

Upon retirement, he gave the car back to the. You are required to compute the taxable salary of Mr. Rohan for A.Y.2024-25 assuming that he neither claims any relief under section 89 nor does he opt to pay tax under section 115BAC.

7

Marks**Answer:****Computation of taxable salary of Mr. Rohan for A.Y. 2024-25**

Particulars		₹
Basic Salary ₹ 25,000 × 12		3,00,000
Dearness Allowance (50% of basic salary)		1,50,000
Gratuity [₹ 7,50,000 - ₹ 6,05,769]		1,44,231
Less: Exempt under section 10(10) - Least of the following:	₹	
(i) Notified limit	20,00,000	
(ii) Actual gratuity received	7,50,000	
(iii) $15/26 \times$ last drawn salary \times no. of completed years of services or part in excess of 6 months [$15/26 \times 37,500^4 \times 28$]	6,05,769	
Leave encashment [₹ 3,25,000 - ₹ 1,75,000]		1,50,000
Less: Exempt under section 10(10AA) - Least of the following:		
(iv) Notified limit	3,00,000	
(v) Actual leave salary received	3,25,000	
(vi) 10 months \times ₹ 25,000	2,50,000	
(vii) Cash equivalent of leave to his credit [₹ 25,000 \times 210/30]	1,75,000	
Crockery set [not a perquisite, since value of gift does not exceed ₹ 5,000]		-
Perquisite value of car [Driver's salary met by employer ₹ 1,20,000 (i.e., ₹ 10,000 \times 12) + ₹ 80,000 (10% of ₹ 8,00,000), being normal wear and tear on car]		
Gross Salary		2,00,000
		9,44,231
Less: Standard deduction u/s 16(ia)		50,000
Taxable Salary		8,94,231



Multiple Choice Questions

Question 1

MTP April '19

A member of parliament is entitled to salary, constituency allowance and daily allowance when the Parliament is in session. Which of the following statements are correct?

- (a) His entire income is taxable under the head "Salaries".
- (b) Only his salary component is taxable under the head "Salaries". Constituency allowance and daily allowance are exempt.
- (c) Only his salary component is taxable under the head "Income from other sources". Constituency allowance and daily allowance are exempt.
- (d) His salary component and constituency allowance are taxable under the head "Income from other sources". Daily allowance is exempt.

Question 2

MTP April '19

Provision of rent-free accommodation and motor car owned by Alpha Ltd. to its employee Mr. Anurag, where motor car is allowed to be used by Mr. Anurag both for official and personal purposes, is a -

- (a) perquisite taxable in case of all employees
- (b) perquisite taxable only in case of specified employees
- (c) perquisite of rent-free accommodation is taxable in case of all employees whereas perquisite of motor car is taxable only in case of specified employees
- (d) perquisite of rent-free accommodation is taxable only in case of specified employees whereas perquisite of motor car is taxable in case of all employees

Question 3

MTP March '19

X is an employee of Z Ltd who receives ₹1,25,000 as gratuity (he is covered under the Payment of Gratuity Act, 1972). He retires on 31.01.2024 after service of 29 years and 8 months. At the time of retirement, X drew monthly salary of ₹ 5,200 and monthly bonus of ₹ 2,000. Compute the amount of gratuity exempt from tax in the instant case u/s 10(10) of the Income-tax Act, 1961.

- (a) ₹ 90,000
- (b) ₹1,25,000
- (c) ₹ 78,000
- (d) ₹ 87,000

Question 4

MTP April '23, RTP May'20

Mr. Jagat is an employee in accounts department of Bharat Ltd., a cellular company operating in the regions of eastern India. It is engaged in manufacturing of cellular devices. During F.Y. 2023-24, following transactions were undertaken by Mr. Jagat:

- (i) He attended a seminar on "Perquisite Valuation". Seminar fees of ₹ 12,500 was paid by Bharat Ltd.
- (ii) Tuition fees of Mr. Himanshu (son of Mr. Jagat) paid to private coaching classes (not having any tie-up with Bharat Ltd.) was reimbursed by Bharat Ltd. Amount of fees was ₹ 25,000.
- (iii) Ms. Sapna (daughter of Mr. Jagat) studies in DPS Public School (owned and maintained by Bharat Ltd.). Tuition fees paid for Ms. Sapna was ₹ 750 per month by Mr. Jagat. Cost of education in similar institution is ₹ 5,250 per month.

What shall be the amount which is chargeable to tax under the head "Salaries" in hands of



Mr. Jagat for A.Y. 2024-25?

- (a) ₹ 25,000
- (b) ₹ 37,500
- (c) ₹ 66,500
- (d) ₹ 79,000

Question 5

RTP May '19

Miss Riya has started working in a reputed company. This is her first job. She earned total income of ₹ 8 Lakhs in P.Y. 2023-24. While filing her return of income she had a doubt with respect to deduction of transport allowance. Her father advised her that she cannot claim deduction of transport allowance while her friend said that maximum deduction of ₹1600 p.m. in respect of the said allowance can be claimed.

According to you, what is the correct treatment for the same?

- (a) Transport allowance up to a maximum ₹1600 per month can be claimed.
- (b) Transport allowance up to a maximum ₹800 per month can be claimed.
- (c) No separate deduction for transport allowance is allowed. However, a standard deduction of ₹ 40,000 is allowed to salaried assesses.
- (d) Deduction of transport allowance is allowed without any monetary limit.

Question 6

RTP Nov'22

Mr. Karan completed his MBA in April 2023 and joined XYZ Ltd from 01.05.2023. His basic salary is ₹ 2,25,000 p.m. He is paid 12% of basic salary as D.A forming part of retirement benefits. He contributed 11% of his pay and D.A. towards recognized provident fund and the company contributes the same amount. Accumulated interest on provident fund as on 31.3.2024 is ₹ 49,325. What would be the income chargeable to tax under the head "Salaries" of Mr. Karan for the A.Y. 2024-25 if he does not opt for section 115BAC?

- (a) ₹ 27,26,442
- (b) ₹ 27,30,884
- (c) ₹ 27,22,000
- (d) ₹ 27,71,325

Question 7

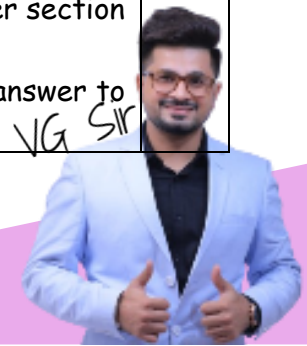
MTP2 Sep'24

Mr. Anshul, aged 54 years, an Indian citizen, is working as Assistant Manager in ABC India Ltd. He is getting basic salary of 58,000 per month. He used to travel frequently out of India for his office work. He left India from Delhi Airport on 5th October, 2023 and returned to India on 2nd April, 2024.

For previous year 2023-24, following information are relevant;

- (a) Dearness Allowance - 10% of Basic Pay (considered for retirement purposes)
- (b) Bonus - 98,000
- (c) Medical allowance paid during P.Y. 2023-24 amounting to 60,000
- (d) He was also reimbursed medical bill of his mother amounting to 15,000.
- (e) He was also reimbursed salary of house servant of 4,000 per month.
- (f) Professional tax paid by employer amounting to 2,400.
- (g) 400 equity shares allotted by ABC India Ltd. at the rate of 250 per share against fair market value of share of 350 on the date of exercise of option.
- (h) Mr. Anshul has exercised the option to shift out of the default tax regime under section 115BAC.

Based on the facts of the case scenario given above, choose the most appropriate answer to the following questions:



(i) What is Mr. Anshul's residential status for the A.Y. 2024-25?

- (a) Resident but can't determine resident and ordinarily resident or resident but not ordinarily resident from the given information
 (b) Non-Resident
 (c) Resident but not ordinarily resident
 (d) Resident and ordinarily resident

(ii) What are his taxable perquisites for A.Y. 2024-25?

- (a) 55,000
 (b) 90,400
 (c) 1,05,400
 (d) 1,03,000

(iii) What is the income chargeable under the head "Salaries" in the hands of Mr. Anshul for A.Y. 2024-25?

- (a) 9,76,600
 (b) 9,86,600
 (c) 9,71,600
 (d) 9,61,600

Question 8

MTP2 Sep'24

Mr. Ross, an Australian citizen, is employed in the Indian embassy in Australia. He is a non-resident in India for A.Y. 2024-25. He received salary and allowances in Australia from the Government of India for the year ended 31.03.2024 for services rendered by him in Australia. In addition, he was allowed perquisites by the Government. Which of the following statements are correct?

- (a) Salary, allowances and perquisites received outside India are not taxable in the hands of Mr. Ross, since he is non-resident
 (b) Salary, allowances and perquisites received outside India by Mr. Ross are taxable in India since they are deemed to accrue or arise in India
 (c) Salary received by Mr. Ross is taxable in India but allowances and perquisites are exempt
 (d) Salary received by Mr. Ross is exempt in India but allowances and perquisites are taxable

Answers

1	2	3	4	5	6	7	8		
c	c	a	d	c	a	a, c, a	a		



Descriptive Questions

Easy

Question 1

RTP May '19

Shraddha has two flats in Mumbai, both of which are self-occupied. The particulars of these are given below:

Particulars	(Value in ₹)	
	Flat at Goregaon	Flat at Navi Mumbai
Municipal Valuation per annum	1,40,000	1,35,000
Fair Rent per annum	1,60,000	1,80,000
Standard rent per annum	1,40,000	1,90,000
Date of completion of construction	1-02-2012	24-08-2006
Municipal taxes payable during the year (paid for Flat at Navi Mumbai only)	10%	12%
Interest on money borrowed for repair of property during current year	-	72,000

Compute Shraddha's income from house property for the Assessment Year 2024-25. Also, suggest which flat should be opted by Shraddha to be assessed as self-occupied so that her tax liability is minimum.

Answer:

In this case, Shraddha has more than one house property for self-occupation. As per section 23(4), Shraddha can avail the benefit of self-occupation (i.e., benefit of "Nil" Annual Value) only in respect of one (two) of the house properties

(As per amendment If Assess see has more than one property for own residential purpose then up to 2 houses can be treated as self occupied property and any other houses are deemed to be let out.)

As per amendment-

Particulars	Amount in ₹
Flat at Goregaon (Self-occupied) [Annual value is Nil] Flat at Navi (Self-occupied) [Annual value is Nil]	Nil Nil
Income from house property	Nil

Question 2

CS Execu. June 14 (New)

Discuss the term Deemed Ownership of the house property as given under section 27. 6 Mark

Answer:

In addition to legal ownership, following persons are treated as deemed owner under section 27:

1. Transfer to spouse or minor child.
2. Holder of Impartible Estate.
3. Property held as a member of Co-operative Society.



4. Property acquired under Power of Attorney Transactions.
5. Acquired a right in building under section 269UA(f).

Question 3

CS Execu. Dec' 14 (New)

Distinguish between taxation of unrealized rent and recovery of unrealized rent. **4 Marks****Answer:**

- Unrealized rent is deducted in calculation of gross annual value.
- Unrealized rent recovered late on is taxable in the previous year of its receipt after allowing 30% Standard Deduction.

Question 4

CS Execu. Dec' 12 (New)

Riya has a house property in Delhi, particulars of which are as under:

Particulars	
- Municipal Value	3,00,000
- Standard Rent	3,12,000
- Municipal Taxes Paid	50,000
- Interest on money borrowed for acquiring the house after 1st April, 2020	16,000
- Actual Rent for 10 months	35,000 per month
- Period of occupation for own residence	2 months

Compute the Income from House Property for the Assessment Year 2024-25 **5 Marks****Answer:**

Computation of Taxable Income from House Property of Riya for Assessment Year 2024-25

Particulars	₹	₹
Gross Annual Value (Actual Rent)		3,50,000
Less: Municipal Taxes paid		(50,000)
Net Annual Value		3,00,000

Particulars	₹	₹
Deductions:		
(i) Standard Deduction @ 30% of ₹ 3,00,000	(90,000)	
(ii) Interest on Loan	(16,000)	(1,06,000)
Taxable Income from House Property		1,94,000

Question 5

CS Execu. June'19 (New)

Nisha, a resident of India owns a house property at Karnal in Haryana. The municipal value of the property is ₹ 7,50,000, fair rent of the property is ₹ 6,30,000 and standard rent is ₹ 7,20,000 per annum. The property was let out for ₹ 75,000 per month for the period April, 2023 to December, 2023.

Thereafter the tenant vacated the property and Nisha used the house for self-residence. Rent for the months of November and December, 2023 could not be realized from the tenant. The tenancy was bona fide but the defaulting tenant was in occupation of another property of the assessed, paying rent regularly. She paid municipal tax @ 12% during the year and paid interest of ₹ 35,000 during the year for amount borrowed towards repairs of the house property.



You are required to compute her Income from "House Property" for the Assessment Year 2024-25.

5 Marks

Answer:

Computation of Income from House Property of Ms. Nisha for Assessment Year 2024-25

Particulars	₹
Gross Annual Value (Standard Rent)	7,20,000
Less: Municipal Taxes paid (12% of ₹ 7,50,000)	90,000
Net Annual Value	6,30,000
Less: Deduction u/s 24:	
(a) Standard Deduction	1,89,000
(b) Interest on amount borrowed for repairs	35,000
	2,24,000
Income from House Property	4,06,000

Computation of Gross Annual Value:

Expected Rent for the Whole Year = Higher of Municipal Value of ₹ 7,50,000 and Fair Rent of ₹ 6,30,000.

But restricted to Standard Rent of ₹ 7,20,000, So Expected Rent is ₹ 7,20,000.

Actual Rent received for let out period = ₹ 75,000 × 9 = ₹ 6,75,000.

Gross Annual Value is higher of Expected Rent or Actual Rent Received = ₹ 7,20,000.

Moderate

Question 1

MTP Nov'19, March'22, Nov'18

You are required to compute the income from "House Property" for the A.Y. 2024-25 of Mrs. Rajni from her house property at Panchkula in Haryana. The Municipal value of the property is ₹ 7,50,000, Fair Rent of the property is ₹ 6,30,000 and Standard Rent is ₹ 7,20,000 per annum. The property was let out for ₹ 80,000 per month for the period April 2023 to November 2023. Thereafter, the tenant vacated the property and Mrs. Rajni used the house for self-occupation. Rent for the months of October and November 2023.

could not be realized from the tenant. The tenancy was Bonafede but the defaulting tenant was in occupation of another property of the assessed, paying rent regularly.

She paid municipal taxes @ 12% during the year and paid interest of ₹ 50,000 during the year for amount borrowed towards repairs of the house property.

7 Marks

Answer:

Computation of income from house property of Mrs. Rajni for the A.Y. 2024-25

Particulars	Amount in ₹
Computation of Gross Annual Value	
Expected Rent for the whole year = Higher of Municipal Value of ₹ 7,50,000 and Fair Rent of ₹ 6,30,000, but restricted to Standard Rent of ₹ 7,20,000	7,20,000
Actual rent received for the let-out period = ₹ 80,000 × 8 [Unrealized rent is not deductible from actual rent in this case since the defaulting tenant is in occupation of another property of the assessed, and hence, one of the conditions laid out in Rule 4 has not been fulfilled]	6,40,000



GAV is the higher of Expected Rent for the whole year and Actual rent received/receivable for the let-out period		7,20,000	
Gross Annual Value (GAV)			7,20,000
Less: Municipal taxes (paid by the owner during the previous year) = 12% of ₹ 7,50,000			90,000
Net Annual Value (NAV)			6,30,000
Less:	Deductions under section 24		
	(a) 30% of NAV = 30% of ₹ 6,30,000	1,89,000	
	b) Interest on amount borrowed for repairs (Fully allowable as deduction, since it pertains to let- out property)		2,39,000
Income from house property		50,000	3,91,000

Question 2

RTP May'20, MTP Sep'22

Mr. Varun is a resident but not ordinarily resident in India during the Assessment Year 2024-25. He furnishes the following information regarding his income/expenditure pertaining to his house properties for the previous year 2023-24:

He owns two houses, one in Australia and the other in Delhi.

The house in Australia is let out there at a rent of SGD 3,000 p.m. The entire rent is received in India. He paid Property tax of SGD 1000 and Sewerage Tax SGD 500 there. (1SGD=INR 55)
The house in Delhi is self-occupied. He had taken a loan of ₹ 20,00,000 to construct the house on 1st June, 2019 @12%. The construction was completed on 31st May, 2022 and he occupied the house on 1st June, 2022.

The entire loan is outstanding as on 31st March, 2024. Property tax paid in respect of the second house is ₹ 2,500.

Compute the income chargeable under the head "Income from House property" in the hands of Mr. Varun for the Assessment Year 2024-25. **4 Marks**

Answer:

Computation of income from house property of Mr. Varun for A.Y. 2024-25

Particulars	₹	₹
1. Income from let-out property in Australia [See Note 1 below]		19,80,000
¹ Gross Annual Value (SGD 3,000 p.m. x 12 months x ₹ 55)		
Less: Municipal taxes paid during the year [SGD 1,500 (SGD 1,000 + SGD 500) x ₹ 55] ²		82,500
Net Annual Value (NAV)		18,97,500
Less: Deductions under section 24		
(a) 30% of NAV	5,69,250	
(b) Interest on housing loan	-	5,69,250
		13,28,250
2. Income from self-occupied property in Delhi		
Annual Value [Nil, since the property is self-occupied]		Nil
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		Nil



Less: Deduction in respect of interest on housing loan [See Note 2 below]		2,00,000
		(2,00,000)
Income from house property [₹ 13,28,250 - ₹ 2,00,000]		11,28,250

Notes:

- a) Since Mr. Varun is a resident but not ordinarily resident in India for A.Y. 2024-25, income which is, inter alia, received in India shall be taxable in India, even if such income has accrued or arisen outside India by virtue of the provisions of section 5(1). Accordingly, rent received from house property in Australia would be taxable in India since such income is received by him in India.
- b) Interest on housing loan for construction of self-occupied property allowable as deduction under section 24.

Interest for the current year ($₹ 20,00,000 \times 12\%$) ₹ 2,40,000

Pre-construction interest

For the period 01.06.2019 to 31.03.2022 ($₹ 20,00,000 \times 12\% \times 34/12$) = ₹ 6,80,000

₹ 6,80,000 allowed in 5 equal installments ($₹ 6,80,000/5$) ₹ 1,36,000

₹ 3,76,000

In case of self-occupied property, interest deduction to be restricted to ₹ 2,00,000

¹ In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the GAV

² Both property tax and sewerage tax qualify for deduction from gross annual value

Question 3

RTP Nov '18

Mr. Ranjan owns a shop whose construction got completed in August 2022. He took a loan of ₹ 22 lakhs from Bank of Baroda on 1-8-2021 and had been paying interest calculated at 9% per annum. During the financial year 2023-24, the shop was let out at a monthly rent of ₹ 45,000. He paid municipal tax of ₹ 18,000 each for the financial year 2022-23 and 2023-24 on 25-5-2023 and 15-4-2024, respectively. Compute income under the head 'House Property' of Mr. Ranjan for the Assessment year 2024-25, assuming that the entire amount of loan is outstanding on the last day of the current previous year.

Answer:

Computation of income under the head "House Property" of Mr. Ranjan for A.Y. 2024-25

Particulars	₹	₹
2Gross Annual Value ($₹ 45,000 \times 12$)		5,40,000
Less: Municipal taxes (See Working Note 1)		18,000
Net Annual Value (NAV)		5,22,000
Less: Deductions under section 24		
(i) 30% of NAV	1,56,600	
(ii) Interest on housing loan (See Working Note 2)	2,24,400	
		3,81,000
Income chargeable under the head "House Property"		1,41,000

Working Notes:

(1)	Municipal taxes deductible from Gross Annual Value	
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	As per proviso to section 23(1), municipal taxes actually paid by the owner during the previous year is allowed to be deducted from Gross Annual Value. Accordingly, only ₹ 18,000 paid on 25.05.2023 is allowed to be deducted from Gross Annual Value, while computing income from house property of the previous year 2023-24	
(2)	Interest on housing loan allowable as deduction under section 24	
	As per section 24(b), interest for the current year (₹ 22,00,000 × 9%)	₹ 1,98,000
	Pre-construction interest For the period 01.08.2021 to 31.03.2022 (₹ 22,00,000 × 9% × 8/12) = ₹ 1,32,000 ₹ 1,32,000 allowed in 5 equal installments (₹ 1,32,000/5) from P.Y. 2022-23 to P.Y. 2026-27	₹ 26,400
		₹ 2,24,400
3.	Deduction under section 24(b), in respect of interest on housing loan for let out property, fully allowed without any limit.	

2. In the absence of information related to municipal value, fair rent and standard rent, the rent receivable has been taken as the Gross Annual Value

3. The municipal tax of ₹ 18,000 paid on 15.4.2022 would be allowed as deduction while computing income from house property of the previous year 2022-23.

Question 4

RTP Nov'22

Mr. Roy owns a house in Kolkata. During the previous year 2023-24, 3/4th portion of the house was self-occupied and 1/4th portion was let out for residential purposes at a rent of ₹ 12,000 p.m. The tenant vacated the property on 28th February, 2024. The property was vacant during March, 2024. Rent for the months of January 2024 and February 2024 could not be realized in spite of the owner's efforts. All the conditions prescribed under Rule 4 are satisfied.

Municipal value of the property is ₹ 4,50,000 p.a., fair rent is ₹ 4,70,000 p.a. and standard rent is ₹ 5,00,000. He paid municipal taxes @10% of municipal value during the year. A loan of ₹ 30,00,000 was taken by him during the year 2014 for acquiring the property. Interest on loan paid during the previous year 2023-24 was ₹ 1,51,000. Compute Roy's income from house property for the A.Y. 2024-25.

Answer:

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

Computation of Income from house property of Mr. Roy for the A.Y. 2024-25

Particulars		₹
Unit I (3/4th area - self-occupied)		
Annual Value		Nil
Less: Deduction under section 24(b) 3/4th of ₹ 1,51,000		1,13,250
Income from Unit I (self-occupied)		(1,13,250)
Unit II (1/4th area - let out)		
Computation of GAV		
Step 1 - Computation of Expected Rent (ER)		



ER = Higher of municipal value (MV) and fair rent (FR), but restricted to standard rent (SR).	1,17,500	
However, in this case, standard rent of ₹ 1,25,000 (1/4th of ₹ 5,00,000) is more than the higher of MV of ₹ 1,12,500 (1/4th of ₹ 4,50,000) and FR of ₹ 1,17,500 (1/4th of ₹ 4,70,000). Hence the higher of MV and FR is the ER. In this case, it is the fair rent.		
Step 2 - Computation of actual rent received/ receivable ₹ 12,000 × 9 = 1,08,000 [The property was let-out for 11 months. However, rent for 2 months i.e., January and February, 2024 could not be realized. Actual rent should not include any amount of rent which is not capable of being realized. Therefore, actual rent has been computed for 9 months]	1,08,000	
Step 3 - Computation of GAV		
The actual rent of ₹ 1,08,000 is lower than expected rent of ₹ 1,17,500 owing to vacancy, since had the property not been vacant in March 2022, the actual rent would have been ₹ 1,20,000 (i.e. ₹ 1,08,000 + ₹ 12,000), which is higher than the ER of ₹ 1,17,500. Therefore, actual rent is the GAV.	1,08,000	
Gross Annual Value (GAV)		
Less: Municipal taxes paid by the owner during the previous year relating to let-out portion		1,08,000
1/4th of (10% of ₹ 4,50,000) = ₹ 45,000/4 = ₹ 11,250	29,025	11,250
Net Annual Value (NAV)		96,750
Less: Deductions under section 24		
(a) 30% of NAV = 30% of ₹ 96,750		
(b) Interest paid on borrowed capital (relating to let out portion) [1/4th of ₹ 1,51,000]	37,750	66,775
Income from Unit II (let-out)		29,975
Loss under the head "Income from house property" (-1,13,250 + 29,975)		-83,275

Note -

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

Question 5

PYP July'21

Mr. Ramesh constructed a big house (construction completed in Previous Year 2011-12) with 3 independent units. Unit - 1 (50% of floor area) is let out for residential purpose at monthly rent of ₹ 15,000. A sum of ₹ 3,000 could not be collected from the tenant and a notice to vacate the unit was given to the tenant. No other property of Mr. Ramesh is occupied by the tenant. Unit - 1 remains vacant for 2 months when it is not put to any use. Unit - 2 (25% of the floor area) is used by Mr. Ramesh for the purpose of his business, while Unit - 3 (the remaining 25%) is utilized for the purpose of his residence. Other particulars of the house are as follows:
Municipal valuation - ₹ 1,88,000 Fair rent - ₹ 2,48,000 Standard rent under the Rent Control Act - ₹ 2,28,000 Municipal taxes - ₹ 20,000 Repairs - ₹ 5,000



Interest on capital borrowed for the construction of the property - ₹ 60,000, ground rent ₹ 6,000 and fire insurance premium paid - ₹ 60,000.

Income of Ramesh from the business is ₹ 1,40,000 (without debiting house rent and other incidental expenditure).

Determine the taxable income of Mr. Ramesh for the assessment year 2024-25 if he does not opt to be taxed under section 115BAC.

6 Marks

Answer:

Computation of Taxable Income of Mr. Ramesh for A.Y. 2024-25 under the regular provisions of the Act

Particulars		Amount (₹)	Amount (₹)
Income from house property			
Unit - 1 [50% of floor area - Let out]			
Gross Annual Value, higher of			
- Expected rent ₹ 1,14,000 [Higher of Municipal Value of ₹ 94,000 p.a. and Fair Rent of ₹ 1,24,000 p.a., but restricted to Standard Rent of ₹ 1,14,000 p.a.]			
- Actual rent ₹ 1,47,000 [₹ 15,000 × 10] less unrealized rent ³ of ₹ 3,000			
Gross Annual Value		1,47,000	
(Alternatively, ₹ 1,50,000 can be shown as actual rent and gross annual value, and thereafter, deduct ₹ 3,000 unrealized rent therefrom)			
Less: Municipal taxes [50% of ₹ 20,000 ⁴]		10,000	
Net annual value		1,37,000	
Less: Deductions from Net Annual Value			
(a) 30% of Net Annual Value		41,100	
(b) Interest on loan [50% of ₹ 60,000]		30,000	
Unit - 3 [25% of floor area - Self occupied]			
Net Annual Value		-	65,900
Less: Interest on loan [25% of ₹ 60,000]		15,000	(15,000)
Income from house property			50,900
Profits and gains from business or profession			
Business Income [without deducting expenditure on Unit - 2 25% floor area used for business purposes]		1,40,000	
Less: Expenditure in respect of Unit -2			
- Municipal taxes [25% of ₹ 20,000 ⁵]	5,000		
- Repairs [25% of ₹ 5,000]	1,250		
- Interest on loan [25% of ₹ 60,000]	15,000		
- Ground rent [25% of ₹ 6,000]	1,500		
- Fire Insurance premium [25% of ₹ 60,000]	15,000	37,750	
			1,02,250
Taxable Income			1,53,150

3 Since the conditions laid down under Rule 4 of Income-tax Rules, 1962, are satisfied

4 Assumed to have been paid during the year by Mr. Ramesh



Question 6

MTP Sep '23

Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of ₹ 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in turn provided to him as rent-free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2023-24.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to	Let-out to
	Star Private Limited	Ms. Puja

₹ 17,000 were paid as interest on loan taken by mortgaging House 1 for construction of House 2. During the previous year 2023-24, Mr. Madhvan purchased a rural agricultural land for ₹ 2,50,000. Stamp valuation of such property is ₹ 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2024-25. All workings should form part of your answer.

7 Marks

Answer:

Computation of taxable income of Mr. Madhvan for A.Y. 2024-25

Particulars		₹	₹
Salaries			
Basic Salary = ₹ 30,000 × 12		3,60,000	
Rent free accommodation		36,000	
[Lower of lease rental paid or payable by the employer (or) 15% 10% of salary i.e., lower of ₹ 65,000 or ₹ 54,000 ₹ 36,000, being 10% of ₹ 3,60,000]			
(As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)			
Gross Salary		3,96,000	
Less: Standard deduction u/s 16(IA) [Actual salary or ₹ 40,000 (As per amendment Rs.50,000), whichever is less]		40,000 50,000	
Net Salary	House 1		3,74,000 3,46,000
Income from house property		House 2	
Municipal value (A)	74,000	1,90,000	
Fair rent (B)	75,000	1,95,000	
Higher of (A) and (B) = (C)	75,000	1,95,000	
Actual rent received	65,000	2,85,000	
Gross Annual Value [Higher of (C) and Actual rent]	75,000	2,85,000	
Less: Municipal tax paid	18,000	70,000	
Net Annual Value (NAV)	57,000	2,15,000	
Less: Deductions u/s 24 30% of NAV	17,100	64,500	
Interest on loan	Nil	17,000	



Income from house property [₹ 39,900 + ₹ 1,33,500]	39,900	1,33,500	1,73,400
Income from Other Sources			
Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset]			Nil
Total Income			5,19,400
Note - Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head "Income from house property."			

Question 7

RTP May '23

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 previous year 2022-23:

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, 2016 for the construction of the above house property. Construction was completed on 30th June, 2019. 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 A.Y. 2024-25 ignoring the provisions of section 115BAC.

Answer:

Computation of Gross total income of Mr. Akash for the A.Y. 2024-25

Particulars		₹	₹
I	Income from House Property		
	Unit-II (75% of floor area)		
	Gross Annual Value		
	(a) Actual rent received (₹ 8,500 × 12)	₹ 1,02,000	
	(b) Expected rent	₹ 1,27,500	
	[Higher of municipal value (i.e. ₹ 1,60,000) and fair rent (i.e. ₹ 1,70,000) but restricted to standard rent (i.e. ₹ 1,90,000) ₹ 1,70,000 × 75%]		
	Higher of (a) or (b) is GAV		1,27,500
	Less: Municipal taxes (₹ 1,60,000 × 8% × 75%)		9,600
	NAV		1,17,900
	Less: Deductions u/s 24		
	(a) 30% of NAV	₹ 35,370	
	(b) Interest on loan (See note)	₹ 96,750	1,32,120



II	Profits & Gains of business & profession			(14,220)
	Income from Profession		8,00,000	
	Less: Light & Water Charges (25% of ₹ 2,000)	₹ 500		
	Municipal taxes (25% of ₹ 12,800)	₹ 3,200		
	Repairs (25% of ₹ 1,45,000)	₹ 36,250		
	Interest on loan taken for repair (25% of ₹ 36,000)	₹ 9,000		
	Interest on loan taken for construction of house property (25% of ₹ 60,000)	₹ 15,000		
	Depreciation	₹ 8,000	71,950	7,28,050
	Gross Total Income			7,13,830

Note:**Computation of Interest on loan**

	₹
Interest for the year (₹ 5,00,000 × 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 × 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)	1,29,000
Total Interest deduction u/s 24(b) for let out property (75% × ₹ 1,29,000)	96,750

Question 8

MTP Sept'24

Mr. Kamal, a resident but not ordinarily resident in India during the Assessment Year 2024-25. He owns two houses, one in Dubai and the other in Mumbai. The house in Dubai is let out there at a rent of DHS 20,000 p.m. (1DHS=INR 22). The entire rent is received in India. He paid property tax of DHS 2,500 and Sewerage Tax DHS 1,500 there, for the Financial Year 2023-24. The house in Mumbai is self-occupied. He had taken a loan of ₹ 10,00,000 to construct the house on 1st June, 2020 @12%. The construction was completed on 31st May, 2022 and he occupied the house on 1st June, 2022. The entire loan is outstanding as on 31st March, 2024. Property tax paid in respect of the second house is ₹ 2,400 for the Financial Year 2023-24. Compute the income chargeable under the head "Income from House property" in the hands of Mr. Kamal for the Assessment Year 2024-25 under regular provisions of the Act. **5 Marks**

Answer:**Computation of income from house property of Mr. Kamal for A.Y. 2024-25**

Particulars		
1. Income from let-out property in Dubai [See Note 1 below]		
2Gross Annual Value (DHS 20,000 p.m. × 12 months × ₹ 22)		52,80,000
Less: Municipal taxes paid during the year [DHS 4,000 (DHS 2,500 + DHS 1,500) × ₹ 22]		88,000
Net Annual Value (NAV)		51,92,000
Less: Deductions under section 24		
(a) 30% of NAV	15,57,600	



(b) Interest on housing loan		15,57,600 36,34,400
2. Income from self-occupied property in Mumbai		
Annual Value [Nil, since the property is self-occupied]		NIL
[No deduction is allowable in respect of municipal taxes paid in respect of self-occupied property]		1,64,000
Less: Deduction in respect of interest on housing loan [See Note 2 below]		<u>(1,64,000)</u>
Income from house property [$\text{₹ } 36,34,400 - \text{₹ } 1,64,000$]		34,70,400

Notes:

(1) Since Mr. Kamal is a resident but not ordinarily resident in India for A.Y. 2024-25, income which is, inter alia, received in India shall be taxable in India, even if such income has accrued or arisen outside India. Accordingly, rent received from house property in Dubai would be taxable in India since such income is received by him in India. Income from property in Mumbai would accrue or arise in India and consequently, interest deduction in respect of such property would be allowable while computing Mr. Kamal's income from house property because of self-occupied property.

(2)	Interest on housing loan for construction of self-occupied property allowable as deduction under section 24	
	Interest for the current year ($\text{₹ } 10,00,000 \times 12\%$)	₹ 1,20,000
	Pre-construction interest For the period 01.06.2020 to 31.03.2022 ($\text{₹ } 10,00,000 \times 12\% \times 22/12$) = ₹ 2,20,000 ₹ 2,20,000 allowed in 5 equal installments ($\text{₹ } 2,20,000/5$)	₹ 44,000
		₹ 1,64,000

Difficulty**Question 1**

MTP April '23, March'21, Apr'19

Mr. Ramesh and Mr. Suresh constructed their houses on a piece of land purchased by them at Mumbai. The built-up area of each house was 1,500 sq. ft. ground floor and an equal area in the first floor. Ramesh started construction on 1-04-2022 and completed on 1-04-2023. Suresh started the construction on 1-04-2022 and completed the construction on 30-06-2023. Ramesh occupied the entire house on 01-04-2023. Suresh occupied the ground floor on 01-07-2023 and let out the first floor for a rent of ₹ 15,000 per month. However, the tenant vacated the house on 31-12-2023 and Suresh occupied the entire house during the period 01-01-2024 to 31-03-2024.

Following is the other information.

(i)	Fair rental value of each unit (ground floor /first floor)	₹1,00,000 per annum
(ii)	Municipal value of each unit (ground floor / first floor)	₹ 72,000 per annum
(iii)	Municipal taxes paid by	Ramesh - ₹ 8,000
		Suresh - ₹ 8,000



(iv)	Repair and maintenance charges paid by	Ramesh - ₹ 28,000
		Suresh - ₹ 30,000

Ramesh has availed a housing loan of ₹ 20 lakhs @ 12% p.a. on 01-04-2022. Suresh has availed a housing loan of ₹ 12 lakhs @ 10% p.a. on 01-07-2022. No repayment was made by either of them till 31-03-2024. Compute income from house property for Ramesh and Suresh for the previous year 2023-24 (A.Y. 2024- 25).

7 Marks

Answer:

Computation of income from house property of Mr. Ramesh for A.Y. 2024-25

Particulars	₹	₹
Annual value is nil (since house is self-occupied)		Nil
Less: Deduction under section 24(b)		
Interest paid on borrowed capital ₹ 20,00,000 @ 12%	2,40,000	
Pre-construction interest ₹ 2,40,000/5	48,000	
As per second proviso to section 24(b), interest deduction restricted to	2,88,000	2,00,000
Loss under the head "Income from house property" of Mr. Ramesh		(2,00,000)

Computation of income from house property of Mr. Suresh for A.Y. 2024-25

Particulars	Ground floor (Self occupied)	First floor
Gross annual value (See Note below)	Nil	90,000
Less: Municipal taxes (for first floor)		4,000
Net annual value(A)	Nil	86,000
Less: Deduction under section 24		
(a) 30% of net annual value		25,800
(b) interest on borrowed capital		
Current year interest		
₹ 12,00,000 × 10% = ₹ 1,20,000	60,000	60,000
Pre-construction interest		
₹ 12,00,000 × 10% × 9/12 = ₹ 90,000		
₹ 90,000 allowed in 5 equal installments		
₹ 90000/5 = ₹ 18,000 per annum	9,000	9,000
Total deduction under section 24(b)	69,000	94,800
Income from house property (A)-(B)	(69,000)	(8,800)
Loss under the head "Income from house property" of Mr. Suresh (both ground floor and first floor)	(77,800)	

Note: Computation of Gross Annual Value (GAV) of first floor of Suresh's house

If a single unit of property (in this case the first floor of Suresh's house) is let out for some months and self-occupied for the other months, then the Expected Rent of the property shall be taken into account for determining the annual value. The Expected Rent shall be compared with the actual rent and whichever is higher shall be adopted as the annual value. In this case, the actual rent shall be the rent for the period for which the property was let out during the previous year.

