

## Computation of total income of Mr. Rakesh for A.Y. 2024-25

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from house property</b>			
	<b>Let out portion [First floor]</b>			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 60,000/2]		30,000	
	<b>Net Annual Value (NAV)</b>		1,98,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,98,000		59,400	
			1,38,600	
	<b>Self-occupied portion [Ground Floor]</b>			
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			1,38,600
<b>II</b>	<b>Profits and gains of business or profession</b>			
	Income from SEZ unit			25,00,000
<b>II</b>	<b>Capital Gains</b>			
<b>I</b>	<b>Long-term capital gains on sale of land (since held for more than 24 months)</b>			
	Full Value of Consideration [Higher of stamp duty value of ₹ 19.35 lakhs and Actual consideration of ₹ 13 lakhs, since stamp duty value exceeds actual consideration by more than 10%]		19,35,000	
	Less: Indexed Cost of acquisition [₹ 5,00,000 × 301 348/100]		17,40,000	1,95,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 1.75 lakhs + ₹ 0.20 lakhs = ₹ 1.95 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 5 lakhs			
<b>IV</b>	<b>Income from Other Sources</b>			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on savings bank deposits		40,000	
				2,88,000
	<b>Gross Total Income</b>			31,21,600



Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA @100% of export profits, since P.Y.2023-24, being the 3rd year of operations]			17,50,000
[Profits of the SEZ x Export Turnover/Total Turnover] x 100%			
[₹ 25 lakhs x ₹ 140 lakhs/ ₹ 200 lakhs x 100%]			
Less: Deduction under Chapter VI-A			
Deduction under section 80C			
Tuition fee paid for maximum of two children is allowable (₹ 14,000 x 2)	28,000		
Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Rakesh	39,000		
Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Rakesh	-	67,000	
Deduction under section 80QQB		1,90,000	
Royalty [₹ 2,88,000 x 15/18 = ₹ 2,40,000, restricted to amount brought into India in convertible foreign exchange ₹ 2,30,000 minus ₹ 40,000 expenses already allowed as deduction while computing royalty income]			
Deduction under section 80TTA		10,000	
Interest on savings bank account, restricted to ₹ 10,000			
			2,67,000
			11,04,600

**Computation of tax liability of Mr. Rakesh for A.Y.2024-25  
under the normal provisions of the Act**

Particulars	₹	₹
<b>Tax on total income of ₹ 11,04,600</b>		
Tax on LTCG of ₹ 1,95,000@20%		39,000
<b>Tax on remaining total income of 9,09,600</b>		
Upto ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 - ₹ 9,09,600[@20% of ₹ 4,09,600]	81,920	94,420
		1,33,420
Add: Health and education cess@4%		5,337
<b>Total tax liability</b>		<b>1,38,757</b>
<b>Tax liability (rounded off)</b>		<b>1,38,760</b>



## Computation of tax liability of Mr. Rakesh as per section 115BAC for A.Y.2024-25

Particulars	₹
Gross total Income as per regular provisions of the Act	31,21,600
Less: Deduction u/s 10AA/ Deduction under Chapter VI-A [No deduction under section 10AA or under Chapter VI-A is allowed]	-
<b>Total Income as per section 115BAC</b>	<b>31,21,600</b>
Tax on total income of ₹ 31,21,600	
Tax on LTCG of ₹ 1,95,000@20%	39,000
Tax on remaining total income of 29,26,600	
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	
₹ 3,00,000 - ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	
₹ 6,00,001 - ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	
₹ 9,00,001 - ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	
₹ 12,00,001 - ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	
<b>Above ₹ 15,00,000 @30% = 4,27,980</b>	<b>5,77,980</b>
	<b>6,16,980</b>
Add: Health and education cess@4%	<b>24,679</b>
<b>Total tax liability</b>	<b>6,41,659</b>
Tax liability (rounded off)	<b>6,41,660</b>
Since tax liability as per section 115BAC is higher than the tax liability under normal provisions of the Act, it is beneficial for Mr. Rakesh not to exercise option under section 115BAC.	

## Question 2

MTP Nov'21, MTP Mar'22

From the following information provided by Mr. Suresh, aged 43 years and a wholesale dealer, for the A.Y. 2024-25, you are required to compute the tax payable by him.

## Trading and Profit and Loss Account of Mr. Suresh

Particulars	Amount in Rs.	Particulars	Amount in Rs.
To Opening Stock	24,21,000	By Sales	2,62,50,100
To Purchases	2,06,00,500	By Closing stock	52,00,100
To Direct expenses	4,12,040		
To Freight inward	2,65,000		
To Gross Profit c/d	77,51,660		
	3,14,50,200		3,14,50,200
To Salaries and wages	17,15,000	By Gross Profit b/d	77,51,660
To General expenses	3,65,000	By dividend from Indian companies (gross)	17,20,000
To Rates and taxes	2,40,000	By Interest received on FDs (Net of tax) [FD made on 1.8.2023]	1,11,000



To Interest paid on late filing of GST	3,845	By Rent received	7,20,000
To Income-tax paid for FY 2022-23	3,45,000	By Income-tax Refund	19,000
To Interest paid to NBFC	1,15,000		
To Depreciation	1,82,000		
To Net Profit	73,55,815		
	1,03,21,660		1,03,21,660

The following additional information is provided by him:

- Closing stock of previous year 2023-24 was undervalued by Rs. 55,000.
- Rates and taxes include Rs. 1,000 paid towards late filing of his Income-tax return for Assessment Year 2023-24 under section 234F of Income-tax Act.
- Salaries include Rs. 30,000 paid on single day by way of cash to his accountant.
- Interest paid on loan of Rs. 10,00,000 taken from a Non-Banking Finance company. Out of the loan, amount of Rs. 2 lakhs was used for personal purpose and the balance was used for business purpose. No TDS was deducted while paying the interest on loan.
- An amount of Rs. 35,000 was paid by cheque during the year towards health insurance policy covering himself, his spouse and his children.
- General expenses include Advertisement expense of Rs. 25,000 paid by cheque towards an advertisement in a souvenir published by local political party.
- Income-tax refund includes Rs. 2,500 towards interest.
- Depreciation charged is as per Income-tax Rules is Rs. 2,20,000
- Advance Tax paid during the year is Rs. 9 lakhs.
- TDS has been deducted on interest received on FD.
- Turnover for the year ending 31.03.2023 was Rs. 2.58 crores.(Same concepts different figures)

14 Marks

Answer:

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

Particulars	Rs.	Rs.	Rs.
<b>Income from house property</b>			
Annual value (rent received has been taken as annual value, due to absence of information relating to expected rent in the Question)		7,20,000	
Less: Deduction u/s 24(a)			
30% of Annual Value		2,16,000	5,04,000
<b>Profits and gains of business or profession</b>			



Net profit as per profit and loss account		73,55,815	
Add: <b>Expenses/Payments debited to profit and loss account but not allowed</b>			
- Depreciation as per books of account	1,82,000		
Fee for late filing of income-tax return for A.Y. 2023- 24 - disallowed	1,000		
Salary paid to an accountant in cash exceeding Rs. 10,000 - disallowed under section 40A(3)	30,000		
- Interest paid to NBFC on loan which is used for personal purposes (Rs. 1,15,000 × 2,00,000/ 10,00,000) - not allowed as per section 37	23,000		
- Interest paid to NBFC on which tax is not deducted attracts disallowance @30% of Rs. 92,000 under section 40(a)(ia) [Since Mr. Suresh's turnover for the immediately preceding previous year i.e., P.Y. 2022-23 exceeds Rs. 1 crore, he is required to deduct tax at source. Disallowance@30% of interest is attracted for non-deduction of tax at source]	27,600		
-Income-tax paid for F.Y. 2022-23	3,45,000		
-Interest paid on late filing of GST, allowed, since it is not for infraction of law but is compensatory in nature.	Nil		
-Advertisement expenses towards an advertisement in a souvenir published by local political party [under section 37(2B)]	25,000	6,33,600	
Add: Undervaluation of Closing stock		55,000	
		80,44,415	
Less: Income chargeable under other heads and income not chargeable to tax but credited to profit and loss account			
-Dividend from Indian companies (taxable under the head "Income from other sources")	17,20,000		
-Interest on FDs (Net of taxes) (Gross income taxable under the head "Income from other sources")	1,11,000		
- Rent received (taxable under the head "Income from house property")	7,20,000		
- Income-tax refund	19,000	25,70,000	
		54,74,415	



Less: Depreciation as per Income-tax Rules		2,20,000	52,54,415
Income from Other Sources			
Dividend from Indian companies		17,20,000	
Interest on fixed deposits (Rs. 1,11,000 x 100/92.5, since tax was deducted at source @7.5%)		1,20,000	

Interest on income-tax refund		2,500	18,42,500
Gross Total Income			76,00,915
Less: Deduction under Chapter VI-A			
Section 80D			
Health insurance premium paid for self, spouse and his children allowable as deduction to the extent Rs. 25000		25,000	
Section 80GGC			
Expenditure towards advertisement in a souvenir published by local political party not allowable as deduction		Nil	25,000
Total Income			75,75,915
Total Income (Rounded Off)			75,75,920

#### Computation of tax payable by Mr. Suresh for the A.Y.2024-25

Particulars		Rs.
Up to Rs. 2,50,000	Nil	
Rs. 2,50,001 - Rs. 5,00,000 [i.e., Rs. 2,50,000@5%]	12,500	
Rs. 5,00,001 - Rs.10,00,000 [i.e., Rs. 5,00,000@20%]	1,00,000	20,85,276
Rs. 10,00,001 above [i.e., Rs. 65,75,920 @30%]	19,72,776	
		20,85,276
Add: Surcharge @10%, since total income exceeds Rs. 50,00,000		2,08,528
		22,93,804
Add: Health and Education cess@4%		91,752
Tax Liability		23,85,556
Less: Advance tax		9,00,000
Tax deducted at source on interest on FDs under section 194A		9,000
Tax payable		14,76,556
Tax payable (rounded off)		14,76,560



## Computation of tax liability of Mr. Suresh as per section 115BAC for A.Y.2024-25

Particulars	Rs.
Gross total Income as per regular provisions of the Act	76,00,915
Less: Deduction u/s 10AA/ Deduction under Chapter VI-A [No deduction under section 10AA or under Chapter VI-A is allowed]	-
Total Income as per section 115BAC	76,00,915
Total Income as per section 115BAC (rounded off)	76,00,920
Tax on total income of 76,00,920	19,80,276
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	
₹ ₹ 3,00,000 - ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	
₹ 6,00,001 - ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	
₹ 9,00,001 - ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	
₹ 12,00,001 - ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	
Above ₹ 15,00,000 @30% (61,00,920 @ 30%) 18,30,276	
	19,80,276
Add: Surcharge @10%, since total income exceeds Rs. 50,00,000	1,98,028
	21,78,304
Add: Health and education cess@4%	87,132
Total tax liability	22,65,436
Less: Advance tax	9,00,000
Tax deducted at source on interest on FDs under section 194A	9,000
Tax payable	13,56,436
Tax payable (rounded off)	13,56,440
Since tax liability as per section 115BAC is lower than the tax liability under normal provisions of the Act, it is beneficial for Mr. Suresh to exercise option under section 115BAC. He has to exercise this option on or before the due date of furnishing the return of income. Further, he is having income from business or profession during the P.Y.2020- 21, if he opts for section 115BAC for this previous year, the said provisions would apply for subsequent assessment years as well.	

**Question 3**

MTP April'21, PYP May '19

You are required to compute the total income and tax payable by Mr. Josh, aged 48 years, from the following information provided by him for the Assessment Year 2024-25. Mr. Josh does not want to opt for section 115BAC for the A.Y. 2024-25:

- (i) Basic Salary @ Rs. 51,000 per month, Dearness allowance @ Rs. 10,000 per month (Part of salary for retirement benefits), House rent allowance Rs. 4,000 per month and rent paid for house in Chennai is Rs. 7,000 per month.



- (ii) He owns a commercial building at Mumbai, which is let out on 1.7.2022 at a monthly rent of Rs. 46,000 to ABC Ltd. He paid municipal taxes of Rs. 27,000 and Rs. 25,000 for the financial year 2022-23 and 2023-24 on 31-3-2024 and 20-4-2024, respectively. Fair rent of the building is Rs. 33,000 p.m.
- (iii) He purchased 4000 unlisted shares of Maharaja Limited on 25-2-2008 for Rs. 80,000. Company declared bonus in the ratio of 1:1 on 15<sup>th</sup> March, 2008. Mr. Josh sold 3000 bonus shares on 15.01.2021 for Rs. 2,00,000 to his friend Mr. Mehul through unrecognized stock exchange. (Cost Inflation Index: 2007-08: 129, 2023-24: 348)
- (iv) In April, 2023, he received dividend of Rs. 9,00,000 from ABC Ltd., an Indian company. The dividend is declared by the company in P.Y. 2022-23 and the company has paid dividend distribution tax on the same.
- (v) Interest from saving bank account with SBI Bank Rs. 15,000 and lottery winnings (Net of TDS@30%) is Rs. 21,000.

He paid the following amounts during the P.Y. 2023-24:

- (a) Deposits in Public Provident Fund Rs. 1,50,000.
- (b) Medical insurance premium paid for health of his wife Rs. 19,000 and for health of dependent son Rs. 12,000 through cheque.

14 Marks

Answer:

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

Particulars	Rs.	Rs.
Salaries		
Basic Salary = Rs. 51,000 × 12	6,12,000	
Dearness Allowance (DA) = Rs. 10,000 × 12	1,20,000	
House Rent Allowance (HRA) = Rs. 4,000 × 12      Rs. 48,000		
Less: Least of the following exempt u/s 10(13A) Rs. 10,800	37,200	
(i) HRA actually received = Rs. 4,000 × 12 = Rs. 48,000		
(ii) Rent paid (-) 10% of salary [Rs. 84,000 (i.e., Rs. 7,000 × 12) (-) Rs. 73,200 (10% of salary i.e., 10% of Rs. 7,32,000 (Basic Salary + DA))] = Rs. 10,800		
(iii) 50% of salary [50% of Rs. 7,32,000 (Basic Salary + DA)] = Rs. 3,66,000		
Gross Salary	7,69,200	
Less: Standard deduction u/s 16(ia)	50,000	
		7,19,200
Income from house property		
Gross Annual Value [Rs. 46,000 × 9, being the higher of actual rent received and fair rent]	4,14,000	
Less: Municipal tax paid during the P.Y. 2023-24	27,000	
Net Annual Value	3,87,000	
Less: Deduction u/s 24 [30% of Net Annual Value]	1,16,100	
		2,70,900
Capital Gains		



Full value of consideration	2,00,000	
Less: Cost of acquisition of bonus shares allotted on or after 1.4.2001	Nil	
Long-term capital gains (since bonus shares are held for a period of more than 24 months)		2,00,000
<b>Income from Other Sources</b>		
Dividend received from ABC Ltd., an Indian company	9,00,000	
Less: Exempt under section 10(34), since dividend distribution tax has been paid on such dividend	9,00,000	
(as per amendment dividend is taxable in the hands of shareholder)		Nil
Interest from saving bank account with SBI Bank	15,000	
Lottery winnings [21,000 × 100/70]	30,000	
		9,45,000
<b>Gross Total Income</b>		<b>21,35,100</b>
<b>Less: Deduction under Chapter VI-A</b>		
<b>Section 80C</b>		
Deposits in PPF	1,50,000	
<b>Section 80D</b>		
Medical insurance premium for wife and dependent son Rs. 31,000, restricted to Rs 25,000	25,000	
<b>Section 80TTA</b>		
Interest on saving bank account with SBI	10,000	
		1,85,000
<b>Total Income</b>		<b>19,50,100</b>

**Computation of tax liability of Mr. Josh for A.Y. 2024-25**

Particulars	Rs.	Rs.
Tax on total income of Rs. 19,50,100		
Tax on long-term capital gains of Rs. 2,00,000@20% u/s 112	40,000	
Tax on lottery income of Rs. 30,000 @30% u/s 115BB	9,000	
Tax on other income of Rs. 17,20,100 [Rs. 10,50,100 - Rs. 2,00,000, capital gains - Rs. 30,000, lottery income]		
Upto Rs. 2,50,000	Nil	
Rs. 2,50,001 - Rs. 5,00,000 [i.e., Rs. 2,50,000@5%]	12,500	
Rs. 5,00,001 - Rs. 10,00,000 [i.e., Rs. 5,00,100@20%]	1,00,000	
Rs. 10,00,001 -Rs.17,20,100 [i.e., Rs. 7,20,100@30%]	2,16,030	
		3,77,530
Add: Health and education cess@4%		15,101
<b>Tax liability</b>		<b>3,92,631</b>
<b>Less: Tax deducted at source</b>		
TDS on lottery income	9,000	
TDS on rent u/s 194I [Rs. 4,14,000 × 10%]	41,400	



TDS on Dividend (Rs. 9,00,000*10%)	90,000	1,40,400
Tax Payable		2,52,231
Tax Payable (rounded off)		2,52,230

**Question 4**

MTP April'21

Deepak is retired Government Officer, aged 65 years, resides in Hyderabad, derived following income:

	Rs.
Pension	6,60,000
Interest from bank on fixed deposits (Gross)	55,000

Compute the total income of Mr. Deepak for the assessment year 2024-25 from the following particulars:

- Life insurance premium paid by cheque Rs. 22,500 for insurance of his life. The insurance policy was taken on 08-09-2018 and the sum assured is Rs. 2,00,000.
- Premium of Rs. 26,000 paid by cheque for health insurance of self and his wife.
- Paid interest of Rs. 6,500 on loan taken from bank for MBA course pursued by his daughter.
- A sum of Rs. 15,000 donated in cash to an institution approved for the purpose of section 80G for promoting family planning.

**3 Marks****Answer:****Computation of total income of Mr. Deepak for A.Y.2024-25**

Particulars	Rs.	Rs.
Income under the head "Salaries"		
Pension	6,60,000	
Less: Standard deduction u/s 16(ia) Lower of Rs. 50,000 or actual salary/pension	50,000	6,10,000
Income from Other Sources		
Interest from bank on fixed deposit (Gross)		55,000
Gross Total Income		6,65,000
Less: Deduction under Chapter VI-A Deduction under section 80C LIC premium of Rs. 22,500 (restricted to 10% of Rs. 2,00,000, being the sum assured, as the policy is taken after 31.3.2012)	20,000	
<b>Deduction under section 80D</b> Premium for health insurance for self and his wife paid by cheque, allowed upto Rs. 50,000 since Mr. Deepak is a senior citizen	26,000	
<b>Deduction under section 80E</b> Interest on loan taken from bank for MBA course pursued by his daughter	6,500	
<b>Deduction under section 80G</b> Donation to an approved institution for promoting family planning not allowed since the amount exceeding Rs. 2,000 is paid in cash	Nil	



Deduction under section 80TTB Interest on fixed deposit with bank allowable as deduction upto Rs. 50,000, since Mr. Deepak is a senior citizen	50,000	1,02,500
Total Income		5,62,500

**Question 5**

RTP May'19, PYP May'18 MTP March'21

You are required to compute the total income and tax liability of Mr. Alok, aged 58 years, a resident individual. Mr. Alok is an advocate and furnishes you the receipts and payments account for the financial year 2023-24.

**Receipts and Payments Account**

Receipts	Rs.	Payments	Rs.
Opening Balance (01-04-2023)		Staff salary and bonus to clerks	17,50,000
Cash & Bank	80,000	Other general and administrative expenses	22,00,000
Fee from legal services	49,60,000	Office rent	1,48,000
Motor car loan from SBI @12% p.a. interest	5,00,000	Life Insurance Premium (Sum Assured Rs. 5,00,000]	49,000
Sale receipts of 5,800 listed equity shares (sold on 31st March 2024)	5,95,000	Motor car (Acquired in January 2024 by way of NEFT)	9,50,000
		Books bought by way of A/c payee cheque in the month of May, June and September 2023 (annual publications)	80,000
		Computer acquired on 1-11-2023 for professional use (payment made by A/c payee cheque)	52,000
		Domestic drawings	6,23,000
		Motor car maintenance	72,000
		Public Provident Fund subscription	1,50,000
		Closing balances (31-03-2024)	
		Cash & Bank	61,000
	61,35,000		61,35,000

**Other information:**

- Listed equity shares on which STT was paid were acquired in August 2016 for Rs. 1,21,800. The fair market value of such shares as on 31st January 2018 and on 1st April 2018 was Rs. 75 per share and Rs. 85 per share, respectively.
- Motor car was put to use for both official and personal purposes. 1/ 3rd of the motor car is for personal purpose. No interest on car loan was paid during the previous year 2023-24.



(iii) Mr. Alok purchased a flat in Kanpur for Rs. 35,00,000 in July 2016 cost of which was partly financed by a loan from Punjab National Housing Finance Limited of Rs. 25,00,000, his own-savings Rs. 1,00,000 and a deposit from Repco Bank for Rs. 9,00,000. The flat was given to Repco Bank on lease for 10 years @ Rs. 35,000 per month. The following particulars are relevant:

- (a) Municipal taxes paid by Mr. Alok Rs. 8,200 per annum  
 (b) House insurance Rs. 11,000

As per interest certificate issued by Punjab National Housing Finance Limited for the financial year 2023-24, he paid Rs. 1,80,000 towards principal and Rs. 2,01,500 as interest.

(iv) He earned Rs. 1,20,000 in share speculation business and lost Rs. 1,80,000 in commodity speculation business.

(v) Mr. Alok received a gift of Rs. 21,000 each from four of his family friends.

(vi) He contributed Rs. 1,21,000 to PM Cares Fund by way of bank draft.

(vii) He donated to a registered political party Rs. 3,50,000 by way of cheque.

(viii) He follows cash system of accounting.

(ix) Cost Inflation Index : F.Y. 2016-17 - 264; F.Y. 2018-19 - 280; F.Y. 2023-24 - 348

Assume Mr. Alok is not willing to opt for the provisions of section 115BAC.

10 Marks

Answer:

Computation of total income and tax liability of Mr. Alok for A.Y. 2024-25

Particulars	Rs.	Rs.	Rs.
Income from house property			
Gross annual value <sup>1</sup> (Rs. 35,000 x 12)		4,20,000	
Less: Municipal taxes paid by Mr. Alok		8,200	
Net annual value		4,11,800	
Less: Deductions under section 24			
(a) 30% of Net Annual Value		1,23,540	
(b) Interest on house borrowing (allowed in full in case of let out property)		2,01,500	
			86,760
Profits and gains of business or profession			
Income from profession			
Fees from legal services		49,60,000	
Less: Expenses allowable as deduction			
-Staff salary and bonus	17,50,000		
-Other general and administrative expenses	22,00,000		
-Office rent	1,48,000		
-Motor car maintenance (Rs. 72,000 x 2/3)	48,000		
- Car loan interest - not allowable, since Mr. Alok follows cash system of accounting and no interest is paid during the previous year)	-	41,46,000	
		8,14,000	
Less: Depreciation u/s 32			
-Motor car Rs. 9,50,000 x 15% x 50% x 2/3, being put to use	47,500		



for less than 180 days			
-Books being annual publications [Rs. 80,000 x 40%]	32,000		
Computer @40% of Rs. 52,000 x 50%, since the same is put to use for less than 180 days	10,400	89,900	
		7,24,100	
For the P.Y. 2023-24, the gross receipts of Mr. Alok is Rs. 49,60,000. Since, it does not exceed Rs. 50,00,000, he is eligible to opt for presumptive tax scheme under section 44ADA. In such case, his professional income would be Rs. 24,80,000, being 50% of Rs. 49,60,000 It is more beneficial for Mr. Alok to declare profit of Rs. 7,24,100 as per books of accounts which is lower than the profits computed on presumptive basis under section 44ADA. However, for declaring lower profits, he has to maintain books of account under section 44AA and get the same audited under section 44AB			
Income from share speculation business	1,20,000		
Less: Loss from commodity speculation business set off against income from share speculation business. Balance loss of Rs.60,000 from commodity speculation business to be carried forward to A.Y. 2025-26	1,20,000	Nil	7,24,100
Capital Gains Long-term capital gains on sale of 5800 listed shares Sale consideration		5,95,000	
Less: Cost of acquisition is higher of		4,35,000	
- Cost of acquisition	1,21,800		
- Lower of Rs. 4,35,000 (Rs. 75 x 5800), being fair market value as on 31.1.2018 and Rs. 5,95,000, being full value of consideration on transfer	4,35,000		1,60,000
Income from other sources Cash Gift of Rs. 84,000 i.e., Rs. 21,000 x 4, received from his four friends is taxable u/s 56(2)(x), since aggregate amount of cash gifts exceeds Rs. 50,000			84,000
Gross Total Income			10,54,860
Less: Deductions under Chapter VI-A Section 80C			
Life insurance premium	49,000		
Repayment of housing loan	1,80,000		
PPF subscription	1,50,000		
	3,79,000		
Restricted to Rs. 1,50,000		1,50,000	
Section 80G			



Contribution to PM Cares Fund (100% of Rs. 1,21,000) by way of bank draft Section 80GGC		1,21,000	
Donation to registered political party made by way of cheque		3,50,000	
			6,21,000
Total Income			4,33,860
Tax liability			
Tax @10% under section 112A on long-term capital gains exceeding Rs. 1,00,000 i.e., Rs. 60,000			6,000
Tax @5% on Rs. 23,860 [Rs. 2,73,860 (total income excluding LTCG u/s 112A) - Rs. 2,50,000, being basic exemption limit			1,193
			7,193
Less: Rebate u/s 87A [Since the total income does not exceed Rs. 5 lakhs. Rebate u/s 87A is not available on tax on LTCG taxable u/s 112A]			1,193
			6,000
Add: Health and Education cess@4%			240
<b>Tax liability</b>			<b>6,240</b>

**Question 6**

RTP May'19, PYP May'18 MTP March'21

From the following information provided by Mr. Raj, aged 42 years working as a manager in XYZ Limited, for the year ended 31.3.2024, you are required to compute his total income and tax payable for the A.Y. 2024-25.

Basic salary ₹ 25,000 p.m.

DA (50% of it is meant for retirement benefits)

50% Basic Pay Own contribution to

Recognized Provident Fund (R.P.F.)

₹ 30,000 Employer's contribution to

R.P.F. 20% of basic salary Interest credited in the R.P.F account@15% p.a.,

₹ 15,000

Arrears of rent received from XYZ Limited ₹ 75,000

Received interest ₹ 10,000 from Axis Bank Savings account during the year, and interest of ₹ 12,040 (gross) from the debentures of M/s. Coal India Ltd.

He made payment through cheque ₹ 15,370 towards premium on Life insurance policies and ₹ 22,500 for Mediclaim Insurance Policy for his major dependent daughter.

He had contributed ₹ 1,196 pm towards Atal Pension Yojana and ₹ 5,000 pm towards Sukanya Sannidhi account.

XYZ Limited has taken residential house of Mr. Raj as Company's guest house and later purchased from him in the year 2020 at market value for ₹ 75 lakhs. Purchase cost was only ₹ 10 lakhs in April, 2008.

During August, 2023, Mr. Raj had sold his gold chain and a diamond ring for ₹ 3,99,000 which he had purchased in April, 2008 for ₹ 1,13,000.



Donation of ₹ 11,000 to Prime Minister's National Relief Fund were given during the year by way of cheque. (CII for 2008-09:113, 2019-20: 289, 2023-24: 348)(MTP 14 Marks, Oct'20)

*(The full value of consideration of diamond ring has been changed from Rs 3,40,000 lakhs to Rs. 3,99,000 Lakhs to keep the essence of the question)*

Answer:

Computation of Total Income and tax payable by Mr. Raj for the A.Y.2024-25

Particulars		₹	₹
<b>Income from Salaries</b>			
Basic Salary (₹ 25,000 x 12)			3,00,000
Dearness Allowance (₹ 3,00,000 x 50%)			1,50,000
<b>Employer's contribution to recognized provident fund:</b>			
Actual contribution [20% of ₹ 3,00,000]		60,000	
Less: Exempt [12% of ₹ 3,75,000 (basic salary + 50% of dearness allowance, which forms part of retirement benefits)]		45,000	15,000
Interest credited in recognized provident fund account@15% p.a.		15,000	
Less: Exempt up to 9.5% p.a.		9,500	5,500
<b>Income from house property</b>			4,70,500
Arrears of rent [Taxable under section 25A, even if Mr. Raj is no longer the owner of house property]		75,000	
Less: 30% of arrears of rent		22,500	52,500
<b>Capital gain on sale of guest house:</b>			
As the sale was made in the year 2020, the capital gain does not relate to assessment year 2024-25.			Nil
<b>Capital Gain on jewelers [Long term, since the capital assets are held for more than 36 months]</b>			
Full value of consideration		3,99,000	
Less: Indexed cost of acquisition [₹ 1,13,000 x 348/113]		3,48,000	51,000
<b>Income from Other Sources</b>			
Interest from savings bank account		10,000	
Interest on debentures		12,040	22,040
<b>Gross total Income</b>			5,96,040
<b>Less: Deductions under Chapter VI-A</b>			
<b>Section 80C</b>			
Own contribution to RPF	30,000		
LIC premium [It is assumed that premium does not exceed 10%/20% of sum assured, as the case may be]	15,370		
Deposit in Sukanya Samridhi Scheme [₹ 5,000 x 12]	60,000	1,05,370	
<b>Section 80CCD(1B)</b>			
Contribution to Atal Pension Yojana, a notified pension scheme		14,352	
<b>Section 80D - Mediclaim Insurance for major dependent daughter</b>		22,500	
<b>Section 80G - Donation to PM National Relief Fund [100%]</b>		11,000	



<b>Section 80TTA</b> - Interest on savings bank account (allowed in full Up to ₹ 10,000)		10,000	1,63,222
<b>Total Income</b>			4,32,818
Total Income (rounded off)			4,32,820
<b>Tax Liability</b>			
Tax on Long-term Capital Gains @20% of ₹ 51,000		10,200	
Tax on balance income of ₹ 3,81,820		6,591	16,791
Less: Rebate under section 87A would be lower of ₹12,500 or tax liability, since the total income does not exceed ₹ 5,00,000			12,500
			4,291
Add: Health and Education cess @4%			172
<b>Tax liability</b>			4,463
Less: TDS on interest on debenture			1,204
<b>Tax payable</b>			3,259
<b>Tax payable (Rounded off)</b>			3,260

**Question 7**

MTP Oct'19

Dr. Saxena (56 years), a resident individual furnished the following information for the previous year 2023-24.

**Income and Expenditure A/c**

To	Rs.	By	Rs.
Salary to staff	3,78,000	Consultation fees	51,85,000
Cost of medicine	36,35,000	Cost of medicines recovered	7,85,000
Rent	66,000	Stock of medicine	25,000
Administrative cost	11,98,000	Interest on Post Office MIS	86,400
Advance tax	1,40,000	Interest on Time Deposit with bank (Net of TDS)	27,000
Membership fees	5,000	Rent received	20,000
Depreciation on apparatus	42,500	Winning from lotteries (Net of TDS)	7,000
Net profit	6,70,900		
	61,35,400		61,35,400

**Other Information**

(i) Depreciation as per Income-tax Rules, 1962 to be computed as follows:

(ii) WDV as on 1.4.2013 Rs.3,00,000

Rate of depreciation @ 15%

(iii) Cost of administration includes Rs. 3,000 paid for municipal tax for the house let out to a tenant.

(i) Cost of lottery tickets amounting to Rs. 350 has not been debited to Income and Expenditure account.

(ii) He received salary of Rs. 1,50,000 and commission of Rs. 50,000 from a nursing home in which Dr. (Mrs.) Saxena is also an equal partner. No TDS was deducted.

(iii) He received fees of Rs. 50,000 from University of Chennai as lecturer.

(iv) Received pension of Rs. 84,000 against Life insurance cum pension plan from LIC

(v) He paid lump sum payment of Rs. 1,05,000 by cheque as Medclaim insurance premium for 3 years term for self and his wife medical treatment.



- (vi) He paid LIC premium of Rs. 80,000 for his own life against a policy taken on 01.12.2017. Sum assured is Rs. 10,00,000
- (vii) He has deposited Rs. 1,20,000 in PPF
- (viii) He purchased 300 shares in C Ltd. on 12.1.2017 at a cost of Rs.2,500 per share. The Fair Market Value (FMV) of the share as on 31.1.2018 is Rs.1,800. He sold all the shares of C Ltd. on 15.7.2023 for Rs.3,200. You are required to compute the total income and tax payable thereon by Dr. Saxena for the assessment year 2024-25. Assumed that he does not opt for 115BAC. **14 Marks**

Answer:

Computation of total Income and tax payable by Dr. Saxena for the A.Y. 2019 -20

Particulars	Rs.	Rs.
Income from House Property (Note 1)		11,900
Profits and gains of business or profession (Note 2)		8,71,000
Income from other sources (Note 3)		2,60,400
Long-term capital gain under section 112A [The cost of acquisition of equity shares of C Ltd. would be Rs. 2,500, being higher of actual cost i.e., Rs. 2,500 and Rs. 1,800 (being the lower of FMV of Rs. 1,800 as on 31.1.2018 and actual sale consideration of Rs. 3,200). Accordingly, the long-term capital gains would be Rs. 2,10,000 i.e., [ (Rs. 3,200 - Rs. 2,500) x 300].		2,10,000
<b>Gross Total income</b>		<b>13,53,300</b>
Less: Deductions under Chapter VIA		
(i) Deduction under section 80C		
Investment in PPF	1,20,000	
Life insurance premium paid [Fully allowable since it does not exceed 10% of sum assured]	80,000	
	2,00,000	
Deduction restricted to	1,50,000	
(ii) Deduction under section 80D		
Medical insurance premium for self and his wife, pertaining to the previous year 2023-24 is Rs. 35,000, being 1/3rd of Rs. 1,05,000, the lumpsum premium, since the policy would be in force for three previous years. The said deduction would be restricted to	25,000	1,75,000
<b>Total income</b>		<b>11,78,300</b>
<b>Components of Total Income</b>		
Special income :		
Long-term capital gains under section 112A		2,10,000
Winning from lotteries (chargeable at special rate @ 30% under section 115BB)		10,000
Normal income		9,58,300
<b>Computation of Tax</b>		<b>11,78,300</b>

