

Tax on long-term capital gains under section 112A @10% in excess of Rs. 1,00,000		11,000
Tax on winnings from lotteries @ 30%		3,000
Tax on normal income (Rs. 9,58,300)		
Up to Rs. 2,50,000	NIL	
Rs. 2,50,001-Rs. 5,00,000 @ 5%	12,500	
Rs. 4,58,300 (Rs. 5,00,001 - Rs. 9,58,300) @ 20%	91,660	1,04,160
Income tax payable		1,18,160
Add: Health & Education cess @4%		4,726
Total Tax Payable		1,22,886
Less: Tax deducted at source		
From Interest	3,000	
From lottery income	3,000	6,000
		1,16,886
Less : Advance tax paid		1,40,000
Net Tax Refundable		(23,114)
Net Tax Refundable (rounded off)		(23,110)

Notes:**1. Computation of Income from House Property**

Particulars	Rs.
Gross Annual Value - Rent received (treated as fair rent)	20,000
Less : Municipal taxes paid	3,000
Net Annual Value (NAV)	17,000
Less : Statutory deduction under section 24 @ 30% of NAV	5,100
Income from House Property	11,900

2. Computation of Profits and gains of business or profession

Particulars	Rs.	Rs.
Net Profit as per Income & Expenditure Account		6,70,900
Add : Depreciation charged	42,500	
Municipal Taxes paid	3,000	
Advance Tax (See Note-4)	1,40,000	1,85,500
Less: Rent received	20,000	8,56,400
Interest on Post Office MIS	86,400	
Interest on Term Deposit with bank (Net of TDS)	27,000	
Winning from lotteries (Net of TDS)	7,000	
Depreciation as per Income-tax Act, 1961	45,000	1,85,400
Salary from Nursing Home as partner	1,50,000	6,71,000
Commission from Nursing home as partner	50,000	2,00,000
Income from business		8,71,000



3. Computation of Income from Other Sources

Particulars	Rs.
Interest Post Office MIS	86,400
Interest on Term Deposit with Bank (Gross)	30,000
Winning from lotteries (Gross) (See Note 7)	10,000
Fees from University of Chennai	50,000
Pension from LIC	84,000
Income from Other Sources	2,60,400

Advance Tax is not allowable as deduction.

1. Depreciation of Apparatus :

	Rs.
WDV as on 1.4.2023	3,00,000
Depreciation @15%	45,000
WDV as on 01.4.2024	2,55,000

2. Any salary, bonus, commission or remuneration by whatever name called due to or received by a partner of a firm from the firm shall not be treated as salary but it shall be treated as income from business or profession for the purposes of section 28.
3. As per section 58(4), no expenditure can be allowed against winnings from lotteries. Therefore, amount spent on lottery tickets being Rs. 350, cannot be allowed as deduction from income from winnings of lotteries. Pension from LIC is taxable as Income from other sources

Question 8

RTP May '18 MTP April'19

Mr. Ashwin, a resident individual aged 61, furnishes the following information pertaining to the year ended 31.3.2024:

- (i) He is a working partner in ASC & Co. He has received the following amounts from the firm:
Interest on capital at 15% : Rs.3,00,000

Salary as working partner (at 1% of firm's sales) (allowed fully to the firm) : Rs.90,000

- (ii) He is engaged in a business of manufacturing. The Profit and Loss account pertaining to this proprietary business (summarized form) is as under:

Particulars	Rs.	Particulars	Rs.
To Salaries	1,20,000	By Gross profit	12,45,500
To Bonus	48,000	By Interest on Bank FD	49,500
To Car expenses	50,000	(Net of TDS)	
To Machinery repairs	2,34,000	By Agricultural income	60,000
To Advance tax	70,000	By Pension from LIC	
To Depreciation on:		Jeevan Dhara	24,000
-Car	3,00,000		
-Machinery	1,25,000		



To Net profit	4,32,000		
	13,79,000		13,79,000

Details of assets:

Particulars	Rs.
Opening WDV of assets are as under: Car	3,00,000
Machinery (Used during the year for 179 days)	6,50,000
Additions to machinery:	
Purchased on 15.9.2023 by cash in single payment	2,00,000
Purchased on 12.12.2023 by account payee cheque	3,00,000
Second hand machinery purchased on 30.4.2023 by bearer cheque in single payment	1,25,000

(All assets added during the year were put to use immediately after purchase) One-fifth of the car expenses are towards estimated personal use of the assessee. Salary includes Rs. 15,000 paid by way of a single cash payment to manager.

(iii) In February, 2021, he had sold a house at Mumbai. Arrears of rent relating to this house amounting to Rs.75,000 was received in March, 2024.

Details of his Savings and Investments are as under:

Particulars	Rs.
Life insurance premium for policy in the name of his major son employed in a multinational company, at a salary of Rs.10 lakhs p.a. (Sum assured Rs.2,00,000) (Policy taken on 1.07.2013)	30,000
Contribution to PPF	70,000
Medical Insurance premium for his mother aged 79, who is not dependent on him	52,000

You are required to compute the total income and tax liability of Mr. Ashwin for the assessment year 2024-25.

14 Marks

Answer:

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

Particulars	Rs.	Rs.
Income from house property		
Arrears of rent received in respect of the Bangalore house taxable under section 25A [Note 1]	75,000	
Less: Deduction @ 30%	22,500	52,500
Profits and gains of business or profession		
(a) Own business [Note 3]		6,32,500
(b) Income from partnership firm [Note 2]		
Interest on capital	2,40,000	
[As per section 28(v), chargeable in the hands of the partner only to the extent allowable as deduction in the firm's hand i.e. @12%]		
Salary of working partner (Since the same has been		



fully allowed as deduction in the hands of the firm)		90,000	3,30,000
Income from other sources			
(a) LIC Jeevan Dhara pension		24,000	
(b) Interest from bank FD (gross)		55,000	79,000
Gross Total Income			10,94,000
Less: Deductions under Chapter VIA			
Section 80C			
Life insurance premium for policy in the name of major son qualifies for deduction even though he is not dependent on the assesses. However, the same has to be restricted to 10% of sum assured i.e. 10% of Rs.2,00,000.	20,000		
Contribution to PPF	70,000	90,000	
Section 80D			
Mediclaime premium for mother, a senior citizen	52,000		
(qualifies for deduction, even though the mother is not dependent on the assesses, subject to a maximum of Rs.50,000)		50,000	
Section 80TTB			
Interest on bank FD	55,000		
(subject to a maximum of Rs.50,000)		50,000	1,90,000
Total Income			9,04,000

Computation of tax liability of Mr. Ashwin for the A.Y. 2024-25

Particulars	Rs.
Tax on Agricultural income plus non-agricultural income i.e., Rs.9,64,000	1,02,800
Less: Tax on agricultural income plus basic exemption limit i.e., Rs.3,60,000	3,000
	99,800
Add: Health and education cess @4%	3,992
Tax liability	1,03,792
Less: TDS	5,000
Less: Advance Tax	70,000
Tax Payable	28,792
Tax Payable (rounded off)	28,790

Notes:

- As per section 25A, any arrears of rent received will be chargeable to tax, after deducting a sum equal to 30% of such arrears, as income from house property in the year of receipt, whether or not the assesses is the owner of the house property.
- The income by way of interest on capital and salary of Mr. Ashwin from the firm, ASC & Co., in which he is a working partner, to the extent allowed as deduction in the hands of the firm under section 40(b), has to be included in the business income of the partner as per section 28(v). Accordingly, Rs.3,30,000 [i.e., Rs.90,000 (salary) + Rs.2,40,000 (interest@12%)] should be included in his business income.



(3) Computation of income from own business

Particulars	Rs.	Rs.
Net profit as per profit and loss account		4,32,000
Less: Items credited to profit and loss account not treated as business income		
Interest on bank FD (Net of TDS)	49,500	
Agricultural income	60,000	
Pension from LIC Jeevan Dhara	24,000	1,33,500
		2,98,500
Add: Items debited to profit and loss account to be disallowed/considered separately		
Advance tax	70,000	
Depreciation:		
- Car	3,00,000	
- Machinery	1,25,000	
Car expenses disallowed for personal use (Rs.50,000 x 1/5)	10,000	
Salary to manager disallowed under section 40A(3) since it is paid in cash and the same exceeds Rs.10,000	15,000	5,20,000
		8,18,500
Less: Depreciation (See Working Note below)		1,86,000
Income from business		6,32,500
of asset, in respect of which payment to a person in a day exceeds Rs.10,000 has to be ignored for computing actual cost, if such payment is made otherwise than by way of A/c payee cheque/ bank draft or ECS. Accordingly, depreciation on second hand machinery purchased on 30.4.2023 and on new machinery purchased on 15.9.2023 is not allowable since the payment is made otherwise than by A/c payee cheque/A/c payee draft/ ECS to a person in a day]		
Depreciation @ 7.5% on Rs.3,00,000	22,500	
Total normal depreciation on machinery (A)	1,20,00	
Where an asset acquired during the year is put to use for less than 180 days, 50% of the rate of depreciation is allowable. This restriction does not apply to assets acquired in an earlier year.		
Additional depreciation (B)		
New machinery		
Used for less than 180 days = 10% of Rs.3,00,000	30,000	
Total permissible depreciation on machinery (A) + (B)		1,50,00
Depreciation allowable under section 32		1,86,00

Question 9

MTPMarch'19

Mr. Satish, aged 47 years, is serving in a public limited company as General Manager (Finance). His total emoluments for the year ended 31st March, 2024 are as follows:

Basic Salary	Rs.5,40,000
HRA (Computed)	Rs.1,80,000



Transport allowance Rs.22,000

Apart from the above, his employer has sold the following assets to him on 1 st January, 2024:

- (i) Laptop for Rs.20,000 (Acquired in September, 2022 for Rs.1,20,000)
- (ii) Car 1800 cc for Rs.3,20,000 (purchased in April, 2021 for Rs.8,50,000)

He also owns a residential house, let out for a monthly rent of Rs.15,000. The fair rental value of the property for the let out period is Rs.1,50,000. The house was self -occupied by him from 1st January, 2024 to 31st March, 2024. He has taken a loan from bank of Rs.20 lacs for the construction of the property, and has repaid Rs.1,05,000 (including interest Rs.40,000) during the year.

(iii) Mr. Satish sold equity shares of different Indian companies on 14 th March, 2024:

Name	Sale value (per share)	Purchase price (per share)	Acquired on	No. of shares
A Ltd.	Rs.150	Rs.120 (STT paid at acquisition)	2 nd Feb, 2023	200
B Ltd.	Rs.82	Rs.62	16th April, 2023	125

CII - F.Y. 2018-19: 280; F.Y. 2017-18: 272; F.Y. 2023-24- 348

Sale proceeds were subject to brokerage of 0.1% and securities transaction tax of 0.125% on the gross consideration. He received income-tax refund of Rs.5,750 (including interest Rs.750) relating to the assessment year 2023-24.

- (iv) Mr. Satish made payment of Rs.80,000 vide cheque no. 245315 towards medical insurance as lumpsum premium for himself and his wife for 4 years. He also made cash payment of Rs.8,000 towards preventive health checkup for himself and his wife.
- (iv) Mr. Satish deposited Rs.1,30,000 in Public Provident Fund and Rs.80,000 in 5 years term deposit in the name of his minor son, Aryan.

Compute the total income and tax liability of Mr. Satish for the Assessment Year 2024-25. Assume that he has not opted for 115BAC.

14 Marks

Answer:

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

Particulars	Rs.
Income from salaries [Working Note (1)]	9,66,000
Income from house property [Working Note (2)]	1,00,000
Capital gain [(Working Note 3)]	
Long-term capital gains	5,970
Short-term capital gains	2,490
Income from other sources: Interest on income-tax refund	750
Gross Total Income	10,75,210
Less: Deduction under Chapter VIA	
Deduction under section 80C	
-Public Provident Fund	1,30,000
5 years Term deposit (not allowed as deduction in the name of minor son)	-
-Repayment of housing loan (principal)	65,000



Restricted to	1,95,000	1,50,000
Deduction under section 80D [Working Note (4)]		25,000
Total Income		9,00,210

Computation of tax payable by Mr. Satish for the A.Y. 2019 -20

Particulars	Rs.
Tax on LTCG of Rs.5,970 [Exempt u/s 112A]	-
Tax on STCG of Rs.2,490 u/s 111A @15%	374
Tax on balance income of Rs.8,91,750	90,850
	91,224
Add: Health and Education cess@4%	3,649
Total tax payable	94,873
Tax liability (Rounded off)	94,870

Working Notes:

(1) Income from salaries

Particulars	Rs.	Rs.
Basic Salary		5,40,000
HRA (computed)		1,80,000
Transport allowance		22,000
Perquisites (relating to sale of movable assets by employer)		
Laptop		
Cost [September, 2022]	1,20,000	
Less: Depreciation at 50% for one completed year	60,000	
WDV [September, 2023]	60,000	
Less: Amount paid to the employer	20,000	
Perquisite value of laptop (A)	40,000	
Car		
Cost [April, 2021]	8,50,000	
Less: Depreciation for the 1st year (April,22 to March,23) @ 20% of WDV	1,70,000	
WDV [April, 2022]	6,80,000	
Less: Depreciation for the 2nd year (April,23 to March,24) @ 20% of WDV	1,36,000	
WDV [April, 2023]	5,44,000	
Less: Amount paid to the employer	3,20,000	
Perquisite value of car (B)	2,24,000	
Perquisite value (A) + (B)		2,64,000
Gross Salary		10,06,000
Less: Standard Deduction under section 16(ia) (as per amendment Rs. 50,000)		40,000
		50,000
Income chargeable under the head "Salaries"		9,56,000

(2) Income from house property

Section 23(2) provides that the annual value of a self-occupied house shall be taken as Nil. However, section 23(3) provides that the benefit of self-occupation would not be available if the house is actually let during the whole or part of the previous year. This implies that the



benefit of taking the annual value as „Nil“ would be available only if the house is self-occupied for the whole year.

In this case, therefore, the benefit of taking annual value as „Nil“ is not available since the house is self-occupied only for 3 months. In such a case, the gross annual value has to be computed as per section 23(1). Accordingly, the fair rent for the whole year should be compared with the actual rent for the let-out period and whichever is higher shall be adopted as the Gross Annual Value.

Particulars	Rs.	Rs.
Gross Annual Value (higher of fair rent for the whole year and actual rent for the let-out period)		2,00,000
Fair rent for the whole year = Rs.1,50,000 × 12/9	2,00,000	
Actual rent received = Rs.15,000 × 9	1,35,000	
Less: Municipal taxes		Nil
Net Annual Value (NAV)		2,00,000
Less: Deductions under section 24		
30% of NAV	60,000	
Interest on loan [See Note below]	40,000	1,00,000
Income from house property		1,00,000

Note:

It is presumed that the interest of Rs.40,000 paid on housing loan represents the interest actually due for the year.

(3) Income chargeable as "Capital Gains"

Section 112A exempts long-term capital gain on sale of equity shares of a company upto Rs.1 lakh, if securities transaction tax is paid both at the time of sale and acquisition of such shares. Such long-term capital gain in excess of Rs.1 lakh is taxable @10%. Since Mr. Satish has held shares of A Ltd. for more than 12 months and securities transaction tax has been paid on such sale and at the time of acquisition of shares, the gains arising from sale of such shares is a long-term capital gain and the same would be taxable under section 112A. As per section 48, the benefit of indexation would not be applicable on such equity shares. The long term capital gain arising from sale of shares of A Ltd.

Particulars	Rs.
Sale consideration (Rs.150 × 200)	30,000
Less: Brokerage @ 0.1%	30
Net sale consideration	29,970
Less: Cost of acquisition (Rs.120 × 200)	24,000
long-term capital gains	5,970

Since, the long term capital gain do not exceed Rs.1 lakh, the same would be exempt under section 112A. Shares in B Ltd.

Are held for less than 12 months and hence the capital gains arising on sale of such shares is a short-term capital gain chargeable to tax @15% as per section 111A, since the transaction is subject to securities transaction tax. It may be noted, however, that securities transaction tax is not a deductible expenditure.



Short-term capital gains arising from sale of shares of B Ltd.

Particulars	Rs.
Sale consideration (Rs. 82 X 125)	10,250
Less: Brokerage @ 0.1%	10
Net sale consideration	10,240
Less: Cost of acquisition (Rs. 62 x 125)	7,750
Short-term capital gains	2,490

(4) Deduction under section 80D

As per section 80D, in a case where Mediclaim premium is paid in lumpsum for more than one year by an individual, to effect or keep in force an insurance on his health or health of his spouse, then, the deduction allowable under this section for each of the relevant previous year would be equal to the appropriate fraction of such lump sum payment. Hence, deduction under section 80D would be Rs.20,000 i.e, Rs.80,000 x $\frac{1}{4}$ in respect of Mediclaim and Rs.8,000 for preventive health check up, subject to maximum of Rs.5,000. Thus, overall deduction under section 80D would be Rs.25,000.

Question 10

MTP Oct'18

Dr. K.P Singh, a resident individual aged 45 years, furnishes you the following information:
Income and Expenditure Account for the year ended 31st March 2024

Particulars	Rs.	Particulars	Rs.
To Medicines consumed	42,42,000	By Fee receipts	59,47,500
To Staff salary	11,65,000	By Rent	27,000
To Hospital consumables	47,500	By Dividend from Indian companies	9,000
To Rent paid	60,000		
To Administrative expenses	1,23,000		
To Net Income	3,46,000		
	59,83,500		59,83,500

- Rent paid includes rent for his residential accommodation of Rs. 40,000 (paid by cheque) at Bangalore.
- Hospital equipment's (eligible for depreciation @15%) 01.04.2023 Opening WDV Rs.5,00,000 07.12.2023 Acquire by A/c payee cheque (Cost) Rs.2,00,000
- Medicines consumed include medicines (cost) Rs. 10,000 used for Dr. K.P. Singh's family.
- Rent received - relates to a property situated at Mumbai (Gross Annual Value). The municipal tax of Rs. 2,000 paid in November, 2023 has been included in the "administrative expenses".
- He received Rs. 5,000 per month as salary from Full Cure Hospital. This has not been included in the "fee receipts" credited to income and expenditure account.
- He sold a vacant site in July, 2023 for Rs.9,18,142. It was inherited by him from his father in July, 2004. The site was acquired by his father in December, 1990 for Rs.1,50,000. Fair market value of vacant site on 01.04.2001 is Rs. 2,50,000

(Cost inflation index for F.Y 2001-02: 100; 2004-05: 113, 2017-18:272, 2023-24: 348)

You are required to compute the total income and tax payable by Dr. K.P. Singh for the Assessment Year 2024-25. Assumed that sec 115BAC is not opted.

(The consideration has been changed from Rs 7,50,000 to Rs.9,18,142 to keep the essence of the question)

10 Marks

Answer:



Computation of total income of Dr. K.P. Singh for the previous year ended 31.03.2024

Particulars	Rs.	Rs.
Income from Salaries		
Salary received @ Rs.5,000 per month	60,000	
Less: Standard deduction of lower of salary or Rs. 50,000 (as per amendment)	(50,000)	10,000
Income from house property		
Gross Annual Value (Rent is taken as GAV in the absence of any other information)	27,000	
Less: Municipal tax	2,000	
Net Annual Value	25,000	
Less: Deduction under section 24 @30%	7,500	17,500
Income from business or profession		
Net income as per Income & Expenditure Account	3,46,000	
Add: Rent paid for residence	40,000	
Medicines consumed - personal use	10,000	
Municipal tax relating to let out property included in administrative expenses - disallowed	2,000	
	3,98,000	
Less: Depreciation (Note 2)	90,000	
Rent credited to income & expenditure account	27,000	
Dividend from Indian companies	9,000	2,72,000
Capital Gains (Long term capital gains since held form more than 24 months)		
Sale consideration	9,18,142	
Less: Indexed cost acquisition (Rs.2,50,000 x 348/113) (Note 3)	7,69,912	1,48,230
Income from other sources		
Dividend from Indian companies (as per amendment it is taxable in the hands of shareholder)	9,000	
Less: Exempt under section 10(34)	9,000	9,000
Gross Total income		4,56,730
Less: Deduction under Chapter VIA		
Under section 80GG, rent paid would be allowable as a deduction to the extent of the least of the following		
(i)25% of total income = 25% of Rs3,08,500(See Note 1)	77,125	
(ii)Excess of rent paid over 10% of total income (Rs.40,000 - Rs. 30,850)	9,150	
(iii)Rs.5,000 per month	60,000	
Least of the above		9,150
Total Income		4,47,580



Computation of tax liability of Dr. K.P. Singh for the Assessment Year 2024-25

Particulars	Rs.
Tax on long term capital gains 20% of Rs.1,48,230	29,646
Tax on other income of Rs.2,99,350 [Rs. 4,47,580 - Rs. 1,48,230]	2,468
	32,114
Add: EC & HSEC @ 4% (as per amendment)	1285
Tax liability	33,399
Rebate u/s 87A (as per amendment maximum upto 12500 is exempt)	(12,500)
Tax liability	20,899

Notes:

- Deduction under section 80GG is to be made from Gross Total Income. Gross Total Income as defined under section 80B(5) means the total income computed in accordance with the provisions of this Act, before making any deduction under Chapter VI-A. Under section 112(2), Long term capital gains have to be reduced from Gross Total Income and Chapter VI -A deductions should be allowed as if the Gross Total income so reduced were the Gross Total Income of the assessee. Therefore, in this case, for the purpose of allowing deduction u/s 80GG, Gross Total Income = Rs.4,56,730 - Rs.1,48,230 = Rs.3,08,500
- Depreciation on plant & machinery

	Rs.
On opening WDV of Rs.5,00,000 @15%	75,000
On equipment acquired Rs.2,00,000 @7.5% (50% thereon, since acquired in December, 2023)	15,000
	90,000

- Since the property was acquired by Dr. K.P. Singh through inheritance, the cost of acquisition to him would be the cost of acquisition to the previous owner. As per section 55(2)(b), Cost of acquisition to the previous owner would be the higher of cost of acquisition to the previous owner i.e., Rs.1,50,000 or Fair Market Value of the capital asset on 01.04.2001 i.e., Rs. 2,50,000. However, indexation will be from the year in which the assessed (i.e., Dr. K.P. Singh in this case) first held the asset i.e. F.Y. 2004-05.

Alternative view: In the case of CIT v. Manjula J. Shah 16 Taxman 42 (Bom.), the Bombay High Court held that the indexed cost of acquisition in case of gifted asset can be computed with reference to the year in which the previous owner first held the asset.

As per this view, this indexed cost of acquisition of the vacant site would be Rs.6,80,000.

Question 11

MTP Oct'18

From the following details furnished by Mrs. Heena, a finance manager of AB Ltd., Delhi, compute the gross total income for the Assessment Year 2024-25.

Particulars	Amount (Rs.)
Salary including Dearness Allowance (Dearness Allowance forms part of salary for retirement benefits)	6,50,000
Conveyance allowance of Rs.900 p.m.	10,800



Children education allowance	Rs.500 p.m. for two children
Bonus	50,000
Salary of servant provided by the employer	48,000
Bills paid by the employer for gas, electricity and water provided free of cost at the residence of Mrs. Heena	82,000
Computer (cost Rs.35,000) kept by the employer in the residence of Mrs. Heena from 01.07.2023	
Contribution to recognized provident fund	15 % of salary including D.A.

Heena purchased a flat in a co-operative housing society in Rohini, Delhi for self occupation for Rs.35,00,000 in April 2020, which was financed by a loan from State Bank of India of Rs.20,00,000 @11% interest and her own savings of Rs.5,00,000 and a deposit of Rs.10,00,000 from Bank of Baroda, to whom she let out her another house in Dwarka, Delhi on lease for ten years. The rent payable by Bank of Baroda is Rs. 35,000 per month. Other relevant particulars are given below:

- Municipal taxes paid by Heena for her flat in Rohini are Rs. 15,000 per annum and for her house in Dwarka are Rs. 12,000 per annum.
- Principal loan amount outstanding as on 01-04-2023 was Rs.18,50,000.
- She also paid Rs. 7,000 towards insurance of both the houses.
- Mrs. Heena's son is studying in a school run by the employer company throughout the financial year 2023-

24. The education facility was provided free of cost. The cost of such education in similar school is Rs.2,500 per month.

- Heena also received gifts of Rs.45,000 each from her two friends during the financial year 2023-24.

10 Marks

Answer:

Computation of Gross Total Income of Mrs. Heena for the A.Y. 2024-25

Particulars	Rs.	Rs.
Salaries		
Salary including dearness allowance		6,50,000
Bonus		50,000
Employer's contribution to recognized provident fund in excess of 12% of salary (i.e., 3% of Rs.6,50,000)		19,500
Conveyance allowance (Fully exempt under section 10(14)(i) read with Rule 2BB(1)(c), assuming that it is granted to meet the expenditure actually incurred on conveyance in performance of duties of an office or employment of profit).		Nil
Children education allowance (Rs.500 x 12)	6,000	
Less: Exempt under section 10(14) (Rs.100 x 2 x 12)	2,400	3,600
Value of perquisites:		
(i) Salary of servant [Rule 3(3)]		48,000
(ii) Free gas, electricity and water [Rule 3(4)]		82,000



Cost of free education provided by employer (Rs. 2,500 × 12) is fully taxable, since the cost of education exceeds Rs.1,000 per month [Rule 3(5)].		30,000
(iv) Computer provided in the residence of employee by the employer- not chargeable to tax [Rule 3(7)(vii)]	Nil	
		8,83,100
Less: Standard Deduction upto Rs. 50,000 (as per amendment)		50,000
Income chargeable under the head "Salaries"		8,33,100
Income from house property		
Let-out property (At Dwarka)		
Gross Annual Value (GAV) (Lease rental is taken as GAV in the absence of other information) (Rs.35,000 × 12)	4,20,000	
Less: Municipal taxes paid	12,000	
Net Annual Value (NAV)	4,08,000	
Less: Deduction under section 24(a): 30% of NAV* (A)	1,22,400	
(A)	2,85,600	
Self-occupied property (At Rohini)		
Net Annual Value (NAV) [Since the property is self-occupied]	Nil	
Less: Deduction under section 24(b)	(2,00,000)	
Interest on loan from State Bank of India @11% of Rs.18,50,000 = Rs.2,03,500 restricted to		
(B)	(2,00,000)	
Income from house property [A - B]		85,600
Income from Other Sources		
Gift received from two friends [taxable under section 56(2)(x)] since the aggregate amount received during the year exceeds Rs.50,000 (Rs.45,000 × 2)		90,000
Gross Total Income		10,08,700

* No separate deduction is allowable in respect of insurance.

Question 12

MTP Aug'18

Dr. Kumar is running a clinic in Delhi. His Income and Expenditure account for the financial year ended 31-03-2024 is given below:

Expenditure	Amount (Rs.)	Income	Amount (Rs.)
To Staff salary	4,30,000	By Fee receipts	12,63,600
To Consumables	14,750	By Dividend from an Indian Company	15,000
To Medicine consumed	3,69,800	By Winning from lotteries (Net of TDS)	28,000
To Depreciation	91,000	By Income-tax refund	2,750
To Administrative expenses	1,51,000	By Honorarium for lectures at seminars	24,000
To Rent of clinic	20,000		
To Donation to Prime Minister's National Children's Fund	5,000		
To Excess of income over expenditure	2,51,800		
Total	13,33,30	Total	13,33,350



Other Information:

- (1) Depreciation in respect of all assets has been computed at Rs. 50,000 as per Income-tax Rules, 1962
 - (2) Medicines consumed include cost of medicine for self and family of Rs. 25,000 and for treating poor patients of Rs. 24,000 from whom he did not charge any fee either
 - (3) Salary includes Rs. 15,000 paid in cash to a computer specialist who computerized his patient's data in October, 2013.
 - (4) Donation to Prime Minister's National Children's Fund has been made by way of a crossed cheque.
 - (5) He has paid a sum of Rs. 25,000 for Life Insurance Policy (Sum assured Rs. 2,00,000) of himself, which was taken on 1-07-2012.
 - (6) He has sold a land in August, 2013 for Rs. 12,00,000, the stamp duty value of which was Rs. 17,04,000 on that date. The land was acquired by him in May, 2001 for Rs. 4,00,000.
 - (7) He has paid Rs. 4,000 for purchase of lottery tickets, which has not been debited to Income and Expenditure account.
 - (8) He also contributed Rs. 1,20,000 towards Public Provident Fund.
 - (9) Dr. Kumar also paid interest of Rs. 10,000 on loan taken for higher education of his daughter.
- You are required to compute the total income and tax payable by Dr. Kumar for the Assessment Year 2024-25. Cost Inflation Index: F.Y. 2001-2002 - 100, F.Y. 2017-18 - 272, FY 2023-24- 348. Assume that 115BAC is not opted.

(The stamp duty value of land has been changed from Rs 14 lakhs to Rs. 17.04 Lakhs to keep the essence of the question) 10 Marks

Answer:

Computation of Total income of Dr. Kumar for the Assessment Year 2024-25

Particulars	Rs.
Profits and gains of business or profession (Working Note 1)	2,68,050
Capital Gains (Working Note 2)	3,12,000
Income from other sources (Working Note 3)	79,000
Gross Total Income	6,59,050
Less: Deduction under Chapter VI-A (Working Note 4)	1,55,000
Total Income	5,04,050

Computation of tax liability of Dr. Kumar for the Assessment Year 2024-25

Particulars	Rs.
Tax on winnings from lotteries [Rs. 40,000 @ 30%]	12,000
Tax on long term capital gains 20% of Rs. 2,14,050, being Rs. 3,12,000 - unexhausted basic exemption limit of Rs. 97,950 [i.e., Rs. 2,50,000 - (Rs. 2,68,050 + Rs. 39,000 - Rs. 1,55,000)] (As Tax on Balance Income)	42,810
	54,810
Add: Education cess@2% and secondary and higher education cess@1%	1,554
Add: EC & HSEC @ 4% (as per amendment)	2,193
Total tax liability	57,003



Less: Tax deducted at source	12,000
Net tax liability	45,003
Net tax liability (rounded off)	45,000

Working Notes:**1. Computation of income under the head "Profits and gains of business or profession"**

Particulars	Rs.	Rs.
Net income as per Income and Expenditure Account		,800
Add: Expenditure debited to Income and Expenditure Account but to be disallowed		
Depreciation (Rs. 91,000 - Rs. 50,000)	41,000	
Medicine consumed for self and family (disallowed under section 37, being expenditure of personal nature) Medicine consumed for treating poor patients from whom fees was not charged is an allowable expense, since the same is incurred in the course of carrying on medical profession.	25,000	
	-	
Cash payment of salary disallowed under section 40A(3), since the same is in excess of Rs. 10,000	15,000	
Donation to Prime Minister's National Children's Fund (not allowable as deduction while computing income from profession)	5,000	86,000
Less: Income credited to Income and Expenditure Account but not chargeable to income-tax or not chargeable under this head		3,37,800
Dividend from Indian company	15,000	
Winning from lotteries (taxable under the head "Income from other sources")	28,000	
Income-tax refund (Not taxable)	2,750	
Honorarium for giving lectures at seminars (taxable under the head "Income from other sources")	24,000	69,750
Income from profession		2,68,050

Computation of income under the head "Capital Gains"

Particulars	Rs.	Rs.
Sale consideration	12,00,000	
Valuation as per Stamp Valuation Authority	17,04,000	
(Value to be taken is the higher of the actual sale consideration or valuation adopted for stamp duty purpose as per section 50C) (As per amendment in section 50C if SDV is not more than 110% of the consideration, then Consideration shall be treated as Full Value of Consideration)		
Full value of consideration		17,04,000



Less: Indexed cost of acquisition (Rs. 4,00,000 × 348/100)		13,92,000
Long term Capital gains (Since Land was held from more than 24 months)		3,12,000

Computation of income under the head "Income from Other Sources"

Particulars	Rs.	Rs.
Dividend from Indian company [Exempt u/s 10(34)] (taxable in hands of shareholder as per amendment)		15,000
Honorarium for giving lectures at seminars		24,000
Winning from lotteries (Net)	28,000	
Add: TDS @30% (Rs. 28,000 × 30/70)	12,000	40,000
Income from other sources		79,000

Note: As per section 58(4), no expense or deduction is allowable in respect of winning from lotteries.

Computation of deduction under Chapter VI-A

Section	Particulars	Rs.
80C	Life Insurance Premium [Rs. 25,000 restricted to 10% of Rs. 2,00,000 (i.e. sum assured) since the policy is issued on or after 1.4.2012]	20,000
	Contribution to Public Provident Fund	1,20,000
		1,40,000
80E	Interest on loan taken for higher education of daughter	10,000
80G	Donation to Prime Minister's National Children's Fund [100% deduction allowable, since it is made by a mode other than cash]	5,000
	Total deduction under Chapter VI-A	1,55,000

Question 13

MTP Aug'18

From the following information of Ms. Kareena, born on 16th August, 1975, an Indian resident, you are required to compute total income and tax payable by Ms. Kareena for the Assessment Year 2024-25.

Particulars	Rs.
Long-term capital gains on sale of house	1,50,000
Short-term capital gains on sale of shares in B Pvt. Ltd.	50,000
Loss from house property	3,50,000
Interest from saving account in post office	15,000
Prize winning from a T.V. show (Gross)	20,000
Business income	5,50,000
Net agricultural income	1,10,000
LIC premium for self and husband	70,000
Tuition fees to University for full time education of her daughter	50,000

7 Marks



Answer:

Computation of total income of Ms. Kareena for the A.Y.2024-25

Particulars	Rs.	Rs.
Profits and gains from business or profession		
Business income	5,50,000	
Less: Loss from house property of Rs. 3,50,000 to be restricted to Rs. 2,00,000 by virtue of section 71(3A) [Note 2]	2,00,000	3,50,000
Capital Gains		
Long term capital gains on sale of house	1,50,000	
Short term capital gains on sale of shares in B Pvt. Ltd	50,000	2,00,000
Income from other sources		31,500
Interest from saving account in post office	15,000	
Less: Exempt under section 10(15) to the extent of Rs. 3,500	3,500	
	11,500	
Prize winnings from a T.V. show	20,000	
Gross Total Income		5,81,500
Less: Deduction under Chapter VI-A		
Deduction under section 80C		
Life insurance premium for self and husband	70,000	
Tuition fees to University for full time education	50,000	
Deduction under section 80TTA - Interest on saving account in post office	1,20,000	
	10,000	1,30,000
Total Income		4,51,500

Computation of tax payable by Ms. Kareena for the A.Y.2024-25

	Particulars	Rs.	Rs.
	Step 1		43,075
	Agricultural income and Non-agricultural income (Rs. 1,10,000 + Rs. 4,51,500)	5,61,500	
	Tax on the above income		
(i)	Tax on long-term capital gain of Rs. 1,50,000 @ 20%	30,000	
(ii)	Tax on winnings of Rs. 20,000 from a T.V. show @ 30%	6,000	
(iii)	Tax on balance income of Rs. 3,91,500	7,075	
	Total tax on Rs. 5,61,500		43,075
	Step 2	3,60,000	
	Basic exemption limit to agricultural income (Rs. 2,50,000 + Rs. 1,10,000)		
	35B Tax on Rs. 3,60,000		5,500
	Step 3		
	Tax on non-agricultural income (Tax under step 1 - Tax under step 2) (Rs. 43,075 - Rs. 5,500)		37,575

