

|   |        |
|---|--------|
| Add: Education cess @ 2%                      | 751    |
| Add: Secondary and higher education cess @ 1% | 376    |
| Add: EC & HSEC @ 4% (as per amendment)        | 1503   |
| Tax payable by Ms. Kareena                    | 39,078 |
| Tax payable (Rounded off)                     | 39,070 |

**Notes:**

- Short-term capital gains on sale of shares in B Pvt. Ltd. is taxable at normal rates.
- The balance loss of Rs. 1,50,000 from house property to be carried forward to next assessment year for set-off against income from house property of that year.

**Question 14**

MTP March'18

Mr. Rajan, aged 54 years, engaged in a business as sole proprietor. He is resident and ordinarily resident for the previous year 2023-24. The Profit & Loss A/c for the year ending 31-03-2024 is given below:

| Particulars  | ₹        | Particulars            | ₹        |
|--|----------|------------------------|----------|
| Salary   | 36,000   | Gross Profit           | 5,60,900 |
| Fire Insurance   | 28,500   | Interest on Debentures | 6,750    |
| Income-tax   | 30,000   | Cash Gift              | 51,000   |
| Sundry Expenses  | 56,000   |                        |          |
| Advertisement  | 36,000   |                        |          |
| Household expenses   | 50,000   |                        |          |
| Depreciation   | 29,800   |                        |          |
| Contribution to IIT Mumbai for an approved scientific research programme | 1,00,000 |                        |          |
| Municipal Taxes paid for house property                                  | 36,000   |                        |          |
| Investment in NSC  | 10,000   |                        |          |
| Printing & Stationery  | 12,000   |                        |          |
| Interest   | 24,000   |                        |          |
| Rent paid  | 60,000   |                        |          |
| Net Profit   | 1,10,350 |                        |          |
|  | 6,18,650 |                        | 6,18,650 |

Mr. Rajan also furnishes the following additional information:

- Cash gift was received on the occasion of his son's marriage from his maternal uncle.
  - Interest on debentures is net of taxes. Debentures are listed on recognised stock exchange.
  - He owns a house property in Nagpur. 50% of the property is used by him for his own business and 50% let out for residential purpose.
  - Rent received from 50% let out portion during the year was ₹ 1,50,000.
  - Fire insurance includes ₹ 15,000 paid for house property owned by him.
  - Depreciation is computed as per the Income-tax Rules, 1962.
  - He has sold a vacant land in July, 2023 for ₹ 1,50,000. The State Stamp Value of the site was ₹ 2,80,000.
- The land was acquired in August 2021 for ₹ 1,10,000 from his friend.
- Rent paid includes ₹ 50,000 paid towards rent for his residence in Nagpur and ₹ 10,000 for hiring a Maruti Van for business purpose.
  - Municipal tax includes ₹ 10,000 paid as tenant.



- (x) Paid premium on life insurance policy taken for his handicapped daughter ₹ 50,000 (suffering from disability mentioned in section 80U). The policy was taken on 01-04-2016 and the minimum sum assured is ₹ 3,00,000.
- (xi) Interest shown in the Profit & Loss A/c, paid on loan borrowed for his own business purposes. It includes ₹ 10,000 payable to a non-resident on which tax has not been deducted.
- Compute the total income of Mr. Rajan for the Assessment Year 2024-25. **10 Marks**

Answer:

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

| Particulars                                | Working Note Nos. | ₹        |
|--|-------------------|----------|
| Income from house property                 | I.                | 95,900   |
| Profit and gains of business or profession | II.               | 2,23,100 |
| Long term capital gains                    | III.              | 1,70,000 |
| Income from other sources                  | IV.               | 7,500    |
| Gross Total Income                         |                   | 4,56,500 |
| Less: Deduction under Chapter VI-A         | V.                | 55,000   |
| Total Income                               |                   | 4,01,500 |

Working Notes:

i. Computation of income under the head "Income from House Property"

| Particulars   | ₹        |
|---|----------|
| Let-out portion - 50%   |          |
| Gross Annual Value<br>(Rent received has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent) | 1,50,000 |
| Less: Municipal taxes paid in respect of let out portion [50% of ₹ 26,000 (₹ 36,000 - ₹ 10,000, being municipal taxes paid as tenant)]                                      | 13,000   |
| Net Annual Value (NAV)  | 1,37,000 |
| Less: Deduction under section 24@30% of NAV   | 41,100   |
| Income from House Property  | 95,900   |

(ii) Computation of income under the head "Profits and gains of business or profession"

| Particulars  | ₹      | ₹        |
|--|--------|----------|
| Net profit as per Profit and Loss account  |        | 1,10,350 |
| Add: Expenses debited to profit and loss account but not allowable or to be considered separately                  |        |          |
| (i) Fire Insurance [50% of ₹ 15,000, disallowed since relating to let-out portions of house property owned by him] | 7,500  |          |
| (ii) Income-tax [disallowed as per section 40(a)(ii)]  | 30,000 |          |
| (iii) Household expenses [Personal expenses are disallowed by virtue of section 37]                                | 50,000 |          |



|  |          |          |
|--|----------|----------|
| (iv) Contribution to IIT, Mumbai for approved scientific research programmer to be considered separately   | 1,00,000 |          |
| (v) Municipal Taxes paid as tenant [Personal expenses are disallowed by virtue of section 37]  | 10,000   |          |
| (v) Municipal Taxes paid in respect of let-out portions [50% of ₹ 26,000 (₹ 36,000 - ₹ 10,000, being municipal taxes paid as a tenant) disallowed since incurred for personal purposes]                | 13,000   |          |
| (vi) Investment in NSC (Deduction allowed under section 80C)   | 10,000   |          |
| (vii) Interest payable to a non-resident, as tax has not been deducted at source [Section 40(a)(i)]  | 10,000   |          |
| (viii) Rent paid for his residence [Personal expenses not allowed as deduction as per section 37]  | 50,000   |          |
|  |          | 2,80,500 |
| Less: Weighted deduction@150% for contribution to IIT, Mumbai for scientific research programmer approved under section 35(2AA) [₹ 1,00,000 × 150%] <i>Deduction reduced to 100 % as per amendment</i> |          | 3,90,850 |
|  |          | 1,50,000 |
|  |          | 1,00,000 |
|  |          | 2,90,850 |
| Less: Income credited to Profit & Loss Account but not taxable under this head:  |          |          |
| (i) Cash gifts   | 51,000   |          |
| (ii) Interest on debentures  | 6,750    | 57,750   |
| Profits and gains from business and profession   |          | 2,33,100 |

### iii. Computation of income under the head "Capital Gains"

| Particulars  | ₹        | ₹        |
|--|----------|----------|
| Capital gains  |          |          |
| Actual Sale consideration  | 1,50,000 |          |
| Value adopted by Stamp Valuation Authority   | 2,80,000 |          |
| Gross Sale consideration   |          | 2,80,000 |
| [In case the actual sale consideration declared by the assessee is less than the value adopted by the Stamp Valuation Authority for the purpose of charging stamp duty, then, the value adopted by the Stamp Valuation Authority shall be taken to be the full value of consideration as per section 50C]<br>(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) |          |          |
| Less: Cost of acquisition  |          | 1,10,000 |
| Short term capital gain [Since vacant land is held by Mr. Rajan for not more than 24 months]   |          | 1,70,000 |



## Computation of income under the head "Income from other sources"

| Particulars   | ₹            |
|---|--------------|
| Cash gift received on the occasion of his son's marriage from his maternal uncle would not be taxable, since maternal uncle fall within the definition of relative. | Nil          |
| Interest on debentures (gross) [₹ 6,750 × 100/90] (The rate of TD under section 194A is 10%)  | 7,500        |
| <b>Income chargeable under this head</b>  | <b>7,500</b> |

## Computation of deduction under Chapter VI-A

| Particulars  | ₹      | ₹      |
|--|--------|--------|
| <b>Deduction under section 80C</b>   |        |        |
| Investment in NSC  | 10,000 |        |
| LIC Premium paid ₹ 50,000 [deduction restricted to 15% of ₹ 3,00,000, being the capital sum assured, since the policy was taken after 31.3.2013 to insure the life of his disabled daughter] | 45,000 | 55,000 |
| <b>Deduction under section 80GG</b><br>[Since Mr. Rajan is staying in a rented premise in Nagpur itself, he would  |        |        |

|   |  |            |
|---|--|------------|
| not be eligible for deduction under section 80GG as he owns a house in Nagpur which he has let out. |  | NIL 55,000 |
| <b>Deduction under Chapter VI-A</b>   |  |            |

**Question 15**

MTP March'18

Mrs. Sushma, born on 1st April, 1958 furnishes the following information for the year ended 31-03-2024:

| Particulars   | ₹         |
|---|-----------|
| Long-term capital gains on sale of shares in XYZ Pvt. Ltd.          | 2,00,000  |
| Short-term capital gains on sale of house property                  | 30,000    |
| Dividend income from ABC Ltd, an Indian company                     | 11,50,000 |
| Business Income   | 3,20,000  |
| Salary  | 2,40,000  |
| Lottery winning (Gross)   | 2,20,000  |
| Net agricultural income   | 60,000    |
| Mrs. Sushma has paid the following:                                 |           |
| LIC premium of self   | 40,000    |
| LIC premium of husband  | 20,000    |
| Deposit in Tax Saver Deposit with PNB Bank in the name of major son | 25,000    |

Compute the tax payable by Mrs. Sushma for the Assessment Year 2024-25.

6 Marks

Answer:



## Computation of tax payable by Mrs. Sushma for the A.Y. 2024-25

| Particulars   | ₹         | ₹        |
|---|-----------|----------|
| Step 1  |           |          |
| Agricultural income and Non-agricultural income (₹ 60,000+₹ 20,50,000) [For computation of non-agricultural income, see Working Note below] | 21,10,000 |          |
| Tax on the above income   |           |          |
| (i) Tax on long-term capital gain of ₹ 2,00,000 @ 20%   | 40,000    |          |
| (ii) Tax on dividend of ₹ 1,50,000 @ 10% (taxable as per normal slab rates as per amendments)   | 15,000    |          |
| (ii) Tax on winning from lotteries ₹ 2,20,000 @ 30%   | 66,000    |          |
| (iv) Tax on remaining income of ₹ 16,90,000 (₹ 16,30,000 +₹ 60,000) at normal slab rate i.e., 1,12,500 plus 6,90,000 @ 30%                  | 3,19,500  | 4,23,000 |
| Total tax on ₹ 11,60,000  |           | 4,23,000 |
| Step 2  |           |          |
| Basic exemption limit to agricultural income (₹ 3,00,000 +₹ 60,000)   | 3,60,000  |          |
| Tax on ₹ 3,60,000   |           | 3,000    |
| Step 3  |           |          |
| Tax on non-agricultural income (Tax under step 1 - Tax under step 2) (₹ 1,49,000 - ₹ 3,000)   |           | 4,20,000 |
| Add: Education cess @ 2%  |           | 2,920    |
| Add: Secondary and higher education cess @ 1%   |           | 1,460    |
| Add: EC & HSEC @ 4%   |           | 16,800   |
| Tax payable by Mrs. Sushma  |           | 1,50,380 |

## Working Note:

## Computation of total income of Mrs. Sushma for the A.Y. 2024-25

| Particulars  | ₹      | ₹         |
|--|--------|-----------|
| Business income  |        | 3,20,000  |
| Salary (Less standard deduction of Rs 50,000 as per amendment) (2,40,000-50,000) |        | 1,90,000  |
| Dividend income [See Note 2]   |        | 11,50,000 |
| Long term capital gains on sale of shares in XYZ Pvt. Ltd.                       |        | 2,00,000  |
| Short term capital gains on sale of house property                               |        | 30,000    |
| Lottery winning (Gross)  |        | 2,20,000  |
| Gross Total Income   |        | 21,10,000 |
| Less: Deduction under section 80C  |        |           |
| Life insurance premium of self   | 40,000 |           |
| Life insurance premium of husband  | 20,000 | 60,000    |
| Total Income   |        | 20,50,000 |



**Notes:**

- Mrs. Sushma born on 1st April, 1958, turns 66 years of age on 31.03.2024. Therefore, she is a senior citizen for the P.Y. 2023-24 and is entitled to the higher basic exemption limit of ₹ 3,00,000.
- Dividend received from ABC Ltd, an Indian Company, up to ₹ 10,00,000 is exempt under section 10(34). ₹ 1,50,000, being dividend received in excess of ₹ 10,00,000 would be taxable @10% as per section 115BBDA. No deduction is allowable in respect of any expenditure or allowance against such income.

**As per amendment dividend is fully taxable at normal slab rates**

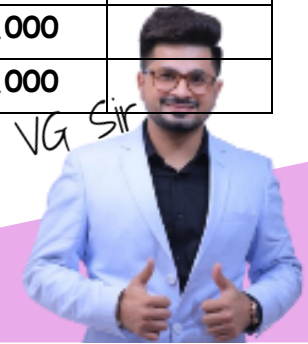
- Short-term capital gains on sale of house property are taxable at normal rates.
- Tax saver deposit in the name of major son does not qualify for deduction under section 80C.

**Question 16**

RTP Nov'20

You are required to compute the total income and tax liability of Mr. Neeraj for the A.Y. 2024-25 from the following information given by him for the year ended 31.3.2024. Mr. Neeraj, aged 61 years, a resident individual, engaged in a wholesale business of stationary products. He is also a partner in BAC & Co., a partnership firm.

| Sl. No. | Particulars  | ₹        | ₹        |
|---------|--|----------|----------|
| (i)     | Interest on capital received from BAC & Co., at 14% [in accordance with the partnership deed]  |          | 1,40,000 |
| (ii)    | Share of profit from the firm  |          | 44,000   |
| (iii)   | Salary as working partner (fully allowed in the hands of the firm)   |          | 1,00,000 |
| (iv)    | Interest from bank on fixed deposit (Net of TDS)   |          | 49,500   |
| (v)     | Interest on saving bank account  |          | 13,300   |
| (vi)    | Income-tax refund received relating to assessment year 2023-24 including interest of ₹ 1,400   |          | 34,500   |
| (vii)   | Net profit from wholesale business   |          | 6,60,000 |
|         | Amounts debited include the following:   |          |          |
|         | - Depreciation as per books  | 34,000   |          |
|         | - Motor car expenses   | 40,000   |          |
|         | - Municipal taxes for the shop<br>(For two half years; payment for one half year made on 12.7.2023 and for the other on 31.12.2023)                | 7,000    |          |
|         | - Salary to manager by way of a single cash payment  | 22,000   |          |
| (viii)  | The WDV of the assets (as on 1.4.2023) used in above wholesale business is as under:   |          |          |
|         | - Computers  | 2,40,000 |          |
|         | - Computer printer   | 1,50,000 |          |
| (ix)    | Motor car acquired on 31.12.2023 (20% used for personal use)   | 6,80,000 |          |
| (x)     | He owned a house property in Mumbai which was sold in January, 2018. He received arrears of rent in respect of the said property in October, 2023. |          | 1,35,000 |
| (x)     | LIP paid for independent son   | 60,000   |          |
| (xi)    | PPF of his wife  | 70,000   |          |



|        |   |        |  |
|--------|---|--------|--|
| (xii)  | Health insurance premium paid by way of A/c payee cheque for self | 35,000 |  |
| (xiii) | Contribution toward Prime Minister National Relief Fund           | 50,000 |  |

Assume Mr. Neeraj does not want to opt for the provisions of section 115BAC. (Same concept different figures)

14 Marks

Answer:

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

| Particulars   |          | ₹        | ₹        |
|---|----------|----------|----------|
| <b>Income from house property</b>   |          |          |          |
| Arrears of rent<br>(taxable under section 25A even if Mr. Neeraj is not the owner of the house property in the P.Y.2023-24)   |          | 1,35,000 |          |
| Less: Deduction@30%   |          | 40,500   | 94,500   |
| <b>Profits and gains of business or profession</b>  |          |          |          |
| Income from wholesale business  |          |          |          |
| Net profit as per books   |          | 6,60,000 |          |
| Add: Amount debited to P & L A/c, not allowable as deduction  |          |          |          |
| - Depreciation as per books   |          | 34,000   |          |
| - Disallowance of municipal taxes paid for the second half-year under section 43B, since the same was paid after the due date of filing of return of income (₹ 7,000/2) |          | 3,500    |          |
| - Disallowance under section 40A(3) in respect of salary paid in cash since the same exceeds ₹ 10,000   |          | 22,000   |          |
| - 20% of car expenses for personal use  |          | 8,000    |          |
|   |          | 7,27,500 |          |
| Less: Depreciation allowable (Note 1)   |          | 1,96,800 |          |
| Income from firm  |          | 5,30,700 |          |
| Share of profit from the firm is exempt under section 10(2A)  | -        |          |          |
| Interest on capital from partnership firm (Note 2)  | 1,20,000 |          |          |
| Salary as working partner fully taxable   | 1,00,000 | 2,20,000 | 7,50,700 |
| <b>Income from other sources</b>  |          |          | 69,700   |
| Interest on bank fixed deposit (Gross) [₹49,500 x 100/90]   |          | 55,000   |          |
| Interest on saving bank account   |          | 13,300   |          |
| Interest on income-tax refund   |          | 1,400    |          |
| Gross total income  |          |          | 9,14,900 |
| <b>Less: Deduction under Chapter VIA (Note 3)</b>   |          |          | 2,65,000 |
| Total Income  |          |          | 6,49,900 |



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

| Particulars                                    | ₹      |
|--|--------|
| Up to ₹ 3,00,000                               | Nil    |
| ₹ 3,00,001 - ₹ 5,00,000 [i.e., ₹ 2,00,000@5%]  | 10,000 |
| ₹ 5,00,001 - ₹ 6,49,900 [i.e., ₹ 1,49,900@20%] | 29,980 |
|  | 39,980 |
| Add: Health and Education cess@4%              | 1,599  |
| Tax Liability                                  | 41,579 |
| Tax payable (Rounded off)                      | 41,580 |

## Notes:

## Depreciation allowable under the Income-tax Rules, 1962

|         |   | Opening WDV/<br>Actual cost | Rate |   | Depreciation |
|---------|---|-----------------------------|------|---|--------------|
| Block 1 | Computers                               | 2,40,000                    | 40%  |   | 96,000       |
|         | Computer printer                        | 1,50,000                    | 40%  |   | 60,000       |
| Block 2 | Motor Car                               | 6,80,000                    | 15%  | 51,000 [50% of 15% is allowable, since it is put to use for less than 180 days] | 40,800       |
|         | Less: 20% disallowance for personal use |                             |      | 10,200  | 1,96,800     |

- (1) Only to the extent the interest is allowed as deduction in the hands of the firm, the same is includible as business income in the hands of the partner. Since interest is paid in accordance with partnership deed, maximum interest allowable as deduction in the hands of the firm is 12% p.a. Therefore, interest @12% p.a. amounting to ₹ 1,20,000 would be treated as the business income of Mr. Neeraj.

## (2) Deduction under Chapter VI-A

| Particulars   | ₹        | ₹        |
|---|----------|----------|
| Under section 80C   |          |          |
| LIP for independent son   | 60,000   |          |
| PPF paid in wife's name   | 70,000   |          |
|   | 1,30,000 |          |
| Since the maximum deduction under section 80C is ₹ 1,50,000, the entire sum of ₹ 1,30,000 would be allowed as deduction |          | 1,30,000 |
| Under section 80D   |          |          |
| Health insurance premium taken for himself is fully allowable as deduction, since he is a senior citizen                |          | 35,000   |
| Under section 80G   |          |          |
| Contribution towards PM National Relief Fund eligible for 100% deduction without any qualifying limit                   |          | 50,000   |
| Under section 80TTB   |          |          |



|   |  |          |
|---|--|----------|
| Interest on deposits in case of senior citizen, restricted to |  | 50,000   |
| Total deduction   |  | 2,65,000 |

**Question 17**

MTP April 22

Mr. Sonu, aged 30 years, submits the information of following transaction/income during the P.Y. 2023-24

(i) Mr. Sonu owns two house properties in Delhi. The details in respect of these properties are as under

|  | House 1 Self-occupied | House 2 Let-out |
|--|-----------------------|-----------------|
| Rent received per month                            | Not applicable        | ₹ 50,000        |
| Municipal taxes paid                               | ₹ 7,500               | Nil             |
| Interest on loan (taken for purchase of property)  | ₹ 2,50,000            | ₹ 3,00,000      |
| Principal repayment of loan (taken from HDFC bank) | ₹ 2,00,000            | ₹ 3,00,000      |

- (ii) Mr. Sonu had another house in Delhi. During financial year 2017-18, he had transferred the said house to Ms. Varsha, daughter of his brother without any consideration. House would go back to Mr. Sonu after the life time of Ms. Varsha. The transfer was made with a condition that 15% of rental income from such house shall be paid to Mrs. Sonu. Rent received by Ms. Varsha during the previous year 2023-24 from such house property is ₹ 6,50,000.
- (iii) Mr. and Mrs. Sonu forms a partnership firm with equal share in profits. Mr. Sonu transferred a fixed deposit of ₹ 50 lakhs to such firm. Firm had no income or expense other than the interest of ₹ 6,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Sonu at the end of the year.
- (iv) Mr. Sonu holds preference shares in M/s A Pvt. Ltd. He instructed the company to pay dividends to Ms. Chandni, daughter of his servant. The transfer is irrevocable for the life time of Chandni. Dividend received by Ms. Chandni during the previous year 2023-24 is ₹ 10,00,000.
- (v) Mr. Sonu has a short term capital loss of ₹ 16,000 from sale of property and long term capital gain of ₹ 15,000 from sale of property.
- (vi) Other income of Mr. Sonu includes
- Interest from saving bank account of ₹ 2,00,000
  - Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.
  - Income from betting of ₹ 34,000
  - Income from card games of ₹ 46,000
  - Loss on maintenance of race horses of ₹14,600

Compute the total income of Mr. Sonu for the Assessment Year 2024-25 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC . **10 Marks**

Answer:

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

| Particulars                        | Amount (₹) | Amount (₹) |
|------------------------------------|------------|------------|
| Income from house property         |            |            |
| House <sup>1</sup> [Self-occupied] |            |            |



|  |           |            |
|--|-----------|------------|
| Net annual value   | -         |            |
| Less: Interest on loan [up to ₹2,00,000]   | 2,00,000  | (2,00,000) |
| House 2 [Let out]  |           |            |
| Gross annual value <sup>1</sup> [₹50,000 × 12]   | 6,00,000  |            |
| Less: Municipal taxes  | -         |            |
| Net annual value   | 6,00,000  |            |
| Less: Deductions from Net Annual Value   |           |            |
| (a) 30% of Net Annual Value  | 1,80,000  |            |
| (b) Interest on loan   | 3,00,000  | 1,20,000   |
| House in Delhi [Since Mr. Sonu receives direct or indirect benefit from income arising to his brother's daughter, Ms. Varsha, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Sonu as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Varsha] |           |            |
| Gross Annual Value <sup>2</sup>  | 6,50,000  |            |
| Less: Municipal taxes  | -         |            |
| Net Annual Value   | 6,50,000  |            |
| Less: Deductions from Net Annual Value   |           |            |
| (a) 30% of Net Annual Value  | 1,95,000  |            |
| (b) Interest on loan   | -         | 4,55,000   |
| Profits and gains from business or profession  |           | 3,75,000   |
| Share of profit from firm [Exempt u/s 10(2A)] Exempt income cannot be clubbed  | -         |            |
| Capital Gains  |           |            |
| Long term capital gain from sale of property   | 15,000    |            |
| Less: Short-term capital loss can be set-off against both short-term capital gains and long-term capital gains <sup>3</sup> . Short term capital loss of ₹ 16,000 set off against long-term capital gains to the extent of ₹15,000 <sup>4</sup> . Balance short term capital loss of ₹ 1,000 to be carry forward to A.Y.2025-26                                    | 15,000    | -          |
| Income from other sources  |           |            |
| Dividend on preference shares [Taxable in the hands of Mr. Sonu as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares]   | 10,00,000 |            |
| Interest from saving bank account  | 2,00,000  |            |
| Cash gift [Taxable as per section 56(2)(x), since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative]   | 75,000    |            |
| Income from betting [No loss is allowed to be set off against such income]   | 34,000    |            |
| Income from card games [No loss is allowed to be set off against such income]  | 46,000    | 13,55,000  |
| Gross Total Income   |           | 17,30,000  |



|   |          |                  |
|---|----------|------------------|
| Less: Deduction under Chapter VI-A  |          |                  |
| Deduction under section 80C [Principal repayment of loan ₹ 5 lakh, restricted to ₹1,50,000] | 1,50,000 |                  |
| Deduction under section 80TTA [Interest from savings bank account]                          | 10,000   | 1,60,000         |
| <b>Total Income</b>   |          | <b>15,70,000</b> |

**Losses to be carried forward to A.Y. 2025-26**

| Particulars  | Amount (₹) |
|--|------------|
| Short term capital loss [₹ 16,000 - ₹ 15,000]  | 1,000      |
| Loss on maintenance of race horses [Loss incurred on maintenance of race horses cannot be set-off against income from any source other than the activity of owning and maintaining race horses. Hence, such loss has to be carried forward to A.Y.2025-26] | 14,600     |

- 1 Rent receivable has been taken as the gross annual value in the absence of other information
- 2 Rent receivable has been taken as the gross annual value in the absence of other information
- 3 as per section 74(1) 4 as per section 74(1)

**Question 18**

MTP Nov 21

Mr. Vikas holds shares carrying 33% voting power in Kaya Ltd. Mrs. Rinky is working as accountant in Kaya Ltd. getting income from salary (computed) of Rs. 4,60,000 without any qualification in accountancy. Mr. Vikas also receives Rs. 35,000 as interest on securities. Mrs. Rinky owns a house property which she has let out. Rent received from tenants is Rs. 6,000 p.m. Compute the gross total income of Mr. Vikas and Mrs. Rinky for the A.Y. 2024-25. **4 Marks**

**Answer:**

Since Mrs. Rinky is not professionally qualified for the job, the clubbing provisions shall be applicable.

**Computation of Gross total income of Mr. Vikas**

| Particulars                                 | Rs.             |
|---|-----------------|
| Income from Salary of Mrs. Rinky (Computed) | 4,60,000        |
| Income from other sources                   |                 |
| - Interest on securities                    | 35,000          |
|   | <b>4,95,000</b> |

**Computation of gross total income of Mrs. Rinky**

| Particulars   | Rs.    | Rs. |
|---|--------|-----|
| Income from Salary<br>[clubbed in the hands of Mr. Vikas] |        | Nil |
| Income from house property                                |        |     |
| Gross Annual Value [Rs. 6,000 × 12]                       | 72,000 |     |
| Less: Municipal taxes paid                                | -      |     |
| Net Annual Value (NAV)                                    | 72,000 |     |
| Less: Deductions under section 24                         |        |     |
| - 30% of NAV i.e., 30% of Rs. 72,000                      | 21,600 |     |



|                    |   |        |
|--------------------|---|--------|
| - Interest on loan | - | 50,400 |
| Gross total income |   | 50,400 |

**Question 19**

MTP March '23 &amp; April '19)

Mr. Sonu, General Manager of Akon Ltd., Delhi, furnishes the following particulars for the financial year 2023-24:

- Salary ₹ 46,000 per month
- Value of medical facility in a hospital maintained by the company ₹ 7,000
- Rent free accommodation owned by the company
- Housing loan of ₹ 6,00,000 given on 01.04.2019 at the interest rate of 6% p.a. (No repayment made during the year). The rate of interest charged by State Bank of India (SBI) as on 01.04.2023 in respect of housing loan is 10%.
- Gifts in kind made by the company on the occasion of wedding anniversary of Mr. Sonu ₹ 4,750.
- A four seater dining table was provided to Mr. Sonu at his residence. This was purchased by the company on 1.5.2020 for ₹ 60,000 and sold to Mr. Sonu on 1.8.2023 for ₹ 30,000.
- Personal purchases through credit card provided by the company amounting to ₹ 10,000 was paid by the company. No part of the amount was recovered from Mr. Sonu.

A Maruti Suzuki car which was purchased by the company on 16.7.2021 for ₹ 2,50,000 was sold to Mr. Sonu on 14.7.2023 for ₹ 80,000.

❖ Other income received by the assessee during the previous year 2023-24:

|     | Particulars   | ₹     |
|-----|---|-------|
| (a) | Interest on Fixed Deposits with a company                   | 5,000 |
| (b) | Income from specified mutual fund                           | 3,000 |
| (c) | Interest on bank fixed deposits of a minor married daughter | 3,000 |

- Contribution to LIC towards premium under section 80CCC ₹ 1,00,000 Deposit in PPF Account made during the year 2023-24 ₹ 40,000

Compute the taxable income of Mr. Sonu for the Assessment year 2024-25 assuming he is not opting for section 115BAC.

7 Marks

Answer:

**Computation of taxable income of Mr. Sonu for the A.Y. 2024-25**

|     | Particulars   | ₹     | ₹        |
|-----|---|-------|----------|
| (a) | Income from Salaries (See Working Note below)                                 |       | 6,85,200 |
| (b) | Income from Other Sources   |       |          |
|     | (i) Interest on fixed deposit with a company                                  | 5,000 |          |
|     | (ii) Income from specified mutual fund  | 3,000 |          |
|     | (iii) Interest on Fixed Deposit received by minor daughter (₹ 3,000 - ₹ 1500) | 1,500 | 9,500    |
|     | Gross total income  |       | 6,94,700 |
|     | Less: Deductions under Chapter VI-A   |       |          |



|                     |                   |          |                 |
|---------------------|-------------------|----------|-----------------|
|                     | Section 80C - PPF | 40,000   |                 |
|                     | Section 80CCC     | 1,00,000 | 1,40,000        |
| <b>Total Income</b> |                   |          | <b>5,54,700</b> |

**Working Note:****Computation of salary income of Mr. Sonu for the A.Y. 2024-25**

| Particulars   |          | ₹               |
|---|----------|-----------------|
| Salary [₹ 46,000 × 12]  |          | 5,52,000        |
| Medical facility [in the hospital maintained by the company is exempt]  |          | —               |
| Rent free accommodation   |          |                 |
| 15% 10% of salary is taxable (i.e. ₹ 5,52,000 × 10% as per Rule 3(1))<br>(As per amendment it is 10% of salary in cities having population > 40 lakhs as per 2011 census) |          | <b>55,200</b>   |
| Valuation of perquisite of interest on loan   |          |                 |
| [Rule 3(7)(i)] - Perquisite value would be 10% as reduced by actual rate of interest charged i.e. [10% - 6% = 4% × ₹ 6,00,000]  |          | 24,000          |
| Gift given on the occasion of wedding anniversary ₹ 4,750 is exempt, since its value is less than ₹ 5,000   |          | -               |
| Use of dining table for 4 months  |          |                 |
| [₹ 60,000 × 10 / 100 × 4 / 12]  |          | 2,000           |
| Perquisite on sale of dining table  |          |                 |
| Cost  | 60,000   |                 |
| Less: Depreciation on straight line method @ 10% for 3 years  | 18,000   |                 |
| Written Down Value  | 42,000   |                 |
| Less: Amount paid by the assessee   | 30,000   | 12,000          |
| Purchase through credit card - not being a privilege but covered by section 17(2)(iv)   |          | 10,000          |
| Perquisite on sale of car   |          |                 |
| Original cost of car  | 2,50,000 |                 |
| Less: Depreciation from 16.7.2020 to 15.7.2021 @ 20%  | 50,000   |                 |
|   | 2,00,000 |                 |
| Less: Depreciation from 16.7.2021 to 15.7.2022 @ 20%  | 40,000   |                 |
| Value as on 14.07.2023- being the date of sale to employee  | 1,60,000 |                 |
| Less: Amount received from the assessee on 14.07.2023   | 80,000   | 80,000          |
| Gross Salary  |          | 7,35,200        |
| Less: Standard deduction under section 16(ia)   |          | 50,000          |
| Taxable Salary  |          | <b>6,85,200</b> |



**Note:**

Under Rule 3(7)(viii), while calculating the perquisite value of benefit to the employee arising from the transfer of any movable asset, the normal wear and tear is to be calculated in respect of each completed year during which the asset was put to use by the employer. In the given case the third year of use of car is completed on 15.7.2023 whereas the car was sold to the employee on 14.7.2023. The solution worked out above provides for wear and tear for only two years.

**Question 20**

MTP Sep'22 PYP Dec'21

Mr. Kamal, a resident and ordinarily resident aged 58 years, is engaged in the business of manufacturing of steel. He is subject to tax audit under section 44AB of Income-tax Act, 1961. He has provided following information:

**Profit & Loss account for the year ended 31st March, 2024**

| Particulars                | (₹)       | Particulars                                       | (₹)       |
|----------------------------|-----------|---|-----------|
| To Administrative expenses | 6,45,000  | By Gross Profit                                   | 88,45,000 |
| To Salaries & wages        | 30,00,000 | By Profit on sale of asset of scientific research | 2,00,000  |
| To Interest on loans       | 11,25,000 | By Winning from lottery (Net of TDS @ 30%)        | 47,250    |
| To Depreciation            | 9,25,500  |   |           |
| To Professional fees       | 4,05,000  |   |           |
| To Rent, rates & taxes     | 4,20,000  |   |           |
| To Travelling & conveyance | 2,10,000  |   |           |
| To Net Profit              | 23,61,750 |   |           |
| Total                      | 90,92,250 | Total   | 90,92,250 |

**Explanatory information:**

- (i) Opening and closing stock of finished goods were undervalued by 10%. Opening stock of ₹ 3,30,000 and Closing stock of ₹ 4,38,000 was shown.
- (ii) Salaries & wages include following items:
  - (a) Contributed 20% of basic salary in National Pension Scheme referred in section 80CCD for an employee Mr. Ganesh who has withdrawn basic salary of ₹ 4,00,000 and Dearness allowance is 40% of basic salary.  
50% of Dearness allowance forms part of the salary.
  - (b) Some of the employees opted for retirement under the voluntary retirement scheme; a sum of ₹ 3,50,000 was paid to them on 1st January, 2024.
  - (iii) Interest on loan includes interest paid @ 15% per annum on loan of ₹ 18,00,000 which was taken from State Bank of India on 01.07.2023 for purchase of new electric car of ₹ 20,00,000. The car is used for personal purpose.
  - (iv) Depreciation allowable as per Income-tax Rules, 1962 is ₹ 5,50,000 but during the calculation of such depreciation following addition was not considered:  
Motor car purchased for ₹ 3,50,000 for supply of finished goods to dealers on 25-09-2023.
  - (v) An asset was purchased for ₹ 7,00,000 on 17-11-2022 for conducting scientific research and the deduction was claimed under section 35 of the Income-tax Act, 1961. This asset was sold on 05-10-2023 for a consideration of ₹ 9,00,000.



**Other information:**

A plot of Industrial land which was used by Mr. Kamal for business purpose for last 10 years was compulsorily acquired by Central Government on 07.10.2023. The compensation of ₹ 15,63,525 was received on 27.01.2022. Such property was purchased by him on 08.10.2006 for ₹ 2,50,000. He has purchased another plot of industrial land on 15.04.2024 for ₹ 7,00,000. Government has also paid ₹ 1,05,000 as interest on such compensation on 28.02.2024. Cost Inflation Indices: FY 2021-22: 317, FY 2006- 07: 122, FY 2023-24-384

Compute the total income and tax liability of Mr. Kamal for the assessment year 2024-25 assuming that he has not opted for the provisions of section 115BAC. () (Same concept different chapters) *(The value of consideration has been changed from Rs 15,00,000 to Rs. 15,63,525 to keep the essence of the question)* **14 Mark**

Answer:

**Computation of total income of Mr. Kamal for A.Y. 2024-25**

| Particulars   | ₹        | ₹         | ₹ |
|---|----------|-----------|---|
| <b>Income from business or profession</b>   |          |           |   |
| Net Profit  |          | 23,61,750 |   |
| <b>Add:</b> Items debited but not allowable/item not credited but taxable while computing business income   |          |           |   |
| - Employer's contribution to NPS in excess of 10% of salary - Employer's contribution to the extent of 10% of salary i.e., basic salary plus dearness allowance forming part of salary would be allowed as deduction. Thus, excess contribution i.e., ₹ 32,000 [₹ 80,000, being 20% of ₹ 4,00,000 less ₹ 48,000 being 10% of ₹ 4,80,000 (₹ 4,00,000 + 20% of ₹ 4,00,000)] has to be added back. | 32,000   |           |   |
| - VRS expenditure - 1/5th of expenditure on voluntary retirement scheme is allowable over a period of five years u/s 35DDA. Since whole amount of expenditure is debited to Profit and Loss A/c, 4/5th has to be added back [₹ 3,50,000 x 4/5].   | 2,80,000 |           |   |
| - Interest on loan taken for purchase of electric car used for personal purpose not allowable as deduction while computing business income as being expense of personal nature. Thus, ₹ 2,02,500 [₹ 18,00,000 x 15% x 9/12] has to be added back, since the same forms part of interest on loan debited to profit and loss account.   | 2,02,500 |           |   |
| - Sale proceeds of asset acquired for conducting scientific research taxable as business income under section 41(3) in the year of sale to the extent of lower of ₹ 7,00,000 (being the deduction allowed u/s 35) and ₹ 9,00,000 being the excess of sale proceeds and deduction allowed u/s 35 i.e., (₹ 9,00,000 + ₹ 7,00,000) over the capital expenditure incurred of ₹ 7,00,000             | 7,00,000 |           |   |



|   |                 |           |           |
|---|-----------------|-----------|-----------|
| - Undervaluation of stock [(₹ 4,38,000 - ₹ 3,30,000) x 10/90]   | 12,000          |           |           |
| <b>Note:</b> Alternatively, undervaluation of closing stock i.e., ₹ 48,667 can be added back and under valuation of opening stock i.e., ₹ 36,667 can be reduced from net profits. |                 |           |           |
| - Depreciation as per books of A/c  | 9,25,500        |           |           |
|   |                 | 21,52,000 |           |
|   |                 | 45,13,750 |           |
| Less: Depreciation as per Income-tax Rules  | 5,50,000        |           |           |
| Depreciation on Motor car purchased for supply of finished goods [₹ 3,50,000 x 15%]   | 52,500          |           |           |
|   |                 | 6,02,500  |           |
|   |                 | 39,11,250 |           |
| Less: Items of income credited to profit and loss account but not taxable or taxable under any other head of income   |                 |           |           |
| -Profit on sale of asset of scientific research[Taxable under the head "Capital Gains"]   | 2,00,000        |           |           |
| - Winning from lottery [Taxable under the head "Income from other sources"]   | 47,250          |           |           |
|   |                 | 2,47,250  |           |
|   |                 |           | 36,64,000 |
| <b>Capital Gain</b>   |                 |           |           |
| <b>Short-term capital gains</b>   |                 |           |           |
| <b>Sale of asset acquired for conducting scientific research</b>  |                 |           |           |
| Sales consideration   | 9,00,000        |           |           |
| Less: Cost of acquisition   | 7,00,000        |           |           |
| Short- term capital gain  |                 | 2,00,000  |           |
| Long-term capital gains   |                 |           |           |
| Compulsory acquisition of industrial plot by the Central Government taxable as per section 45(5)  |                 |           |           |
| Compensation received   | <b>15,63,55</b> |           |           |
| Less: Indexed cost of acquisition [₹ 2,50,000 x <b>348/122</b> ]  | <b>7,13,115</b> |           |           |
| Long-term capital gain [since such plot is held for more than 24 months]  | 8,50,410        |           |           |
| Less: Exemption u/s 54D   |                 |           |           |
| - Acquisition of industrial plot within 3 years   |                 |           |           |
| Acquisition of industrial plot within 3 years   | 7,00,000        |           |           |



|   |          |          |                 |
|---|----------|----------|-----------------|
|   |          | 1,50,410 | 3,50,410        |
| <b>Income from other sources</b>  |          |          |                 |
| Winning from lottery [ $\text{₹ } 47,250 \times 100/70$ ]                                       |          | 67,500   |                 |
| Interest on enhanced compensation   | 1,05,000 |          |                 |
| Less: 50% of enhanced compensation  | 52,500   |          |                 |
| <b>Gross Total Income</b>   |          | 52,500   | 1,20,000        |
| <b>Less: Deduction under Chapter VI-A</b>   |          |          | 41,34,410       |
| <b>Deduction under section 80EEB</b>  |          |          |                 |
| Interest on loan taken for purchase of electric vehicle allowable as deduction to the extent of |          |          | 1,50,000        |
| <b>Total Income</b>   |          |          | <b>39,84,40</b> |

## Computation of tax liability of Mr. Kamal for A.Y.2024-25

| Particulars  | ₹        | ₹         |
|--|----------|-----------|
| Tax on long-term capital gains @20% of ₹ 1,50,410                            |          | 30,082    |
| Tax on winning from lottery @30% of ₹ 67,500                                 |          | 20,250    |
| Tax on total income (excluding LTCG and winning from lottery) of ₹ 37,66,500 |          |           |
| Upto ₹ 2,50,000  | Nil      |           |
| ₹ 2,50,001 - ₹ 5,00,000[@5% of ₹ 2.50 lakh]                                  | 12,500   |           |
| ₹ 5,00,001 - ₹10,00,000[@20% of ₹ 5 lakh]                                    | 1,00,000 |           |
| ₹ 10,00,001- ₹ 37,66,500 [@30% of ₹ 27,66,500]                               | 8,29,950 |           |
|  |          | 9,42,450  |
|  |          | 9,92,782  |
| Add: Health and education cess@4%  |          | 39,711    |
| Tax liability  |          | 10,32,493 |
| Tax liability (rounded off)  |          | 10,32,490 |

## Question 21

MTP April '23, RTP May'22

Mr. Rishabh, a resident individual, aged 54 years, is engaged in the business of manufacturing clothes. He earned profit of ₹ 82,45,000 as per profit and loss account after debiting and crediting the following items:

- Depreciation ₹ 15,40,000
- Short term capital gains on transfer of listed equity shares in a company on which STT is paid ₹ 10,00,000
- He received income-tax refund of ₹ 15,550 which includes interest on refund of ₹ 4,550.
- Dividend income from Indian companies ₹ 15,00,000 Additional information -
  - Mr. Rishabh installed new plant and machinery for ₹ 65 lakhs on 1.10.2023 which was put to use on 1.1.2024. Depreciation (including additional depreciation) on this amount of ₹ 65 lakhs is included in the depreciation debited to profit and loss account which has been computed as per Income-tax Rules.

