

| | | |
|---|-------------|-----------|
| Profit from unit in SEZ | 50,00,000 | |
| Less: Deduction under section 10AA | 30,00,000 | |
| [50,00,000 × 90,00,000/1,50,00,000 × 100%, since it is 5th year of manufacturing] | | |
| Business income of SEZ unit chargeable to tax | | 20,00,000 |
| Profit from operation of warehousing facility | 1,10,00,000 | |
| Less: Deduction u/s 35AD [Deduction@100% in respect of the expenditure incurred prior to the commencement of its operations and capitalized in the books of account on 1.4.2023. Deduction is not available on expenditure incurred on acquisition of land] [₹ 93 lakhs - ₹ 13 lakhs] | 80,00,000 | |
| Business income of warehousing facility chargeable to tax | | 30,00,000 |
| Total Income | | 50,00,000 |
| Computation of tax liability | | |
| Tax on ₹ 50,00,000 | | 13,12,500 |
| Add: Health and Education cess@4% | | 52,500 |
| Total tax liability | | 13,65,000 |

Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|---|-----------|-------------|
| Total Income (as computed above) | | 50,00,000 |
| Add: Deduction under section 10AA | | 30,00,000 |
| | | 80,00,000 |
| Add: Deduction under section 35AD | 80,00,000 | |
| Less: Depreciation u/s 32 [On building@10% of ₹ 80 lakhs ²] | 8,00,000 | 72,00,000 |
| Adjusted Total Income | | 1,52,00,000 |
| Alternate Minimum Tax@18.5% | | 28,12,000 |
| Add: Surcharge@15% (since adjusted total income > ₹ 1 crore) | | 4,21,800 |
| | | 32,33,800 |
| Add: Health and Education cess@4% | | 1,29,352 |
| Total tax liability | | 33,63,152 |
| Tax Liability (Rounded off) | | 33,63,150 |

² Assuming the capital expenditure of ₹ 80 lakhs are incurred entirely on building Since the regular income- tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, the tax liability is ₹ 33,63,150.

AMT Credit to be carried forward under section 115JEE

| | ₹ |
|--|-----------|
| Tax liability under section 115JC | 33,63,150 |
| Less: Tax liability under the regular provisions of the Income-tax Act, 1961 | 13,65,000 |
| | 19,98,150 |



Note: In the third para of the question, there is a difference between the figure of capital expenditure incurred in respect of warehouse i.e., ₹ 93 lakhs (including cost of land ₹ 13 lakhs) and the figure of capital expenditure capitalized in the books on 1.4.2023 i.e., ₹ 63 lakhs. It appears to be a typographical error, due to which the main solution has been worked out considering ₹ 93 lakhs as the amount capitalized in the books on 1.4.2023.

However, alternative answers have been worked out below considering ₹ 63 lakhs (being the figure as printed in the question paper) as the amount capitalized in the books on 1.4.2023. In Alternative 1, it has been assumed that the amount of ₹63 lakhs capitalized on 1.4.2023 does not include cost of land. In Alternative 2, it has been assumed that the amount of ₹ 63 lakhs capitalized on 1.4.2023 includes cost of land.

Alternative 1 (The amount of ₹ 63 lakhs capitalized on 1.4.2019 does not include cost of land)

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 | | |
| Profit from unit in SEZ | 50,00,000 | |
| Less: Deduction u/s 10AA | 30,00,000 | |
| [50,00,000 × 90,00,000/1,50,00,000 × 100%, since it is 5th year of manufacturing] | | |
| Business income of SEZ unit chargeable to tax | | 20,00,000 |
| Profit from operation of warehousing facility ³ | 1,10,00,000 | |
| Less: Deduction u/s 35AD [Deduction@100% in respect of the expenditure incurred prior to the commencement of its operations and capitalized in the books of account on 1.4.2023. It is assumed that the capitalized expenditure of ₹ 63 lakhs does not include cost of land] | 63,00,000 | |
| Business income of warehousing facility chargeable to tax | | 47,00,000 |
| Total Income | | 67,00,000 |
| Computation of tax liability | | |
| Tax on ₹ 67,00,000 | | 18,22,500 |
| Add: Surcharge @10% | | 1,82,250 |
| | | 20,04,750 |
| Add: Health and Education cess@4% | | 80,190 |
| Total tax liability | | 20,84,940 |

³ Since the question mentions ₹ 1,10,00,000 as the profit from operation of warehousing facility before claiming deduction u/s 35AD, it is assumed that said figure of profit is after providing depreciation u/s 32 on ₹ 17 lakhs, being the amount of capital expenditure not capitalized as on 1.4.2023 less cost of land (i.e., ₹ 93 lakhs - ₹ 63 lakhs = ₹ 30 lakhs - ₹ 13 lakhs (cost of land) = ₹ 17 lakhs)



Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|---|-----------|-------------|
| Total Income (as computed above) | | 67,00,000 |
| Add: Deduction under section 10AA | | 30,00,000 |
| | | 97,00,000 |
| Add: Deduction under section 35AD | 63,00,000 | |
| Less: Depreciation u/s 32 [On building @10% of ₹63 lakhs ⁴] | 6,30,000 | 56,70,000 |
| Adjusted Total Income | | 1,53,70,000 |
| Alternate Minimum Tax@18.5% | | 28,43,450 |
| Add: Surcharge@15% (since adjusted total income > ₹ 1 crore) | | 4,26,518 |
| | | 32,69,968 |
| Add: Health and Education cess@4% | | 1,30,799 |
| Total tax liability | | 34,00,767 |
| Tax Liability (Rounded off) | | 34,00,770 |

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, the tax liability is ₹ 34,00,770.

⁴Assuming the capital expenditure of ₹ 63 lakhs are incurred entirely on building

AMT Credit to be carried forward under section 115JEE

| | ₹ |
|--|-----------|
| Tax liability under section 115JC | 34,00,770 |
| Less: Tax liability under the regular provisions of the Income-tax Act, 1961 | 20,84,940 |
| | 13,15,830 |

Alternative 2 (The amount of ₹63 lakh capitalized includes cost of land)

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 | | |
| Profit from unit in SEZ | 50,00,000 | |
| Less: Deduction u/s 10AA | 30,00,000 | |
| [50,00,000 × 90,00,000/1,50,00,000 × 100%, since it is 5th year of manufacturing] | | |
| Business income of SEZ unit chargeable to tax | | 20,00,000 |
| Profit from operation of warehousing facility ⁵ | 1,10,00,000 | |
| Less: Deduction u/s 35AD [Deduction@100% in respect of the expenditure incurred prior to the commencement of its operations, and capitalized in the books of account on 1.4.2019. Deduction is not available on expenditure incurred on acquisition of land. It is assumed that the capitalized expenditure includes ₹ 13 lakhs of land] [₹ 63 lakhs - ₹ 13 lakhs] | 50,00,000 | |



| | | |
|---|--|-----------|
| Business income of warehousing facility chargeable to tax | | 60,00,000 |
| Total Income | | 80,00,000 |
| Computation of tax liability | | |
| Tax on ₹ 80,00,000 | | 22,12,500 |
| Add: Surcharge @10% | | 2,21,250 |
| | | 24,33,750 |
| Add: Health and Education cess@4% | | 97,350 |
| Total tax liability | | 25,31,100 |

⁵Since the question mentions ₹ 1,10,00,000 as the profit from operation of warehousing facility before claiming deduction u/s 35AD, it is assumed that said figure of profit is after providing depreciation u/s 32 on ₹ 30 lakhs, being the amount of capital expenditure not capitalized as on 1.4.2023 (₹ 93 lakhs - ₹ 63 lakhs).

Computation of adjusted total income and AMT of Mr. Xavier for A.Y. 2024-25

| Particulars | ₹ | ₹ |
|--|-----------|-------------|
| Total Income (as computed above) | | 80,00,000 |
| Add: Deduction under section 10AA | | 30,00,000 |
| | | 1,10,00,000 |
| Add: Deduction under section 35AD | 50,00,000 | |
| Less: Depreciation u/s 32 [On building @10% of ₹ 50 lakhs ⁶] | 5,00,000 | 45,00,000 |
| Adjusted Total Income | | 1,55,00,000 |
| Alternate Minimum Tax@18.5% | | 28,67,500 |
| Add: Surcharge@15% (since adjusted total income > ₹ 1 crore) | | 4,30,125 |
| | | 32,97,625 |
| Add: Health and Education cess@4% | | 1,31,905 |
| Total tax liability | | 34,29,530 |

Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is payable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, the tax liability is ₹ 34,29,530.

AMT Credit to be carried forward under section 115JEE

| | ₹ |
|--|-----------|
| Tax liability under section 115JC | 34,29,530 |
| Less: Tax liability under the regular provisions of the Income-tax Act, 1961 | 25,31,100 |
| | 8,98,430 |

Question 8

RTP May '18

For the A.Y. 2024-25, the Gross Total Income of Mr. Raja, a resident in India, was ₹ 8,00,000 which includes long-term capital gain of ₹ 2,50,000 and Short-term capital gain of ₹ 50,000. The Gross Total Income also includes interest income of ₹ 15,000 from savings bank deposits with banks. Mr. Raja has invested in PPF ₹ 1,40,000 and also paid a medical insurance premium



₹ 35,000 for self. Mr. Raja also contributed ₹ 50,000 to Public Charitable Trust eligible for deduction under section 80G by way of an account payee cheque. Compute the total income and tax thereon of Mr. Raja, who is 65 years old as on 31.3.2024.

Answer:

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

| Particulars | ₹ | ₹ |
|---|------------------------------------|---------------|
| Gross total income including long term capital gain | | 8,00,000 |
| Less: Long term capital gain | | 2,50,000 |
| | | 5,50,000 |
| Less: Deductions under Chapter VI-A: | | |
| Under section 80C in respect of PPF deposit | 1,40,000 | |
| is paid by otherwise than by cash. The deduction would be restricted to ₹ 30,000 (50,000 as per amendment), since Mr. Raja is a resident senior citizen) | 30,000 35,000 | |
| Under section 80G (See Notes 1 & 2 below) | 18,500 18,250 | |
| Under section 80TTA (See Note 3 below) | 10,000 | 2,03,250 |
| Total income (excluding long term capital gains) | | 3,46,750 |
| Total income (including long term capital gains) | | 5,96,750 |
| Tax on total income (including long-term capital gains of ₹ 2,50,000) | | |
| LTCG ₹ 2,50,000 × 20% | | 50,000 |
| Balance total income ₹ 3,46,750: Tax @5% on ₹ 46,750 | | 2,338 |
| (₹ 3,46,750 - ₹ 3,00,000, being the basic exemption limit for senior citizen) | | 52,338 |
| Add: Education cess @2% and Secondary and higher education cess @1% | | 1,577 |
| Add: EC & SHEC @ 4% | | 2094 |
| Total tax liability | | 54,432 |
| Total tax liability (rounded off) | | 54,430 |

Notes:

1. Computation of deduction under section 80G:

| Particulars | ₹ |
|---|----------|
| Gross total income (excluding long term capital gains) | 5,50,000 |
| Less: Deduction under section 80C, 80D & 80TTA | 1,85,000 |
| | 3,65,000 |
| 10% of the above | 36,500 |
| Contribution made to Public Charitable Trust | 50,000 |
| Lower of the two eligible for deduction under section 80G | 36,500 |
| Deduction under section 80G - 50% of ₹ 37,000 | 18,250 |



***Because of amendment in 80D limit to Rs.50,000 to senior citizens**

1. Deduction under section 80G is allowed only if amount is paid by any mode other than cash, in case of amount exceeding ₹ 2,000. Therefore, the contribution made to public charitable trust is eligible for deduction since it is made by way of an account payee cheque.
2. Deduction of upto ₹ 10,000 under section 80TTA is allowed, inter alia, to an individual assessee if gross total income includes interest income from deposits in a saving account with bank. Since Gross Total Income of Mr. Raja includes interest income of ₹ 15,000 on savings bank deposit, he is eligible for deduction of ₹ 10,000 under section 80TTA.

CA VIVEK GABA



Multiple Choice Questions

Question 1

MTP Oct'19

Which of the following statements is/are correct in respect of deduction allowed to an assessee in respect of certain donations for scientific research or rural development u/s 80GGA?

- (i) Deduction is not allowed to an assessee having income from business.
- (ii) The maximum amount of deduction allowed is ₹ 10,000.
- (iii) 100% deduction is allowed if amount in excess of ₹ 10,000 Rs 2,000 donated is paid by any mode other than cash.
- (iv) Deduction is not allowed to an assessee having income from salaries.
- (v) Any sum paid to a University to be used for scientific research is allowed if such University is approved u/s 35(1)(ii).
- (vi) Any sum paid to a notified Urban Development Fund is allowed.

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

Question 2

MTP April'19

Mr. Arjun, a businessman, whose total income (after allowing deduction under chapter VI-A except under section 80GG) for AY 2024-25 is ₹5,50,000. He does not own any house property and is staying in a rented accommodation in Patna for a monthly rent of ₹ 8,000. Deduction allowance under section 80GG for A.Y. 2024-25 is:

- a) ₹ 41,000
- b) ₹1,37,500
- c) ₹ 60,000
- d) ₹ 96,000

Question 3

MTP March 22

The basic salary of Mr. Raj is ₹ 1,15,000 p.m. He is entitled to dearness allowance, which is 30% of basic salary which forms part of pay for retirement benefits. Mr. Raj and his employer, XYZ Ltd., both contribute 20% of basic salary to the pension scheme referred to in section 80CCD. What is the amount of deduction available to Mr. Raj under section 80CCD for A.Y. 2024 -25?

- a) ₹ 4,08,800
- b) ₹ 5,05,400
- c) ₹ 3,79,400
- d) ₹ 3,58,800

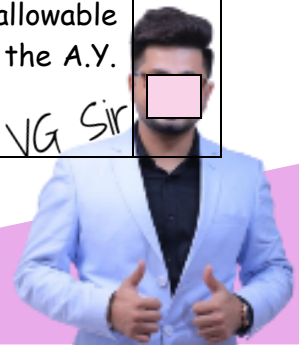
Question 4

MTP April'21

Mr. Krishna, a resident Indian aged 61 years, maintains a saving account with a co-operative land development bank and he earns ₹ 20,000 as interest on saving account for the Financial Year 2023-24. Mr. Krishna also maintains a fixed deposit and recurring deposit account with Mani Finance (A Non- Banking Finance Company) and earns ₹ 25,000 and 10,000 as interest on fixed deposit and recurring deposit, respectively. What would be the deduction allowable to Mr. Krishna under Chapter VI-A if he does not opt for the section 115BAC for the A.Y. 2024 -25?

- (a) ₹ 55,000

VG Sir



- (b) ₹ 10,000
(c) ₹ 20,000
(d) ₹ 50,000

Question 5

MTP March'19

Mr. Krishna is a philanthropic person. During the P.Y. 2023-24, out of his total receipts, he gave away ₹8,00,000 in cash to Prime Minister's National Relief Fund and was left with only ₹2,00,000 which is just enough money to meet his personal requirements. On these facts, Mr. Krishna is of the view that as ₹2,00,000 is below the maximum amount not chargeable to tax, no income of him is chargeable to tax during the previous year. He approaches you to file his income tax return showing ₹2,00,000 as his gross total income. Do you agree with the view of Mr. Krishna? Also, compute the amount of his total income.

- a) Yes, as income actually left in Mr. Krishna's hands is ₹2,00,000 only. His total income shall be ₹2,00,000.
b) No, as what is done after income is earned by Mr. Krishna will not give him any tax exemption. His total income shall be ₹10,00,000.
c) His gross total income and total income are ₹10 lakhs, since this is a case of application of income and donation made in cash will not qualify for deduction under section 80G.
d) Yes, as ₹8,00,000 is exempt from tax, the gross total income as well as total income of Mr. Krishna shall be ₹2,00,000 only.

Question 6

MTP Sep'22

Rudra Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 22.5.2018 and unit in DTA from 10.7.2019. Total turnover of Rudra Ltd. and Unit in DTA is ₹7,50,00,000 and 2,75,00,000, respectively. Export sales of unit in SEZ and DTA is ₹3,25,00,000 and ₹1,50,00,000, respectively and net profit of Unit in SEZ and DTA is ₹60,00,000 and ₹40,00,000, respectively. Rudra Ltd. would be eligible for deduction under section 10AA for -

- (a) ₹41,05,263
(b) ₹20,52,632
(c) ₹26,00,000
(d) ₹13,00,000

Question 7

RTP Nov '21

Mr. Arpit, an employee of MNO Ltd. has contributed ₹1,61,280 towards NPS and similar amount is contributed by his employer. His basic salary is ₹80,000 p.m. and dearness allowance are 40% of basic salary which forms part of retirement benefits. He also paid ₹55,000 towards LIC premium for himself and his wife and medical insurance premium of ₹35,000 by crossed cheque for his mother, being a senior citizen during the previous year 2023-24. How much deduction is available under Chapter VI-A while computing total income of Mr. Arpit for the A.Y. 2024-25?

- (a) ₹3,46,280
(b) ₹3,69,400
(c) ₹3,19,400
(d) ₹3,96,280

Question 8

RTP Nov'22

Mr. Raj, aged 65 years, is a salaried person. He has taken a LIP on his major son's name on 01.11.2014. The sum assured of LIP is ₹16,00,000 and the premium payable is ₹1,70,000. He has also taken a medical policy of ₹10,00,000 for self and his wife on 01.11.2021. The medical



policy is valid for 5 years. He has paid one time premium of ₹ 1,80,000. What is the total deduction available to Mr. Raj for A.Y. 2024-25?

- (a) ₹ 1,86,000
(b) ₹ 1,96,000
(c) ₹ 1,90,000
(d) ₹ 1,80,000

Question 9

RTP May '20

XYZ Ltd. has two units, one unit at Special Economic Zone (SEZ) and other unit at Domestic Tariff Area (DTA). The unit in SEZ was set up and started manufacturing from 12.3.2017 and unit in DTA from 15.6.2019. Total turnover of XYZ Ltd. and Unit in DTA is ₹ 8,50,00,000 and ₹ 3,25,00,000, respectively. Export sales of unit in SEZ and DTA is ₹ 2,50,00,000 and ₹ 1,25,00,000, respectively and net profit of Unit in SEZ and DTA is ₹ 80,00,000 and ₹ 45,00,000, respectively. XYZ Ltd. would be eligible for deduction under section 10AA for -

- (a) ₹ 38,09,524
(b) ₹ 19,04,762
(c) ₹ 23,52,941
(d) ₹ 11,76,471

Question 10

CS Execu.

Deduction u/s 80TTB of Income Tax Act, 1961, shall be allowed if the Total Income includes:

- (A) Interest on deposits in a Savings Account with a Bank or Post Office
(B) Interest on deposits in a Savings Account with a Co-operative Bank
(C) Interest on deposits in a Fixed Deposit Account with Bank or Post Office.
(D) Any of the above

Answers

| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 |
|---|---|---|---|---|---|---|---|---|----|
| d | a | c | c | c | a | b | d | c | d |



Chapter 7: Advance Tax, Tax Deduction at Source and Introduction to Tax Collection at Source

Descriptive Questions

Easy

Question 1

PYQ Nov 18, MTP2 Sept' 24

Mr. Dhanapal wishes to purchase a residential house costing ₹60 lakhs from Ms. Saipriya. The house is situated at Chennai. He also wants to purchase agricultural lands in a rural area for ₹65 lakhs. He wants to know whether there will be any obligation to deduct tax at source in these two situations. Both the buyer as well as the sellers are residents in India. Advise Mr. Dhanapal suitably.

2 Marks

Answer:

Since the sale consideration of residential house exceeds ₹50 lakh, Mr. Dhanapal is required to deduct tax at source @1% of sale consideration of ₹60 lakh under section 194-IA. TDS provisions under section 194-IA are not attracted in respect of transfer of rural agricultural land, even if the consideration exceeds ₹50 lakh.

Question 2

RTP Nov 18

When and at what rate, a seller is required to collect tax source on sale of motor vehicle. Also, discuss whether tax is required to be collected at source on sale of motor vehicle by manufacturers to dealers.

Answer:

As per section 206(1F), every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ₹10 lakhs, shall collect tax from the buyer @1% of the sale consideration.

In case of sale of a motor vehicle, tax shall be collected at the time of receipt of such amount. The CBDT has, vide Circular No. 22/2016 dated 8.6.2016 and Circular No.23/2016 dated 24.6.2016, clarified that tax is required to be collected at source on all transactions of retail sales and accordingly, it will not apply on sale of motor vehicles by manufacturers to dealers/distributors.

Question 3

MTP March '23, PYQ Dec '21

Examine the following transactions with reference to applicability of the provision of tax collected at source and the rate and amount of the TCS for the A.Y. 2023-24.

(i) Mr. Kalpit bought an overseas tour programme package for Singapore for himself and his family of ₹5 lakhs on 01-11-2022 from an agent who is engaged in organising foreign tours in



course of his business. He made the payment by an account payee cheque and provided the permanent account number to the seller. Assuming Kalpit is not liable to deduct tax at source under any other provisions of the Act.

(ii) Mr. Anuj doing business of textile as a proprietor. His turnover in the business is ₹11 crores in the previous year 2021-22. He received payment against sale of textile goods from Mr. Ram of ₹75 lakhs against the sales made to him in the previous year 2022-23. Mr. Ram's turnover for the P.Y. 2021-22 was 5 crores. (Assuming all the sales are domestic sales).

4 Marks

Answer:

TCS implications

(i) Tax @ 5% is required to be collected u/s 206C(1G) by the seller of an overseas tour programme package from Mr. Kalpit, being the buyer of an overseas tour package, even if payment is made by account payee cheque. Accordingly, tax has to be collected @5% on 5 lakhs. TCS = 5% × ₹5 lakh = ₹25,000

(ii) Mr. Anuj is required to collect tax @0.1% u/s 206C(1H) from Mr. Ram, since his turnover in the P.Y.2021-22 exceeds 10 crores, and the sales receipts from Mr. Ram in the P.Y.2022-23 exceeds ₹50 lakhs. Tax has to be collected by Mr. Anuj on ₹25 lakhs, being the amount exceeding ₹50 lakhs, at the time of receipt. TCS = 0.1% × ₹25 lakhs = ₹2,500.

Question 4

MTP Oct 22

An amount of ₹ 50,000 was paid to Mr. Rakesh on 1.9.2021 towards fees for professional services without deduction of tax at source. Subsequently, another payment of ₹ 60,000 was due to Mr. Rakesh on 31.1.2022, from which tax@10% (amounting to ₹ 11,000) on the entire amount of ₹ 1,10,000 was deducted. However, this tax of ₹ 11,000 was deposited only on 22.7.2022. Compute the interest chargeable under section 201(1A).

3 Marks

Answer:

Interest under section 201(1A) would be computed as follows -

| Particulars | ₹ |
|---|-------|
| 1% on tax deductible but not deducted i.e., 1% on ₹ 5,000 for 5 months | 250 |
| 1½% on tax deducted but not deposited i.e. 1½% on ₹ 11,000 for 6 months | 990 |
| | 1,240 |

As per TRACES, interest is computed for 7 months.

Question 5

MTP March 22

Briefly discuss the clarification issued by the CBDT on the cross application of TDS under section 194-Q and TCS under section 206C(1H).

3 Marks

Answer:

As per section 206C(1H), tax is not required to be collected under the said section if the buyer is liable to deduct tax at source under any other provision of the Act on the goods purchased by him from the seller and has deducted such tax.



As per section 194Q, the provision of section 194Q would not apply to a transaction on which tax is collectible under the provisions of section 206C, other than a transaction on which section 206C(1H) applies.

If a transaction is within the purview of both section 194Q and section 206C(1H), the tax is required to be deducted under section 194Q. The transaction would come out of the purview of section 206C(1H) after tax has been deducted by the buyer on that transaction. Once the buyer has deducted the tax on a transaction, the seller is not required to collect the tax under section 206C(1H) on the same transaction. However, if, for any reason, tax has been collected by the seller under section 206C(1H), before the buyer could deduct tax under section 194Q on the same transaction, such transaction would not be subjected to tax deduction again by the buyer.

Question 6

Examine the applicability of TDS provisions, if any, to be deducted in the following cases:

- (i) Payment of fee for professional services of Rs. 20,000 and royalty of Rs. 27,000 to Ms. Kajal, who is having PAN. (MTP 2 Marks, Aug'18)
- (ii) Payment of Rs. 1,05,000 made to Mr. Ram for purchase of calendars made according to specifications of M/s XYZ Ltd. However, no material was supplied for such calendars to Mr. Ram by M/s XYZ Ltd. (MTP 2 Marks, Aug'18)
- (iii) Rent paid for plant and machinery Rs. 1,70,000 by a partnership firm having sales turnover of Rs. 49,00,000 and net loss of Rs. 15,000. (MTP 1 Mark, Aug'18)

Answer:

- (i) Payment of fee for professional services of Rs. 20,000 and royalty of Rs. 27,000 to Ms. Kajal, who is having PAN.

i. As per section 194J, liability to deduct tax is attracted only in case the payment made as fees for professional services and royalty, individually, exceeds Rs. 30,000 during the financial year. In the given case, since, the individual payments for fee of professional services i.e. Rs. 20,000 and royalty Rs. 27,000 is less than Rs. 30,000 each, there is no liability to deduct tax at source. It is assumed that no other payment towards fees for professional services and royalty were made during the year to Ms. Kajal.

- (ii) Payment of Rs. 1,05,000 made to Mr. Ram for purchase of calendars made according to specifications of M/s XYZ Ltd. However, no material was supplied for such calendars to Mr. Ram by M/s XYZ Ltd.

ii. According to section 194C, the definition of "work" does not include the manufacturing or supply of product according to the specification by customer in case the material is purchased from a person other than the customer.

- (iii) Rent paid for plant and machinery Rs. 1,70,000 by a partnership firm having sales turnover of Rs. 49,00,000 and net loss of Rs. 15,000.



iii. Therefore, there is no liability to deduct tax at source in respect of payment of Rs. 1,05,000 to Mr. Ram, since the contract is a contract for 'sale'. As per section 194-I, tax is to be deducted @ 2% on payment of rent for plant and machinery, only if the payment exceeds Rs. 1,80,000 during the financial year. Since rent of Rs. 1,70,000 paid by a partnership firm does not exceed Rs. 1,80,000, tax is not deductible.

Question 7

MTP Oct'19

Examine with reasons, whether quoting of PAN in the following transactions is mandatory or not, as per the provisions of Income-tax Act, 1961 for A.Y. 2019-20:

- (i) Mr. Nihau makes cash payment to a hotel Ginger, Rishikesh of Rs. 50,000 against the bill raised by the hotel.
- (ii) Mr. Suresh, in a single transaction, makes contract of Rs.1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956.
- (iii) Payment to Mutual Funds of Rs. 57,000 for purchase of its units.

3 Marks**Answer:**

Requirement of quoting PAN in respect of certain transactions [Rule 114B of Income-tax Rules, 1962]

- (i) **PAN not required to be quoted:** Mr. Nihar is not required to quote his PAN while making payment Rs. 50,000 in cash to a hotel Ginger, Rishikesh, since such payment does not exceed Rs. 50,000.
- (ii) **PAN is mandatorily required to be quoted:** Mr. Suresh is required to quote his PAN while making contract of Rs. 1,85,000 for sale/purchase of securities (other than shares) as defined in section 2(h) of the Securities Contracts (Regulation) Act, 1956, since amount of the transaction exceeds Rs. 1,00,000.
- (iii) **PAN is required to be quoted:** PAN has to be mandatorily quoted while making payment of Rs. 57,000 to Mutual Funds for purchase of its units, since such payment exceeds Rs. 50,000.

Question 8

MTP Oct'20

Mr. Karan is engaged in the business of producing and selling toys. During the previous year 2019-20, his turnover was ₹1.75 crores. He opted for paying tax as per presumptive taxation scheme laid down in section 44AD. He has no other income during the previous year. Is he liable to pay advance tax and if so, what is the minimum amount of advance tax to be paid and the due date for payment of such advance tax assuming that whole of the turnover represents cash receipts?

3 Marks**Answer:**

Computation of advance tax liability in the hands of Mr. Karan opting for presumptive taxation scheme under section 44AD.

As per section 211(1)(b), an eligible assessee, opting for computation of profits or gains of business on presumptive basis in respect of an eligible business referred to in section 44AD, shall be required to pay advance tax of the whole amount on or before 15th March of the financial year. Thus, Mr. Karan is required to pay advance tax for F.Y.2019-20 on or before 15th March, 2020.



However, any amount paid by way of advance tax on or before 31st March shall also be treated as advance tax paid during that financial year on or before 15th March.

| | | |
|---|----------|-----------|
| The advance tax liability is computed as follows - | | |
| Total Income being 8% of 1,75,00,000, since Mr. Karan is an eligible assessee opting for presumptive taxation scheme under section 44AD (Total income comprises of only income under the head "Profits and gains of business or profession", since Mr. Karan is not having any other income during the previous year) | | 14,00,000 |
| Tax liability | | |
| Upto ₹2,50,000 | Nil | |
| ₹2,50,001 to ₹5,00,000@5% | 12,500 | |
| ₹5,00,001 to ₹10,00,000@20% | 1,00,000 | |
| Above ₹10,00,000@30% | 1,20,000 | 2,32,500 |
| Add: Health and Education cess @4% | | 9,300 |
| Total Tax Payable | | 2,41,800 |
| Accordingly, Mr. Karan is required pay 2,41,800 as minimum amount of advance tax by 31st March 2020. | | |

Question 9

MTP Nov'21, RTP Nov'21

Ms. Soha (aged 35 years), a resident individual, is a dealer of scooters. During the previous year 2020-21, 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 115 BAC. 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 | ₹ |
|--|----------|
| 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 | | Rs. |
|-----------------|----------|-----|
| Total Income | 8,30,000 | |
| Tax on 8,30,000 | | |



| | | |
|-----------------------------------|--------|---------------|
| Upton 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 10

MTP Nov'21

Compute the amount of TDS on the following payments made:

- Payment of royalty of Rs. 20,000 & fee for technical services of Rs. 24,000 to Mr. A, who is having PAN, were made during the Previous Year 2020-21 by M/s. Zen Ltd.
- Kiara Ltd., paid Rs. 18,000 to one of its directors as sitting fees on 02.02.2021.
- Rs. 2,35,000 paid to Mr. Summit, a resident Individual on 26.12.2021 by State of Tamil Nadu on Compulsory Acquisition of his urban land.

3 Marks

Answer:

(I) Royalty & Fee for technical services

Tax is not required to be deducted at source under section 194J on payment of royalty of Rs. 20,000 and fee for technical services of Rs. 24,000 to Mr. A, since the limit of Rs. 30,000 for non-deduction of tax at source is applicable for royalty and fees for technical services, separately.

(ii) Director's sitting fees

Kiara Ltd. is required deduct tax at source @10% (7.5% for the period between 14.5.2020 to 31.3.2021) under section 194J, on the amount of sitting fees of Rs. 18,000 paid to a director, since the threshold limit of Rs. 30,000 is not applicable in respect of sum paid to a director.

Therefore, tax to be deducted at source = Rs. 18,000 @7.5% (10%) = Rs. 1,350 Rs. 1800.

(Only during 14th May,2020 to 31st March 2021 the TDS rate was reduced to 7.5% from 10% for covid-reasons)

(iii) Compensation on compulsory acquisition of urban land

As per section 194LA, no tax is required to be deducted at source on the amount of Rs. 2,35,000 paid to Mr. Summit by the State Government on compulsory acquisition of his urban land, since amount does not exceed Rs. 2,50,000.

Question 11

MTP Mar'21, RTP Nov '19

Determine the advance tax payable by Mr. Deepak with their due dates for the assessment year 2021-22.

| | |
|-----------------------------|-----------------|
| | Amount (Rs.) |
| Total estimated tax payable | 5,50,000 |



| | |
|-----------------------------------|--------|
| TDS (deductible but not deducted) | 70,000 |
| TCS (collected) | 20,000 |

3 Marks

Answer:

Computation of Advance Tax Payable for the A.Y 2021-22

| Particulars | RS |
|---|-----------|
| Tax Payable | 5,50,00 0 |
| Less: TDS (deductible but not deducted), cannot be reduced for computing advance tax liability | Nil |
| Less: TCS | 20,000 |
| Net Tax Payable | 5,30,00 0 |

Due dates for payment of advance tax

| Due date of instalment | Amount payable |
|-----------------------------------|--|
| On or before 15th June, 2020 | Rs. 79,500 [15% of Rs. 5,30,000] |
| On or before 15th September, 2020 | Rs. 1,59,000 [Rs. 2,38,500 (45% of Rs. 5,30,000) less Rs. 79,500, (amount paid in earlier instalment)] |
| On or before 15th December, 2020 | Rs. 1,59,000 [Rs. 3,97,500 (75% of Rs. 5,30,000) Less Rs. 2,38,500 (amount paid in earlier instalment or instalments)] |
| On or before 15th March, 2021 | Rs. 1,32,500, [Rs. 5,30,000 (whole amount of advance tax liability less Rs. 3,97,500 (amount paid in earlier instalment or instalments)] |

Question 12

MTP April 22

Briefly discuss the provisions of tax deducted at source under the Income-tax Act in respect of the following payments:

- (i) Mr. Kamlesh (a resident individual aged 65 years) has maintained two fixed deposits in two different branches of ABC Bank of India (working on core banking solution). During the year 2021-22, the bank paid 32,000 and ₹17,000 as interest on these fixed deposits.
- (ii) Mr. Avinash, a pensioner, pays ₹55,00,000 during F.Y. 2021-22 to Mr. Raju, for contract payment for reconstruction of his residential house.

4 Marks

Answer:

(i) ABC Bank is not required to deduct tax at source under section 194A, since the aggregate interest on fixed deposit with the two branches of the bank ₹49,000 does not exceed the threshold limit of 50,000, applicable in case of senior citizen. Since ABC Bank has adopted core banking solution (CBS), the aggregate interest paid by both branches has to be considered.

(ii) TDS provisions under section 194C are not attracted in this case, since Mr. Avinash is a pensioner. However, Mr. Avinash has to deduct tax at source@5% u/s 194M, since the payment to contractor, Mr. Raju, exceeds ₹50 lakhs.



Question 13

PYQ Nov'18, MTP2 Sept' 24

Rahil & Co., a partnership firm is having a car dealership show-room. They have purchased cars for ₹2 crores from XYZ Ltd., car manufacturers, the cost of each car being more than ₹12 lakhs. They sell the cars to individual buyers at a price yielding 10% margin on cost. State whether there will be any obligation to collect tax in the above two situations. **2 Marks**

Answer:

Every person, being a seller, who receives any amount as consideration for sale of a motor vehicle of the value exceeding ` 10 lakhs, is required to collect tax at source @1% of the sale consideration from the buyer. TCS provisions will, however, not apply on sale of motor vehicles by manufacturers to dealers/distributors. Hence, XYZ Ltd., the manufacturer-seller need not collect tax at source on sale of cars to the dealer, Rahil & Co., even if the value of each car exceeds ` 10 lakhs. However, TCS provisions would be attracted when Rahil & Co., sells cars to individual buyers, since the value of each car exceeds ` 10 lakhs. Rahil & Co. has to collect tax@1% of the consideration on sale of each car to an individual buyer.

(As per amendment From AY 2022-23 Section 194Q applies to any buyer who is responsible for paying any sum to any resident seller for purchase of any goods of the value or aggregate of value exceeding ₹50 lakhs in any previous year. The buyer, at the time of credit of such sum to the account of the seller or at the time of payment, whichever is earlier, is required to deduct an amount equal to 0.1% of such sum exceeding 50 lakhs as income tax. Hence this section would become applicable to Rahil & Co if T/O was more than 10 crores and if the AY was 22-23.)

Question 14

PYP Nov '20, MTP Oct'21

State in brief the applicability of tax deduction at source provisions, the rate and amount of tax deduction in the following cases for the financial year 2021-22 under the Income-tax Act, 1961.

Assume that all payments are made to residents:

- (i) Sahil, a resident Indian individual, not deriving any income from business or profession makes payments of 10 lakh in January, 2022, 25 lakh in February, 2022 and 25 lakh in March, 2022 to Madan, a contractor for reconstruction of his residential house.
- (ii) XYZ Ltd. makes the payment of 2,00,000 to Ramesh, an individual transporter who owned 6 goods carriages throughout the previous year. He does not furnish his PAN. **5 Marks**

Answer:

TDS implications:**(i) On payments made to contractor**

Tax is deductible @5% under section 194M, since payments to Mr. Madan, a contractor, for reconstruction of his residential house exceeds 50 lakhs in aggregate during the F.Y.2021- 22. Amount of tax to be deducted = 5% of 60 lakhs = 3,00,000

(ii) Payment to transporter who has not furnished PAN Under section 194C, no tax is deductible in respect of payments to a transporter, who owns ten or less goods carriages at any time during the year and furnishes a declaration to that effect along with his PAN to the person paying or crediting such sum.

