

CA Vivek Gaba's

CA Inter | CS Executive | CMA Inter

Income टैक्स **Question Bank**



Compilation by
CA Vivek Gaba
FCA, B.Com, CCTP

Full Coverage of
ICAI, ICSI, ICWAI, Module,
PYQ, RTP and MTPs

Income Tax

Relevant For-

CAInter - January 2025 / May 2025

CS Executive - December 2024

CMAInter - December 2024

Compilation by: -

CA Vivek Gaba

(FCA, B.Com, CCTP)

Book Dedicated to ALL My Students & Parents

About Book-

- ✓ Cover All Past Year Questions of CA,CS,CMA and RTP and MTPs.
- ✓ Colourful Question Bank.
- ✓ Covers all amendments as per latest notification
- ✓ Covers Multiple Choice Questions
- ✓ Questions are bifurcated chapter-wise.
- ✓ Each question has associated marks distribution.

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Chapter 1: Basic Concepts

Descriptive Questions

Easy

Question 1

MTP Aug'18

Explain the difference between Circulars and Notifications in the context to the Income-tax Act, 1961.

3 Marks

Answer:

Difference between Circulars and notifications

Circulars	Notifications
Circulars are issued by CBDT.	Notifications are issued by the Central Government. The CBDT is also empowered to issue notifications.
Circular are issued with certain specific problems and to clarify doubt regarding the scope and meaning of certain provisions of the Act.	Central Government issues notifications to affect the provisions of the Act and CBDT issues notifications to make and amend Income-tax Rules.
The department is bound by the circulars. While such circulars are not binding on the assesses, they can take advantage of beneficial circulars.	Notification is binding in nature. both department and assesses are bound by the notification.

Question 2

MTP April 22

Compute the tax liability of Ms. Kajal for A.Y. 2024-25, a female resident aged 40 years, where her total income is ₹2,00,50,000 comprising of business income. Ms. Kajal opts for the provisions of section 115BAC.

3 Marks

Answer:

Computation of tax liability of Ms. Kajal under section 115BAC for the A.Y.2024-25

	₹	₹
(A) Tax payable including surcharge on total income of ₹ 2,00,50,000		
Up to ₹ 3,00,000 Nil	Nil	
₹ ₹ 3,00,000 - ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
₹ 6,00,001 - ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
₹ 9,00,001 - ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
₹ 12,00,001 - ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
Above ₹ 15,00,000 @30%	55,65,000	



	Add: Surcharge @ 25% (since total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore)	57,15,000	
		14,28,750	71,43,750
(B)	Tax payable on total income of ₹ 2 crore [(₹ 15,000 plus ₹ 30,000 plus ₹ 45,000 plus ₹ 60,000 plus ₹ 55,50,000) plus surcharge @15%]		65,55,000
(C)	Excess tax payable (A)-(B)		5,88,750
(D)	Marginal Relief (₹ 5,88,750 - ₹ 50,000, being the amount of income in excess of ₹ 2,00,00,000)		5,38,750
(E)	Tax payable before cess (A - D)		66,05,000
	Add: Health and education cess @4%		2,64,200
	Tax payable		68,69,200

Alternative Presentation

Computation of tax liability of Ms. Kajal for the A.Y. 2024-25

		₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,00,50,000		
	Up to ₹ 2,50,000 ₹ 3,00,000 Nil	Nil	
	₹ ₹ 3,00,000 - ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
	₹ 6,00,001 - ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
	₹ 9,00,001 - ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
	₹ 12,00,001 - ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
	Above ₹ 15,00,000 @30%	55,65,000	
	Add: Surcharge @ 25% (since total income exceed ₹ 2 crore but does not exceed ₹ 5 crore)	57,15,000	
		14,28,750	71,43,750
(B)	Tax payable on total income of ₹ 2 crore [(₹ 15,000 plus ₹ 30,000 plus ₹ 45,000 plus ₹ 60,000 plus ₹ 62,500 plus ₹ 55,50,000) plus surcharge @15%]		65,55,000
(C)	Total income less ₹ 2 crore		50,000
(D)	Tax payable on total income of ₹ 2 crore plus excess of total income over ₹ 2 crore (B + C)		66,05,000
(E)	Tax payable: Lower of A and D		66,05,000
	Add: Health and education cess @4%		2,64,200
	Tax payable		68,69,200
(F)	Marginal Relief (A -D)		5,38,750

Question 3

MTP Oct' 18

Examine with brief reasons whether the following statements are true or false with reference to the provisions of the Income-tax Act, 1961:

- a) Mr. Qureshi, a shareholder of a closely held company, holding 15% shares, received advances from that company which is to be deemed as dividend from an Indian Company, hence exempted under section 10(34).



b) Rent of Rs. 72,000 received by Mr. X for letting out agricultural land for a movie shooting is an agricultural income and hence exempt under section 10(1).

Answer:

i. **False:** As per section 10(34), only income by way of dividend referred to in section 115 -O shall be exempt in the hands of shareholders. Dividend distribution tax under section 115 -O is not leviable on deemed dividend under section 2(22) (e) and hence, such deemed dividend is not exempt under section 10(34), in the hands of Mr. Qureshi.

As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assesses. Interest Income incurred to earn such income will be allowed as a deduction but only up to 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished.

ii. **False:** Agricultural income means, inter alia, any rent or revenue derived from land which is situated in India and is used for agricultural purposes. In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. In effect, the land is not being put to use for agricultural purposes. Therefore, Rs. 72,000, being rent received by Mr. X from letting out of agricultural land for movie shooting, is not exempt under section 10(1). The same is chargeable to tax under the head "Income from other sources"

Question 4

RTP Nov' 18

Mr. Charan grows paddy and uses the same for the purpose of manufacturing of rice in his own Rice Mill. He furnished the following details for the financial year 2023-24:

- ⊗ Cost of cultivation of 40% of paddy produce is ₹ 9,00,000 which is sold for ₹ 18,50,000.
- ⊗ Cost of cultivation of balance 60% of paddy is ₹ 14,40,000 and the market value of such paddy is ₹ 28,60,000.
- ⊗ Incurred ₹ 3,60,000 in the manufacturing process of rice on the balance (60%) paddy. The rice was sold for ₹ 38,00,000.

Compute the Business income and Agricultural Income of Mr. Charan for A.Y. 2024-25.

Answer:

Computation of Business Income and Agriculture Income of Mr. Charan for A.Y. 2024-25

Particulars	Business Income		Agricultural Income	
	₹		₹	₹
Sale of Rice				
Business income				
Sale Proceeds of Rice	38,00,000			
Less: Market Value of paddy (60%)	28,60,000			
Less: Manufacturing expenses	3,60,000			
Agricultural Income	5,80,000			
Market value of paddy (60%)			28,60,000	
Less: Cost of cultivation			14,40,000	14,20,000
Sale of Paddy				
Agricultural Income				



Sale proceeds of paddy produce (40%)		18,50,000	
Less: Cost of cultivation		9,00,000	9,50,000
			23,70,000

Question 5

RTP Nov' 20

Explain with brief reasons, whether the following income can be regarded as agricultural income, as per the provisions of the Income-tax Act, 1961:

- (i) Rent received for letting out agricultural land for a movie shooting.
- (ii) Income from sale of seedlings in a nursery adjacent to the agricultural lands owned by an assessee.

Answer:

i. **Rent received for letting out agricultural land for a movie shooting:** As per section 2(1A), "agricultural income" means, inter alia,

- any rent or revenue derived from land
- which is situated in India and is used for agricultural purposes.

In the present case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose and hence, it does not constitute agricultural income.

ii. **Income from sale of seedlings in a nursery:**

As per Explanation 3 to section 2(1A), income derived from saplings or seedlings grown in a nursery is deemed to be agricultural income, whether or not the basic operations were carried out on land. Therefore, the amount received from sale of seedlings in a nursery adjacent to the agricultural lands owned by the assessee constitutes agricultural income.

Question 6

PYQ May '18

Briefly explain the purpose for which the words "PROVISO" and "EXPLANATION" are incorporated under various sections of the Income-tax Act, 1961.

4 Marks

Answer:

Proviso: The Proviso to a section is incorporated to specify the exception(s) to the provision contained in the respective section i.e., the proviso spells out the cases where the provision contained in the respective section would not apply or where the provision contained in the respective section would apply with certain modification.

Explanation: An Explanation is incorporated in a section to provide a clarification relating to the provision contained in that section. Generally, an Explanation is clarificatory in nature.

Question 7

PYQ Nov '22

Mr. X a resident, aged 56 years, till recently was a successful businessman filing his return of incomes regularly and promptly ever since he obtained PAN card. During the COVID- Pandemic period his business suffered severely and he incurred huge losses. He was not able to continue his business and finally on 1st January, 2024 he decided to wind-up his business which he also promptly intimated to the jurisdictional Assessing Officer about the closure of his business. The Assessing Officer sent him a notice to tax income of A.Y. 2024-25 during the A.Y. 2023-24 itself. Does the Assessing Officer have the power to do so? Are there any exceptions to the general rule "Income of the previous year is assessed in the assessment year following the previous year"?

4 Marks

Answer:

Yes, he has the power to do so.



Since the business of Mr. X is discontinued on 1st January, 2024, the income of the period from 1.4.2023 to 1.1.2024 may, at the discretion of the Assessing Officer, be charged to tax in A.Y.2024-25 itself.

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

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

Question 8

PYQ May '22

The assessee is found to be the owner of the gold (market value of which is ₹ 50,00,000) during the financial year ending 31-03-2024 but he recorded to have spent ₹ 10,00,000 in acquiring the same. Explain how the Assessing Officer will deal with the issue.

2 Marks**Answer:**

As per section 69B, if the assessee is found to be the owner of gold (market value of which is ₹ 50 lakhs) during the financial year ending 31.3.2024 but he has recorded to have spent only ₹ 10 lakhs in acquiring it, the Assessing Officer can add the difference of the market value of such gold and ₹ 10 lakhs i.e., ₹ 40 lakhs as the income of the assessee for A.Y.2024-25, if the assessee offers no satisfactory explanation thereof. Such income would be chargeable to tax @78% (@60% plus surcharge @25% and cess @4%).

Question 9

RTP Nov '23

Examine with reasons whether the following statements are correct/incorrect with regard to the provisions of Income-tax Act, 1961:

Cash credit of ₹ 1,50,000 were traced in the books of accounts of Mr. Yogesh for which no explanation about its source was provided. Such income is taxable @30% under section 115BB in the hands of Yogesh.

Answer:

The statement is incorrect.

Unexplained cash credit is taxable @60% plus surcharge @25% plus cess @4% under section 115BBE.

Question 10

PYQ Jan'21

Discuss the taxability of the following transactions giving reasons, in the light of relevant provisions, for your conclusion. Attempt any two out of the following three parts:

- i. Mr. Rajpal took a land on rent from Ms. Shilpa on monthly rent of ₹ 10,000. He sub-lets the land to Mr. Manish for a monthly rent of ₹ 11,500. Manish uses the land for grazing of cattle required for agricultural activities. Mr. Rajpal wants to claim deduction of ₹ 10,000 (being rent paid by him to Ms. Shilpa) from the rental income received by it from Mr. Manish.
- ii. Mr. Netram grows paddy on land. He then employs mechanical operations on grain to make it fit for sale in the market, like removing hay and chaff from the grain, filtering the grain and finally



packing the rice in gunny bags. He claims that entire income earned by him from sale of rice is agricultural income not liable to income-tax since paddy as grown on land is not fit for sale in its original form

4 Marks

Answer:

(i) The rent or revenue derived from land situated in India and used for agricultural purposes would be agricultural income under section 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) The income from the process ordinarily employed to render the produce fit to be taken to the market would be agricultural income under section 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.

Moderate

Question 1

RTP May '18

Examine with reasons whether the following receipts are taxable or not under the provisions of Income-tax Act, 1961.

- Mr. Akash received a sum of ₹ 3,00,000 as compensation from "Sahayata Foundation" towards the loss of property on account of Flood Disaster at Chennai.
- Rent of ₹ 60,000 received for letting out agricultural land for a movie shooting.
- Dividend of ₹ 17 lakhs received by Mr. Yatin during P.Y. 2023-24 from A Ltd., a domestic company.
- Agricultural income of ₹ 1,30,000 of Mr. Sunil from a land situated in Canada.

Answer:

Taxability of receipts under the provisions of Income-tax Act, 1961

	Taxable/Not taxable	Reason
(a)	Taxable	As per section 10(10BC), any amount received or receivable by an individual as compensation, on account of any disaster, from the Central Government, State Government or a local authority is exempt from tax, to the extent the individual has not been allowed deduction under any other provision of Income-tax Act, 1961 on account of any loss or damage caused by such disaster. However, in this case, since Mr., Akash has received a compensation of ₹ 3,00,000 from Sahayata Foundation, and not from the Central Government or State Government or local authority, no exemption will be available under section 10(10BC) and the same is chargeable to tax.



(b)	Taxable	Agricultural income is exempt from income-tax as per section 10(1). Agriculture income means, inter alia, any rent or revenue derived from land which is situated in India and is used for agricultural purposes. In this case, rent is being derived from letting out of agricultural land for a movie shoot, which is not an agricultural purpose. In effect, the land is not being put to use for agricultural purposes. Therefore, ₹ 60,000, being rent received from letting out agricultural land for movie shooting, is not exempt under section 10(1) and the same is chargeable to tax.
(c)	Partly taxable (Taxable)	As per amendment dividend u/s 2(22)(a)/(b)/(c)/(d)/(e) from an Indian Company will now be taxable normal rates in the hands of the Shareholder Assesses. Interest Income incurred to earn such income will be allowed as a deduction but only up to 20% of such income. No deduction of commission/remuneration paid to any other person. DDT has been abolished
(d)	Taxable	Agricultural income from a land situated in any foreign country is not exempt under section 10(1) and hence, is chargeable to tax. Therefore, in this case, agricultural income of ₹ 1,30,000 of Mr. Sunil from land situated in Canada is taxable.

Question 2

RTP May '19

Mr. Rana, a resident and ordinarily resident aged 42 years, manufactures rubber from the latex processed from rubber plants grown in Kerala. Thereafter, he sold the rubber for ₹ 47 lakhs. The cost of growing rubber plants was ₹ 25 lakhs and the cost of manufacturing rubber was ₹ 7 lakhs. He has no other income during the previous year 2023-24. Compute his tax liability for the Assessment Year 2024-25.

Answer:

In cases where the assesses himself grows rubber plants and manufactures rubber processed from latex obtained from rubber plants in India, then, as per Rule 7A, 35% of profit on sale of rubber is taxable as business income under the head "Profits and gains from business or profession", and the balance 65% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of rubber processed from latex = ₹ 47 lakhs - ₹ 25 lakhs - ₹ 7 lakhs = ₹ 15 lakhs

Agricultural Income = 65% of ₹ 15 lakhs = ₹ 9.75 lakhs Business Income = 35% of ₹ 15 lakhs = ₹ 5.25 lakhs.

The tax liability of Mr. Rana has to be computed applying the concept of partial integration, since his total income comprises of both agricultural income and non- agricultural income and his agricultural income exceeds ₹ 5,000 p.a and his non- agricultural income exceeds the basic exemption limit i.e., ₹ 2,50,000 (applicable, in his case).

Accordingly, his tax liability would be computed in the following manner:

Computation of tax liability of Mr. Rana for the A.Y. 2024-25

Particulars	₹
Tax on total income of ₹ 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., ₹ 12,25,000 [₹ 9,75,000 plus ₹ 2,50,000]	1,80,000



	82,500
Add: Health and Education cess@4%	3,300
Total Tax liability	85,800

Question 3

PYP Nov'18, PYP May '20

Mr. Rajat Saini, aged 32 years, furnishes the following details of his total income for the A.Y. 2024-25:

Income from Salaries	27,88,000
Income from House Property (Computed)	15,80,000
Interest Income from FDR's	7,22,000

He has not claimed any deduction under Chapter VI-A. You are required to compute tax liability of Mr. Rajat Saini as per the provisions of Income-tax Act, 1961. Assume that he has not opted for 115BAC. **5 Marks**

Answer:

Computation of tax liability of Mr. Rajat Saini for the A.Y. 2024-25

Particulars	₹	₹
Income from Salaries		27,88,000
Income from house property (computed)		15,80,000
Interest income from FDR's		7,22,000
Total Income		50,90,000
Tax Liability		
(A) Tax payable including surcharge on total income of ₹ 50,90,000		
Upton ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000 @ 5%	12,500	
₹ 5,00,001 - ₹ 10,00,000 @ 20%	1,00,000	
₹ 10,00,001 - ₹ 50,90,000 @30%	12,27,000	
	13,39,500	
Add: Surcharge @ 10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore.	1,33,950	14,73,450
(B) Tax Payable on total income of ₹ 50 lakhs		
(₹ 12,500 plus ₹ 1,00,000 plus ₹ 12,00,000, being 30% of ₹ 40,00,000)		13,12,500
(C) Excess tax payable (A)-(B)		1,60,950
(D) Marginal Relief (₹ 1,60,950 - ₹ 90,000, being the amount of income in excess of ₹ 50,00,000)		70,950
Tax payable (A)-(D) [₹ 14,73,450 - ₹ 70,950]		14,02,500
Add: EC & SHEC @ 4%		56,100
Tax Liability		14,58,600
Tax Liability (Rounded off)		14,58,600



Question 4

Mr. Kabra is engaged in the business of growing and curing (further processing) coffee in the state of Karnataka. The whole of coffee grown in his plantation is cured. Relevant information pertaining to the year ended 31-03-2024 are given hereunder:

PARTICULARS	AMOUNT ₹
Opening balance of the car as on 01-04-2023	3,00,000
Opening balance of machinery as on 01-04-2023	15,00,000
Expenses incurred in growing coffee	3,10,000
Expenses of curing coffee	3,00,000
Sale value of cured coffee	22,00,000

The car is used for the agricultural operations and the machine was used for coffee curing business operations. Compute the income arising from the above activities for the assessment year 2024-25 and the written down value as on 01-04-2024 (WDV as on 31-03-2024 less depreciation for the P.Y. 2023-24).

4 Marks

Answer:

Computation of Income from growing and curing coffee of Mr. Kabra for A.Y. 2024-25

Particulars	Amount (₹)	Amount (₹)
Income from growing and curing coffee		
Sale value of cured coffee		22,00,000
Less: Expenses incurred in growing coffee	3,10,000	
Depreciation on Car (15% of ₹ 3,00,000)	45,000	3,55,000
Less: Expenses of curing coffee	3,00,000	18,45,000
Depreciation on machinery (15% of ₹ 15,00,000)	2,25,000	5,25,000
		13,20,000
Business Income [25% of ₹ 13,20,000]		3,30,000
Agricultural Income [75% of ₹ 13,20,000]		9,90,000
Computation of Written Down Value as on 1.4.2024		
Opening balance of Car as on 1.4.2023	3,00,000	
Less: Depreciation@15% on ₹ 3 lakh	45,000	
WDV of car as on 1.4.2024	2,55,000	
Opening balance of machinery as on 1.4.2023	15,00,000	
Less: Depreciation@15% on ₹ 15 lakh	2,25,000	
WDV of machinery as on 1.4.2024	12,75,000	

Question 5

MTP Oct '21

Mr. Jay is having total income of ₹ 6,90,000 during the P.Y. 2023-24 consisting of Income from business of ₹ 40,000, lottery winnings (gross) ₹ 5,60,000, income by way of salary (computed) ₹ 1,20,000 and loss from house property ₹ 30,000. Compute his tax liability and advance tax obligations for A.Y. 2024-25.

4 Marks

Answer:



Computation of tax liability and advance tax obligations of Mr. Jay for A.Y. 2024-25

Particulars	₹	₹
Income from salary (computed)	1,20,000	
Less: Set-off loss from house property	(30,000)	90,000
Loss from house property	30,000	
Less: Set-off against salary income	(30,000)	-
Income from business		40,000
Lottery winning		5,60,000
Total Income		6,90,000
Tax liability		
Tax @30% on lottery income		1,68,000
Tax on other income of ₹ 1,30,000 (Nil, since it does not exceed the basic exemption limit of ₹ 2,50,000)		-
		1,68,000
Add: Health and education cess@4%		6,720
Total tax liability		1,74,720
Less: TDS on lottery income under section 194B		1,68,000
Net tax payable		6,720
Since tax payable for the P.Y. 2023-24 is less than ₹ 10,000, Mr. Jay is not liable to pay advance tax.		

Difficulty

Question 1

MTP Oct' 20

Miss Deepika, a citizen of India, got married to Mr. John of Australia and left India for the first time on 20.8.2023. She has not visited India again during the P.Y. 2023-24. She has derived the following income for the year ended 31-3-2024:

	Particulars	Rs.
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari.	1,50,000
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka	2,00,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo. Sale consideration was received in Chennai.	5,00,000
(iv)	Income from sale of tea grown and manufactured in West Bengal.	12,00,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out by her on land.	2,00,000

You are required to determine the residential status of Miss Deepika and compute the business income and agricultural income of Miss. Deepika for the Assessment Year 2024-25. **7 Marks**

Answer:



Miss Deepika is said to be resident if she satisfies any one of the following basic conditions:

- Has been in India during the previous year for a total period of 182 days or more (or)
- Has been in India during the 4 years immediately preceding the previous year for a total period of 365 days or more and has been in India for at least 60 days during the previous year.

Miss Deepak's stay in India during the P.Y.2023-24 is 142 days [30+31+30+31+20] which is less than 182 days. However, her stay in India during the P.Y.2023-24 exceeds 60 days. Since, she left India for the first time, her stay in India during the four previous years prior to P.Y.2023-24 would be more than 365 days. Hence, she is a resident for P.Y.2023-24.

Further, Miss Deepika would be "Resident and ordinarily resident" in India in during the previous year 2023-24, since her stay in India in the last seven previous years prior to P.Y.2023-24 is more than 730 days and she must be resident in the preceding ten years.

Computation of business income and agricultural income of Miss Deepika for A.Y. 2024-25

Particulars		Income	Business Income ₹	Agricultural Income ₹
(i)	Income from sale of centrifuged latex processed from rubber plants grown in Kanyakumari (Apportioned between business and agricultural income in the ratio of 35:65 as per Rule 7A of Income-tax Rules, 1962)	1,50,000	52,500	97,500
(ii)	Income from sale of coffee grown and cured in Kodagu, Karnataka (Apportioned between business and agricultural income in the ratio of 25:75, as per Rule 7B (1) of the Income-tax Rules, 1962)	2,00,000	50,000	1,50,000
(iii)	Income from sale of coffee grown, cured, roasted and grounded in Colombo and received in Chennai [See Note 1 below]	5,00,000	5,00,000	-
(iv)	Income from sale of tea grown and manufactured in West Bengal (Apportioned between business and agricultural income in the ratio of 40:60 as per Rule 8 of the Income-tax Rules, 1962)	12,00,000	4,80,000	7,20,000
(v)	Income from sapling and seedling grown in a nursery at Cochin. Basic operations were not carried out on land [See Note 2 below]	2,00,000	-	2,00,000
		22,50,000	10,82,500	11,67,500

Notes:

- Since MS Deepika is resident and ordinarily resident in India for A.Y. 2024-25, her global income is taxable in India. Entire income from sale of coffee grown, cured, roasted and grounded in Colombo is taxable as business income since such income is earned from sale of coffee grown, cured, roasted and grounded outside India i.e., in Colombo.
- As per Explanation 3 to section 2(1A), income derived from sapling or seedlings grown in a nursery would be deemed to be agricultural income, whether or not the basic operations were carried out on land. Hence, income of Rs.2,00,000 from sapling and seedling grown in a nursery at Cochin is agricultural income.



Question 2

MTP Oct' 18

For the Assessment year 2024-25, the Gross Total Income of Mr. Manas, a resident in India aged 65 years, was Rs. 8,18,240 which includes long-term capital gain of Rs. 2,45,000 and Short-term capital gain of Rs. 98,000. The Gross Total Income also includes interest income of Rs. 15,000 from savings bank deposits with banks. Mr. Manas has invested in PPF Rs. 1,40,000 and also paid a medical insurance premium Rs. 31,000. Mr. Manas also contributed Rs. 40,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Manas.

7 Marks

Answer:

Computation of total income and tax payable by Mr. Manas for the A.Y. 2024-25

Particulars	Rs.	Rs.
Gross total income including long term capital gain		8,18,240
Less: Long term capital gain		2,45,000
Less: Deductions under Chapter VI-A:		5,73,240
Under section 80C in respect of PPF deposit	1,40,000	
Under section 80D (it is assumed that premium of Rs.31,000 is paid by otherwise, then by cash. The deduction would be restricted to Rs.30,000 (as per amendment Rs. 50,000 is the limit for senior citizen.), since Mr. Manas is a senior citizen)	31,000	
Under section 80G (See Notes 1 & 2 below)	19,662	
Under section 80TTA (See Note 3 below)	10,000	2,00,662
Total income (excluding long term capital gains)		3,72,578
Total income (including long term capital gains)		6,17,578
Total income (rounded off)		6,17,580
Tax on total income (including long-term capital gains of Rs.2,45,000)		
LTCG Rs.2,45,000 x 20%		49,000
Balance total income Rs.3,72,580		3,629
		52,629
Add: EC & HSEC @ 4% (as per amendment)		2,105
Total tax liability		54,734
Total tax liability (rounded off)		54,730

Notes:

1. Computation of deduction under section 80G:

Particulars	Rs.
Gross total income (excluding long term capital gains)	5,73,240
Less: Deduction under section 80C, 80D & 80TTA	1,80,000
	3,93,240
10% of the above	39,324
Contribution made	40,000
Lower of the two eligible for deduction under section 80G	39,324
Deduction under section 80G - 50% of Rs.39,324	19,662



2. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding Rs. 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
3. Deduction of up to Rs. 10,000 under section 80TTA is allowed, inter alia, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank.

Question 3

PYQ May' 18

Mr. Avani, a resident aged 25 years, manufactures tea leaves from the Tea plants grown by him in India. These are then sold in the India market for ₹ 40 lakhs. The cost of growing tea plants was ₹ 15 lakhs and the cost of manufacturing tea leaves was ₹ 10 lakhs. Compute her tax liability for the Assessment Year 2024-25.

7 Marks**Answer:****Computation of tax liability of Ms. Avani for the A.Y. 2024-25**

In cases where the assessee himself grows tea leaves and manufactures tea in India, then, as per Rule 8 of 40% of profit on sale of tea is taxable as business income under the head "Profits and gains from business or profession", and the balance 60% is agricultural income, which is exempt from tax.

Profits from manufacture and sale of tea = ₹ 40 lakhs - ₹ 15 lakhs - ₹ 10 lakhs = ₹ 15 lakhs
 Agricultural Income = 60% of ₹ 15 lakhs = ₹ 9 lakhs
 Business Income = 40% of ₹ 15 lakhs = ₹ 6 lakhs.

The tax liability of Ms. Avani has to be computed applying the concept of partial integration, since her total income comprises of both agricultural income and non-agricultural income and her agricultural income exceeds ₹ 5,000 p.a. and her non-agricultural income exceeds the basic exemption limit i.e., ₹ 2,50,000 (applicable, in her case).

Accordingly, her tax liability would be computed in the following manner:

Particulars	₹
Tax on total income of ₹ 15,00,000, being agricultural income and non-agricultural income	2,62,500
Less: Tax on agricultural income and basic exemption limit i.e., ₹11,50,000 [₹ 9,00,000 plus ₹ 2,50,000]	1,57,500
	1,05,000
Add: EC & SHEC @ 4% (as per amendment)	4,200
Total Tax liability	1,09,200

Question 4

MTP1 Sep' 24

Mr. Ayush, a resident individual, aged 54 years, is engaged in the business of manufacturing textiles. He earned profit of 82,45,000 as per profit and loss account after debiting and crediting the following items:

(i) Depreciation 15,40,000

(ii) Short term capital gains on transfer of listed equity shares in a company on which STT is paid 10,00,000

(iii) He received income-tax refund of 15,550 which includes interest on refund of 4,550.

(iv) Dividend income from Indian companies 15,00,000. Dividend received from each company is less than 5,000.

