a) ₹ 1,64,800
- b) ₹ 1,66,400
- c) ₹ 1,14,400
- d) ₹ 1,13,300

Question 8

MTP March'23

The Gupta HUF in Maharashtra comprises of Mr. Harsh Gupta, his wife Mrs. Nidhi Gupta, his son Mr. Deepak Gupta, his daughter-in-law Mrs. Deepti Gupta, his daughter Miss Preeti Gupta. Which of the members of the HUF are eligible for coparcenary rights?

- a) Only Mr. Harsh Gupta and Mr. Deepak Gupta
- b) Only Mr. Harsh Gupta, Mr. Deepak Gupta and Miss Preeti Gupta
- c) Only Mr. Harsh Gupta, Mr. Deepak Gupta, Mrs. Nidhi Gupta and Mrs. Deepti Gupta
- d) All the members are co-parceners

Question 9

MTP Oct'20

Sham Singh spends ₹ 1,00,000 on cultivation and harvesting of his agricultural produce. 50% of the production is sold for ₹1,10,000 and rest is stored for self-consumption. What is the amount of the agricultural income?

- a) Rs. 60,000
- b) Rs. 1,10,000
- c) Rs.1,20,000
- d) Rs. 1,00,000



Question 10

MTP Oct'19

Which of the following incomes are exempt incomes as per the provisions of Income-tax Act, 1961?

- (i) Allowance paid by Government to a citizen of India for rendering services outside India
 - (ii) Death-cum-retirement gratuity received by a government employee
 - (iii) Any sum received under a life insurance policy taken on 01.05.2023, if the premium payable for any of the years exceeds 10% of the actual capital sum assured.
 - (iv) Any payment from National Pension System Trust to an employee on account of closure of his NPS account.
- a) (i), (ii), (iii), (iv)
b) (i) & (ii)
c) (i), (ii) & (iv)
d) (ii) & (iv)

Question 11

MTP Oct'19

Which of the following statements is/are true in respect of taxability of agricultural income under the Income-tax Act, 1961?

- (i) Any income derived from saplings or seedlings grown in a nursery is agricultural income exempt from tax u/s 10(1).
- (ii) 60% of dividend received from shares held in a tea company is agricultural income exempt from tax u/s 10(1).
- (iii) While computing income tax liability of an Assesses aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (including net agricultural income) exceeds Rs.2,50,000.
- (iv) While computing income tax liability of an Assesses aged 50 years, agricultural income is required to be added to total income only if net agricultural income for the P.Y. exceeds Rs. 5,000 and the total income (excluding net agricultural income) exceeds Rs.2,50,000.

Choose from the following options:

- a) and (iii)
b) and (iii)
c) and (iv)
d) (i), (ii) and (iv)



Question 12

MTP March'23

Income derived from farm building situated in the immediate vicinity of an agricultural land (not assessed to land revenue) would be treated as agricultural income if such land is situated in -

- an area at a distance of 3 kms from the local limits of a municipality and has a population of 80,000 as per last census
- an area within 1.5 kms from the local limits of a municipality and has a population of 12,000 as per last census
- an area within 2 kms from the local limits of a municipality and has a population of 11,00,000 as per last census
- an area within 8 kms from the local limits of a municipality and has a population of 10,50,000 as per last census

Question 13

RTP May'19

Mr. Ajay is a recently qualified doctor. He joined a reputed hospital in Delhi on 01.01.2024. He earned Prakshal Shah total income of ₹ 3,40,000 till 31.03.2024. His employer advised him to claim rebate u/s 87A while filing return of income for A.Y. 2024-25. Assume that he does not opt for 115BAC. He approached his father to enquire regarding what is rebate u/s 87A of the Act. His father told him:

- An individual who is resident in India and whose total income does not exceed ₹ 3,50,000 is entitled to claim rebate under section 87A.
- An individual who is resident in India and whose total income does not exceed ₹ 5,00,000 is entitled to claim rebate under section 87A.
- Maximum rebate allowable under section 87A is ₹ 5,000.
- Rebate under section 87A is available in the form of exemption from total income.
- Maximum rebate allowable under section 87A is ₹ 2,500.
- Rebate under section 87A is available in the form of deduction from tax liability.

As a tax expert, do you agree with the explanation given by Mr. Ajay's father? Choose the correct option from the following:

- (ii), (iii), (vi)
- (i), (v), (vi)
- (ii), (iii), (iv)
- (i), (iv), (v)
- (ii) (v)(vi)

