

- (ii) Mr. Rishabh took a loan from SBI of ₹ 50 lakhs on 15.9.2023 @10.5% p.a. to purchase such plant and machinery. Total interest upto 31.3.2024 has been paid on 31.3.2024 and the same has been debited to profit and loss account. Interest is charged by the bank on monthly basis.
- (iii) Advance tax paid during the year is ₹ 17,50,000
- (iv) Rishabh purchased goods for ₹ 40 lakhs from Mr. Ram, his brother. The market value of the goods is ₹ 35 lakhs.
- (v) He paid ₹ 40,000 as life insurance premium taken on the life of his married daughter who is not dependent on him. The sum assured is ₹ 5,00,000 and the policy was taken on 1.4.2017.
- (vi) He paid ₹ 45,000 by cheque towards health insurance policy covering himself, his spouse and his children.
- (vii) On 1.7.2023, Mr. Rishabh withdrew ₹ 1.5 crores in cash from three current accounts maintained by him with HSBC. There are no other withdrawals during the year. He regularly files his return of income.

You are required to compute the total income and tax payable by Mr. Rishabh for the A.Y. 2024-25, in the manner so that he can make maximum tax savings.

14 Marks

Answer:

Computation of total income of Mr. Rishabh for A.Y. 2024-25 under the regular provisions of the Act

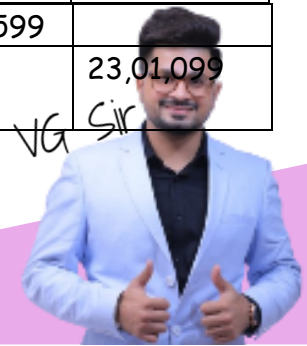
Particulars	₹	₹	₹
I			
Income from business or profession			
Net profit as per profit and loss account		82,45,000	
Add: Items of expenditure not allowable while computing business income			
(i) Interest on loan taken for purchase of plant & machinery [Interest from the date on which capital was borrowed till the date on which asset was first put to use, not allowable as deduction under section 36(1)(iii). Accordingly, interest of ₹ 1,53,125 [$₹ 50,00,000 \times 10.5\% \times 3.5/12$] has to be added back, since the same is debited to the profit and loss account]	1,53,125		
(ii) Purchase of goods at a price higher than the fair market value [The difference between the purchase price (₹ 40 lakhs) and the fair market value (₹ 35 lakhs) has to be added back as per section 40A(2) since the purchase is from a related party, i.e., his brother and at a price higher than the fair market value]	5,00,000	6,53,125	
Less: Items of income to be treated separately under the respective head of income	15,550	88,98,125	
(i) Income-tax refund including interest on refund of ₹ 4,550			
(ii) Dividend from Indian companies	15,00,000		
(ii) Short term capital gains on transfer of listed equity shares	10,00,000	25,15,550	
		63,82,575	
Less: Depreciation on interest on loan capitalized to plant and machinery			



	₹ 1,53,125, being the amount of interest on loan taken for purchase of plant and machinery from the date on which capital was borrowed till the date on which asset was first put to use, shall be capitalized Normal depreciation @15% x 50% on such interest	11,484		
	Additional depreciation @20% x 50% on such interest [Since plant & machinery was put to use for less than 180 days in P.Y. 2023-24, it is eligible for 50% of the rate of depreciation]	15,313	26,797	
				63,55,778
II	Capital Gains			
	Short term capital gains on transfer of listed equity shares			10,00,000
III	Income from Other Sources			
	Interest on income-tax refund		4,550	
	Dividend from Indian companies		15,00,000	15,04,550
	Gross Total Income			88,60,328
	Less: Deductions under Chapter VI-A - Deduction under section 80C		40,000	
	Life insurance premium for married daughter [Allowable as deduction though she is not dependent, since child of an individual whether dependent or not falls within the meaning of term "Person". Accordingly, whole of the amount of ₹ 40,000 is allowable as it does not exceed 10% of the ₹ 5,00,000, being the sum assured] - Deduction under section 80D		25,000	65,000
	Health insurance premium for self, spouse and children [Allowable as deduction, since it is paid otherwise than by way of cash. However, it is to be restricted to ₹ 25,000]			
	Total Income			87,95,328
	Total Income (Rounded off)			87,95,330

Computation of tax payable by Mr. Rishabh for A.Y. 2024-25 under the regular provisions of the Act

Particulars	₹	₹
Tax on total income of ₹ 87,95,330		
Tax on short term capital gains on transfer of listed equity shares @15% u/s 111A [₹ 10,00,000 x 15%]		1,50,000
Tax on other Income of ₹ 77,95,330		
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 ₹ 5,00,000]	1,00,000	21,51,099
₹ 10,00,001- ₹ 77,95,330 [@30% of ₹ 67,95,330]	20,38,599	
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		23,01,099



		2,30,110
		25,31,209
Add: Health and education cess@4%		1,01,248
Total tax liability		26,32,457
Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore	1,00,000	
Less: Advance tax paid	17,50,000	18,50,000
Tax payable		7,82,457
Tax payable (rounded off)		7,82,460

Computation of total income of Mr. Rishabh as per section 115BAC for A.Y. 2024-25

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		88,60,328
Add: Additional depreciation on plant and machinery		
- On interest which is capitalized	15,313	
- On cost of plant and machinery [₹ 65 lakhs × 20% × 50%]	6,50,000	6,65,313
Gross Total Income/ Total Income as per section 115BAC		95,25,641
[No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA]		
Total Income as per section 115BAC (rounded off)		95,25,640

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 95,25,640		
Tax on STCG of ₹ 10,00,000@15% u/s 111A		1,50,000
Tax on remaining total income of ₹ 85,25,640		
Upto ₹ 2,50,000 ₹ 3,00,000	Nil	
₹ ₹ 3,00,000 - ₹ 6,00,000 [₹ 3,00,000 @ 5%] 15,000	15,000	
₹ 6,00,001 - ₹ 9,00,000 [₹ 3,00,000 @ 10%] 30,000	30,000	
₹ 9,00,001 - ₹ 12,00,000 [₹3,00,000 @ 15%] 45,000	45,000	
₹ 12,00,001 - ₹ 15,00,000 [₹3,00,000 @ 20%] 60,000	60,000	
Above ₹ 15,00,000 @30% [[₹70,25,640@30%]	21,07,692	
		22,57,692
Add: Surcharge @10%, since total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore		2,25,769
		24,83,461
Add: Health and education cess@4%		99,338
Total tax liability		25,82,799
Less: TDS u/s 194N @ 2% on ₹ 50 lakhs, being the cash withdrawals exceeding ₹ 1 crore	1,00,000	
Less: Advance tax paid	17,50,000	18,50,000
Tax payable		7,32,799
Tax payable (rounded off)		7,32,800



Since tax payable as per section 115BAC is higher than the tax payable as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Rishabh not to exercise option under section 115BAC. In such case, the tax payable by him would be ₹ 7,82,460 as per the regular provisions of the Act.

Since tax payable as per section 115BAC is lower than the tax payable as per normal provisions of the Income-tax Act, 1961, it is beneficial for Mr. Rishabh to exercise option under section 115BAC. In such case, the tax payable by him would be ₹ 732,800 as per the regular provisions of the Act.

Question 22

MTP Sep '23

Mr. Rohit, working as Finance Manager in ABC Ltd., Kanpur, retired from the company on 31.10.2023 at the age of 60. The following amounts were received from the employer from 1st April, 2023 to 31st October, 2023:

Basic Salary ₹ 30,000 p.m.

Dearness Allowance ₹ 20,000 p.m. (40% reckoned for superannuation benefits)

Ex-gratia (lump sum) ₹ 65,000

In addition to the above -

- (i) The company had taken on lease a residential house at Kanpur, paying a lease rent of ₹ 9,000 p.m. Mr. Rohit, who was paying to the company ₹ 6,000 p.m. towards aforesaid rent, vacated the said premises on 31.10.2023.
- (ii) The company had also provided to Mr. Rohit a cooking range and micro-wave oven owned by it. The original cost of these assets was ₹ 40,000 and the written down value as on 1.4.2023 was ₹ 22,000.
- (iii) Mr. Rohit has two sons. His second son was 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 a similar school is ₹ 1,800 p.m.
- (iv) The employer-company was contributing ₹ 7,000 p.m. to Central Government Pension Scheme. Mr. Rohit contributed an equal amount.
- (v) Professional tax paid by the employer ₹ 2,400.
- (vi) Subsequent to his retirement, Mr. Rohit started his own business on 15-11-2023. The results of the said business from 15.11.2023 to 31.3.2024 were:
 - A. Business loss (excluding current depreciation) ₹ 90,000
 - B. Current year's depreciation ₹ 60,000
- (vii) Mr. Rohit won a prize in a TV game show. He received a sum of ₹ 2,10,000 after deduction of tax at source to the tune of ₹ 90,000.
- (viii) Mr. Rohit furnishes the under-mentioned data relating to savings, investments and out-goings:
 - A. Life insurance premium, with a private insurance company ₹ 30,000 for his son and ₹ 20,000 for his married daughter.
 - B. Medical insurance premium of ₹ 22,000 for himself and ₹ 26,000 for his mother (aged 82), paid by credit card. His mother is however not dependent on him.

You are required to compute the total income of Mr. Rohit (showing clearly the computation under various heads of income) and tax payable by him for the assessment year 2024-25. Assume Mr. Rohit does not opt for the provisions of under section 115BAC.

14 Marks

Answer:



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

Particulars		₹	₹
Basic salary (₹ 30,000 × 7)		2,10,000	
Dearness Allowance (₹ 20,000 × 7)		1,40,000	
Ex-gratia		65,000	
Employers' contribution to Central Government Pension Scheme (₹ 7,000 × 7)		49,000	
Professional tax paid by employer		2,400	
Concessional accommodation (See Notes 1 & 2)		7,650	NIL
Value of furniture (See Note 3)		2,333	
Value of concessional educational facility (₹ 1,800 × 7) (See Note 4)		12,600	
Gross salary		4,88,983	
Less: Standard deduction under section 16(ia)	50,000		
Professional tax under section 16(iii)	2,400	52,400	
Net salary			4,28,933
Income from other sources			
Winnings from TV Game Show (₹ 2,10,000 + ₹ 90,000)			3,00,000
Gross Total Income			7,36,583
Less: Deductions under Chapter VI-A			
Deduction under section 80C			
Life insurance premium (₹ 30,000 + ₹ 20,000)		50,000	
Deduction under section 80CCD(1) (See Notes 5)			
Employee's contribution to pension scheme [to be restricted to 10% of salary i.e. 10% of ₹ 2,66,000 (₹ 30,000 + ₹ 8,000) × 7]		26,600	
Total deduction under section 80C & 80CCD(1)		76,600	
Additional employee's contribution to pension scheme [49,000 - 26,600] [Section 80CCD(1B)]		22,400	1,73,600
Employer's Contribution to pension scheme (to be restricted to 10% of salary) [Section 80CCD(2)]		26,600	
Deduction under section 80D (See Note 6)			
Medical insurance premium (₹ 22,000 + ₹ 26,000)		48,000	
Total Income (See Notes 7 & 8)			5,55,333
Total income (rounded off)			5,55,330

Computation of tax payable by Mr. Rohit for the A.Y. 2023-24

Particulars	₹
Tax @ 30% on winnings of ₹ 3,00,000 from game show	90,000
Tax on balance income of ₹ 2,55,333 (The basic exemption limit of ₹ 3,00,000 is applicable since Mr. Rohit is of the age of 60 years during the P.Y. 2024-25)	Nil
	90,000
Add: Health and Education cess @ 4%	3,600
Total Tax Liability	93,600
Less: TDS	90,000
Net Tax Payable	3,600



Notes:

- (1) For computation of perquisite value of concessional accommodation, 40% of dearness allowance (i.e. ₹ 8,000) should be taken into consideration as forming part of salary, since the question clearly mentions that only 40% is to be reckoned for superannuation benefits. Therefore, salary for the purpose of perquisite valuation would be ₹ 3,31,000 [i.e., (₹ 30,000 + ₹ 8,000) × 7 + 65,000].
- (2) In a case where the accommodation is taken on lease or rent by the employer and provided to the employee, the value of perquisite would be lower of the actual amount of lease rental paid or payable by the employer [i.e. ₹ 63,000, being 9,000 × 7) and 15% **10%** of salary [i.e., ₹ 49,650, being 15% **10%** of ₹ 3,31,000]. This value (i.e. ₹ 49,650 ₹ 33,100) would be reduced by the rent paid by the employee (i.e., ₹ 42,000, being 6,000 × 7).

The value of concessional accommodation is ₹ 7,650 **NIL** [i.e. ₹ 33,100 - ₹ 42,000].

(As per amendment it is actual amount of lease rental paid or payable by the employer or 10% of salary whichever is lower as reduced by rent paid by the employee)

- (3) The value of furniture owned by employer and provided to the employee is 10% p.a. of actual cost which amounts to ₹ 2,333 [i.e. 10% of 40,000 × 7/12].

Therefore, the value of furnished accommodation will be ₹ 9,983 (₹ 7,650 + ₹ 2,333) provided to the employee.

It is also possible to consider the cooking range and micro-wave oven provided by employer to the employee as a perquisite on account of use of movable assets of the employer by the employee. Even it is so assumed, there would be no change in the answer since in such a case also, the perquisite value is 10% p.a. of actual cost.

- (4) In determining the value of perquisite resulting from the provision of free or concessional educational facilities, from a plain reading of the proviso to Rule 3(5), it is apparent that if the cost of education per child exceeds ₹ 1,000 per month, the entire cost will be taken as the value of the perquisite. Accordingly, the full amount of ₹ 1,800 per month is taxable as perquisite. In such a case, the value of the perquisite would be ₹ 12,600 (i.e. ₹ 1,800 × 7).

Note - An alternate view possible is that only the sum in excess of ₹ 1,000 per month is taxable. In such a case, the value of perquisite would be ₹ 5,600. The gross salary in that case shall be ₹ 4,81,983 and net salary would be ₹ 4,29,583. The total income and tax liability shall accordingly vary.

- (5) The entire employer's contribution to Central Government Pension scheme should be included in salary and deduction under section 80CCD(2) should be restricted to 10% of salary. The employer's contribution to pension scheme would be outside the overall limit of ₹ 1,50,000 stipulated under section 80CCE. Also, the deduction under section 80CCD(1) for the employee's contribution to the pension scheme is restricted to 10% of salary. Salary means basic salary and dearness allowance, if provided in the terms of employment for retirement benefits. The balance ₹ 22,400 (₹49,000 - 26,600) can be claimed as deduction under section 80CCD(1B).

- (6) The deduction for medical insurance premium of ₹ 26,000 paid for mother is allowable in full under section 80D, as the maximum limit is ₹ 50,000, since his mother is a senior citizen. Therefore, the total deduction under section 80D would be ₹ 22,000 (for self) + ₹ 26,000 (for mother) = ₹ 48,000.

- (7) Winnings from TV game show is chargeable at a flat rate of 30% under section 115BB. No loss can be set-off against such income. Therefore, business loss cannot be set-off against such income.

- (8) As per section 71(2A), business loss cannot be set-off against salary income. Section 71(2A) provides that where the net result of the computation under the head "Profits and gains of business or profession" is a loss and the assessee has income chargeable under the head "Salaries", the assessee shall not be entitled to have such loss set-off against such income. Even depreciation cannot be set-off against salary income. Therefore, **both**



business loss and current depreciation cannot be set-off against salary income.

- (9) Deduction under section 80GG has not been provided in respect of rent paid by Mr. Rohit to his employer. Such deduction can be provided, if it is assumed that all conditions mentioned in section 80GG are satisfied.

Question 23

PYP Nov'18 RTP May '20

You are required to compute the total income of the Ms. Radhika, a resident individual, aged 37 years and the tax payable for the assessment year 2024-25. She furnishes the following particulars relating to the year ended 31-3-2024:

(i) Winnings from a TV Game show (Net)	77,000
(ii) Gift received from Father's brother	85,000
(iii) Gift received from Archita, her close friend	80,000
(iv) Interest on capital received from TVA & Co., a partnership firm in which she is a partner (@15% p.a.)	4,50,000
(v) Rent received for a vacant plot of land (Net)	3,03,300
(vi) Amount received from Lime Pvt. Ltd., for a house at Delhi for which she had been in negotiation for enhanced rent three years back. This has not been taxed in any earlier year. The house was, however, sold off in March, 2024.	2,85,000
(vii) Amount received under Keyman Insurance Policy	4,35,000
(viii) Amount forfeited by her for the vacant plot, since the buyer could not finalize the deal as per agreement.	3,10,000
(ix) Donation given in cash to a charitable trust registered u/s 12AA	22,000
(x) She owns agricultural lands at Dhaka, Bangladesh. She has derived agricultural income therefrom	5,20,000
(xi) Public Provident Fund paid in the name of her minor daughter	1,25,000
(xii) Interest credited in the said PPF account during the year	50,900
(xiii) Share of profits received from TVA & Co., a partnership firm	1,50,000

Computation should be made under proper heads of income. Assumed that 115BAC is not opted. (Same concepts different figures)

10 Marks

Answer:

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

Particulars	₹	₹
Income from house property		
Arrears of rent [Taxable, even if Ms. Radhika is no longer the owner of house property]	2,85,000	
Less: 30% of arrears of rent	85,500	1,99,500
Profits and gains of business or profession		
Interest on capital @12%, being the maximum allowable interest [₹ 4,50,000/15% × 12%] assuming interest@12% is authorized by the partnership deed and has been allowed as deduction while computing the income of the firm	3,60,000	
Share of profit from TVA & Co., a firm [Exempt]	-	



Amount received under Keyman Insurance Policy	4,35,000	7,95,000
Income from other sources		
Winning from a TV Game show (Gross) [$\text{₹ } 77,000 \times 100 / (100 - 30)$]	1,10,000	
Gift received from father's brother would be exempt, since father's brother falls within the definition of relative	-	
Gift received from her close friend would be taxable, since it exceeds ₹ 50,000	80,000	
Rent received for a vacant plot of land [$\text{₹ } 3,03,300 / 90 \times 100$]	3,37,000	
Amount forfeited on cancellation of agreement for transfer of vacant plot	3,10,000	
Agricultural income from agricultural land at Dhaka, Bangladesh [not exempt, since such income is derived from land outside India]	5,20,000	
Interest credited in PPF account [Exempt]	-	13,57,000
Gross Total Income		23,51,500
Less: Deductions under Chapter VI-A		
Section 80C		
PPF subscription in the name of minor daughter	1,25,000	
Section 80G		
Donation of ₹ 22,000 to a charitable trust registered u/s 12AA is not allowable as deduction since the same is made in cash in excess of ₹ 2,000	-	1,25,000
Total Income		22,26,500

Computation of tax liability of Ms. Radhika for A.Y. 2024-25

Particulars		₹	₹
Tax on winnings of ₹ 1,10,000 from TV game show @30%			33,000
Tax on balance income of ₹ 21,16,500			
Up to ₹ 2,50,000		Nil	
₹ 2,50,001 - ₹ 5,00,000@5%		12,500	
₹ 5,00,001 - ₹ 10,00,000@20%		1,00,000	
₹ 10,00,001 - ₹ 21,16,500@30%		3,34,950	4,47,450
			4,80,450
Add: Health and Education cess@4%			19,218
Tax liability			4,99,668
Less: TDS			
Under section 194-I	33,700		
Under section 194B	33,000		66,700
Tax payable			4,32,968
Tax payable (rounded off)			4,32,970

Question 24

RTP Nov '21 MTP Oct '23

Mr. Dheeraj, aged 48 years, a resident Indian has furnished the following particulars for the year ended 31.03.2024:



- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 3,34,000. He has paid municipal taxes of ₹ 30,000 for the current financial year. Both these floors are of equal size
- (ii) As per interest certificate from ICICI bank, he paid ₹ 1,80,000 as interest and ₹ 95,000 towards principal repayment of housing loan borrowed for the above residential building in the year 2017.
- (iii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 400 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfills all the conditions of section 10AA of the Income-tax Act, 1961. Profit from this industry is ₹ 45 lakhs.
- (iv) He employed 20 new employees for the said industrial undertaking during the previous year 2023-24. Out of 20 employees, 12 were employed on 1st May 2023 on monthly emoluments of ₹ 18,000 and remaining were employed on 1st August 2023 on monthly emoluments of ₹ 12,000. All these employees participate in recognised provident fund and they are paid their emoluments directly to their bank accounts.
- (v) He earned ₹ 30,000 and ₹ 45,000 as interest on saving bank deposits and fixed deposits respectively.
- (vi) He also sold his vacant land on 01.12.2023 for ₹ 13 lakhs. The stamp duty value of land at the time of transfer was ₹ 14 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4.8 lakhs and Stamp duty value on the said date was ₹ 4 lakhs. This land was acquired by him on 15.9.1997 for ₹ 2.80 lakhs. He had incurred registration expenses of ₹ 12,000 at that time. The cost of inflation index for the financial year 2023-24 and 2001-02 are 348 and 100 respectively.
- (vii) He paid insurance premium of ₹ 49,000 towards life insurance policy of his son, who is not dependent on him.

You are requested to compute his total income and tax liability of Mr. Dheeraj for the Assessment Year 2024-25, in the manner so that he can make maximum tax savings.

(The full value of consideration of land has been changed from Rs 14 lakhs to Rs. 14.88 Lakhs & the stamp duty value has been changed from 14 lakhs to 15 lakhs to keep the essence of the question)

14 Marks

Answer:

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

	Particulars	₹	₹	₹
I	Income from house property			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		3,34,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 30,000/2]		15,000	
	Net Annual Value (NAV)		3,19,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 3,19,000	95,700		
	(b) Interest on housing loan [₹ 1,80,000/2]	90,000	1,85,700	
	Self-occupied portion [Ground Floor]		1,33,300	



	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]			
	Less: Interest on housing loan		90,000	
	Income from house property [₹ 1,33,300 - ₹ 90,000]		(90,000)	43,300
II	Profits and gains of business or profession			
	Income from SEZ unit			45,00,000
III	Capital Gains			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Actual consideration of ₹ 14,88,000, since stamp duty value of ₹ 15 lakhs does not exceed actual consideration by more than 10%]		14,88,000	
	Less: Indexed Cost of acquisition [₹ 4,00,000 × 348/100]		13,92,000	96,000
	Cost of acquisition			
	Higher of -			
	- Actual cost ₹ 2.80 lakhs + ₹ 0.12 lakhs = ₹ 2.92 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4.8 lakhs but cannot exceed stamp duty value of ₹ 4 lakhs.			
IV	Income from Other Sources			
	Interest on savings bank deposits		30,000	
	Interest on fixed deposits		45,000	75,000
	Gross Total Income			47,14,300
	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]			13,50,000
	[Profits of the SEZ × Export Turnover/Total Turnover] × 100%			
	[₹ 45 lakhs × ₹ 120 lakhs/ ₹ 400 lakhs × 100%]			
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C			
	Repayment of principal amount of housing loan	95,000		
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Dheeraj	49,000	1,44,000	
	Deduction under section 80JJAA		9,43,200	
	30% of the employee cost of the new employees employed during the P.Y. 2023-24 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 × 18,000 × 11) + ₹ 7,68,000 (8 × 12,000 × 8)]			



Deduction under section 80TTA Interest on savings bank account, restricted to ₹ 10,000		10,000	10,97,200
Total income			22,67,100

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

Particulars	₹	₹
Tax on total income of ₹ 22,67,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of 21,71,100		
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 ₹ 5,00,000]	1,00,000	
₹ 10,00,001 - ₹ 21,71,100[@30% of ₹ 11,71,700]	3,51,330	4,63,830
		4,83,030
Add: Health and education cess@4%		19,321
Total tax liability		5,02,351
Tax liability (rounded off)		5,02,350

Computation of tax liability of Mr. Dheeraj for A.Y.2024-25 under the special provisions of the Act (Alternate Minimum Tax)

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	22,67,100
Add: Deduction u/s 10AA	13,50,000
Deduction u/s 80JJAA	9,43,200
	45,60,300
AMT@18.5%	8,43,656
Add: HEC@4%	33,746
AMT liability	8,77,402
AMT liability (rounded off)	8,77,400

Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 45,60,300 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 8,77,400. In this case, AMT credit of ₹ 3,75,050 (₹ 8,77,400 - ₹ 5,02,350) can be carried forward.

Mr. Dheeraj also can opt to pay tax as per the provisions of section 115BAC if tax liability thereunder is lower. In such case, the AMT provisions would not apply on him. The computation of total income and tax liability as per the provisions of section 115BAC would be as follows:

Computation of total income of Mr. Dheeraj as per section 115BAC for A.Y. 2024 -25

Particulars	₹	₹
Gross Total Income as per regular provisions of the Income-tax Act		47,14,300
Add: Interest on borrowing in respect of self-occupied house property not allowable as deduction as per section 115BAC		96,000



Gross Total Income as per section 115BAC		48,04,300
Less: Deduction under section 80JJAA		
30% of the employee cost of the new employees employed during the P.Y. 2020-21 allowable as deduction [30% of ₹ 31,44,000 [₹ 23,76,000 (12 × 18,000 × 11) + ₹ 7,68,000 (8 × 12,000 × 8)]	9,43,200	
No deduction under section 10AA or under Chapter VI-A allowable except u/s 80JJAA		9,43,200
Total income		38,61,100

Computation of tax liability as per section 115BAC

Particulars	₹	₹
Tax on total income of ₹ 38,61,100		
Tax on LTCG of ₹ 96,000@20%		19,200
Tax on remaining total income of ₹ 37,65,100		
Upto ₹ 2,50,000 ₹ 3,00,000 Nil	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	60,000	
Above ₹ 15,00,000 @30%	6,79,530	8,29,530
		8,48,730
Add: Health and education cess@4%		33,949
Total tax liability		8,82,679
Tax liability (rounded off)		8,82,680

Since tax liability as per section 115BAC is higher than the tax liability of ₹ 8,77,400 being higher of AMT liability and tax liability computed as per normal provisions of the Income- tax Act, 1961, it is beneficial for Mr. Dheeraj not to exercise option under section 115BAC. In such case, his tax liability, therefore, would be ₹ 8,77,400. Moreover, Mr. Dheeraj would also be eligible to claim carry forward of AMT credit of ₹ 3,75,050.

Question 25

RTP Nov '21 MTP Oct '23

Compute total income and tax liability thereon of Mr. Raghav for the A.Y. 2024-25 from the following details:

Mr. Raghav (aged, 61 years) working in a private company from last 10 years. His salary details for the financial year 2023-24 are:

(i) Basic Salary	1,70,000 p.m.
(ii) Dearness Allowance (forms part of retirement benefits)	80,000 p.m.
(iii) Commission	32,000 p.m.
(iv) Transport Allowance	5,000 p.m.
(v) Medical Reimbursement	40,000

Mr. Raghav resigned from the services on 30th November, 2023 after completing 10 years and



5 months of service. He was paid gratuity of ₹ 25 lakhs on his retirement. He is not covered under the Payment of Gratuity Act, 1972. He started business of hiring of goods vehicle, purchased 4 small goods vehicles on 10th December, 2023 and 4 heavy vehicles having gross weight of 20 MTs each on 1st January, 2024. He did not maintain books of accounts for the business of hiring of goods vehicle. Mr. Shiv pal, his very close friend gifted him ₹ 2 lakhs to purchase the vehicles.

He was holding 30% equity shares in TSP (P) Ltd., an Indian company. The paid up share capital of company as on 31st March, 2023 was ₹ 20 lakh divided into 2 lakh shares of ₹ 10 each which were issued at a premium of ₹ 30 each. Company allotted shares to shareholders on 1st October, 2016.

He sold all these shares on 30th April, 2023 for ₹ 60 per share. Equity shares of TSP (P) Ltd. are listed on National Stock Exchange and Mr. Raghav has paid STT both at the time of acquisition and transfer of such shares. FMV on 31.1.2018 was ₹ 50 per share.

On 12.2.2024, interest of fixed deposits of ₹ 90,000 credited to his SBI Bank. On 30.4.2023, ₹ 5,500 and on 30.12.2023, ₹ 8,500 credited to interest on saving bank A/c with SBI Bank.

He deposited ₹ 1,10,000 in PPF A/c. He paid insurance premium of ₹ 20,000 on his life policy during the financial year 2023-24. The policy was taken in April 2014 and sum assured was ₹ 3,00,000. He also made payment of ₹ 25,000 towards L.I.C. pension fund and premium of ₹ 40,000 towards Mediclaim policy for self and ₹ 20,000 for his wife. All the payment he made by A/c payee cheque.

There was no change in salary of Mr. Raghav from last two years. He does not opt to pay tax as per section 115BAC. (RTP May 21)

(Interest on FD has been changed from Rs. 92,500 to Rs. 90,000 to keep the essence of the question)

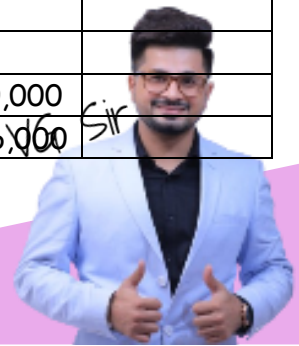
Cost inflation Index is:

Financial Year	Cost Inflation Index
2013-14	220
2020-21	301
2023-24	348

Answer:

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

Particulars		₹	₹
Salaries			
Basic Salary = 1,70,000 × 8		13,60,000	
Dearness Allowance = 80,000 × 8		6,40,000	
Commission = 32,000 × 8		2,56,000	
Transport Allowance = 5,000 × 8		40,000	
Medical reimbursement [Fully taxable]		40,000	
Gratuity - Amount received	25,00,000		
Less: Least of the following exempt u/s 10(10)			
(i) Actual Gratuity received ₹ 25,00,000			
(ii) $\frac{1}{2}$ month's salary for every year of completed service [$\frac{1}{2} \times 2,50,000$ (Basic salary plus DA) + × 10] = ₹ 12,50,000			
(iii) Notified limit of ₹ 20,00,000			
Least of the above is exempt	12,50,000	12,50,000	
Gross Salary		35,86,000	



Less: Standard deduction u/s 16(ia) [Actual salary or ₹ 50,000, whichever is less]		50,000	
Net Salary			35,36,000
Profits and gains of business or profession			
Income from business of hiring goods vehicle			
Other than heavy goods vehicles = 4 x (₹ 7,500 p.m.) x (4 months)		1,20,000	
Heavy goods vehicles = 4 x (20 MTs x ₹ 1,000 per MT) x (3 months)		2,40,000	
Capital Gains			3,60,000
On transfer of 60,000 shares (2,00,000 x 30%)			
Sales consideration [60,000 x ₹ 60 per share]		36,00,000	
Less: Cost of acquisition, higher of -		30,00,000	
- Actual cost [60,000 x ₹ 40 per share]	24,00,000		
Lower of FMV on 31.1.2018 [60,000 x 50]	30,00,000		
Actual sales consideration [60,000 x 60]	36,00,000		
Long-term capital gains u/s 112A (since shares are held for a period of more than 12 months before transfer)			6,00,000
Income from Other Sources			
Gift from friend taxable u/s 56(2)(x) since the same exceeds ₹ 50,000. It is fully taxable		2,00,000	
Interest on Saving A/c with SBI Bank		14,000	
Interest on Fixed deposits with SBI Bank		1,00,000	
[Since interest is credited after deduction of at source @ 10% as the amount of interest exceeds ₹ 50,000, amount included in the total income need to be grossed up (₹ 90,000 x 100/90)](The same has been amended to 10%)			
		3,14,000	
Gross Total Income			48,10,000
Less: Deduction under Chapter VI-A			
Section 80C			
Deposits in PPF A/c		1,10,000	
Life Insurance premium [fully deductible, since, in respect of a policy taken before 1.4.2012, the actual premium paid (₹ 20,000) or 20% of the sum assured (₹ 3,00,000 x 20% = ₹ 60,000), whichever is lower, has to be deducted]		20,000	
		1,30,000	
Section 80CCC			
Payment to LIC Pension Fund		25,000	
		1,55,000	
Restricted to ₹ 1,50,000, being the maximum allowable deduction			1,50,000
Section 80D			



Medical insurance premium for self and spouse ₹ 60,000, allowable to the extent of ₹ 50,000, since Mr. Raghav is a senior citizen		50,000	
Section 80TTB			
Deduction in respect of interest on fixed deposits and saving bank allowable as deduction under section 80TTB, since Mr. Raghav is a senior citizen, to the extent of ₹ 50,000			50,000
Total Income			45,60,000

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

Particulars	₹	₹
Tax on total income of ₹ 45,60,000		
Tax on long-term capital gains of ₹ 6,00,000 arising from transfer of listed shares @10% under section 112A after deducting ₹ 1 lakh.		50,000
Tax on other income of ₹ 39,60,000 [₹ 45,60,000 - ₹ 6,00,000 capital gains]		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 5,00,000 [i.e., ₹ 3,00,000@5%]	10,000	
₹ 5,00,001 - ₹ 10,00,000 [i.e., ₹ 5,00,000@20%]	1,00,000	
₹ 10,00,001 - ₹ 39,60,000 [i.e., ₹ 29,60,000@30%]	8,88,000	9,98,000
		10,48,000
Add: Health and Education cess@4%		41,920
Tax liability		10,89,920

Question 26

RTP May '23

Mr. Suresh has a sole proprietor manufacturing unit. On 1st April, 2023, he owns Plant A and Plant B (rate of depreciation 15%). Depreciated value of the block on 1st April, 2023 is ₹ 10,00,000. Plant B is transferred on 15th October, 2023 for ₹ 19,00,000. Expenditure on transfer of Plant B is ₹ 20,000. Plant C (rate of depreciation 15%) is purchased on 10th March, 2024 for ₹ 22,00,000. However, Plant C is put to use on 2nd September, 2024 Business income of Mr. Suresh before claiming any depreciation is ₹ 11,00,000.

On 1st March, 2024, Mr. Suresh transfers 900 equity shares in A Ltd. (unlisted) for ₹ 23,50,000. Mr. Suresh does not own any residential house property. These shares were purchased on 2nd April, 2015 for ₹ 2,00,000. To avail of the benefit of exemption under different sections, he made the following investments on 1st May, 2024.

- A residential house property at Kolkata: ₹ 19,00,000 (out of which stamp duty expenditure is ₹ 30,000).
- NHAI bonds: ₹ 3,00,000.

Find out the gross total income of Mr. Suresh for the A.Y. 2024-25. CII - F.Y. 2023-24: 348; F.Y. 2022-23: 331; F.Y. 2015-16:254

Answer:

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

Particulars	Amount (₹)	Amount (₹)
Profits and gains of business or profession		
Business income before depreciation		11,00,000
Depreciated value of the block on April 1, 2023	10,00,000	



Add: "Actual cost" of Plant C acquired on March 10, 2024	22,00,000	
Less: Sale Consideration of Plant B	19,00,000	
Written down value on March 31, 2024	13,00,000	
Normal depreciation (not available as Plant C is not put to use during the P.Y. 2023-24)	Nil	
Additional depreciation (not available as Plant C is not put to use during the P.Y. 2023-24)	Nil	
Capital Gains		
Long term capital gain on transfer of unlisted equity shares [Since shares were held for more than 24 months]		
Sale consideration	23,50,000	
Less: Indexed Cost of Acquisition $[2,00,000 \times 348/254]$	2,74,016	
Less: Exemption under section 54EC	Nil	20,75,984
[Deduction under section 54EC is allowable only in respect of long term capital gain on transfer of land and building]		
Exemption under section 54F	16,78,455	16,89,278
$[20,89,370 \times 19,00,000/23,50,000]$		
		3,97,529
Gross Total Income		14,97,529

Question 27

RTP May '23

Mr. Kamal, a resident individual aged 48 years, is working at a senior management position in a private bank since past 20 years. During the previous year 2023-24, he received the following emoluments from the employer:

- Basic Salary ₹ 3,50,000 per month.
- Client entertainment reimbursement of ₹ 20,000 per month out of which he submitted bills for ₹ 2,00,000 for the relevant year.
- Leave travel allowance of ₹ 4,00,000 per annum. He took a trip to Goa with his spouse and two children in December 2023, for which plane boarding tickets of ₹ 1,00,000 and hotel bookings of ₹ 3,00,000 were submitted to the employer.
- Performance bonus amounting to 20% of annual basic salary.
- He is eligible to take a staff housing loan up to ₹ 20,00,000 at a concessional rate of 2.5% p.a. He availed a housing loan of ₹ 15,00,000 out of the same on 1st June 2023. No repayment of loan has been made during the F.Y. 2023-24. The lending rate of SBI as on 1.4.2023 for housing loan may be taken as 8% p.a.
- The Bank also allotted 1,500 sweat equity shares to Mr. Kamal in May 2023 at the rate of ₹ 1,300 per share. The Fair market value of the share was ₹ 1,500 per share on the date of exercise of option by Mr. Kamal. He sold all the shares for ₹ 2,100 per share on 31.03.2024 on recognized stock exchange. Assume Securities transaction tax has been paid.

The following transactions were made by Mr. Kamal during the previous year 2023-24:

- He earned rental income of ₹ 35,000 per month from a 3 BHK residential flat situated at Delhi. He purchased the said flat for ₹ 45 Lakhs in June, 2022 using the housing loan availed from the employer and his own savings. It was let out from July, 2023. Municipal taxes of ₹ 12,000 for F.Y. 2023-24 was paid by Mr. Kamal.



- (b) He invested ₹ 30,00,000 in RBI Floating Rate Savings Bonds on 1st September 2023 earning an interest of 7% p.a. Interest is credited half yearly on 1st January and 1st July every year. (Assume receipt basis for taxation)
- (c) He also paid LIC premium of ₹ 15,000 for self, ₹ 20,000 for wife and ₹ 30,000 for dependent father, aged 75 years. Medical insurance premium paid on the health of dependent brother and major dependent son amounted to ₹ 5,000 (paid by cheque) and ₹ 10,000 (paid in cash), respectively.
- (d) In December 2023, he earned dividend income of ₹ 5,00,000 (gross) on shares of the bank held by him.

You are required to compute his total income and tax liability for the assessment year 2024-25, clearly showing all workings. (Ignore section 115BAC provisions)

Answer:

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

Particulars		Amount (₹)	Amount (₹)
I	Income from salaries		
	Basic Salary [₹ 3,50,000 × 12]	42,00,000	
	Client entertainment reimbursement [₹ 2,40,000 - ₹ 2,00,000]	40,000	
	Leave Travel Allowance [₹ 4,00,000 - ₹ 1,00,000]	3,00,000	
	[Note 1]		
	Performance Bonus (20% of Basic Salary)	8,40,000	
	Interest on Housing loan [₹ 15,00,000 × (8% - 2.5%) × 10/12]	68,750	
	Sweat Equity allotted by the employer (₹ 1,500 - ₹ 1,300) × 1,500	3,00,000	
	Gross Salary	57,48,750	
	Less: Standard deduction	50,000	
	Taxable Salary		56,98,750
II	Income from house property	3,15,000	
	Gross Annual Value under section 23(1) [Rent received for 9 months has been taken as the Gross Annual Value in the absence of other information relating to Municipal Value, Fair Rent and Standard Rent] [₹35,000 × 9]		
	Less: Municipal taxes paid [Paid by Mr. Kamal]	12,000	
	Net Annual Value (NAV)	3,03,000	
	Less: Deduction u/s 24		
	(a) @30% of NAV	90,900	
	(b) Interest on borrowed capital [15,00,000 × 2.5% × 10/12]	31,250	
			1,80,850
III	Capital gains		9,00,000
	STCG on sale of sweat equity shares [1,500 × (₹ 2,100 - ₹ 1,500)]		
IV	Income from other sources		

