

Dividend Income	5,00,000	
Interest on RBI bonds [₹ 30,00,000 X 7% X 4/12]	70,000	5,70,000
Gross total Income		73,49,600
Less: Deduction under Chapter VI-A Deduction u/s 80C for LIC premium paid for self and wife [Note 2]	35,000	
Deduction u/s 80 D [Note 3]	Nil	35,000
Total Income		73,14,600

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

Particulars	Amount (₹)	Amount (₹)
Tax on STCG u/s 111A @15% on ₹ 9,00,000		1,35,000
Tax on other income of ₹ 64,14,600		
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 - ₹ 64,14,600 @30%	16,24,380	17,36,880
		18,71,880
Add: Surcharge@10% since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore		1,87,188
		20,59,068
Add: Health and Education cess @ 4%		82,363
Tax Liability		21,41,431
Tax Liability (Rounded off)		21,41,430

**Notes:**

- Hotel Bookings and lodgings are not covered under leave travel facility. Hence, only ₹ 1,00,000 of cost of tickets would be exempt under section 10(5).
- Premium for life insurance policy of father is not allowed as deduction under section 80C. Medical insurance premium on the health of brother is not allowable since brother does not come within the meaning of family u/s 80D. In case of son, premium is paid in cash, hence, the same is not allowed.

**Question 28**

(RTP Nov '23 PYP Nov'19)

Mrs. Kashish, a resident individual, aged 62 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Kashish for the year ending 31.3.2024 is as under:

Expenditure	₹	Income	₹
To Salary to Staff	7,20,000	By Consultation Fees	74,28,000
To Administrative Exp.	11,64,000	By Salary received from True Care Hospitals (P) Ltd.	10,80,000
To Rent of clinic	5,76,000	By Rental Income from House Property	2,40,000
To Conveyance Expenses	1,44,000	By Dividend from Foreign Companies (gross)	60,000
To Power & Fuel	1,44,000		



To Interest on Housing Loan	2,20,000		
To Interest on Education Loan for son	1,56,000		
To Amount paid to scientific research association approved & Notified under section 35	1,50,000		
To net profit	55,34,000		
Total	88,08,000	Total	88,08,000

(i). She is working part-time with True Care Hospitals (P) Ltd. Her salary details are as under:

Basic Pay ₹ 85,000 p.m.

Transport ₹ 5,000 p.m.

Allowance Total ₹ 90,000 p.m.

Further, during P.Y. 2023-24, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of ₹ 1,60,000 for a similar treatment to unrelated patients.

(ii). She owns a residential house. The reconstruction of the house was started on 01-04-2023 and was completed on 30-09-2023. After reconstruction, ground floor of the house is self-occupied by her while first floor has been rented out since 1.10.2023. Both the floors are of equal area. The monthly rent is ₹ 40,000. The tenant also pays ₹ 3,000 p.m. as power back-up charges. She took a housing loan of ₹ 25 lakhs for reconstruction on 01-04-2023. Interest on housing loan for the period 01-04-2023 to 30-09-2023 was ₹ 1,20,000 and for the period 01-10-2023 to 31-03-2024 was ₹ 1,00,000. During the year, she also paid municipal taxes for the F.Y. 2022-23 ₹ 5,000 and for F.Y. 2023-24 ₹ 5,000.

Other information:

(a) Conveyance expenses include a sum of ₹ 48,000 incurred for conveyance from house to True Care Hospitals (P) Ltd. and vice versa in relation to her employment.

(b) Power & fuel expenses include a sum of ₹ 10,000 incurred for generator fuel for providing power back-up to the tenant.

(c) Administrative expenses include a sum of ₹ 10,000 paid as Municipal Taxes for her house.

(d) Clinic equipment' details are:

opening W.D.V. of clinic equipment as on 01-04-2023 was ₹ 5,00,000 and fresh purchase made on 28-08-2023 is ₹ 75,000 which was paid in cash.

(e) She also paid tuition fee of ₹ 40,000 for her grand-daughter, which has been debited to her Capital A/c.

(f) She availed a loan of ₹ 25,00,000 from bank for higher education of her son. She repaid principal of ₹ 3,00,000 and interest of ₹ 1,56,000 during P.Y. 2023-24.

You are required to compute the total income and tax liability of Mrs. Kashish for the A.Y. 2024-25

14 Marks

Answer:



## Computation of total income and tax liability of Mrs. Kashish for A.Y. 2024-25

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from Salaries:</b>			
	Basic Pay (₹ 85,000 × 12)		10,20,000	
	Transport Allowance (₹ 5,000 × 12) [Fully taxable]		60,000	
	Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite]		Nil	
	Gross Salary		10,80,000	
	Less: Standard deduction u/s 16 [Actual salary or ₹ 50,000, whichever is less]		50,000	
				10,30,000
<b>II</b>	<b>Income from House Property</b>			
	<b>Let out portion [First floor]</b>			
	Gross Annual Value [Rent received is taken as GAV = ₹ 40,000 p.m. × 6 months]		2,40,000	
	Less: Municipal taxes paid by her in the P.Y. 2023-24 pertaining to let out portion [(₹ 5,000 + ₹ 5,000)/2], allowable since it is paid during the year, even if it relates to earlier years		5,000	
	Net Annual Value (NAV)		2,35,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 2,35,000	70,500		
	(b) Interest on housing loan [(₹ 1,20,000 (+) ₹ 1,00,000)/2]	1,10,000	1,80,500	
			54,500	
	<b>Self-occupied portion [Ground Floor]</b>			
	Annual Value		Nil	
	Less: Deduction u/s 24			
	Interest on housing loan for reconstruction			
	₹ 1,10,000 [(₹ 1,20,000 + ₹ 1,00,000)/2] restricted to	30,000	(30,000)	
				24,500
<b>III</b>	<b>Profits and gains of business or profession</b>			
	Net profit as per Income and Expenditure account		55,34,000	
	<b>Less: Items of income to be treated separately under the respective head of income</b>			
	(i) Salary received from True Care Hospitals (P) Ltd.	10,80,000		
	(ii) Rent from house property	2,40,000		
	(iii) Dividend from foreign companies (gross)	60,000		
			13,80,000	
			41,54,000	
	Less: Allowable expenditure			
	• Depreciation on Clinic equipment's			
	On Opening WDV ₹ 5,00,000 @15%	75,000		



	On additions during the year ₹ 75,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost.	Nil	75,000	
			40,79,000	
	Add: Items of expenditure not allowable while computing business income			
	(i) Interest on housing loan for reconstruction of residential house	2,20,000		
	(ii) Interest on education loan for son	1,56,000		
	(iii) Conveyance expenses in relation to her employment with True Care Hospitals debited to Income and Expenditure A/c, not allowed	48,000		
	(iv) Power and fuel expenses incurred for providing power back up to tenant not deductible	10,000		
	(v) Municipal tax paid relating to residential house included in administrative expenses, not deductible	10,000	4,44,000	45,23,000
	Income from Other Sources			
	Power back up charges from tenant (₹ 3,000 p.m. x 6 months)	18,000		
	Less: Actual expenditure incurred for providing power back up	10,000	8,000	
	Dividend from foreign companies		60,000	68,000
	Gross Total Income			56,45,500
	Less: Deduction under Chapter VI-A			
	Deduction under section 80C - Tuition fee paid for grand child is not allowable		Nil	
IV	Deduction under section 80E - Interest on loan taken for higher education of her son is deductible [principal repayment is not deductible]		1,56,000	1,56,000
	<b>Total income</b>			<b>54,89,500</b>

### Computation of tax liability of Mrs. Kashish for A.Y.2024-25

Particulars	₹	₹
Tax on total income of ₹ 54,89,500		
Upto ₹ 3,00,000	Nil	
₹ 3,00,001 - ₹ 5,00,000 [@5% of ₹ 2 lakhs]	10,000	
₹ 5,00,000 - ₹ 10,00,000 [@20% of ₹ 5 lakhs]	1,00,000	
₹ 10,00,000 - ₹ 54,89,500 [@30% of ₹ 44,89,500]	13,46,850	
		14,56,850
Add: Surcharge @10% [Since the total income > ₹ 50 lakhs but ≤ ₹ 1 crore]		1,45,685
		16,02,535
Add: Health and education cess @4%		64,101
Tax liability		16,66,636
Tax liability (rounded off)		16,66,640

### Question 29

PYP Jan'21

- (a) During the previous year 2023-24, following transactions took place in respect of Mr. Raghav who is 56 years old.
- (b) Mr. Raghav owns two house properties in Mumbai. The details in respect of these properties are as under -

	House 1 Self-occupied	House 2 Let-out
Rent received per month	Not applicable	₹ 60,000
Municipal taxes paid	₹ 7,500	Nil
Interest on loan (taken for purchase of property)	₹ 3,50,000	₹ 5,00,000



Principal repayment of loan (taken from HDFC bank)	₹ 2,00,000	₹ 3,00,000
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- (a) Mr. Raghav had a house in Delhi. During financial year 2013-14, he had transferred the house to Ms. Vamika, daughter of his sister without any consideration. House would go back to Mr. Raghav after the life time of Ms. Vamika. The transfer was made with a condition that 10% of rental income from such house shall be paid to Mrs. Raghav. Rent received by Ms. Vamika during the previous year 2023-24 from such house property is ₹ 5,50,000.
- (b) Mr. Raghav receives following income from M/s M Pvt. Ltd. during P.Y. 2023-24:
- Interest on Debentures of ₹ 7,50,000; and
  - Salary of ₹ 3,75,000. He does not possess the adequate professional qualification commensurate with the salary received by him.

Shareholding of M/s M Pvt. Ltd. as on 31.3.2024 is as under - Equity shares Preference shares:

Mr. Raghav	Nil	Nil
Mrs. Raghav	2%	25%
Mr. Jai Kashan (brother of Mrs. Raghav)	98%	75%

- (c) Mr. and Mrs. Raghav forms a partnership firm with equal share in profits. Mr. Raghav transferred a fixed deposit of ₹ 1 crore to such firm. Firm had no income or expense other than the interest of ₹ 9,00,000 received from such fixed deposit. Firm distributed the entire surplus to Mr. and Mrs. Raghav at the end of the year.
- (d) Mr. Raghav holds preference shares in M/s K Pvt. Ltd. He instructed the company to pay dividends to Ms. Gaetani, daughter of his servant. The transfer is irrevocable for the life time of Gaetani. Dividend received by Ms. Gaetani during the previous year 2023-24 is ₹ 13,00,000.
- (e) Other income of Mr. Raghav includes
- (f) Interest from saving bank account of ₹ 2,00,000
- (g) Cash gift of ₹ 75,000 received from daughter of his sister on his birthday.

Compute the total income of Mr. Raghav for the Assessment Year 2024-25.

8 Marks

Answer:

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

Particulars	Amount (₹)	Amount (₹)
Salary		Nil
[Since Mrs. Raghav along with her brother holds shares carrying 100% voting power in M/s M Pvt. Ltd., they have a substantial interest in the company. Since Mr. Raghav is working in the same company without any professional qualifications commensurate with his salary, the salary of ₹ 3,75,000 received by him would be included in the hands of Mrs. Raghav.]		
Income from house property		
House 1 [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 value7 [₹60,000 × 12]	7,20,000	
Less: Municipal taxes	-	



Net annual value	7,20,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	2,16,000	
(b) Interest on loan	5,00,000	4,000
House in Delhi [Since Mr. Raghav receives direct or indirect benefit from income arising to his sister's daughter, Ms. Vamika, from the transfer of house to her without consideration, such income is to be included in the total income of Mr. Raghav as per proviso to section 62(1), even though the transfer may not be revocable during lifetime of Ms. Vamica's]		
Gross Annual Value	5,50,000	
Less: Municipal taxes	-	
Net Annual Value	5,50,000	
Less: Deductions from Net Annual Value		
(a) 30% of Net Annual Value	1,65,000	
(b) Interest on loan	-	3,85,000
		1,89,000
Profits and gains from business or profession		
Share of profit from firm [Exempt u/s 10(2A)]	-	
Exempt income cannot be clubbed		
Income from other sources		
Dividend on preference shares exceeding ₹ 10,00,000 taxable	3,00,000	
	13,00,000	
under section 115BBDA [Taxable in the hands of Mr. Raghav as per section 60, since he transferred the income, i.e., dividend, without transferring the asset, i.e., preference shares] (As per amendment dividend is fully taxable in the hands of the shareholder)		
Interest on debentures	7,50,000	
Interest from saving bank account	2,00,000	
Cash gift [Taxable, since sum of money exceeding ₹ 50,000 is received from his niece, who is not a relative as per section 56(2)]		
	75,000	23,25,000
Gross Total Income		25,14,000
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>23,54,000</b>

<sup>7</sup> Rent receivable has been taken as the gross annual value in the absence of other information  
<sup>8</sup> Rent receivable has been taken as the gross annual value in the absence of other information

### Question 30

PYP Jan'21

From the following particulars furnished by Mr. Ganesh, aged 58 years, a resident Indian for the previous year ended 31.03.2024, you are requested to compute his total income and tax liability under normal as well as special provisions (AMT), if any, applicable to him for the Assessment Year 2024-25.



- (i) He occupies ground floor of his residential building and has let out first floor for residential use at an annual rent of ₹ 2,28,000. He has paid municipal taxes of ₹ 60,000 for the current financial year.
- (ii) He owns an industrial undertaking established in a SEZ and which had commenced operation during the financial year 2017-18. Total turnover of the undertaking was ₹ 200 lakhs, which includes ₹ 140 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 ₹ 25 lakhs.
- (iii) He received royalty of ₹ 2,88,000 from abroad for a book authored by him on the nature of artistic. The rate of royalty as 18% of value of books and expenditure made for earning this royalty was ₹ 40,000. The amount remitted to India till 30th September, 2023 is ₹ 2,30,000.
- (iv) Received, 40,000 as interest on saving bank deposits.
- (v) Received ₹ 47,000 as share of profit from an AOP where all the members are individual and which had paid the tax by normal rates of income tax.
- (vi) He also sold his vacant land on 10.11.2023 for ₹ 10 lakhs. The stamp duty value of land at the time of transfer was ₹ 17.80 lakhs. The FMV of the land as on 1st April, 2001 was ₹ 4 lakhs. This land was acquired by him on 05.08.1995 for ₹ 1.80 lakhs. He had incurred registration expenses of ₹ 10,000 at that time. The cost of inflation index for the year 2023-24 and 2001-02 are 384 and 100 respectively.
- (vii) He paid the following amounts, out of his taxable income:
- (a) Insurance premium of ₹ 39,000 paid on life insurance policy of son, who is not dependent on him.
- (b) Insurance premium of ₹ 48,000 on policy of his dependent father,
- (c) Tuition fees of ₹ 42,000 for his three children to a school. The fees being ₹ 14,000 p.a. per child. Assume that 115BAC is not opted. (PYP 14 Marks, Nov'20)(Same concept fewer adjustments different figures MTP 14 Marks Oct'21)

*(The stamp duty value of land has been changed from Rs 14 lakhs to Rs. 17.80 Lakhs to keep the essence of the question)*

Answer:

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

	Particulars	₹	₹	₹
<b>I</b>	<b>Income from house property</b>			
	Let out portion [First floor]			
	Gross Annual Value [Rent received is taken as GAV, in the absence of other information]		2,28,000	
	Less: Municipal taxes paid by him in the P.Y. 2023-24 pertaining to let out portion [₹ 60,000/2]		30,000	
	Net Annual Value (NAV)		1,98,000	
	Less: Deduction u/s 24			
	(a) 30% of ₹ 1,98,000		59,400	
	Self-occupied portion [Ground Floor]		1,38,600	
	Annual Value		Nil	
	[No deduction is allowable in respect of municipal taxes paid]		-	1,38,600
<b>II</b>	<b>Profits and gains of business or profession</b>			
	Income from SEZ unit		25,00,00	



	Share income from AOP (since AOP has paid tax at normal rates, share income from AOP will be included in computation of total income of a member as per section 862)		47,000	25,47,000
<b>III</b>	<b>Capital Gains</b>			
	Long-term capital gains on sale of land (since held for more than 24 months)			
	Full Value of Consideration [Higher of stamp duty value of ₹ 17.80 lakhs and Actual consideration of ₹ 10 lakhs, since stamp duty value exceeds actual consideration by more than 5% (10% as per amendment)]	17,80,000		
	Less: Indexed Cost of acquisition [₹ 4,00,000 × 384/100]	15,36,000	2,44,000	
	Cost of acquisition			
	<b>Higher of -</b>			
	- Actual cost ₹ 1.80 lakhs + ₹ 0.10 lakhs = ₹ 1.90 lakhs and			
	- Fair Market Value (FMV) as on 1.4.2001 = ₹ 4 lakhs			
<b>IV</b>	<b>Income from Other Sources</b>			
	Royalty from artistic book		2,88,000	
	Less: Expenses incurred for earning royalty		40,000	
			2,48,000	
	Interest on savings bank deposits		40,000	

			2,88,000
	Gross Total Income		32,17,600
	Less: Deduction u/s 10AA [Since the industrial undertaking is established in SEZ, it is entitled to deduction u/s 10AA@100% of export profits, since P.Y.2019-20 being the 3rd year of operations]		17,50,000
	[Profits of the SEZ × Export Turnover/Total Turnover] × 100%		
	[₹ 25 lakhs × ₹ 140 lakhs/ ₹ 200 lakhs × 100%]		
	Less: Deduction under Chapter VI-A		
	Deduction under section 80C		
	Tuition fee paid for maximum of two children is allowable (₹ 14,000 × 2)	28,000	
	Insurance premium paid on life insurance policy of son allowable, even though not dependent on Mr. Ganesh	39,000	
	Insurance premium paid on life insurance policy of father not allowable, even though father is dependent on Mr. Ganesh		67,000
	<b>Deduction under section 80QQB</b>		1,90,000
	Royalty [₹ 2,88,000 × 15/18 = ₹ 2,40,000, restricted to amount brought into India in convertible foreign exchange ₹ 2,30,000 minus 40,000 expenses already allowed as deduction while computing royalty income]		
	Deduction under section 80TTA		10,000
	Interest on savings bank account, restricted to ₹ 10,000		2,67,000
	<b>Total income</b>		<b>12,00,600</b>



It is assumed that the ground floor and first floor are of equal area

Since the total income of Mr. Ganesh, who is a member of the AOP, exceeds the basic exemption limit, the AOP should be taxable at maximum marginal rate and not at normal rates, in which case share income of a member would be exempt. This adjustment as well as rebate u/s 110 read with 86 is not within the scope of syllabus of this paper and hence, the same has not been considered in the given solution.

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

Particulars	₹	₹
Tax on total income of ₹ 12,00,600		
Tax on LTCG of ₹ 2,44,000@20%		48,800
Tax on remaining total income of 9,56,600		
Upton ₹ 2,50,000	Nil	
₹ 2,50,001 - ₹ 5,00,000[@5% of ₹ 2.50 lakh]	12,500	
₹ 5,00,001 - ₹ 9,56,600[@20% of ₹ 4,56,600]	91,320	1,03,820
		1,52,620
Add: Health and education cess@4%		6,105
Total tax liability		1,58,725
Tax liability (rounded off)		1,58,730

<sup>3</sup> Deduction u/s 80C has been worked out assuming that insurance premium of Rs. 48,000 paid on policy of dependent father as given in point (vii)(b) is LIC premium, which is not allowable as deduction. However, if it is assumed that the insurance premium is in respect of health insurance, the whole amount of Rs. 48,000 is allowable as deduction u/s 80D.

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

Particulars	₹
Computation of adjusted total income	
Total income as per the normal provisions of the Act	12,00,600
Add: Deduction u/s 10AA	17,50,000
Deduction u/s 80QQB	1,90,000
	31,40,600
AMT@18.5%	5,81,011
Add: HEC@4%	23,240
AMT liability	6,04,251
AMT liability (rounded off)	6,04,250
Since the regular income tax payable is less than the AMT, the adjusted total income of ₹ 31,40,600 would be deemed to be the total income and tax would be payable @18.5% plus HEC@4%. The total tax liability would be ₹ 6,04,250.	



## Question 31

Mrs. Nisha, a resident individual aged 54 years, is carrying on business of manufacturing of textile fabrics, as a proprietor. The turnover in the previous year 2022-23 was 250 lakhs and in the current previous year 2023-24, it is ₹ 600 lakhs. The net profit as per the profit and loss account as on 31-03-2024 is ₹ 5,61,000. She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023 -24.

(i) Depreciation has not been debited to profit and loss account. The details of the plant & machinery employed in the business are given as under:

Date	PARTICULARS	AMOUNT
01-04-2023	Opening written down value of machinery used for manufacturing purpose	4,75,000
03-07-2023	New machinery purchased during the year, payment made by an account pay cheque.	7,25,000
10-03-2024	Sold one of the old machine	75,000

She does not have any other fixed assets employed in the business.

Received subsidy of 20% on new machine purchased on 03-07-2023 during the previous year under technology upgradation fund Scheme from the Central Government.

- (i) She paid a job charges for the value addition on the fabrics ₹ 90,000 without deduction of tax to job worker by an account payee cheque.
- (ii) Commission paid to one agent allowed as deduction in earlier assessment year amounting ₹ 50,000, has now been received back during previous year 2023-24, from the agent due to settlement with commission agent.
- (iii) ₹ 25,000 paid to creditor for goods in cash.
- (iv) Incurred loss of ₹ 1,17,500 from an eligible transaction carried out in respect of trading in derivatives in a recognised stock exchange.
- (v) Interest received amounting ₹ 2,00,000, duly authorised by partnership deed of M/s Ramji textiles @ 15% p.a. on the capital employed. She is sleeping partner in the Ramji textiles.
- (vi) She Received ₹ 60,000 by pre-mature withdrawals from deposit including interest ₹ 5,000, in post office time deposit, eligible for deduction under Section 80C.
- (vii) She sold her gold bracelet (jewellery), used by her for personal purposes, on 01-05-2023 for ₹ 5,00,000, which was acquired for ₹ 40,000 on 01-03-2005. A diamond was embedded onto bracelet on 01-05-2007 of ₹ 50,000. (cost inflation index 2004-05:113, 2007-08:129 and 2023-24:384)
- (viii) She received a gold coin (bullion) worth ₹ 55,000 (FMV) from her cousin (daughter of uncle) during the previous year 2023-24.
- (ix) She incurred long term loss from sale of share of the Indian company. (The STT is paid on the sale and purchase of the shares) ₹ 75,000.
- (x) She deposited a sum of ₹ 50,000 with life insurance Corporation of India every year for the maintenance of her mother aged 70 years depended upon him and suffering from severe disability.
- (xi) She purchased the new residential house during the previous year and paid stamp duty and registration fee ₹ 1,55,000 to get transfer the property in her name.

You are required to compute the total income and tax payable by Mrs. Nisha for the assessment year 2024-25. (Ignore the provisions of Section 115BAC). Give brief note wherever necessary.

*(The sale value of bracelet has been changed from Rs 5,00,000 to Rs. 5,22,990 to keep the essence of the question)*

14 Marks V.G. Sir



Answer:

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

Particulars	₹	₹	₹
<b>I. Income from business or profession</b>			
Net Profit as per profit and loss account		5,61,000	
Add: Items not credited but taxable while computing business income			
- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2023-24 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]	50,000		
- Interest on capital from partnership firm [₹2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]	1,60,000		
		2,10,000	
		7,71,000	
<b>Less: Items not debited but allowable while computing business income</b>			
- Job charges without deduction of tax [₹ 90,000 - 30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2022-23 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia). Remaining job charges paid would be allowable as deduction while computing business income	63,000		
- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash by virtue of section 40A(3)]	-		
	63,000		
	7,08,000		
<b>Less: Depreciation as per Income-tax Rules</b>			
Opening WDV of machinery	4,75,000		



	Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2023-24 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost(₹7,25,000 - ₹ 1,45,000).	5,80,000			
		10,55,000			
	Less: Sale proceeds	75,000			
	WDV as on 31.3.2024 before depreciation for P.Y. 2023- 24	9,80,000			
	depreciation @ 15% on 9,80,000		1,47,000		
	Additional Depreciation@20% on ₹ 5,80,000		1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y. 2023- 24, depreciation and additional depreciation will be allowed in full)			2,63,000	
				4,45,000	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			1,17,500	
					3,27,500
<b>II</b>	<b>Capital Gains</b>				
	<b>Long term capital gain on sale of gold bracelet since it is held for more than 36 months</b>		5,22,990		
	Sales consideration				
	Less: Cost of acquisition (40,000 × 348/113)		1,23,186		
	Less: Cost of improvement (50,000 × 348/129)		1,34,884		
	Long- term capital gain on sale of gold bracelet			2,64,920	



	<p><b>Note</b> - In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the Question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case exemption u/s 54F would be ₹ 2,64,920 × 1,55,000/5,00,000 = ₹ 82,125. Accordingly, long term capital gain would be ₹ 1,07,795 (instead of ₹ 1,89,920). In such a case, Rebate u/s 87A would be ₹ 5,060 (instead of ₹ 12,500) and tax liability of Mrs. Nisha would be Nil (instead of ₹ 9,340).</p>			
	<p><b>Less:</b> Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70.</p>		75,000	
				1,89,920
iii	<b>Income from Other Sources</b>			
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000]		55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawal from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha]		60,000	1,15,000
	<b>Gross Total Income</b>			6,32,420
	<b>Less: Deduction under Chapter VI-A</b>			
	<b>Deduction under section 80C</b>			
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to		1,50,000	
	<b>Deduction under section 80DD</b>			
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹1,25,000 in case of severe disability irrespective of amount deposited with LIC]		1,25,000	



					2,75,000
	<b>Total Income</b>				<b>3,57,420</b>

### Computation of tax liability of Mrs. Nisha for A.Y. 2024-25

Particulars	₹
Tax on long-term capital gains @20% on ₹ 1,07,420 [₹ 1,89,920 - ₹ 82,500, being unexhausted basic exemption limit (₹ 2,50,000 - ₹1,67,500)]	21,484
Tax on other income of ₹ 1,67,500 [₹ 3,57,420 - ₹ 1,89,920, being LTCG], being lower than the basic exemption limit	Nil
	21,484
Less: Rebate u/s 87A [Tax payable or ₹12,500, whichever is less]	12,500
	8,984
Add: Health and education cess@4%	359
<b>Tax liability</b>	<b>9,343</b>
Tax liability (rounded off)	9,340

**Note** - The last two lines in the first para of the Question reads as follows-

"The net profit as per the profit and loss account as on 31.3.2024 is ₹ 5,61,000. **She provides the following additional information those were not considered while making the profit and loss account for the previous year 2023-24**"

Items (i) to (xiii) are listed thereunder.

On a plain reading of the above sentences, it appears that none of the expenditures/receipts in (i) to (xiii) were considered while making the profit and loss account. The above solution has been prepared accordingly.

Alternatively, it is possible to interpret the last sentence (**bold underlined above**) to mean that as far as items (iii) and (v) are concerned, wherein disallowance of expenditure is attracted u/s 40(a)(ia) and 40A(3), respectively, such disallowances (and not the expenditure itself) were not considered while making the profit and loss account of the previous year 2023-24. If so interpreted, then, for item (iii), instead of reducing

₹ 63,000, ₹ 27,000 has to be added back. Likewise for item (v), ₹ 25,000 has to be added back. In such a case, profits and gains from business and profession, Gross Total Income, Total Income and Tax Payable would change accordingly. An alternate solution based on this interpretation has been worked out as follows:

#### Alternate solution

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

	Particulars	₹	₹	₹
I.	Income from business or profession		5,61,000	
	Net Profit as per profit and loss account			
	Add: Items not credited but taxable while computing business income			



- Commission from agent on settlement [Since deduction was allowed in respect of commission in earlier year and during the P.Y. 2023-24 Mrs. Nisha received back such amount due to settlement, the same would be deemed as her income]		50,000		
- Interest on capital from partnership firm [₹ 2,00,000/15% x 12%] [Since interest on capital from M/s Ramji textiles is authorized by partnership deed, interest@12% p.a. would be allowed as deduction in the hands of firm under section 40(b). Consequently, interest @ 12% p.a. would be the business income of Mrs. Nisha under section 28. For allowability of interest in the hands of the firm, there is no requirement that the partner should be a working partner]		1,60,000		
			2,10,000	
			7,71,000	
Add: Disallowances not considered while computing business income				
- Job charges without deduction of tax [30% of ₹ 90,000] [Mrs. Nisha's turnover for the P.Y. 2022-23 exceeds ₹ 1 crore, hence, she is liable to deduct tax at source u/s 194C on Job charges of ₹ 90,000. Since Mrs. Nisha has not deducted tax at source on ₹ 90,000, 30% would be disallowed under section 40(a)(ia).		27,000		
- Payment to creditor in cash [Payment to creditor in cash is not allowable as business expenditure, since such amount exceeds ₹ 10,000 and paid in cash as per section 40A(3)]		25,000		
			52,000	
			8,23,000	
Less: Depreciation as per Income-tax Rules				
Opening WDV of machinery	4,75,000			
Add: Purchase of machinery for ₹ 7,25,000 during the P.Y. 2021-22 by A/c payee cheque. Subsidy of ₹ 1,45,000, being 20% of cost, received from Central Government on new machinery is to be reduced from actual cost (₹ 7,25,000 - ₹ 1,45,000).	5,80,000			
	10,55,000			
Less: Sale proceeds	75,000			
WDV as on 31.3.2024 before depreciation for P.Y. 2023-24	10,55,000			
Less: Sale proceeds	75,000			



	WDV as on 31.3.2024 before depreciation for P.Y. 2023-24	9,80,000			
	Depreciation @15% on ₹ 9,80,000		1,47,000		
	Additional Depreciation@20% on ₹ 5,80,000		1,16,000		
	(As new machinery is used in manufacturing business and put to use for more than 180 days in the P.Y.2023-24, depreciation and additional depreciation will be allowed in full)			2,63,000	
				5,60,000	
	Less: Loss from eligible transaction carried out in respect of trading in derivatives in a recognized stock exchange is not a speculative business and hence, the same is allowed to be set off from textile business income as per section 70.			1,17,500	
					4,42,500
<b>II</b>	<b>Capital Gains</b>				
	Long term capital gain on sale of gold bracelet since it is held for more than 36 months Sales consideration		5,22,990		
			1,12,212		
	Less: Cost of acquisition (40,000 × 348/113)		1,23,186		
	Less: Cost of improvement (50,000 × 348/129)		1,34,884		
	Long- term capital gain on sale of gold bracelet			2,64,920	
	Note - In the additional information (xiii), it is mentioned that Mrs. Nisha has purchased a new residential house during the previous year. In such a case, she would be eligible for exemption u/s 54F in respect of amount invested in purchase of new residential house from long term capital gain on sale of gold bracelet. However, the cost of new residential house is not provided in the Question but only stamp duty and registration fee is given which would also be the part of cost of house. In such case, exemption u/s 54F would be ₹2,64,920 × 1,55,000/5,00,000 = ₹ 82,125. Accordingly, long term capital gain would be ₹1,07,795 (instead of ₹ 1,89,920). In such a case, Rebate u/s 87A would remain as ₹12,500 and tax liability of Mrs. Nisha would be ₹ 11,111, before rounding off (instead of ₹ 28,193).				



	Less: Long term capital loss from sale of STT paid shares of an Indian company allowed to be set off from long term capital gain on sale of gold bracelet as per section 70			75,000	
					1,89,920
<b>III</b>	<b>Income from Other Sources</b>				
	Fair market value of gold coin received from cousin [Taxable u/s 56(2)(x), since cousin is not a relative and the fair market value exceeds ₹ 50,000]			55,000	
	Pre-mature withdrawal from post office time deposit [Amount including interest received on pre-mature withdrawn from post office time deposit, in respect of which deduction u/s 80C was claimed, would be deemed to be the income of Mrs. Nisha			60,000	1,15,000
	<b>Gross Total Income</b>				<b>7,47,420</b>
	<b>Less: Deduction under Chapter VI-A</b>				
	Deduction under section 80C				
	Stamp duty and registration fee of ₹ 1,55,000 for the purpose of transfer of house property, restricted to			1,50,000	
	Deduction under section 80DD				
	Sum deposited with LIC for the maintenance of her dependent mother and suffering from severe disability [Eligible for higher deduction ₹1,25,000 in case of severe disability irrespective of amount deposited with LIC]			1,25,000	2,75,000
	<b>Total Income</b>				<b>4,72,420</b>

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

Particulars	₹
Tax on long-term capital gains @20% on ₹1,89,920	37,984
Tax on other income of ₹ 2,82,500 [₹ 4,72,420 - ₹ 1,89,920, being LTCG] - 5% of ₹ 32,500 (₹ 2,82,500 - basic exemption limit ₹ 2,50,000)	1,625
	39,609
Less: Rebate u/s 87A [Tax payable or ₹ 12,500, whichever is less]	12,500
	27,109
Add: Health and education cess@4%	1,084

