

Multiple Choice Questions

Question 1

MTP Oct'19

X Ltd. files its return of loss for the A.Y. 2024-25 on 01.12.2024. The following data is taken from return submitted by the company:

Business Loss for P.Y. 2023-24 (before depreciation)	₹1,70,000
Depreciation	₹30,000
Short term capital loss	₹45,000
Long term capital gain	₹10,000
Income from other sources	₹23,000
Unabsorbed depreciation pertaining to A.Y. 2022-23 and A.Y. 2023-24 which has been determined in pursuance of return filed	₹75,000

Compute the amount of loss that can be carried forward by X Ltd.

- a) ₹1,05,000
b) ₹ 30,000
c) ₹2,87,000
d) Nil

Question 2

MTP March'22

Mr. Kumar, engaged in wholesale business of clothes and speculative business, discontinued its operations on 19.10.2023 and 30.09.2023, respectively. The cloth business loss up to 19.10.2023 for P.Y. 2023-24 was ₹ 8,000 and speculative business loss up to 30.09.2023 for P.Y. 2023-24 was ₹ 40,000. Out of total bad debts of ₹ 1,00,000 that were claimed by Mr. Kumar in respect of a particular debtor of cloth business, ₹ 60,000 was allowed by the Assessing Officer in P.Y. 2022-23. On 29.01.2024, Mr. Kumar received a sum of ₹ 68,000 from the debtor in full and final settlement. How much amount would be taxable in the hands of Mr. Kumar for A.Y. 2024-25?

- a) ₹ 28,000
b) ₹ 20,000
c) ₹ 60,000
d) ₹ 68,000

Question 3

MTP April'23

Mr. Ravi incurred loss of ₹ 4 lakh in the P.Y.2023-24 in leather business. Against which of the following incomes earned during the same year, can he set-off such loss?

- (i) Profit of ₹ 1 lakh from apparel business
(ii) Long-term capital gains of ₹ 2 lakhs on sale of jeweler
(iii) Salary income of ₹ 1 lakh

Choose the correct answer:

- a) First from (ii) and thereafter from (i); the remaining loss has to be carried forward.
b) First from (i) and thereafter from (ii) and (iii)
c) First from (i) and thereafter from (iii); the remaining loss has to be carried forward
d) First from (i) and thereafter from (ii); the remaining loss has to be carried forward



Question 4

MTP March'21

During the A.Y. 2024-25, Mr. Kabir has a loss of ₹ 6 lakhs under the head "Income from house property", loss of ₹ 5 lakhs from business of profession and income of ₹ 3 lakhs from long term capital gains. He filed his return of income for the A.Y. 2024-25 on 31.12.2024. Determine the total income of Mr. Kabir for A.Y. 2024-25 and the amount of loss which can be carried forward in a manner most beneficial to him?

- Total income Nil; loss of ₹ 4,00,000 from house property and loss of ₹ 4,00,000 from business or profession
- Total income ₹ 1,00,000; loss of ₹ 4,00,000 from house property.
- Total income Nil; No loss is allowed to be carried forward.
- Total income Nil; loss of ₹ 6,00,000 from house property.

Question 5

MTP Oct '23

During the A.Y.2023-24, Mr. A has a loss of ₹ 8 lakhs under the head "Income from house property" which could not be set off against any other head of income as per the provisions of section 71. The due date for filing return of income u/s 139(1) in case of Mr. A has already expired and Mr. A forgot to file his return of income within the said due date. However, Mr. A filed his belated return of income for A.Y.2023- 24

Now, while filing return of income for A.Y.2024-25, Mr. A wish to set off the said loss against income from house property for the P.Y. 2023-24. Determine whether Mr. A can claim the said set off.

- No, Mr. A cannot claim set off of loss of ₹ 8 lakhs during A.Y. 2024-25 as he failed to file his return of income u/s 139(1) for A.Y. 2023-24.
- Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from his income from house property during A.Y. 2024-25, if any, and the balance has to be carried forward to A.Y.2025 -26.
- Yes, Mr. A can claim set off of loss of ₹ 2 lakhs, out of ₹ 8 lakhs, from his income from any head during A.Y. 2024-25 and the balance has to be carried forward to A.Y.2025 -26.
- Yes, Mr. A can claim set off of loss of ₹ 8 lakhs during A.Y. 2024-25 from his income from house property, if any, and the balance has to be carried forward to A.Y.2025 -26.

Question 6

RTP May'19

Mr. Rajan incurred loss of ₹ 5.3 lakh in the P.Y.2023-24 in toy business. Against which of the following income earned during the same year, can he set-off such loss?

- profit of ₹ 2 lakh from wholesale cloth business
- speculative business income of ₹ 80,000
- long-term capital gains of ₹ 1.20 lakhs on sale of land
- All of the above



Question 7

RTP May'20

The details of income/loss of Mr. Kumar for A.Y. 2024-25 are as follows:

Particulars	Amt. (in ₹)
Income from Salary (Computed)	5,20,000
Loss from self-occupied house property	95,000
Loss from let-out house property	2,25,000
Loss from specified business u/s 35AD	2,80,000
Loss from medical business	1,20,000
Long term capital gain	1,60,000
Income from other sources	80,000

Compute gross total income of Mr. Kumar for A.Y. 2024-25:

- ₹ 4,40,000
- ₹ 3,20,000
- ₹ 1,60,000
- ₹ 4,80,000

Question 8

RTP May '21, MTP Sep '23

Mr. Arpan (aged 35 years) submits the following particulars for the purpose of computing his total income:

Particulars	₹
Income from salary (computed)	4,00,000
Loss from let-out house property	(-) 2,20,000
Brought forward loss from let-out house property for the A.Y. 2020-21	(-)2,30,000
Business loss	(-)1,00,000
Bank interest (FD) received	80,000

Compute the total income of Mr. Arpan for the A.Y.2024-25 and the amount of loss that can be carried forward for the subsequent assessment year?

- Total income ₹ 2,00,000 and loss from house property of ₹ 2,50,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- Total income ₹ 80,000 and loss from house property of ₹ 2,30,000 to be carried forward to subsequent assessment year.
- Total income ₹ 1,80,000 and loss from house property of ₹ 2,30,000 and business loss of ₹ 20,000 to be carried forward to subsequent assessment year.
- Total income is Nil and loss from house property of ₹ 70,000 to be carried forward to subsequent assessment year

Answers

1	2	3	4	5	6	7	8		
a	b	d	d	d	d	a	a		



Chapter 6: Deductions from Gross Total Income

Descriptive Questions

Easy

Question 1

MTP March'18 PYQ May '22

Explain with brief reasons whether the return of income can be revised under section 139(5) of the Income-tax Act, 1961 in the following cases:

1. Belated return filed under section 139(4).
2. Return already revised once under section 139(5).
3. Return of loss filed under section 139(3).

3 Marks

Answer:

Any person who has furnished a return under section 139(1) or 139(4) can file a revised return at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier, if he discovers any omission or any wrong statement in the return filed earlier. Accordingly,

1. A belated return filed under section 139(4) can be revised.
2. A return revised earlier can be revised again as the first revised return replaces the original return. Therefore, if the assessee discovers any omission or wrong statement in such a revised return, he can furnish a second revised return within the prescribed time i.e. at any time before three months prior to the end of the relevant assessment year or before the completion of assessment, whichever is earlier. It implies that a return of income can be revised more than once within the prescribed time.
3. A return of loss filed under section 139(3) is deemed to be return filed under section 139(1), and therefore, can be revised under section 139(5).

Moderate

Question 1

MTP Aug'18

The Gross Total Income of Mr. Bharadwaj, a resident, for the year ended 31-03-2024 is ₹ 15 lakhs. Examine the allowability of the deduction to Mr. Bharadwaj from the following information.

- (i) He has contributed ₹ 2 lakh towards Clean Ganga Fund set up by the Central Government
- (ii) He has incurred medical expenditure of ₹ 50,000 towards surgery for his grandmother who is 85 years of age. (No Premium is paid to keep in force an insurance on her health).

3 Marks

Answer:

Allowable deduction to Mr. Bhardwaj from Gross Total Income



- (i) **Contribution towards Clean Ganga Fund set up by the Central Government:** Whole of the contribution i.e., ₹ 2 lakhs towards Clean Ganga Fund, set up by the Central Government, is allowable as deduction under section 80G to Mr. Bharadwaj, since he is a resident of India.
- (ii) **Medical Expenditure of ₹ 50,000 towards surgery of his grandmother:** Deduction is allowable under section 80D, in respect of medical expenditure incurred by an assessee for himself or any member of the family or parents, if any of such person(s) is of the age of 80 years or more and no payment has been made to keep in force an insurance on the health of such person(s).

In the present case, no deduction is allowable to Mr. Bharadwaj, since he incurred medical expenditure towards surgery of his grandmother, who does not fall within the definition of "family" under section 80D. Apart from family, deduction is only allowable in respect of premium paid for parents, and not grandparents.

Question 2

MTP Oct'22, RTP Nov '19 & Nov '21

Mr. Raju furnishes the following particulars for the previous year 2023-24 in respect of an industrial undertaking established in "Special Economic Zone" in March 2016. It began manufacturing in April 2016.

Particulars	(₹)
Total sales	1,70,00,000
Export sales [proceeds received in India]	90,00,000
Domestic sales	80,00,000
Profit from the above undertaking	40,00,000

Export Sales of F.Y. of 2023-24 include freight and insurance of ₹ 10 lakhs for delivery of goods outside India. Compute the amount of deduction available to Mr. Raju under section 10AA for A.Y. 2024-25.

4 Marks**Answer:****Computation of deduction under section 10AA for A.Y. 2024-25**

Since year A.Y. 2024-25 is the 8th assessment year 2017-18 relevant to the previous year 2016-17, in which the SEZ unit began manufacturing of articles or things, it shall be eligible for deduction of 50% of the profit derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$= 40,00,000 \times \frac{80,00,000}{1,60,00,000} \times 50\% = ₹ 10,00,000$$

Working Note:

	₹
Export Turnover	
Sale proceeds received in India	90,00,000
Less: Freight and insurance for delivery of goods outside India to be excluded from export turnover	10,00,000



	80,00,000
Total turnover	1,70,00,000
Less: Freight and insurance not includible [Since freight and insurance has been excluded from export turnover, the same has to be excluded from total turnover also].	10,00,000
	1,60,00,000

Question 3

RTP Nov '18

Mr. Anay manufactures toys in a factory located in Noida. His profit from the manufacture of toys for Assessment year 2024-25 is ₹ 1.85 crore and total turnover is ₹ 18.70 crore.

On 1st April 2023, there were 100 employees engaged in his factory. Due to increase in demand of his products, he employed 140 additional employees during the previous year 2023-24 comprises of:

- 15 casual employees employed on 15th April 2023 till 31st January 2024 on monthly emolument of ₹ 22,000 per month
- 40 regular employees employed on 1st May, 2023 on monthly emolument of ₹ 22,000 per month
- 25 contractual employees employed on 1st July 2023 for 2 years on monthly emolument of ₹ 15,000 per month
- 35 regular employees employed on 1st August, 2023 on monthly emolument of ₹ 30,000 per month
- 25 regular employees employed on 1st October, 2023 on monthly emolument of ₹ 22,000 per month

Compute the deduction under Section 80JJAA, if available to Mr. Anay for Assessment year 2024-25, assuming that monthly emoluments were paid by use of ECS. The regular and contractual employees participate in the recognised provident fund while casual employees do not.

Would your answer be different if Mr. Anay is engaged in the manufacture of apparel? Examine.

[Note - Ignore the amount of deduction available under section 80JJAA to Mr. Anay, for the employees employed in preceding previous years, while computing the deduction under 80JJAA for the assessment year 2024-25].

Answer:

Computation of deduction under section 80JJAA

Mr. Anay is eligible for deduction under section 80JJAA since he is subject to tax audit under section 44AB for A.Y.2018-19, as his total turnover from business exceeds ₹ 1 crore and he has employed "additional employees" during the P.Y.2017 -18.

Additional employee cost = [₹ 22,000 × 40 new regular employees × 11 months] + [₹ 15,000 per month × 9 months × 25 new contractual employees] = ₹ 96,80,000 + ₹ 33,75,000 = ₹ 1,30,55,000

Deduction under section 80JJAA = 30% of ₹ 1,30,55,000 = ₹ 39,16,500.



Working Note: Number of Additional employees employed during the P.Y.2023 -24

Particulars		No. of additional employees	
Total number of additional employees employed during the year			140
Less:	Casual workmen employed on 15th April 2023, who do not participate in the recognised provident fund	15	
	Regular employees employed on 1st August 2023, since their total monthly emoluments exceed ₹ 25,000	35	
	Regular employees employed on 1st October 2023, for a period of less than 240 days during the P.Y.2023-24	25	75
	Total number of additional employees employed during the P.Y.2023-24		65

Yes, the answer would be different, if Mr. Anay is engaged in the business of manufacture of apparel. Since the number of days of employment in a year has been relaxed from 240 days to 150 days in case of apparel industry, wages paid to regular employees employed on 1.10.2023 would also qualify for deduction under section 80JJAA for A.Y. 2024-25.

Additional employee cost = ₹ 1,30,55,000 + ₹ 33,00,000 (₹ 22,000 × 6 × 25) = ₹ 1,63,55,000

Deduction under section 80JJAA = 30% of ₹ 1,63,55,000 = ₹ 49,06,500

Question 4

RTP May '20

Mr. Arihant, a resident individual aged 40 years, has Gross Total Income of ₹ 7,50,000 comprising of income from Salary and income from house property for the assessment year 2024-25. He provides the following information:

Paid ₹ 70,000 towards premium for life insurance policy of his handicapped son (section 80U disability). Sum assured ₹ 4,00,000; and date of issue of policy 1-8-2017.

Deposited ₹ 90,000 in tax saver deposit in the name of his major son in Punjab National Bank of India.

Paid ₹ 78,000 towards medical insurance for the term of 3 years as a lumpsum payment for himself and his spouse. Also, incurred ₹ 54,000 on medical expenditure of his father, a resident aged 68 years. No medical insurance policy is taken in the name of his father. His father earned ₹ 4,50,000 interest from fixed deposit.

Contributed ₹ 25,000 to The Clean Ganga Fund, set up by the Central Government. Compute the Total Income and deduction under Chapter VI-A for the Assessment year 2024-25.

Answer:

Computation of Total Income of Mr. Arihant for A.Y. 2024-25

Particulars	₹	₹	₹
Gross Total Income	60,000		7,50,000
Less: Deduction under Chapter VI-A			



Under section 80C - Life insurance premium of ₹ 70,000 (Restricted to ₹ 60,000 i.e., 15% of ₹ 4,00,000, being the sum assured, since the policy has been taken on or after 01.04.2013, in respect of his handicapped son suffering from disability u/s 80U)	Nil		1,60,000
- Tax saver deposit of ₹ 90,000 in the name of his major son does not qualify for deduction under section 80C, since such deposit has to be made in the name of the assessee himself to qualify for deduction u/s 80C		60,000	
Under section 80D - Medical insurance premium for self and his wife, pertaining to the previous year 2023-24 is ₹ 26,000, being 1/3rd of ₹ 78,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to	25,000		
- Deduction in respect of medical expenditure of ₹ 54,000 for his father, being a senior citizen would be allowable, since no insurance policy is taken in his name, to the extent of	50,000	75,000	
Under section 80G			
- Contribution by a resident towards the Clean Ganga Fund, set up by the Central Government would be eligible for 100% deduction without any qualifying limit.		25,000	
Total Income			5,90,000

Question 5

PYQ May '23

Mr. Ray, a resident individual, aged 37 years gives the following information with respect to various loans taken by him from scheduled banks for various purposes-

(i) A housing loan of ₹ 36,00,000/- taken on 15th March, 2023 for the purchase of a house to be used for self-residence at a cost of ₹ 47,00,000/-. The stamp duty value of the house was ₹ 42,00,000/- at the time of purchase. Amount of re-payment of loan during P.Y.2023-24 was:

(A) towards principal - ₹ 1,25,000/-

(B) towards interest - ₹ 3,65,000/-

This is the first and only residential house owned by Mr. Ray.

(ii) A vehicle loan of ₹ 16,00,000/- taken on 31st October, 2021 for the purchase of electric vehicle for personal use. Amount of re-payment of loan during P.Y.2023-24 was:

(A) towards principal - ₹ 75,000/-

(B) towards interest - ₹ 1,90,000/-

Besides these loans, he has also paid a sum of ₹ 15,000 to a political party as contribution. The entire amount was paid in cash.



You are required to compute the amount of deduction(s) available to Mr. Ray under various provisions of Income-tax Act for A.Y. 2024-25 so that he gets the maximum benefits assuming that he does not opt to pay tax under section 115BAC.

4 Marks

Answer:

Computation of amount of deductions available to Mr. Ray for A.Y. 2024-25

		Amount (₹)	
(i)	Deduction allowable while computing income under the head "Income from house property" Deduction under section 24(b) for interest on loan of ₹ 3,65,000 in respect of self-occupied property restricted to		2,00,000
(ii)	Deduction under Chapter VI-A from Gross Total Income Deduction under section 80C For repayment of loan of ₹ 1,25,000 to bank	1,25,000	
	Deduction under section 80EEA Since stamp duty value does not exceed ₹ 45 lakhs and Mr. Ray does not own any residential house, he is eligible for deduction of upto ₹ 1,50,000 in respect of such interest on loan since loan is sanctioned between 1.4.2019 and 31.3.2022. ₹ 3,65,000 - ₹ 2,00,000 [claimed as deduction u/s 24(b)] = ₹ 1,65,000 restricted to ₹ 1,50,000, being the maximum permissible deduction	1,50,000	
	Deduction under section 80EEB Deduction for interest on loan for purchase of electric vehicle of ₹ 1,90,000 restricted to ₹ 1,50,000, being the maximum permissible deduction, since loan is sanctioned between 1.4.2019 and 31.3.2023. No deduction in respect of principal repayment of loan for purchase of electric vehicle is allowable	1,50,000	
	Deduction under section 80GGC	Nil	
	Contribution of ₹ 15,000 to political party not allowable since the sum is paid in cash Deduction under Chapter VI-A from Gross Total Income		4,25,000

Question 6

PYQ Nov'18

Mrs. Vishal Gupta, a resident individual, is running a SEZ unit, as well as a unit in Domestic Tariff Area (DTA). She furnishes the following details relating to the year ended 31-3-2024, pertaining to these two units

	DTA Unit (₹ in lakhs)	SEZ Unit (₹ in lakhs)
Export turnover	100	1000
Total turnover	400	1100
Net profit	50	220

Compute the deduction available u/s 10AA:

- (i) When the SEZ unit had been set up on 12-3-2015, and
(ii) When the SEZ unit had been set up on 12-8-2019.

6 Marks

Answer:

Computation of deduction under section 10AA



(I) If Unit in SEZ was set up on 12-03-2016:

Since A.Y. 2024-25 is the 9th assessment year from A.Y. 2015-16, relevant to the previous year 2014-15, in which the SEZ unit was set up, it shall be eligible for deduction of 50% of the profits derived from export, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$= 220 \text{ lakhs} \times \frac{1000 \text{ Lakhs}}{1100 \text{ Lakhs}} \times 50\% = ₹100 \text{ Lakhs}$$

(ii) If Unit in SEZ was set up on 12-08-2019:

Since A.Y.2024-25 is the 5th assessment year from A.Y. 2020-21, relevant to the previous year 2018-19, in which the SEZ unit was set up, it shall be eligible for deduction of 100% of the profits derived from export, assuming all the other conditions specified in section 10AA are fulfilled.

$$\text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 100\%$$

$$220 \text{ lakhs} \times \frac{1000 \text{ Lakhs}}{1100 \text{ Lakhs}} \times 100\% = ₹200 \text{ lakhs}$$

The unit set up in Domestic Tariff Area is not eligible for the benefit of deduction under section 10AA in respect of its export profits, in both the situations.

Note-

As per section 10AA, in computing the total income of Mrs. Vishal Gupta from her unit located in a Special Economic Zone (SEZ), which begins to manufacture or produce articles or things or provide any services during the previous year relevant to the assessment year commencing on or after 1.4.2006 but before 1.4.2021, a deduction of 100% of the profit and gains derived from export of such articles or things or from services is allowable for a period of five consecutive assessment years beginning with the assessment year relevant to the previous year in which the Unit begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits for further five assessment years subject to fulfillment of other conditions specified in section 10AA. In this case, it is assumed that the manufacturing or production commenced from the year in which the SEZ was set up.

Question 7

PYQ Nov'23

Mr. Suraj, an Indian citizen, gives the following details of his income and expenses during the year 2022-23:

	₹
Income from profession	11,70,000
Winning from lottery	70,000
Contribution to ULIP 1971 plan for spouse	70,000
Cheque donation to National Defence Fund	60,000
Cheque donation to Government for promoting family planning	35,000
Cheque the deduction to approved public charitable institute	1,20,000

Compute the deduction under section 80G allowable to him for the assessment year 2023-24.

3 Marks

Answer:



Computation of deduction available to Mr. Suraj under section 80G for A.Y. 2023-24

	Particulars	Amount (₹)
(i)	Donation to National Defence Fund by cheque [100% of ₹60,000 is allowed as deduction without any qualifying limit]	60,000
(ii)	Donation to Government for promoting family planning by cheque - 100% of ₹ 35,000, subject to qualifying limit of ₹ 1,17,000 [See Note below] is allowed as deduction	35,000
(iii)	Donation to approved public charitable institute by cheque is to be restricted to lower of	41,000
	- ₹ 60,000 (50% of ₹ 1,20,000) or	
	- ₹ 41,000 [50% of qualifying limit after adjusting donation for family planning i.e., ₹ 82,000 (₹ 1,17,000 - ₹ 35,000)]	
Deduction under section 80G		1,36,000
Note - Qualifying limit is ₹ 1,17,000 (10% of ₹ 11,70,000, being adjusted total income) Adjusted total income = ₹ 11,70,000 (₹ 11,70,000, being income from profession + ₹ 70,000, being winnings from lottery - ₹ 70,000, being deduction under section 80C)		

Difficulty**Question 1**

MTP March 22

In August 2021, Mr. Kunal, a first-time home buyer, borrowed a sum of ₹ 40 lakhs from the National Housing Bank for acquisition of a residential house for self-occupation. The stamp duty value of the house is ₹ 43 lakhs. The loan was sanctioned on 17.6.2023. The loan amount was disbursed directly to the builder by the bank. The repayments made towards principal and interest during the P.Y. 2023-24 was ₹ 2 lakhs and ₹ 2.80 lakhs, respectively.

In the light of the above facts, determine the deduction, if any, available to Mr. Kunal during the A.Y. 2024-25 in respect of the repayment of loan and interest. **4 Marks**

Answer:

Deduction in respect of repayment of loan under section 80C

Section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from house property'. Such payment covers repayment of any amount borrowed from the National Housing Bank.

Since, Mr. Kunal has repaid loan of ₹ 2 lakhs during the A.Y. 2024-25, he is eligible for deduction under section 80C in respect of loan repayment. However, deduction under section 80C cannot exceed ₹ 1,50,000. Therefore, deduction under section 80C would be ₹1,50,000 for the A.Y. 2024-25.

Deduction in respect of interest on housing loan under section 24

As per section 24(b), interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction. However, where the self-occupied property is acquired or constructed on or after 1.4.1999 and such acquisition or construction is completed within five years from the end of the financial year in which capital was borrowed, the amount of deduction would not exceed ₹ 2 lakhs.

Hence, deduction under section 24 in respect of interest on housing loan would be ₹ 2 lakhs only.



Deduction under section 80EEA

As per section 80EEA, interest payable on loan taken for the purpose of acquisition of a residential house from any financial institution qualifies for deduction, subject to a maximum of ₹ 1,50,000, provided following conditions are satisfied -

1. Such loan is sanctioned by the financial institution during the period 1.4.2019 to 31.3.2022
2. The stamp duty value of the house does not exceed ₹ 45 lakhs and
3. the assessee does not own any residential house on the date of sanction of loan.
4. The individual should not be eligible to claim deduction u/s 80EE

Therefore, in this case, since Mr. Kunal satisfies all the above conditions, he is eligible for deduction under section 80EEA. Mr. Kunal has paid interest of ₹2,80,000 out of which ₹2,00,000 is eligible under section 24(b), hence, interest of ₹80,000 would qualify for deduction under section 80EEA.

(This deduction is only available if individual exercises the option to shift out of the default tax regime)

Question 2

MTP Mar 21, RTP May '19

Compute the deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2024-25. Mr. Dhyanchand, aged 65 years, is working with ABC Ltd. His income comprises of salary of ₹ 18,50,000 and interest on fixed deposits of ₹ 75,000. He submits the following particulars of investments and payments made by him during the previous year 2023-24:

- Deposit of ₹ 1,50,000 in public provident fund
- Payment of life insurance premium of ₹ 62,000 on the policy taken on 01.4.2017 to insure his life (Sum assured - ₹ 4,00,000).
- Deposit of ₹ 45,000 in a five-year term deposit with bank.
- Contributed ₹ 2,10,000, being 15% of his salary (basic salary plus dearness allowance, which forms part of retirement benefits) to the NPS of the Central Government. A matching contribution was made by ABC Ltd.
- On 1.4.2023, mediclaim premium of ₹ 1,08,000 and ₹ 80,000 paid as lumpsum to insure his and his wife (aged 58 years) health, respectively for four years
- Incurred ₹ 46,000 towards medical expenditure of his father, aged 85 years, not dependent on him. No insurance policy taken for his father.
- He spent ₹ 6,000 for the preventive health-check up of his wife.
- He has incurred an expenditure of ₹ 90,000 for the medical treatment of his mother, being a person with severe disability.

7 Marks**Answer:****Deduction available to Mr. Dhyanchand under Chapter VI-A for A.Y.2024-25**

Section	Particulars	₹	₹
80C	Deposit in public provident fund	1,50,000	
	Life insurance premium paid ₹ 62,000 (deduction restricted to ₹ 40,000, being 10% of ₹ 4,00,000, which is the sum assured, since the policy was taken on or after 01.04.2012)	40,000	
	Five year term deposit with bank	45,000	
		2,35,000	
	Restricted to		1,50,000



80CCD(1)	Contribution to NPS of the Central Government, ₹ 1,60,000 [₹ 2,10,000 - ₹ 50,000, being deduction under section 80CCD(1B)], restricted to 10% of salary [₹ 2,10,000 × 10/15] [See Note 1]		
			1,40,000
			2,90,000
80CCE	Aggregate deduction under section 80C and 80CCD(1), ₹ 2,90,000, but restricted to		1,50,000
80CCD(1B)	₹ 50,000 would be eligible for deduction in respect of contribution to NPS of the Central Government		50,000
80CCD(2)	Employer contribution to NPS, restricted to 10% of salary [See Note 2]		1,40,000
80D	(i) (a) Medical insurance premium for self and his wife, deduction would be equal to ₹ 47,000 (₹ 27,000 + ₹ 20,000), being 1/4th of lumpsum premium, since policies would be in force for four previous years	47,000	
	(b) Preventive health checkup ₹ 6,000 for wife restricted to ₹ 3,000 (₹ 50,000 - ₹ 47,000, since maximum allowable deduction is ₹ 50,000 in case assessee or one of the family member is senior citizen)	<u>3,000</u>	
		<u>50,000</u>	
	(ii) Medical Expenditure for his father would be fully allowed as deduction, since no insurance policy is taken on his name	<u>46,000</u>	
	Total of (i) and (ii)		96,000
80DD	Deduction of ₹ 1,25,000 in respect of expenditure on medical treatment of his mother, being a person with severe disability would be allowed irrespective of the fact that amount of expenditure incurred is ₹ 90,000		1,25,000
80TTB	Interest on fixed deposits with bank of ₹75,000, deduction restricted to		50,000
	Deduction under Chapter VI-A		6,11,000

Notes:

- The deduction under section 80CCD(1B) would not be subject to overall limit of ₹ 1.50 lakh under section 80CCE. Therefore, it is more beneficial for Mr. Dhyanchand to claim deduction under section 80CCD(1B) first in respect of contribution to NPS. Thereafter, the remaining amount of ₹ 1,60,000 can be claimed as deduction under section 80CCD(1), subject to a maximum limit of 10% of salary i.e. ₹ 1,40,000.
- The entire employer's contribution to notified pension scheme has to be first included under the head "Salaries" while computing gross total income and thereafter, deduction under section 80CCD(2) would be allowed, subject to a maximum of 10% of salary. Deduction under section 80CCD(2) is also not subject to the overall limit of ₹ 1,50,000 under section 80CCE.

Question 3

MTP, March'18

Mr. Rajkumar, a proprietor has set up a unit in Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). He provides the following details for the previous year 2023-24.

Particulars	Rajkumar Proprietorship (₹)	Unit in DTA (₹)
Total Sales	7,50,00,000	3,00,00,000
Export Sales	4,50,00,000	1,50,00,000
Net Profit	90,00,000	15,00,000



Compute the quantum of eligible deduction under section 10AA of the Income-tax Act, 1961, for the Assessment Year 2024-25, in the following situations:

- (i) If both the units were set up and start manufacturing from 20-07-2015.
 (ii) If both the units were set up and start manufacturing from 04-10-2020.

5 Marks

Answer:

Computation of deduction under section 10AA of the Income-tax Act, 1961

As per section 10AA, in computing the total income of Mr. Rajkumar from his unit located in a Special Economic Zone (SEZ), which begins to manufacture or produce articles or things or provide any services during the previous year relevant to the assessment year commencing on or after 01.04.2006 but before 1st April 2021, there shall be allowed a deduction of 100% of the profit and gains derived from export of such articles or things or from services for a period of first five consecutive assessment years beginning with the assessment year relevant to the previous year in which the undertaking begins to manufacture or produce such articles or things or provide services, as the case may be, and 50% of such profits for further five assessment years subject to fulfillment of other conditions specified in section 10AA.

Computation of eligible deduction under section 10AA [See Working Note below]:

i. If unit in SEZ was set up and began manufacturing from 20-07-2015:

Since A.Y. 2024-25 is the 9th assessment year from A.Y. 2016-17, relevant to the previous year 2015-16, in which the SEZ unit began manufacturing of articles or things, he shall be eligible for deduction of 50% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 50\%$$

$$= 75 \text{ Lakhs} \times \frac{300 \text{ Lakhs}}{450 \text{ Lakhs}} \times 50\% = ₹25 \text{ lakhs}$$

ii. If Unit in SEZ was set up and began manufacturing from 04-10-2020:

Since A.Y. 2024-25 is the 4th assessment year from A.Y. 2021-22, relevant to the previous year 2020-21, in which the SEZ unit began manufacturing of articles or things, he shall be eligible for deduction of 100% of the profits derived from export of such articles or things, assuming all the other conditions specified in section 10AA are fulfilled.

$$= \text{Profits of Unit in SEZ} \times \frac{\text{Export turnover of Unit in SEZ}}{\text{Total turnover of Unit in SEZ}} \times 100\%$$

$$= 75 \text{ Lakhs} \times \frac{300 \text{ Lakhs}}{450 \text{ Lakhs}} \times 100\% = ₹50 \text{ lakhs}$$

The unit set up in Domestic Tariff Area is not eligible for the benefit of deduction under section 10AA in respect of its export profits, in both the situations.

Working Note:

Computation of total sales, export sales and net profit of unit in SEZ

Particulars	Rajkumar Proprietorship (₹)	Unit in DTA (₹)	Unit in SEZ (Rs.)
Total Sales	7,50,00,000	3,00,00,000	4,50,00,000
Export Sales	4,50,00,000	1,50,00,000	3,00,00,000
Net Profit	90,00,000	15,00,000	75,00,000



Question 5

RTP May '18

In August 2022, Mr. Kailash, a first-time home buyer, borrowed a sum of ₹ 35 lakhs from the National Housing Bank for construction of a residential house for ₹ 48 lakhs. The loan was sanctioned on 12.5.2022. The loan amount was disbursed directly to the flat promoter by the bank. The construction was completed in May, 2024 and repayments towards principal and interest commenced immediately after disbursement of loan. In the light of the above facts, examine:

- (i) Whether Mr. Kailash can claim deduction under section 24 in respect of interest for the A.Y. 2024-25?
- (ii) Whether deduction under Section 80C and 80EE can be claimed by him for the A.Y. 2024-25?

Answer:

(i) As per section 24(b), interest payable on loans borrowed for the purpose of acquisition, construction, repairs, renewal or reconstruction of house property can be claimed as deduction. Interest payable on borrowed capital for the period prior to the previous year in which the property has been acquired or constructed, can be claimed as deduction over a period of 5 years in equal annual installments commencing from the year of acquisition or completion of construction. It is stated that the construction is completed only in May, 2024. Hence, deduction under section 24 in respect of interest on housing loan cannot be claimed in the assessment year 2024-25.

(ii) Deduction under section 80C cannot be claimed

Clause (xviii) of section 80C is attracted where there is any payment for the purpose of purchase or construction of a residential house property, the income from which is chargeable to tax under the head 'Income from house property'. Such payment covers repayment of any amount borrowed from the National Housing Bank.

However, deduction is prima facie eligible only if the income from such property is chargeable to tax under the head "Income from House Property". During the assessment year 2024-25, there is no such income chargeable under this head. Hence, deduction under section 80C cannot be claimed for A.Y. 2024-25.

Deduction under section 80EE can be claimed

As per section 80EE, interest payable on loan taken for the purpose of acquisition of a residential house from any financial institution qualifies for deduction, subject to a maximum of ₹ 50,000, provided following conditions are satisfied -

- (i) Such loan is sanctioned during the P.Y. 2016-17
- (ii) The value of the house does not exceed ₹ 50 lakhs
- (iii) The amount of loan sanctioned does not exceed ₹ 35 lakhs and
- (iv) the assessee does not own any residential house on the date of sanction of loan

Section 80EE does not pose any restriction regarding the chargeability of the income from such property under the head "Income from House Property. Therefore, in this case, since Mr. Kailash does not satisfy the first condition stipulated under section 80EE, interest on such loan would not qualify for deduction under section 80EE, subject to a maximum of ₹ 50,000.



Question 6

Mr. Jain, a resident individual, aged 40 years, suffers from severe disability as certified by medical authority. He gives the following information for the previous year 2023-24 -

- (i) He has paid life insurance premium by cheque ₹ 27,000 to insure his life. The insurance policy was taken on 27.8.2018 and the sum assured is ₹ 2,20,000.
- (ii) He had written a literary book for Rochak Publication. A lump sum amount of royalty income earned in the previous year 2022-23 amounted to ₹ 9,00,000. Expenses incurred for writing the book amounted to ₹ 40,000.
- (iii) His friends gifted a statue of Goddess Saraswati to his daughter Ms. Diya (aged 14 years) on the successful completion of her secondary school. Fair market value of the statue is ₹ 65,000.
- (iv) He received a gold chain worth ₹ 68,000 from his in-laws on the occasion of his marriage anniversary
- (v) He had deposited ₹ 70,000 in fixed deposit with SBI in the name of his minor son in September 2023. Interest earned on such deposit ₹ 5,500.
- (vi) He donated ₹ 5,000 in cash to a NGO (the NGO was registered under section 80G of the Income-tax Act, 1961).
- (vii) He had taken a loan of ₹ 38,00,000 for the purchase of a house property valuing ₹ 45,00,000 for self- occupation from a financial institution on 1st May 2021. He repaid ₹ 1,80,000 during the P.Y. 2023- 24 out of which ₹ 1,05,000 is towards principal payment and the balance is for interest on loan.

Compute the total income of Mr. Jain for the A.Y. 2024-25 if he does not opt for the provisions of section 115BAC.

Answer:

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

Particulars	₹	₹
Income from house property		(75,000)
NAV	Nil	
Less: Interest on loan	75,000	
Income from Other Sources		(75,000)
Royalty	9,00,000	
Less: Expenses incurred for writing book	40,000	8,60,000
Value of statue of Goddess Saraswati	65,000	
[The fair market value of the statue (sculpture) received by his minor daughter as gift (not on account of her skill) from his friends would be taxable, since its value exceeds ₹ 50,000. It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife].	1,500	
Less: Exemption under section 10(32)		63,500
Value of Gold Chain [The Fair market value of ₹ 68,000 of gold chain received on occasion of his marriage anniversary would be exempt, since it is received from a relative.]		-



Interest on fixed deposit in the name of his son [It would be included in the hands of Mr. Jain, assuming his income before considering clubbing provisions is higher than his wife]	5,500	
Less: Exemption under section 10(32)	1,500	4,000
Gross Total Income		8,52,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium [Since Mr. Jain suffers from severe disability, premium upto 15% of the sum assured ₹ 2,20,000 would be allowed, as the policy is taken after 31.3.2012]	27,000	
Repayment of principal amount for housing loan	1,05,000	1,32,000
Deduction under section 80G		
Donation to an NGO registered under section 80G [Not allowable since the donation is made in cash of a sum exceeding ₹ 2,000]		-
Deduction under section 80QQB		
Royalty income of a resident from literary book		3,00,000
Deduction under section 80U [Since Mr. Jain suffers from severe disability]		1,25,000
Total income		2,95,500

Question 7

PYQ Jan'21

Mr. Xavier, an Indian resident individual, set up a unit in Special Economic Zone (SEZ) in the financial year 2018-19 for production of Mobile Phones. The unit fulfills all the conditions of section 10AA of the Income-tax Act, 1961. During the financial year 2022-23, he has also set up a warehousing facility in a district of Tamil Nadu for storage of agricultural produce. It fulfills all the conditions of section 35AD. Capital expenditure in respect of warehouse amounted to ₹ 93 lakhs (including cost of land ₹ 13 lakhs). The warehouse became operational with effect from 1st April, 2023 and the expenditure of ₹ 63 lakhs was capitalized in the books on that date.

Further details relevant for the financial year 2023-24 are as follows:

Particulars	₹
Profit from operation of warehousing facility before claiming deduction under section 35AD	1,10,00,000
Net Profit of SEZ (Mobile Phone) Unit	50,00,000
Export sales of SEZ (Mobile Phone) Unit	90,00,000
Domestic Sales of SEZ (Mobile Phone) Unit	60,00,000

Compute income tax (including AMT under 115JC) payable by Mr. Xavier for Assessment Year 2024-25.

6 Marks

Answer:

Computation of total income and tax liability of Mr. Xavier for A.Y. 2024-25 (under the regular provisions of the Act)

Particulars	₹	₹
Profits and gains of business or profession		

