

Tax Payable	28,193
Tax Payable (rounded off)	28,190

Question 32

PYP May'22

Mr. Lalit, a dealer in shares and securities, has entered into following transactions during the previous year 2023-24:

- Received a motor car of ₹ 5,00,000 as gift from his friend Sunil on the occasion of his marriage anniversary.
- Cash gift of ₹ 21,000 each from his four friends.
- Land at Jaipur on 1st July, 2023 as a gift from his friend Kabra, the stamp duty value of the land is ₹ 6 lakhs as on the date. The land was acquired by Mr. Kabra in the previous year 2001-02 for ₹ 2 lakhs.

Mr. Lalit purchased from his friend Mr. Abhishek, who is also a dealer in shares, 1000 shares of ABC Ltd. @400 each on 19th June, 2023 the fair market value of which was ₹ 600 each on that date. Mr. Lalit sold these shares in the course of his business on 23rd June, 2023. Further, on 1st November, 2023, Mr. Lalit took possession of his residential house booked by him two years back at ₹ 20 lakh. The stamp duty value of the property as on 1st November, 2023 was ₹ 32 lakh and on the date of booking was ₹ 24 lakh. He had paid ₹ 1 lakh by account payee cheque as down payment on the date of booking.

He received a shop (building) of the fair market value ₹ 1,50,000 and cash ₹ 50,000 in distribution from the ABC (P) Ltd at the time of liquidation process of the company in proportion of his share capital. The balance in general reserve of the company attributable to his share capital is ₹ 1,25,000.

On 1st March, 2024, he sold the plot of land at Jaipur for ₹ 8 lakh. The value of the cost inflation index is 100 and 317 for the previous year 2001 -02 and 2021-22 respectively.

Compute the income of Mr. Lalit chargeable under the head "Income from other sources" and "Capital Gains" for A.Y. 2024-25.

8 Marks

Answer:

Computation of "Income from Other Sources" of Mr. Lalit for the A.Y. 2024-25

Particulars	₹
(i) Motor car is not included in the definition of "property" for the purpose of section 56(2)(x), hence, value of the same is not taxable, even though it is received without any consideration.	-
(ii) Cash gift is taxable under section 56(2)(x) [since the aggregate of ₹ 84,000 (₹ 21,000 x 4) exceeds ₹ 50,000]	84,000
(iii) Stamp value of plot of land at Jaipur, received without consideration, is taxable under section 56(2)(x), since the same exceeds ₹ 50,000	6,00,000
(iv) Difference of ₹ 2 lakh [1000 shares x ₹ 200] in the value of shares of ABC Ltd. purchased from Mr. Abhishek, a dealer in shares, is not taxable as it represents the stock-in-trade of Mr. Lalit (since he is a dealer in shares) and not capital asset. ¹	-
(v) Difference between the stamp duty value of ₹ 24 lakh on the date of booking (since advance was paid by account payee cheque on that date) and the actual consideration of ₹ 20 lakh paid is taxable under section 56(2)(x) since the	4,00,000



	difference exceeds ₹ 2,00,000, being the higher of ₹ 50,000 and 10% of consideration	
(vi)	Distribution of assets by ABC (P) Ltd. on liquidation attributable to the accumulated profits (general reserve) of the company is taxable as dividend under section 2(22)(c).	1,25,000
Income taxable under the head "Income from other sources"		12,09,000

Computation of "Capital Gains" of Mr. Lalit for the A.Y. 2024-25

Particulars	₹
Capital gains on sale of land at Jaipur	
Sale Consideration	8,00,000
Less: Cost of acquisition [deemed to be the stamp value charged to tax under section 56(2)(x)]	6,00,000
Short-term capital gains (since held for a period of not more than 24 months. Period of holding of previous owner, Mr. Kabra, not to be considered)	2,00,000
Capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
Full value of consideration for capital gains on distribution of assets on liquidation of ABC (P) Ltd.	
FMV of assets distributed	1,50,000
Cash	50,000
	2,00,000
Less: Deemed dividend under section 2(22)(c)	1,25,000
Full value of consideration for computing capital gains	75,000

¹ Since Mr. Lalit is a dealer in shares and it has been mentioned that the shares were subsequently sold in the course of his business, such shares represent the stock-in-trade of Mr. Lalit.

Note -

- (i) As cost of acquisition of shares in ABC(P) Ltd. is not given in the question, capital gains on distribution of assets on liquidation of ABC(P) Ltd. in the hands of Mr. Lalit has not been computed.
- (ii) As per section 56(1)(i), dividend income is chargeable under the head "Income from Other Sources". Hence, deemed dividend u/s 2(22)(c) would be taxable under the head "Income from Other Sources" in the hands of Mr. Lalit, who is a dealer in shares².

² Alternatively, as per the tutorials given on the website of the Income-tax department, if shares are held for trading purposes, then the dividend income would be taxable under the head "Profits and gains of business or profession".

Question 33

PYP May'22

From the following particulars furnished by Mr. Suresh, aged 53 years, a resident Indian for the previous year ended March 31, 2024, you are requested to compute his total income and tax payable for the Assessment Year 2024-25. (Assuming he does not opt for the Section 115BAC):

- (i) He sold his vacant land on 09.12.2023 for ₹ 15 lakhs. The Stamp Duty Value (SDV) of land at the time of transfer was ₹ 19 lakhs. The fair market value of the land as on 1st April, 2001 was ₹ 6 lakhs (SDV is ₹ 5,00,000). This land was acquired by him on 05.08.1996 for ₹ 3.40 lakhs. He had incurred registration expenses of ₹ 15,000 at that time. The cost of inflation index for the year 2021-22 and 2001-02 are 317 and 100, respectively.



- (ii) He owns an industrial undertaking established in a Special Economic Zone (SEZ) and which had commenced operation during the financial year 2021-22. Total turnover of the undertaking was ₹ 300 lakhs, which includes ₹ 120 lakhs from export turnover. This industrial undertaking fulfils all the conditions of Section 10AA of the Income-tax Act, 1961. Profit from this industrial undertaking is ₹ 30 lakhs.
- (iii) He has income of ₹ 10,000 from crossword puzzles and ₹ 15,000 gross interest from bank fixed deposit.
- (iv) Tuition fees of ₹ 36,000 for his three children to a school. The fees being ₹ 12,000 p.a. per child.

(The stamp duty value of land has been changed from Rs 19 lakhs to Rs. 20.55 Lakhs to keep the essence of the question) 6 Marks

Answer:

Computation of Total Income and Tax Payable by Mr. Suresh for A.Y. 2024 -25

Particulars		Amount (₹)	Amount (₹)
Profits and gains from business or profession			
Profit from SEZ undertaking			30,00,000
Capital Gains			
Long term capital gain on sale of vacant land [since land held for a period of more than 24 months, it is long-term capital asset]			
As per section 50C, Full value of consideration would be stamp duty value since it exceeds 110% of actual sale consideration		20,55,000	
Less: Indexed cost of acquisition [₹ 5,00,000 × 348/100]		17,40,000	
Cost of acquisition, being higher of - Actual cost (₹ 3,40,000 + ₹ 15,000) - lower of FMV of ₹ 6,00,000 and stamp duty value of ₹ 5,00,000 as on 1.4.2001	₹ 3,55,000 ₹ 5,00,000		3,15,000
Income from other sources			
Income from crossword puzzles		10,000	
Interest on fixed deposit		15,000	
			25,000
Gross Total Income			33,40,000
Less: Deductions under Chapter VI-A			
Under section 80C - Tuition fees of two children			24,000
Less: Deduction under section 10AA (₹ 30,00,000 × 120 lakhs/300 lakhs) × 100 %, being 3rd year of operation			12,00,000
Total Income			21,16,000
Computation of Tax payable on total income under the regular provisions of the Income-tax Act, 1961			
Tax on LTCG @ 20% of ₹ 3,15,000			63,000
Tax on income from crossword puzzles @30% of ₹ 10,000			3,000



Tax on remaining amount of ₹ 17,91,000 [₹ 2,37,300 (30% of ₹ 7,91,000) + ₹ 1,12,500]			3,49,800
			4,15,800
Add: Health and education cess @4%			16,632
Tax Payable under the regular provisions of the Act			4,32,432
Tax Payable under the regular provisions of the Act (rounded off)			4,32,430

Computation of Adjusted Total Income and Alternate Minimum Tax (AMT) payable

Particulars	Amount (₹)
Total Income computed under the regular provisions of the Act	21,16,000
Add: Deduction u/s 10AA	12,00,000
Adjusted Total Income	33,16,000
Since Adjusted Total Income exceeds ₹ 20 lakhs, the provisions of Alternate Minimum Tax (AMT) are attracted in this case	
Alternate Minimum Tax@18.5%	6,13,460
Add: Health and Education cess@4%	24,538
AMT	6,37,998
AMT (rounded off)	6,38,000
Since the regular income-tax payable is less than the AMT payable, the adjusted total income of ₹ 33,16,000 shall be deemed as the total income and tax is leviable@18.5% thereof plus cess@4%. Therefore, his tax liability would be ₹ 6,38,000. However, he would be entitled to AMT credit of ₹ 2,05,570 (₹ 6,38,000 - ₹4,32,430)	

Question 34

PYP Nov'20

Mr. Muktesh born on 14.1964 furnished his original return for Assessment Year 2024-25 on 30.07.2024. He has shown salary income of ₹ 7.30 lakhs (computed) and interest from his savings bank of ₹ 12,700 and from his fixed deposits of ₹ 43,000. He also claimed deduction under section 80C of ₹ 1.50 lakhs. He had claimed deduction u/s 80D of ₹ 25,000. He also claimed deduction u/s 80TTA of ₹ 10,000. His employer had deducted TDS of ₹ 33,950 from his salary, which he adjusted fully against tax payable. He paid health insurance premium of ₹ 38,000 by account payee cheque for self and wife. He paid ₹ 1,500 in cash for his health check-up and ₹ 4,000 by cheque for preventive health check-up of his parents. He also paid medical insurance premium of ₹ 33,000 during the year to insure the health of his mother, aged 80 years, staying with his younger brother. He further incurred medical expenditure of ₹ 25,000 on his father, aged 81 years, who is staying with him. His father is not covered under any Mediclaim policy. He seeks your advice about possibility of revising his return and if possible file his revised return. Analyze the above narrated facts as per applicable provisions of the Income-tax Act, 1961. Does he need to revise his return and for what reasons? Please advise him suitably and if needed, re-compute his income and tax payable or refund due for the Assessment Year 2024-25. **9 Marks**

Answer:

Computation of total income of Mr. Muktesh for A.Y.2024-25 [As per the original return filed by him]



(I)	Salaries (Computed)		7,30,000
(ii)	Income from Other Sources		
	Interest on savings bank account	12,700	
	Interest on fixed deposits	43,000	55,700
			7,85,700
Less: Deductions under Chapter VI-A			
(I)	Deduction u/s 80C	1,50,000	
(ii)	Deduction u/s 80D	25,000	
(iii)	Deduction u/s 80TTA	10,000	1,85,000
Total Income			6,00,700

Computation of tax liability of Mr. Muktesh for A.Y.2024-25 (As per original return)

	₹
Tax on total income [20% of ₹ 1,00,700 (i.e., ₹ 6,00,700 - ₹ 5,00,000) + ₹ 12,500]	32,640
Add: HEC@4%	1,306
Tax payable on total income	33,946
Tax payable on total income (rounded off)	33,950
Less: Tax deducted at source u/s 192	33,950
Tax Payable	Nil

Need for filing revised return - Analysis Computation of Total Income of Mr. Muktesh for the A.Y. 2024- 51 [As per the Revised Return]

Since Mr. Muktesh's birthday falls on 1.4.2023, he would be treated as having completed 60 years of age in the P.Y.2023-24, and hence, he would be eligible for the benefit of higher deduction u/s 80D, higher deduction of up-to ₹ 50,000 u/s 80TTB (instead of ₹ 10,000 u/s 80TTA) while computing his total income as well as for higher basic exemption limit of ₹ 3,00,000 in the P.Y.2023-24 itself while computing his tax liability. Also, he would be entitled to deduction in respect of medical insurance premium paid to ensure the health of his mother and medical expenses incurred on his father who is not covered under any Medclaim policy. Accordingly, having discovered such omissions in the original return, he has to file his revised return of income u/s 139(5) on or before 31.3.2025 **31.12.2024 (As per amendment from AY 2024-25 onwards a belated/revised return can be filed by 31st December of the relevant assessment year)** to avail these benefits which he has not availed while filing his original return of income.

The computation of total income and tax liability (refund due) as per the revised return are worked out hereunder -

	Particulars		₹	₹
(I)	Salaries (Computed)			7,30,000
(ii)	Income from Other Sources			
	Interest on savings bank account		12,700	
	Interest on fixed deposits		43,000	55,700
	Gross Total Income			7,85,700
Less: Deductions under Chapter VI-A				
(I)	Deduction u/s 80C		1,50,000	
(ii)	Deduction u/s 80D			



	Medical insurance premium for self and spouse		38,000		
	Preventive health check-up for self (allowable even if paid in cash)		1,500		
	Fully allowed as it is within the overall limit of ₹ 50,000 for family		39,500		
	Medical insurance premium for mother	33,000			
	Medical expenditure for father not covered under any policy	25,000			
	Preventive health check-up for parents (₹ 4,000, restricted to ₹ 3,500, being ₹ 5,000 - ₹ 1,500 claimed for self and spouse)	3,500			
		61,500			
	Restricted to maximum of ₹ 50,000 for parents		50,000	89,500	
(iii)	Deduction u/s 80TTB				
	Interest on savings bank account		12,700		
	Interest on fixed deposits		43,000		
			55,700		
	Restricted to maximum of ₹ 50,000			50,000	
					2,89,500
	Total Income				4,96,200

Computation of tax liability of Mr. Muktesh for A.Y.2024-25 [As per the Revised Return]

	₹
Tax on total income [5% of ₹1,96,200 (i.e., ₹4,96,200 - ₹ 3,00,000 basic exemption limit)]	9,810
Less: Rebate u/s 87A (Since his total income does not exceed ₹ 5 lakh) - ₹ 12,500 or tax on total income, whichever is lower	9,810
Tax payable on total income	Nil
Less: Tax deducted at source u/s 192	33,950
Refund due	33,950

Therefore, Mr. Muktesh has to file a revised return showing the above revised computation of total income and tax liability on or before 31.3.2025 **31.12.2024 (As per amendment from AY 2021-22 it is 31st December of the relevant AY)** to claim the enhanced deductions which he had not claimed in the original return and get refund of the entire income-tax of ₹ 33,950 deducted at source by his employer.



Question 35

Mr. X, an employee of the Central Government is posted at New Delhi. He joined the service on 1st February, 2020. Details of his income for the previous year 2023-24, are as follows:

- (i) Basic salary : ₹ 3,80,000
- (ii) Dearness allowance : ₹ 1,20,000 (40% forms part of pay for retirement benefits)
- (iii) Both Mr. X and Government contribute 20% of basic salary to the pension scheme referred to in section 80CCD.
- (iv) Gift received by X's minor son on his birthday from friend: ₹ 70,000. (No other gift is received by him during the previous year 2023-24)
- (vii) During the year 2016-17, Mr. X gifted a sum of ₹ 6,00,000 to Mrs. X. She started a business by introducing such amount as her capital. On 1st April, 2023, her total investments in business was ₹ 10,00,000. During the previous year 2023-24, she has loss from such business ₹ 1,30,000
- (viii) Mr. X deposited ₹ 70,000 in Sukanya Samridhi account on 23.01.2024. He also contributed ₹ 40,000 in an approved annuity plan of LIC to claim deduction u/s 80CCC.
- (xiv) He has taken an educational loan for his major son who is pursuing MBA course from Gujarat University. He has paid ₹ 15,000 as interest on such loan which includes ₹ 5,000 for the financial year 2023-24.

Determine the total income of Mr. X for the assessment year 2024-25. Ignore provisions under section 115BAC.

6 Marks

Answer:

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

Particulars	Amount ₹	Amount ₹
Salaries		
Basic Salary	3,80,000	
Dearness Allowance	1,20,000	
Employer contribution to NPS = 20% of ₹ 3,80,000	76,000	
	5,76,000	
Less: Standard deduction	50,000	
[₹ 50,000 or ₹ 5,76,000, whichever is lower]		
		5,26,000
Profits and gains of business or profession		
Where the amount gifted by Mr. X (₹ 6 lakh, in this case) is invested by Mrs. X in a business as her capital, proportionate share of profit or loss, as the case may be, computed by taking into account the value of the investment as on 1.4.2023 to the total investment in the business (₹ 10 lakh) would be included in the income of Mr. X [loss of ₹ 1,30,000 × 6/10]	(78,000)	
Income from other sources		



All income of the minor son would be included in the income of the parent Mr. X, since his income is higher than the income of Mrs. X (loss of ₹ 52,000, based on the information given in the question). Accordingly, ₹ 70,000, being amount of gift received by minor son during the P.Y.2023-24, would be included in the income of Mr. X as the amount of gift exceeds ₹ 50,000.	70,000	
Less: Exemption in respect of income of minor child included in Mr. X's income	1,500	
	68,500	
Less: Business loss of ₹ 78,000 set-off to the extent of	68,500	
(Balance business loss of ₹ 9,500 to be carried forward to the next year, since the same cannot be set-off against salary income)		
		Nil
Gross Total Income		5,26,000
Less: Deductions under Chapter VI-A		
Under section 80C - deposit in Sukanya Samridhi Account	70,000	
Under section 80CCC - Contribution to LIC Annuity Plan	40,000	
Under section 80CCD(1) - Employee contribution to NPS (₹ 76,000 - ₹ 50,000 deduction claimed u/s 80CCD(1B)], since it is lower than ₹ 42,800, being 10% of salary (₹ 3,80,000 + ₹ 48,000)	26,000	
Allowable in full, since less than ₹1,50,000, being the maximum permissible deduction u/s 80C, 80CCC & 80CCD(1)	1,36,000	
Under section 80CCD(1B) - Employee contribution to NPS	50,000	
Under section 80CCD(2) - Employer contribution to NPS restricted to 14% of basic salary + DA forming part of pay, since employer is Central Government = 14% x (₹ 3,80,000 + ₹ 48,000)	59,920	
Under section 80E - Interest paid on loan taken for higher education	15,000	2,60,920
Total Income		2,65,080

Notes - The following assumptions have been made while solving the question -

- Loan is taken from a financial institution or approved charitable institution, and hence, interest paid on such loan qualifies for deduction under section 80E.
- The question mentions that gift of ₹ 6 lakhs is given by Mr. X to Mrs. X during the P.Y.2016-17. However, the date of investment in business is not given. It has been assumed that it was invested between 2.4.2022 to 1.4.2023 for solving the problem, in the absence of other information in the question.

Question 36

PYP Dec '21

Mr. Bhasin, a resident individual, aged 52 years, provides management consultancy services to various corporate and non-corporate clients. His Income & Expenditure A/c for the year ended 31st March, 2024 is as under:

	Expenditure	Amount (₹)		Income	Amount (₹)
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To	Employees' Remuneration	15,00,000	By	Gross Receipts from Profession (last year ₹ 75,00,000) (No TDS was deducted from any of the receipts)	60,60,000
To	Office & Administrative Expenses	5,00,000	By	Interest on Savings Bank Account	25,000
To	Rates and Taxes	15,000	By	Winnings from Lottery (Net of cost of lottery tickets of ₹ 500)	99,500
To	Interest Expenses	80,000	By	Rent Received	2,40,000
To	Office Rent	2,40,000			
To	Insurance Premium	72,000			
To	Professional Fees	2,00,000			
To	Depreciation on Computers	1,20,000			
To	Excess of Income over Expenditure	36,97,500			
	64,24,500				64,24,500

The following details relates to F.Y. 2023-24:

- (i) Employees' Remuneration includes a sum of ₹ 3,00,000 paid to his wife, Mrs. Beena who is working as a manager in his office. She does not have any technical or professional qualification or experience required for the job. The payment of salary was as per market rates in comparison to similar work profile.
- (ii) Mr. Bhasin owns a big house with 2 independent units. Unit - 1 (with 50% floor area) has been let out for residential purposes at a monthly rent of ₹ 20,000 for the entire year. Unit - 2 (with the balance 50% of the floor area) is used by Mr. Bhasin as his residence cum-office. Other particulars of the house are:
Municipal Valuation - ₹ 3,60,000 p.a. Fair Rent - ₹ 4,20,000 p.a.
Standard Rent under Rent Control Act - ₹ 4,00,000 p.a.
- (iii) Rates and taxes include a sum of ₹ 10,000 paid as municipal taxes of the house.
- (iv) Interest expenses represent interest on capital borrowed from a nationalised bank for the construction of the house. The construction was completed in F.Y.2010-11. Neither the loan nor the interest was paid till the due date of filing the return of income.
- (v) Based on the actual rent received for Unit-1, Mr. Bhasin has debited ₹ 2,40,000 as notional rent for Unit-2 which is used for his profession.
- (vi) The expense on insurance premium of ₹ 72,000 represents lump-sum health insurance premium paid by Mr. Bhasin for 3 years effective from 1st July, 2023 to 30th June, 2026 for himself, his spouse and two dependent children. The said insurance premium was paid through account payee cheque.
- (vii) The expenses on professional fees paid includes a sum of ₹ 1,00,000 paid to Mr. Raunak, an Indian resident on which no tax was deducted at source.



(viii) There was only one block containing computers which came into existence only on 2nd April, 2023 when new laptops (for ₹ 1,60,000), printers and scanners (for ₹ 40,000) were purchased. He charged depreciation @ 60% in the entire cost of ₹ 2,00,000 and debited the amount to Income & Expenditure A/c.

(ix) Mr. Bhasin has also taken a loan of ₹ 5,00,000 from a nationalised bank for higher education of his son. During F.Y.2023-24, he repaid principal of ₹ 75,000 along with interest of ₹ 40,000. This amount is not reflected in Income and Expenditure Account.

You are required to compute the total income under proper heads of income of Mr. Bhasin for A.Y. 2024-25 under regular provisions of Income-tax Act 1961, assuming that he has not opted to pay tax under section 115BAC. Also calculate the total tax payable by him. **14 Marks**

Answer:

Computation of total income and tax payable by Mr. Bhasin for A.Y. 2024-25

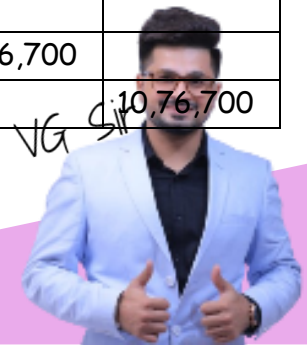
	Particulars	₹	₹	₹
I	Income from Salaries Salary of Mrs. Beena [Remuneration paid by Mr. Bhasin to his wife Mrs. Beena who is employed as a manager in his office would be included in his hands, since Mrs. Beena does not have any technical or professional qualification or experience required for the job]		3,00,000	
	Less: Standard deduction u/s 16(ia)		50,000	2,50,000
I	Income from house property Let out portion (Unit 1 - 50% area) Gross Annual Value [Higher of expected rent of ₹ 2,00,000 and actual rent of ₹ 2,40,000 (₹ 20,000 × 12)] [Expected rent is higher of municipal value of ₹ 1,80,000 (₹ 3,60,000 × 50%) and fair rent of ₹ 2,10,000 (₹ 4,20,000 × 50%), restricted to standard rent of ₹ 2,00,000 (₹ 4,00,000 × 50%)]	2,40,000		
	Less: Municipal taxes paid for let out portion (₹ 10,000 × 50%)	5,000		
	Net Annual Value (NAV)	2,35,000		
	Less: Deduction under section 24			
	(a) 30% of NAV	70,500		
	(b) Interest on capital borrowed for construction of house relating to let out portion (80,000 × 50%) (allowed on accrual basis)	40,000		
	Income from let out portion		1,24,500	
	Self-occupied (Unit 2 - 25%) [Since Unit 2 representing 50% of the floor area is used for residence as well as business purpose, it is assumed that it is equally used for residence and business purpose]			



	Gross Annual Value	Nil		
	Less: Municipal taxes [not allowed for self occupied property]	Nil		
	Net Annual Value	Nil		
	Less: Deduction under section 24(b) Interest on loan for construction of house, ₹ 80,000 x 50% x 1/2 (allowable on accrual basis)	20,000		
	Loss from self-occupied portion		(20,000)	
	[Loss from self-occupied portion can be set off against income from let out portion]			1,04,500
III	Profits and gains from business and profession			
	Excess of income over expenditure		36,97,500	
	Add: Expenses debited to Income & Expenditure A/c but not allowable as deduction			
	Remuneration paid to his wife Mrs. Beena [As per section 40A(2) remuneration paid to Mrs. Beena is allowed, since it is as per market rates]	-		
	Municipal taxes attributable to let out and self occupied portions not allowable [₹ 10,000 x 75%]	7,500		
	Interest on capital borrowed for construction of house attributable to let out and self occupied portion not allowable [₹ 80,000 x 75%]	60,000		
	Interest on capital borrowed from bank for construction of house attributable to business portion i.e., 25% of ₹ 80,000 [not allowable, since it is not paid on or before due date of filing return of income by virtue of section 43B]	20,000		
	Notional rent for Unit 2 used for business or profession [not allowable under section 30, since Mr. Bhasin himself is the owner of the property]	2,40,000		
	Insurance premium [Personal expenditure not allowable]	72,000		
	Professional fees to Mr. Raunak without 30,000 deducting TDS [₹ 1,00,000 x 30%] [Mr. Bhasin is required to deduct TDS on professional fees payment to Mr. Raunak since his gross receipts from profession exceeds ₹ 50 lakhs during the P.Y. 2022-23. 30% of the sum paid to Mr. Raunak, resident without deducting tax to be disallowed in P.Y. 2023-24]	30,000		
	Depreciation as per books	1,20,000	5,49,500	
			42,47,000	



	Less: Income credited to Income & Expenditure A/c but not taxable as business income Interest on savings bank account [taxable under the head "Income from other sources"]	25,000		
	Winnings from lottery [taxable under the head "Income from other sources"]	99,500		
	Rent received [taxable under the head "Income from house property"]	2,40,000	3,64,500 38,82,500	
	Less: Depreciation allowable [2,00,000 (₹1,60,000, being new laptops + ₹ 40,000, being printers) × 40%, i.e., 64,000+16,000 as it was put to use for more than 180 days in the P.Y. 2023-24. Printers and scanners for ₹ 40,000 are eligible for higher depreciation of 40%]		80,000	38,02,500
IV	Income from Other Sources Interest on savings bank account		25,000	
	Winnings from Lottery [No expenditure or allowance is allowed from lottery income]		1,00,000 ¹	
				1,25,000
	Gross Total Income			42,82,000
	Less: Deduction under Chapter VI-A Deduction under section 80D Medical insurance premium [₹ 72,000 × 1/4, being the previous years in which insurance would be in force] [allowable for self, spouse and dependent children]		18,000	
	Deduction under section 80E Interest on loan taken from a nationalised bank for higher education of son		40,000	
	Deduction under section 80TTA			
	Interest on saving bank account to the extent of		10,000	68,000
	Total Income			42,14,000
	Tax Payable On lottery income [30% of ₹ 1,00,000]		30,000	
	On other income of ₹ 41,14,000 Upto ₹ 2,50,000	Nil		
	₹ 2,50,000 @5% [₹ 2,50,000 - ₹ 5,00,000]	12,500		
	₹ 5,00,000 @20% [₹ 5,00,000 - ₹ 10,00,000]	1,00,000		
	₹ 31,14,000 @30% [₹ 10,00,000 - ₹ 41,14,000]	9,34,200		
			10,46,700	
				10,76,700



	Less: HEC@4%		43,068
	Tax liability		11,19,768
	Less: TDS on lottery winnings @30% u/s 194B		30,000
	Tax payable		10,89,768
	Tax payable (rounded off)		10,89,770

Question 37

PYP May '23

Mr. Bhagat, an individual aged 50 years, set up a unit in Special Economic Zone (SEZ) in F.Y. 2018-19 for the production of computers. The unit fulfils all the conditions of section 10AA of the Income-tax Act, 1961. During F.Y. 2022-23, he set up a hospital in a district of Maharashtra with 110 beds for patients. It fulfils all the conditions of section 35AD. Capital expenditure in respect of the said hospital amounted to ₹ 65 lakhs (comprising of cost of land ₹ 15 lakhs and the balance was the cost of construction of building). The hospital became operational with effect from 1st April, 2023 and the expenditure of ₹ 65 lakhs was capitalized in the books of accounts on that date. Relevant details for F.Y. 2023-24 are as follows:

Particulars	Amount (₹ in lakhs)
Profit of unit located in SEZ	36
Export sales of SEZ unit	75
Domestic sales of SEZ unit	25
Profit from operation of hospital facility (before considering deduction under Section 35AD)	90

Compute the income-tax (including AMT under section 115JC and AMT credit, if any, under section 115JEE) payable by Mr. Bhagat for A.Y. 2024-25 under regular provisions of the Income-tax Act i.e. ignoring the provisions of section 115BAC. Ignore marginal relief, if any. **7 Marks**

Answer

Computation of total income and tax payable of Mr. Bhagat for A.Y. 2024-25 (under the regular provisions of the Income-tax Act, 1961)

Particulars	₹	₹
Profits and gains of business or profession Profit from unit in SEZ		36,00,000
Profit from operation of hospital	90,00,000	
Less: Deduction u/s 35AD In this case, since the capital expenditure of ₹ 50 lakhs (i.e., ₹ 65 lakhs - ₹ 15 lakhs, being expenditure on acquisition of land) has been incurred in the F.Y. 2021-22 and capitalized in the books of account on 1.4.2023, being the date when the hospital became operational, the said amount would be eligible for deduction under section 35AD.	50,00,000	
Business income from hospital chargeable to tax		40,00,000
Gross Total Income		76,00,000
Less: Deduction u/s 10AA		13,50,000



Profit of SEZ unit x Export turnover of SEZ unit x 50% Total turnover of SEZ unit 75,00,000 = ₹ 36,00,000 x 1,00,00,000 x 50% = ₹ 27,00,000 x 50% = ₹ 13,50,000 Deduction would be 50% of eligible profits, since P.Y.2022-23 is the 6 th year of operation		
Total Income		62,50,000
Computation of tax payable (under the regular provisions of the Act)	₹	
Tax on ₹ 62,50,000 [₹ 1,12,500 plus 30% of ₹ 52,50,000]		16,87,500
Add: Surcharge @10%, since total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore		1,68,750
		18,56,250
Add: Health and Education cess@4%		74,250
Total tax payable		19,30,500

Computation of adjusted total income of Mr. Bhagat for levy of Alternate Minimum Tax

		₹
Total Income (computed above as per regular provisions of income tax)		62,50,000
Add: Deduction under section 10AA		13,50,000
		76,00,000
Add: Deduction under section 35AD	50,00,000	
Less: Depreciation under section 32 On building @10% of ₹ 50 lakhs	5,00,000	45,00,000
Adjusted Total Income		1,21,00,000
Alternate Minimum Tax@18.5%		22,38,500
Add: Surcharge@15% (since adjusted total income > ₹ 1 crore but does not exceed ₹ 2 crores)		3,35,775
		25,74,275
Add: Health and education cess@4%		1,02,971
		26,77,246
Tax liability u/s 115JC (rounded off)		26,77,250
Since the regular income-tax payable is less than the alternate minimum tax payable, the adjusted total income shall be deemed to be the total income and tax is leviable @18.5% thereof plus surcharge@15% and cess@4%. Therefore, tax payable as per section 115JC is ₹ 26,77,250. AMT Credit to be carried forward under section 115JEE Tax liability under section 115JC	26,77,250	
Less: Tax liability under the regular provisions of the Income-tax Act, 1961	19,30,500	
		7,46,750

Question 38

PYP Dec '21

Mr. Ravi, a resident and ordinarily resident in India, owns a let out house property having different flats in Kanpur which has municipal value of ₹ 27,00,000 and standard rent of ₹ 29,80,000. Market rent of similar property is ₹ 30,00,000. Annual rent was ₹ 40,00,000 which includes ₹ 10,00,000 pertaining to different amenities provided in the building. One flat in the property (annual rent is ₹ 2,40,000) remains vacant for



4 months during the previous year. He has incurred following expenses in respect of aforesaid property:

Municipal taxes of ₹ 4,00,000 for the financial year 2023-24 (10% rebate is obtained for payment before due date). Arrears of municipal tax of financial year 2012-23 paid during the year of ₹ 1,40,000 which includes interest on arrears of ₹ 25,000.

Lift maintenance expenses of ₹ 2,40,000 which includes a payment of ₹ 30,000 which is made in cash. Salary of ₹ 88,000 paid to staff for collecting house rent and other charges.

Compute the total income of Mr. Ravi for the assessment year 2024-25 assuming that Mr. Ravi has not opted for the provisions under section 115BAC. **6 Marks**

Answer:

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

Particulars		Amount (₹)	Amount (₹)
Income from house property			
Gross Annual Value			
Expected rent ₹ 29,80,000 [Higher of Municipal Value of ₹ 27,00,000 p.a. and Fair Rent of ₹ 30,00,000 p.a., but restricted to Standard Rent of ₹ 29,80,000 p.a.]			
Actual rent ₹ 29,40,000 [₹ 30,00,000, being annual rent for house property less rent of ₹ 60,000 (₹ 2,40,000 × 4/12 × 3/4) due to vacancy]			
Gross Annual Value		29,40,000	
In this case, the actual rent is lower than the expected rent due to vacancy. Otherwise, the actual rent of ₹ 30,00,000 would have been higher than the expected rent. In such a case, the actual rent would be the gross annual value, even if it is lower than the expected rent. Less: Municipal taxes actually paid during the year: [₹ 4,00,000 - rebate of ₹ 40,000] = ₹ 3,60,000 [₹ 1,40,000 arrears - ₹ 25,000 interest] = ₹ 1,15,000		4,75,000	
Net Annual Value		24,65,000	
Less: Deduction from Net Annual Value			
30% of Net Annual Value		7,39,500	
Income from Other Sources/Profits and gains from business or profession			17,25,500
Rent for amenities		10,00,000	
Less: Loss due to vacancy [₹ 2,40,000 × 4/12 × ¼]		20,000	
Less: Expenditure in respect thereof		9,80,000	
- Lift maintenance expenses [excluding cash payment of ₹ 30,000 disallowed] = ₹ 2,40,000 - ₹ 30,000	2,10,000		
- Salary to staff [₹ 88,000 × 1/4, being the proportion pertaining to amenities]	22,000	2,32,000	
			7,48,000
Total Income			24,73,500





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 SHUBHAM AIR-3 CS PROFESSIONAL (AUG 2024)	 RIVA AIR-3 CS PROFESSIONAL (DEC. 2022)	 MANAV AIR-3 CS PROFESSIONAL (DEC. 2022)	 (IN AGRA CHAPTER) SIMONA RANK-3 CS EXECUTIVE (AUG. 2021)	 MADHU AIR-3 CS PROFESSIONAL (DEC. 2020)	 AAKRTI AIR-4 CS PROFESSIONAL (AUG 2024)	 AKSHITA JAIN AIR - 4 CS PROFESSIONAL (DEC.2023)	 AKANSHA AIR-4 CS PROFESSIONAL (DEC. 2021)	 CHANDNI AIR-4 CS EXECUTIVE (AUG. 2021)
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OFFICE ADDRESS

D-223/1, 1ST FLOOR, VIKAS MARG,
NEAR METRO EXIT GATE NI:5,
LAXMI NAGAR, DELHI-110092.
PH: 7703880232, 8882090148

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