

-Current year revenue expenditure on scientific research under section 35(1)(i)	2,40,000	6,00,000
- Current year depreciation under section 32(1)	4,70,000	19,86,000
-Current year capital expenditure on scientific research under section 35(1)(iv)	3,45,000	
-Unabsorbed depreciation of A.Y. 2012-13 under section 32(2)	52,000	
-Unabsorbed capital expenditure on scientific research relating to P.Y. 2020-21 under section 35(4)	85,000	9,52,000
Book Profit		10,34,000
Less: Partners' remuneration allowable under section 40(b)		
(i) As per limit prescribed in section 40(b)		
On first ₹ 3,00,000 90%	2,70,000	
On the balance ₹ 7,34,000 60%	4,40,400	
(ii) Remuneration actually paid or payable [₹ 50,000 × 12 + ₹ 40,000 × 12]	7,10,400	
	10,80,000	
(i) or (ii) whichever is less, is deductible		7,10,400
Profit from manufacturing business		3,23,600
Less: Brought forward business loss of A.Y. 2015-16 [Not allowed to set off in the last 8 years have been already expired]	-	
Less: Brought forward business loss of A.Y. 2019-20	49,000	49,000
Profits and gains of business or profession		2,74,600

Remuneration taxable in the hands of Mr. Anand as business income = ₹ 7,10,400 × 6,00,000/10,80,000 = ₹ 3,94,667

Remuneration taxable in the hands of Mr. Bheem as business income = ₹ 7,10,400 × 4,80,000/10,80,000 = ₹ 3,15,733

Question 17

PYP Nov '22

Dr. Rohan, 82 years old resident surgeon, having his Nursing Home in Mumbai, gives the following particulars for the year ended on 31.03.2024.

Receipts	₹	Payments	₹
Opening Balance b/d	1,25,000	Salary to Staff	3,50,000
Fees from visits to other hospitals (net)	5,85,000	Taxes & Insurance	26,000
Fees for March, 2023 received in April, 2023		Entertainment Expenses	1,10,000
IPD 40,000	85,000	Purchase of Television	48,000
OPD 45,000			
Dividend from shares (net)	18,900	Gift to daughter-in law	60,000
Fees received during the year	10,25,000	Interest on loan for repairs to property	65,000
Gifts received from relatives of patients	45,000	Personal medical expenses	70,000
Honorarium for painting services in Jai Hind Art School (net)	22,500	Deposits in PPF A/c	55,000
Income-tax Refund (Including interest ₹ 1,500)	12,100	Nursing Home expenses	3,75,000
		Prof. fees paid for consulting services	1,20,000
		Purchase of furniture at home	1,35,000
		Personal Expenses	3,00,000
		Balance c/f	2,04,500



	19,18,500		19,18,500
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Other Information:

- 1) He keeps his books of accounts on cash basis and has not opted for the provisions of section 44ADA.
- 2) Salary includes ₹ 60,000 paid to his sister who is a qualified nurse paid in cash.
- 3) Entertainment expenses include ₹ 25,000 for dinner to doctors in a five star hotel.
- 4) Interest on loan for repairs to property includes ₹ 40,000 for his residential property.
- 5) His daughter in law earned income of ₹ 10,000 from the amount received as gift.
- 6) Fixed Assets values as on 01.04.2023 are as under :
 - Nursing Home Equipment's ₹ 2,20,000,
 - Medical Books (incl. annual publications ₹ 10,000) ₹ 35,000,
 - Laptop ₹ 40,000.
- 7) Television purchased for nursing home purpose on 21.09.2023 is put to use on 03.10.2023.
- 8) He has donated ₹ 10,000 towards PM CARES Fund on 15.08.2023. You are required to Compute the total income and tax payable by him for AY 2024 -25 as per the regular provisions of the Income-tax Act, 1961.

Assume that he has not opted for section 115BAC.

What will be his total income and tax payable, if he opts for the provisions of section 44ADA? Will it be more beneficial for him to adopt 44ADA? **14 Marks**

Answer:

Computation of total income and tax payable by Dr. Rohan for A.Y. 2024-25 as per the regular provisions of the Act

	Particulars	₹	₹	₹
I	Income from house property			
	Annual value [Assuming residential property self-occupied]		Nil	
	Less: Deduction under section 24(b)			
	Interest on loan for repairs to property, ₹ 40,000, restricted to		30,000	
	Loss from self-occupied property			30,000
	[can be set-off against Profits and gains of business or profession or Income from other sources]			
	Profits and gains from business and profession			
	Gross Receipts			
	Fees from visits to other hospitals [5,85,000/90%]	6,50,000		
	Fees for March 2023 received in April 2023 [Fees for March 2023 is chargeable to tax during P.Y. 2023-24, since Dr. Rohan is following cash system of accounting] [40,000 + 45,000]	85,000		
	Fees received during the year	10,25,000		
	Gifts received from relatives of patients [taxable as business income]	45,000	18,05,000	
	Less: Permissible deductions			



Salary to staff [Salary paid to his sister who is a qualified nurse in cash disallowed under section 40A(3), since such cash payment exceeds ₹ 10,000] [₹ 3,50,000 - ₹ 60,000]	2,90,000		
Taxes and insurance	26,000		
Entertainment expenses, including dinner to doctors [Assuming that the entire sum was incurred wholly and exclusively for business purpose]	1,10,000		
Interest on loan for repair to property [to the extent relating to business] = ₹ 65,000 - ₹ 40,000, relating to residential property	25,000		
Nursing home expenses	3,75,000		
Professional fees paid for consulting services	1,20,000	9,46,000	
		8,59,000	
Less: Depreciation under section 32 Nursing home equipment's [2,20,000 x 15%]	33,000		
<i>Note - Nursing home equipment would be eligible for depreciation @15%, being the general rate for plant and machinery. The main solution has, accordingly, been worked out applying 15%. However, if such equipment is in the nature of life saving medical equipment, they would be eligible for higher depreciation @40%. If 40% rate is applied, depreciation would be ₹ 88,000</i>			
Medical books [35,000 x 40%]	14,000		
Laptop [40,000 x 40%]	16,000		
Television [48,000 x 15%, since the television is put to use for 180 days during the P.Y. 2023-24] Note - Television would be eligible for depreciation @15%. However, television connected to laptop or other medical equipment and used by Doctor may be classified as plant and machinery eligible for depreciation @40%. If 40% rate is applied, depreciation for TV would be ₹ 19,200. Also, it is possible to take a view that Television is furniture and fixtures qualifying for depreciation@10%. If 10% rate is applied, depreciation for TV would be ₹ 4,800.	7,200	70,200	
Income from Other Sources			
Dividend from shares [18,900/90%]		21,000	
Honorarium for painting services in Jai Hind Art School [22,500/90%]		25,000	
Honorarium (Alternative without TDS)- ₹ 22,500			
Note - In the question, it is mentioned that Dr. Rohan has received Honorarium for painting services in Jai Hind Art School (Net) of ₹ 22,500. Since the threshold limit for deducting tax at source under section 194J is ₹ 30,000, there is no requirement to deduct tax at source on such income. Accordingly, question can be answered without grossing up the amount of honorarium of ₹ 22,500.			



Interest on income-tax refund		1,500	
Income earned from gift to daughter in law [Income earned by daughter in law from asset gifted without consideration to her by Dr. Rohan is includible in the hands of Dr. Rohan]		10,000	57,500
Gross Total Income			8,16,300
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Deposits in PPF		55,000	
Deduction under section 80D Medical expenses to the extent of ₹ 50,000 since Dr. Rohan is a senior citizen (assuming he has not taken any medical insurance policy)		50,000	
Deduction under section 80G Donation towards PM CARES Fund		10,000	1,15,000
Total Income			7,01,300
Tax Payable			
Up to ₹ 5,00,000 [since Dr. Rohan is aged 80years or above]		Nil	
₹ 5,00,001 to ₹ 7,01,300 [₹ 2,01,300@20%]		40,260	
			40,260
Add: HEC@4%			1,610
Tax liability			41,870
Less: TDS on fees from visits to other hospitals		65,000	
TDS on dividend from shares		2,100	
TDS on honorarium for painting services in JaiHind art School		2,500	69,600
Tax Refundable			27,730

Computation of total income and tax payable by Dr. Rohan for A.Y. 2024-25 if he opts for section 44ADA

	Particulars	₹	₹
I	Income from house property		
	Loss from self occupied property		(30,000)
II	Income from business or profession		
	Income from profession [18,05,000 x 50%] [No other expenditure or depreciation is allowed]		9,02,500
III	Income from Other Sources		57,500
	Gross Total Income		9,30,000
	Less: Deduction under Chapter VI-A		1,15,000
	Total Income		8,15,000
	Tax Payable		
	Upto ₹ 5,00,000	Nil	
	₹ 5,00,001 to ₹ 8,15,000 [3,15,000@20%]	63,000	
			63,000



	Less: HEC@4%		2,520
	Tax liability		65,520
	Less: TDS		69,600
	Tax Refundable		4,080
Since tax refundable in case Dr. Rohan opts for the provisions of section 44ADA is lower than the regular provisions of the Act, it would be beneficial for him not to opt for section 44ADA and get his books of account audited and declare income under the regular provisions.			

Question 18

MTP, Nov'21, RTP Nov'21

Ms. Soha (aged 35 years), a resident individual, is a dealer of scooters. During the previous year 2023-24, total turnover of her business was Rs. 110 lakhs (out of which Rs. 25 lakhs were received by way of account payee cheques and balance in cash). Ms. Soha does not opt to pay tax as per the provisions of section 115BAC. What would be your advice to Ms. Soha relating to the provisions of advance tax with its due date along with the amount payable, assuming that she wishes to make maximum tax savings.

3 Marks**Answer:**

Computation of advance tax of Ms. Soha under Presumptive Income scheme as per section 44AD
The total turnover of Ms. Soha, a dealer of scooter, is ₹ 110 lakhs. Since her total turnover from such business is less than Rs. 200 lakhs and she does not wish to get his books of account audited, she can opt for presumptive tax scheme under section 44AD.

Profits and gains from business computed under section 44AD:

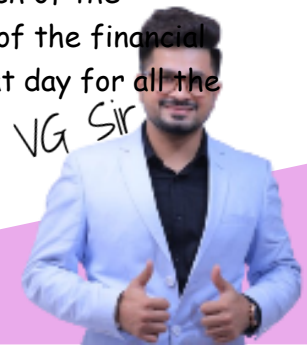
Particulars	Rs.
6% of Rs. 25 lakhs, being turnover effected through account payee cheque	1,50,000
8% of Rs. 85 lakhs, being cash turnover	6,80,000
	8,30,000

An eligible assessee opting for computation of profits and gains of business on presumptive basis under section 44AD in respect of eligible business is required to pay advance tax of the whole amount on or before 15th March of the financial year.

Computation of tax liability of Ms. Soha as per normal provisions of Income-tax Act, 1961

Particulars	Amount in Rs.	
Total Income	8,30,000	
Tax on 8,30,000		
Upto Rs. 2,50,000	Nil	
₹ 2,50,001 - Rs. 5,00,000@5%	12,500	
₹ 5,00,001 - Rs. 8,30,000@20%	66,000	78,500
Add: Health and Education cess@4%		3,140
Tax liability		81,640

Accordingly, she is required to pay advance tax of Rs. 81,640 on or before 15th March of the financial year. However, any amount by way of advance tax on or before 31st March of the financial year shall also be treated as advance tax paid during the financial year ending on that day for all the purposes of the Act.



Question 19

Discuss in brief about deduction on account of Preliminary Expenses under section 35D. **5 Marks**

Answer:

Under section 35D an Indian Company or a resident non-corporate assessee can claim deduction in respect of preliminary expenses incurred before commencement of business or setting up a new unit (Including extension of the business).

Maximum qualifying amount is as under:

(a) Corporate assessed - 5% of cost of the project. Or 5% of capital employed, whichever is more.

(b) Non-Corporate assessed - 5% of cost of the project.

Deduction of preliminary expenses is allowed in five successive previous years equally (1/5th Every Year) beginning from year of commencement of business.

Question 20

CS Execu. June'14 New

What are the special provisions for computing Profits and Gains of Business or Profession on presumptive basis under section 44AD? **5 Marks**

Answer:

Under section 44AD if the taxpayer is ordinary resident or Hindu Undivided Family or Resident Partnership firm (except limited liability) and engaged in any business (except business of negative list), whose annual turnover does not exceed ₹ 2 crores can opt for taxation on estimated income basis. Presumptive income will be 8 per cent (6% if received by a/c payee cheque/drafts/ECS, etc.) of turnover (without any deduction therefrom). In such case assessee will enjoy following benefits:

1. He is not required to maintain account books.
2. He can pay advance tax in one instalment up to 15th March.
3. He can submit his return of income in ITR-4 (a simplified form).

Question 21

CS Execu. June'14 New

Discuss giving reason regarding admissibility or otherwise of the following expenditures while computing income under the head Income from Business or Profession :

- (i) Expenses incurred in connection with a branch, the business of which was discontinued during the previous year.
- (ii) Penalty paid to customs authorities for importing prohibited goods which gave a huge profit to the business.
- (iii) Interest paid on an amount borrowed to acquire a plant for business use upto the date on which the plant is put to use.
- (iv) Rent paid to daughter of the assessee for her building used as office premises of the business. The building was actually gifted to her by the assessee (father) at the time of her marriage. (You need not rewrite the statements. Write only admissible/Not admissible with reasons).

4 Marks



Answer:

(i) **Admissible:** Expenses incurred in connection with a branch, the business of which was discontinued during the previous year, are admissible while computing income under the head Income from business or profession as the discontinuance of a branch is not discontinuance of whole business.

(ii) **Not Admissible:** Penalty paid to customs authorities for importing prohibited goods which is an illegal activity and therefore not admissible while computing income under the head Income from Business or Profession.

(iii) **Not Admissible:** Interest paid on an amount borrowed to acquire a plant for business use up to the date on which the plant is put to use is capital in nature and shall be capitalized by adding with the cost of the plant and therefore not admissible while computing income under the head Income from Business or Profession.

(iv) **Admissible:** The building is owned by the daughter of the assessed and used for the business of the assessed. Therefore, rent paid to daughter of the assesses for her building used as office premises is allowed up to the reasonable limit (Not exceeding market rent).

Question 22

CS Execu. June'14 New

XYZ Pvt. Ltd. furnishes the following information relating to its two business units, one located in Special Economic Zone (SEZ) and other located in Domestic Tariff Area (DTA) for the year ended 31-3-2024:

Particulars

Total turnover of Unit A located in SEZ	400
Profit of the business of Unit A	120
Export turnover of Unit A	200
Total turnover of Unit B located DTA	800
Profit of the business of Unit B	80

You are required to compute the deduction available under section 10AA to XYZ Pvt. Ltd. for the Assessment Year 2024-25 by taking that Unit A in SEZ was set-up in the previous year 2019-20 and separate books of account are being maintained for both the units by the company. Give brief reasons for your answer in the context of provisions of the Act. **4 Marks**

Answer:

100% of the profits derived from export of articles or things or services are eligible for deduction under section 10AA of the Income-tax Act, 1961 within the first five year period commencing from the year of manufacture or production of articles or things or provision of services by the unit in SEZ and thereafter for next 5 years 50%.

Unit A in SEZ is in fifth year of operation and therefore deduction of 100% is available as per section 10AA(7). The profit derived from export of articles or things or services shall be the amount which bears to the profits of business of the undertaking, being the Unit, the same proportion as the export turnover of the business carried on by the undertaking as the separate books of account for both the units have been maintained.

Deduction under section 10AA

$$= \text{Profits of the business of Unit A} \times (\text{Export Turnover of Unit A} / \text{Total Turn of Unit A})$$

$$= ₹ 120 \text{ Lakhs} \times (200/400)$$



= ₹ 60 Lakhs

Question 23

CS Execu. June'14 New

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

	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 .

4 Marks

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.



Multiple Choice Questions

Question 1

MTP Nov '21

K is a working partner in a firm on behalf of his HUF and the HUF has contributed ₹3,00,000 as its capital contribution. Apart from this, K has given a loan of ₹ 50,000 to the firm in his individual capacity. The firm pays interest as per market rate of 15% per annum on capital as well as loan. Compute the amount of interest that shall be allowed to the firm while calculating its business income assuming that the interest is authorized by the partnership deed.

- (a) ₹ 42,000
 (b) ₹ 51,000
 (c) ₹ 52,500
 (d) ₹ 43,500

Question 2

MTP April'21

Mr. C aged 35 years is a working partner in M/s BCD, a partnership firm, with equal profit-sharing ratio. During the P.Y. 2023-24, the firm has paid remuneration to Mr. B, Mr. C and Mr. D, being the working partners of the firm, of ₹ 2,00,000 each. The firm has paid interest on capital of ₹ 1,20,000 in total to all the three partners and the same is within the prescribed limit of 12%. The firm had a loss of ₹ 1,12,000 after debiting remuneration and interest on capital.

Note - Remuneration and interest on capital is authorized by the partnership deed. You, being the CA of Mr. C, are in the process of computing his total income. What would be his taxable remuneration from the firm?

- (a) ₹ 2,00,000
 (b) ₹ 1,51,600
 (c) ₹ 1,27,600
 (d) ₹ 1,50,000

Question 3

MTP May'20

Mrs. Shavian, wife of Mr. Anurag, is a partner in a firm. Her capital contribution of ₹5 lakhs to the firm as on 1.4.2023 included ₹3.5 lakhs contributed out of gift received from Anurag. On 10.4.2023, she further invested ₹2 lakhs out of gift received from Anurag. The firm paid interest on capital of ₹ 50,000 and share of profit of ₹ 60,000 during the F.Y.2023-24. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- a) Share of profit is exempt but interest on capital is taxable in the hands of M^{rs} Shavian.
 b) Share of profit is exempt but interest of ₹ 39,286 is includible in the income of Mr. Anurag and interest of ₹ 10,714 is includible in the income of M^{rs} Shivani.
 c) Share of profit is exempt but interest of ₹ 35,000 is includible in the income of Mr. Anurag and interest of ₹ 15,000 is includible in the income of M^{rs} Shivani.
 d) Share of profit to the extent of ₹ 42,000 and interest on capital to the extent of ₹ 35,000 is includible in the hands of Mr. Anurag.



Question 4

MTP Oct'19

Match the following to their respective rate of depreciation -

L.	Pollution control equipment	1.	10%
M.	Commercial building	2.	40%
N.	Oil Wells	3.	100%
		4.	15%

Select the correct answer from the options given below:

	L.	M.	N.
(a)	2	1	4
(b)	4	2	1
(c)	2	4	1
(d)	3	1	4

Question 5

MTP Oct'19

Mr. Kunal is a doctor by profession engaged in his medical practice from last 15 years His gross receipts from the profession in FY 2021-22, 2022-23, 2023-24 were ₹2,00,000, ₹16,00,000 and ₹18,50,000 respectively. Further, Kunal follows cash system of accounting. Determine which of the following books of accounts and documents are required to be kept and maintained by Kunal.

- (i) Cash Book
 - (ii) Journal
 - (iii) Inventory of the stock of drugs, medicines, etc.
 - (iv) A daily case register
- (a) (i) and (ii)
 - (b) (i), (ii), (iii) & (iv)
 - (c) (i), (iii) & (iv)
 - (d) none of the above

Question 6

MTP Oct'19

Mr. Shahid, a wholesale supplier of dyes, provides you with the details of the following cash payments he made throughout the year -

12.06.2013: loan repayment of ₹ 27,000 taken for business purpose from his friend Kunal. The repayment also includes interest of ₹ 5,000.

19.08.2013: Portable dye machinery purchased for ₹ 15,000. The payment was made in cash in three weekly instalments.

26.01.2014: Payment of ₹ 10,000 made to electrician due to unforeseen electric circuit at shop

28.02.2014: Purchases made from unregistered dealer for ₹ 13,500

What will be disallowance under 40A (3), if any, if Mr. Shahid opts to declare his income as per the provisions of section 44AD?

- (a) ₹ 18,500
- (b) ₹ 28,500
- (c) ₹ 13,500
- (d) NIL



Question 7

MTP April'19

M/s ABC & Co., a firm carrying on business, furnishes the following particulars for the P.Y. 2023-24.

Particulars	₹
Book profits (before setting of unabsorbed depreciation and brought forward business loss)	2,50,000
Unabsorbed depreciation of P.Y.2017-18	1,20,000
Brought forward business loss of P.Y.2022-23	2,00,000

Compute the amount of remuneration allowable under section 40(b) from the book profit.

- (a) ₹ 2,25,000
 (b) ₹1,80,000
 (c) ₹1,50,000
 (d) ₹1,17,000

Question 8

MTP March'19

Which of the following persons are compulsorily required to get their accounts audited u/s 44AB of the Income-tax Act, 1961?

- (i) An assessee, who has not opted for presumptive taxation and his turnover during the P.Y. is ₹2 crores.
 (ii) A professional whose gross receipts during the previous year amounts to ₹50 lakhs, who declares his profits and gains from profession u/s 44ADA.
 (iii) An assessee having turnover of ₹1.5 crore, who declares his profits and gains from business u/s 44AD.
 (iv) A lawyer having gross receipts of ₹40 lakhs during the P.Y. who claims his profits and gains from the legal profession to be 40% of the gross receipts.
 (v) An individual who opts out of the presumptive taxation scheme u/s 44AD during the P.Y., however, his total income for the said year is ₹2,00,000.
- (a) (i), (iv)
 (b) (i), (iv), (v)
 (c) (i), (ii), (iv)
 (d) (iv), (v)

Question 9

MTP March 22

Mrs. Bhawna, wife of Mr. Sonu, is a partner in a firm. Her capital contribution of ₹ 10 lakhs to the firm as on 31.3.2023 included ₹ 6 lakhs contributed out of gift received from Sonu. On 1.4.2023, she further invested ₹ 2 lakh out of gift received from Sonu. The firm paid interest on capital of ₹ 1,20,000 and share of profit of ₹ 1,00,000 during the F.Y.2023-24. The entire interest has been allowed as deduction in the hands of the firm. Which of the following statements is correct?

- a) Share of profit is exempt but interest on capital is taxable in the hands of M₹ Bhawna
 b) Share of profit is exempt but interest of ₹ 80,000 is includible in the income of Mr. Sonu and interest of ₹ 40,000 is includible in the income of M₹ Bhawna
 c) Share of profit is exempt but interest of ₹ 72,000 is includible in the income of Mr. Sonu and interest of ₹ 48,000 is includible in the income of M₹ Bhawna
 d) Share of profit to the extent of Rs 60,000 and interest on capital to the extent of ₹ 72,000 is includible in the hands of Mr. Sonu Ans : (b)



Question 10

MTP April '22

Mr. Raja, a proprietor, commenced operation of the business of a new three-star hotel in Mumbai on 1.7.2023. He had made a total investment of ₹ 7.58 crores till 30.6.2023. Out of total investment of ₹ 7.58 crores, ₹ 1.58 crores was used for purchase of land in P.Y.2022-23. ₹ 4.70 crores was used for constructing Hotel and balance of ₹ 1.30 used for purchasing the furniture in P.Y. 2023-24. He wants to avail the benefit of deduction under section 35AD as he satisfied with all the conditions prescribed u/s 35AD. His profit and gains from the business for P.Y. 2023-24 is ₹ 50 lakhs before claiming deduction u/s 35AD. He wants to file his income-tax return on 12.12.2023. How much deduction Mr. Raja can claim for A.Y. 2024-25 and the losses which he can carry forward to A.Y. 2025-26?

- He can claim the deduction of ₹ 7.58 crores from his business income but he would not be able to carry forward the business loss of ₹ 7.08 crores
- He can claim the deduction of ₹ 6.00 crores from his business income and can carry forward the business loss of ₹ 5.50
- He can claim the deduction of ₹ 6.00 crores from his business income but cannot carry forward the business loss of ₹ 5.50
- He can claim the deduction of ₹7.58 crores from his business income and can carry forward the business loss of ₹ 7.08 crores Ans: (c)

Question 11

MTP April '23, RTP May'19

M/s ABC, an eligible assessee, following mercantile system of accounting, carrying on eligible business under section 44AD provides the following details:

- ◆ Total turnover for the financial year 2023-24 is ₹ 130 lakh
- ◆ Out of the above:
 - ₹ 25 lakh received by A/c payee cheque during the financial year 2023-24;
 - ₹ 50 lakh received by cash during the financial year 2023-24;
 - ₹ 25 lakh received by A/c payee bank draft before the due date of filing of return;
 - ₹ 30 lakh not received till due date of filing of return.

What shall be the amount of deemed profits of M/s ABC under section 44AD(1) for A.Y. 2024-25?

- ₹10.4 lakh
- ₹7.0 lakh
- ₹5.5 lakh
- ₹9.4 lakh



Question 12

RTP May '23

Mr. A engaged in the retail trading of toys, had acquired a motor vehicle - A for ₹ 4 lakhs on 20.08.2021, put to use on 04.10.2022 and another motor vehicle - B for ₹ 3 lakhs on 19.02.2022, put to use on 03.09.2022. On 01.04.2022, Mr. A took a vehicle loan of ₹ 5 lakhs at 10% p.a. and acquired the motor vehicle - C for ₹ 5 lakhs on 31.05.2022, put to use on 30.06.2022. On 30.07.2023 the same vehicle - C was sold for ₹ 5.50 lakhs and reacquired it back on 28.08.2023 for ₹ 6 lakhs. Assuming the above-mentioned assets are the only assets in the block of assets for Mr. A, what would be its total depreciation claim under section 32 for P.Y. 2023- 24?

- (a) ₹ 1,66,594
 (b) ₹ 1,62,094
 (c) ₹ 1,37,438
 (d) ₹ 1,60,500

Question 13

MTP May'20

'A' Transport company engaged in the business of plying goods carriage with 4 heavy vehicles and 3 non-heavy vehicles. All the non-heavy vehicles were sold on 10th May, 2021 and 2 heavy vehicles were acquired on the same date. Transporter wants to declare its income for AY 2023-24 as per

- (a) ₹ 5,70,000
 (b) ₹ 5,47,500
 (c) ₹ 5,55,000
 (d) ₹ 3,60,000

Question 14

MTP Mar'22

The WDV of the block of asset of plant & machinery depreciated @ 15% as on 1st April, 2022 was of ₹ 13,50,000. Out of this block, one machine was sold 1st July, 2022 for ₹ 4,50,000 and a new machine of ₹ 7,50,000 was purchased on 1st August, 2022 which could be put to use from 1st March, 2023. The amount of depreciation to be claimed on the block of plant & machinery in the computation of income for A.Y 2023-24 shall be :

- (a) ₹ 1,35,000
 (b) ₹ 2,47,500
 (c) ₹ 1,91,250
 (d) ₹ 2,53,125

Question 15

MTP Oct'22

Ping Pong is a Proprietorship firm of Pinga, resident in India having turnover from manufacturing and sale of Steel balls for the year 2022-23 of ₹ 148 lakh which is inclusive of amount of ₹ 42 lakh received through electronic clearing system/RTGS/NEFT. The accounts are not properly maintained by Pinga and therefore he wants to pay tax on the income computed under section 44AD of Act. Advise Pinga, how much income he will be required to pay tax for A.Y. 2023-24 as per section 44AD :

- (A) ₹ 11,84,000
 (B) Not allowed to opt 44AD being turnover above ₹ 100 lakh
 (C) ₹ 11,00,000
 (D) ₹ 8,88,000



Question 16

MTP Mar'21

Which out of the following elements shall be considered for bringing to tax the income under the head Income from Business & Profession?

- (i) Ownership of the business is not necessary
- (ii) Business must be legal
- (iii) Income may be earned in cash or kind
- (iv) Profit motive is not the sole consideration

- (a) (iii) & (iv)
- (b) (i), (iii) & (iv)
- (c) (ii) & (iii)
- (d) all the above four

Question 17

MTP April'19

Brownny Processors (P.) Ltd. Paid ₹ 4,50,000 as contract charges to Martin. It deducted tax at source @1% for the expenditure incurred up to 30th April, 2022 of ₹ 1,50,000 and did not deduct tax on the subsequent payments of ₹ 3,00,000 made during the previous year 2022-23. How much of the expenditure would be added to its income while computing the income of Brownny Processors (P) Ltd. of the assessment year 2023-24 ?

- (A) ₹ 4,50,000
- (B) ₹ 3,00,000
- (C) ₹ 1,50,000
- (D) ₹ 90,000

Answers

1	2	3	4	5	6	7	8	9	10
d	c	c	a	c	d	b	a	b	c
11	12	13	14	15	16	17			
d	c	b	c	c	b	d			



Descriptive Questions

Easy

Question 1

RTP May'20

Mrs. Yuvika bought a vacant land for ₹ 80 lakhs in May 2005. Registration and other expenses were 10% of the cost of land. She constructed a residential building on the said land for ₹ 100 lakhs during the financial year 2007-08.

She entered into an agreement for sale of the above said residential house with Mr. Johar (not a relative) in April 2015. The sale consideration was fixed at ₹ 700 lakhs and on 23-4-2015, Mrs. Yuvika received ₹ 20 lakhs as advance in cash by executing an agreement. However, due to failure on part of Mr. Johar, the said negotiation could not materialise and hence, the said amount of advance was forfeited by Mrs. Yuvika.

Mrs. Yuvika, again entered into an agreement on 01.08.2023 for sale of this house at ₹ 810 lakhs. She received ₹ 80 lakhs as advance by RTGS. The stamp duty value on the date of agreement was ₹ 890 lakhs. The sale deed was executed and registered on 14-1-2024 for the agreed consideration. However, the State stamp valuation authority had revised the values, hence, the value of property for stamp duty purposes was ₹ 900 lakhs. Mrs. Yuvika paid 1% as brokerage on sale consideration received.

Subsequent to sale, Mrs. Yuvika made following acquisition/investments:

- Acquired two residential houses at Delhi and Chandigarh for ₹ 130 lakhs and ₹ 50 lakhs, respectively, on 31.1.2024 and 15.5.2024
- Acquired a residential house at UK for ₹ 180 lakhs on 23.3.2024.
- Subscribed to NHAI capital gains bond (approved under section 54EC) for ₹ 50 lakhs on 29-3-2024 and for ₹ 40 lakhs on 12-5-2024.

Compute the income chargeable under the head 'Capital Gains' of Mrs. Yuvika for A.Y. 2024-25. The choice of exemption must be in the manner most beneficial to the assessee.

Cost Inflation Index: F.Y. 2005-06 - 117; F.Y. 2007-08 - 129; F.Y. 2023-24.

Answer:

Computation of Taxable Salary of Mr. Balaji for A.Y. 2024-25

Particulars	Rs.
Basic salary [(₹50,000 × 7) + (₹60,000 × 5)]	6,50,000
Dearness Allowance (40% of basic salary)	2,60,000
Bonus (₹ 50,000 + 40% of Rs. 50,000) (See Note 1)	70,000



Employers contribution to recognised provident fund in excess of 12% of salary = 4% of Rs.6,50,000 (See Note 2)	26,000
Professional tax paid by employer	2,000
Perquisite of Motor Car (₹ 2,400 for 5 months) (See Note 4)	12,000
Gross Salary	10,20,000
Less: Deduction under section 16	
Standard deduction u/s 16(i) Rs. 50,000	
Professional tax u/s 16(iii) (See Note 6) Rs.2,500	52,500
Taxable Salary	9,67,500

Notes:

1. Since bonus was paid in the month of October, the basic salary of Rs. 50,000 for the month of October is considered for its calculation.
2. It is assumed that dearness allowance does not form part of salary for computing retirement benefits.
3. As per Rule 3(7)(vii), facility of use of laptop and computer is a tax-free perquisite, whether used for official or personal purpose or both.
4. As per the provisions of Rule 3(2), in case a motor car (engine cubic capacity exceeding 1.60 liters) owned by the employer is provided to the employee without chauffeur for personal as well as office use, the value of perquisite shall be Rs. 2,400 per month. The car was provided to the employee from 01.11.2023, therefore the perquisite value has been calculated for 5 months.
5. Mr. Balaji can avail exemption under section 10(5) on the entire amount of Rs. 75,000 reimbursed by the employer towards Leave Travel Concession since the same was availed for himself, his wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple births which take place after the first child. It is assumed that the Leave Travel Concession was availed for journey within India.
6. He is eligible to claim benefit of exemption u/s 10(5) since he has exercised the option of shifting out of the default tax regime provided under section 115BAC(1A).
7. As per section 17(2)(iv), a "perquisite" includes any sum paid by the employer in respect of any obligation which, but for such payment, would have been payable by the assessee. Therefore, professional tax of Rs. 2,000 paid by the employer is taxable as a perquisite in the hands of Mr. Balaji. As per section 16(iii), a deduction from the salary is provided on account of tax on employment
8. i.e. professional tax paid during the year.
9. Therefore, in the present case, the professional tax paid by the employer on behalf of the employee Rs. 2,000 is first included in the salary and deduction of the entire professional tax of Rs.2,500 is provided from salary.



Question 2

MTP Oct'21

Mr. Gyaan Chand purchased 1200 shares of "A" limited at ₹ ₹130 per share on 26.02.1979. "A" limited issued him 600 bonus shares on 20.02.2005. The fair market value of these shares at Mumbai Stock Exchange as on 1.04.2001 was ₹900 per share and ₹2,000 per share as on 31.01.2018. On 07.07.2023 Mr. Gyaan Chand sold all 1800 shares @ ₹ 2,400 per share at

Mumbai Stock Exchange and securities transaction tax was paid. Compute capital gain chargeable to tax in the hands of Mr. Gyaan Chand for the A.Y.2024-25. **4 Marks**

Answer:

Computation of capital gain of Mr. Gyaan Chand for the A.Y.2024-25

Particulars	₹	₹
Capital Gains		
In respect of 600 shares (bonus shares)		
Full value of consideration [600 shares × ₹2,400 per share]	14,40,000	
Less: Cost of acquisition [600 shares × ₹2,000]	12,00,000	2,40,000
Higher of (I) and (ii), below		
(I) Nil, being cost of acquisition		
(ii) ₹2,000 per share, being the lower of FMV as on 31.1.2018 - ₹2,000 per share		
Sale consideration - ₹2,400 per share		
In respect of 1,200 original shares		
Full value of consideration [1,200 shares × ₹2,400]	28,80,000	
Less: Cost of acquisition [1,200 shares × ₹2,000]	24,00,000	4,80,000
Higher of (I) and (ii), below		
(I) ₹900, being original cost of acquisition (₹ 130) or FMV as on 1.4.2001 (₹900), at the option of the assessee		
(ii) ₹2,000 per share, being the lower of		
FMV as on 31.1.2018 - ₹2,000 per share		
Sale consideration - ₹2,400 per share		
Long term capital gain		7,20,000

Question 3

MTP Oct'21

Aggarwal & Sons, HUF purchased a house property in the year 1950 for ₹50,000. On 31.10.2023, the HUF was totally partitioned and the aforesaid house property was given to Mr. Subhash Aggarwal, a member of the family. Fair Market value of the house as on 31.10.2023 was ₹21,00,000. FMV of the house as on 1.4.2001 was ₹3,50,000. What will be the tax implications in the hands of Mr. Subhash Aggarwal and the HUF? **3 Marks**

Answer:

Tax implications in the hands of HUF

As per section 47, any distribution of capital assets on the total or partial partition of a HUF would not be regarded as transfer for the purpose of capital gains tax.

