

RAM BAAN _DIRECT TAX

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TAX RATES FOR ASSESSMENT YEAR 2022-23

TAX RATES IN CASE OF INDIVIDUALS OR HUF

I (A) In case of every individual other than the individual referred to in 1(B) and 1(C) or in case of Hindu Undimded Family: (Resident as well as Non-resident)

<i>Total Income</i>	<i>Rates of Income Tax</i>
(1) Where the total income does not exceed ₹ 2,50,000	NIL
(2) Where the total income exceeds ₹ 2,50,000 but does not exceed ₹ 5,00,000	5% of the amount by which the total income exceeds ₹ 2,50,000
(3) Where the total income exceeds ₹ 5,00,000 but does not exceed ₹ 10,00,000	₹ 12,500 plus 20% of the amount by which the total income exceeds ₹ 5,00,000
(4) Where the total income exceeds ₹ 10,00,000	₹ 1,12,500 plus 30% of the amount by which the total income exceeds ₹ 10,00,000

1(B) In case of every individual, beina a resident in India, who is of the age of 60 years or more but less than 80 years at any time during the previous year:

<i>Total Income</i>	<i>Rates of Income Tax</i>
(1) Where the total income does not exceed ₹ 3,00,000	NIL
(2) Where the total income exceeds ₹ 3,00,000 but does not exceed ₹ 5,00,000	5% of the amount by which the total income exceeds ₹ 3,00,000
(3) Where the total income exceeds ₹ 5,00,000 but does not exceed ₹ 10,00,000	₹ 10,000 plus 20% of the amount by which the total income exceeds ₹ 5,00,000
(4) Where the total income exceeds 50,00,000	₹ 1,10,000 plus 30% of the amount by which the total income exceeds ₹ 10,00,000

1(C) In case of every individual, being a resident in India, who is of the age of 80 years or more at any time during the previous year:

<i>Total Income</i>	<i>Rates of Income Tax</i>
(1) Where the total income does not exceed ₹ 5,00,000	NIL
(2) Where the total income exceeds ₹ 5,00,000 but does not exceed 50,00,000	20% of the amount by which the total income exceeds ₹ 5,00,000
(3) Where the total income exceeds ₹ 10,00,000	₹ 1,00,000 plus 30% of the amount by which the total income exceeds 50,00,000

KEY NOTES:

1. The tax rates given in 1(A) above are for residents as well as non-residents.
2. The tax rates given in 1(B) and 1(C) are for a resident individual. Therefore, in case of a senior citizen or super senior citizen being a non-resident, the tax rates given in 1(A) shall apply.

3. Surcharge on Income-tax (Residents and Non-Residents)

Where total income does not include capital gains referred to in section 111A and/or section 112A and/or DIVIDEND INCOME

The income tax on total income shall, in case of every individual or HUF, be increased by a surcharge of

- (a) 10% of such income tax where the total income exceeds ₹ 50,00,000 but does not exceed ₹ 1 crore.
- (b) 15% of such income tax, *if the total income exceeds ₹ 1 crore but does not exceed ₹ 2 crores.*
- (c) 25% of such Income Tax, if the total income exceeds ₹ 2 crores but does not exceed ₹ 5 crores.
- (d) 37% of such Income Tax, if the total income exceeds ₹ 5 crores.

Where total income includes Capital Gains referred to in section 111A and /or section 112A/and/or DIVIDEND INCOME then surcharge shall be as under:

TOTAL INCOME	SURCHARGE
(i) Does not exceed ₹ 50 lakhs	No surcharge
(ii) Exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore	10% surcharge on income tax
(iii) Exceeds ₹ 1 crore but does not exceed ₹ 2 crores	15% surcharge on income tax
(iv) Exceeds ₹ 2 crores	
A. On tax computed on Capital Gains under section 111A & 112A and dividend income	15%
B. On tax computed on	
Total Income - Capital Gains under section 111A 112A and dividend income	

If Total Income - Capital Gains under section

111A 6B 112A and dividend

income

(a) is upto ₹ 2 crores	15%
(b) is above ₹ 2 crores but upto ₹ 5 crores	25%
(c) Above ₹ 5 crores	37%

Example 1: Non Resident/ Resident Individual

P/G/B/P	1,00,00,000
LTCG 112A	51,00,000
STCG 111A	60,00,000
Total Income	2,11,00,000

Computation of Tax

Tax on LTCG of 112A	5,00,000
Tax on STCG of 111A	9,00,000
Tax on 1,00,00,000	28,12,500
Total Tax	42,12,500

Surcharge

Surcharge 15% on 14,00,000	2,10,000
Surcharge 15% on 28,12,500	4,21,875
	48,44,375
Add: 4% cess	1,93,775
Total Tax liability	50,38,150

Example 2: Non Resident/ Resident individual

P/G/B/P	2,50,00,000
LTCG of 112A	3,01,00,000
STCG of 111A	1,00,00,000
Total Income	6,51,00,000
Tax on LTCG of 112A	30,00,000
Tax on STCG of 111A	15,00,000
Tax on 2,50,00,000	73,12,500
Total Tax	118,12,500
Surcharge 15% on 45,00,000	6,75,000
Surcharge 25% on 73,12,500	18,28,125

	1,43,15,625
Add: 4% cess	5,72,625
Total Tax liability	1,48,88,250

Example 3:

Determine the tax liability of Mr A (aged 42 years) for the A.Y. 2022-23 in following cases:

Particulars	Case 1	Case 2	Case 3	Case 4
Dividend Income	30,00,000	40,00,000	95,00,000	49,00,000
Capital Gain u/s 111A	10,00,000	20,00,000	55,00,000	3,00,000
Capital Gain u/s 112A	14,00,000	15,00,000	8,00,000	8,00,00,000
Other income 1,26,00,000		2,25,00,000	70,00,000	6,59,00,000
Total Income 1,80,00,000		3,00,00,000	2,28,00,000	15,11,00,000

Answer:

Assessment Year 2022-23

Particulars	Case 1	Case 2	Case 3	Case 4
Tax on Capital Gain u/s 111A @ 15%	1,50,000	3,00,000	8,25,000	45,000
Tax on Capital Gain u/s 112A @ 10%	1,30,000	1,40,000	70,000	79,90,000
Tax on other income including dividend income	44,92,500	77,62,500	47,62,500	2,10,52,500
	47,72,500	82,02,500	56,57,500	2,90,87,500
Surcharge on income tax (See working Note)	7,15,875	18,89,455	8,48,625	86,74,130
Income-tax and Surcharge Add: 4% cess	54,88,375	1,00,91,955	65,06,125	37,761,630
Tax liability	57,07,910	1,04,95,633	67,66,370	3,92,72,015
Tax liability (Rounded off u/s 288B)	57,07,910	1,04,95,630	67,66,370	3,92,72,100

Working Note: Computation of surcharge

Particulars	Case 1	Case 2	Case 3	Case 4
Total Income (excluding dividend income and income u/s 111A and 112A)	1,26,00,000	2,25,00,000	70,00,000	6,59,00,000
Total Income (including dividend income and income u/s 111A and 112A)	1,80,00,000	3,00,00,000	2,28,00,000	7,19,00,000
Applicable surcharge rate	15%	25% subject to a maximum of 15% on dividend income & income u/s 111A/112A	15%	37% subject to a maximum of 15% on dividend income & income u/s 111A/112A
Surcharge on tax on:				
Income u/s 111A(S) 15%	Since the total income exceeds ₹ 1 crore but is less than ₹ 2 crores, surcharge shall be @ 15% of income tax ₹ 47,72,500 i.e., ₹ 7,15,875.	45,000	1,23,750	6,750
Income u/s 112A(2) 15%		21,000	10,500	11,98,500
Dividend income			-	
$(40,00,000 \times 77,62,500)1 \times 15\%$ $1,2,65,00,000$		1,75,755		
$(49,00,000 \times 2,10,52,500) * 15\%$ $1,7,08,00,000$ J				2,18,554
Balance income @ 15% (including dividend income)			7,14,375	
$(2,25,00,000 \times 77,62,500) * 25\%$ $1,2,65,00,000$		16,47,700		
$6,59,00,000 \times 37\%$ $1,7,08,00,000$				72,50,326
Total	7,15,875	18,89,455	8,48,625	86,74,130

II. In case of every **LOCAL AUTHORITY**, 30% of the total income. The income tax on total income shall, in case of every local authority, be increased by a **surcharge of 12%** of such income tax, **if the total income exceeds ₹1 crore.**

III. In case of a **FIRM**, 30% of the total income. The income tax on total income shall, in case of every firm, be increased by a **surcharge of 12%** of such income tax, **if the total income exceeds ₹ 1 crore.**

IV. In case of a **DOMESTIC COMPANY**,

- (i) **Where the total turnover or the gross receipts in Previous Year 2019-20 does not exceed ₹ 400 crores** - 25% of the total income
- (ii) Other than referred in (i) above - 30% of the total income

The income tax on total income shall, in case of every domestic company, be increased by a **surcharge of 7%** of such income tax, **if the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crores. And where total income exceeds ₹ 10 crores, surcharge shall be levied at 12% of such income tax.**

V. In case of a **FOREIGN COMPANY**, 40% of the total income. The income tax on total income shall in case of every foreign company be increased by a **surcharge of 2%** of such income tax, **if the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crores. And where total income exceeds ₹ 10 crores, surcharge shall be levied at 5% of such income tax.**

VI. In the case of **every co-operative society, -**

Rates of income-tax

- (1) where the total income does not exceed ₹ 10,000 10 per cent of the total income;
- (2) exceed ₹ 10,000 ₹ 1,000 plus 20 per cent of the amount by which the total income exceeds ₹ 10,000 but does not exceed ₹ 20,000
- (3) ₹ 20,000 where the total income exceeds ₹ 20,000 ₹ 3,000 plus 30 per cent of the amount by which the total income exceeds ₹ 20,000.

The income tax on total income shall, in case of every co-operative society, be increased by a **surcharge of 12%** of such income tax, **if the total income exceeds ₹ 1 crore.**

MARGINAL RELIEF

In case of Surcharge

A.

(1) In case of individual and HUF, where total income exceeds ₹ 50 lakhs but does not exceed ₹ 1 crore, the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 50 lakhs) + (Total Income - ₹ 50 lakhs)

(2) In case of individual and HUF, where total income exceeds ₹ 1 crore but does not exceed ₹ 2 crore, the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 1 crore with surcharge of 10%) + (Total Income - ₹ 1 crore)

(3) In case of individual and HUF, where total income exceeds ₹ 2 crore but does not exceed ₹ 5 crore, the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 2 crore with surcharge of 15%) + (Total Income - ₹ 2 crore)

(4) In case of individual and HUF, where total income exceeds ₹ 5 crore, the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 5 crore with surcharge of 25%) + (Total Income - ₹ 5 crore)

B. In case II, III and IV above i.e., in case of Local authority Firm and Co-operative society, where the total income exceeds ₹ 1 crore, then, the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 1 crore) + (Total Income - ₹ 1 crore)

C. In case of domestic/ Foreign company, where the total income exceeds ₹ 1 crore but does not exceed ₹ 10 crores, then the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 1 crore) + (Total Income - ₹ 1 crore)

D. In case of domestic company, where the total income exceeds ₹ 10 crore, then the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 10 crore with surcharge of 7%) + (Total Income - ₹ 10 crore)

E. In case of foreign company, where the total income exceeds ₹ 10 crore, then the aggregate of income tax and surcharge shall be restricted to:

(Tax on ₹ 10 crore with surcharge of 2%) + (Total Income - ₹ 10 crore)

SECTION 87A

Rebate of income-tax in case of certain individuals

- ✓ An assessee, being an **individual resident in India**,
 - ✓ whose total income does not exceed ₹ 5,00,000, shall be entitled to a deduction,
 - from the amount of income-tax on his total income with which he is chargeable for any assessment year,
 - of an amount **equal to 100% of such income-tax** or
 - **an amount of ₹ 12,500**,
- **whichever is less.**

NOTE:

Rebate under section 87A is not available from tax computed under section 112A. Illustration:

Mr. A, aged 50 years, earned a total income of ₹ 3,40,000. Compute his tax liability.

Tax on ₹ 3,40,000	₹ 4,500
Less: Relief under section 87A	₹ 4,500
	Nil
Net tax payable	Nil

HEALTH AND EDUCATION CESS

In all the above cases, the income tax computed above as increased by surcharge, if any, and after allowing marginal relief shall be further increased by **Health and Education Cess of 4%** for assessment year 2022-23.

SECTION 288A

Rounding Off of Income

The **taxable income shall be rounded off to the nearest multiple of ₹ 10** and for this purpose any part of a rupee consisting of paise shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten.

SECTION 288B

Rounding Off of Tax

Any amount payable, and the amount of refund due, under the provisions of this Act shall be **rounded off to the nearest multiple of ₹ 10** and for this purpose any part of a rupee consisting of paise shall be ignored and thereafter if such amount is not a multiple of ten, then, if the last figure in that amount is five or more, the amount shall be increased to the next higher amount which is a multiple of ten and if the last figure is less than five, the amount shall be reduced to the next lower amount which is a multiple of ten.

CIRCULAR NO.28/2016

The Central Board of Direct Taxes, hereby clarifies that a person born on 1st April would be considered to have attained a particular age on 31st March, the day preceding the anniversary of his birthday.

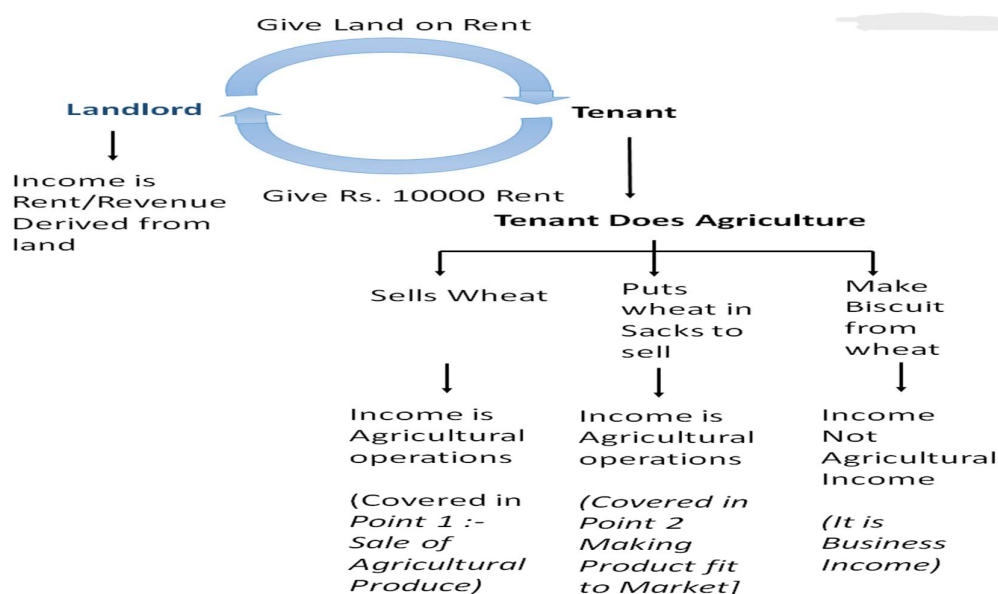
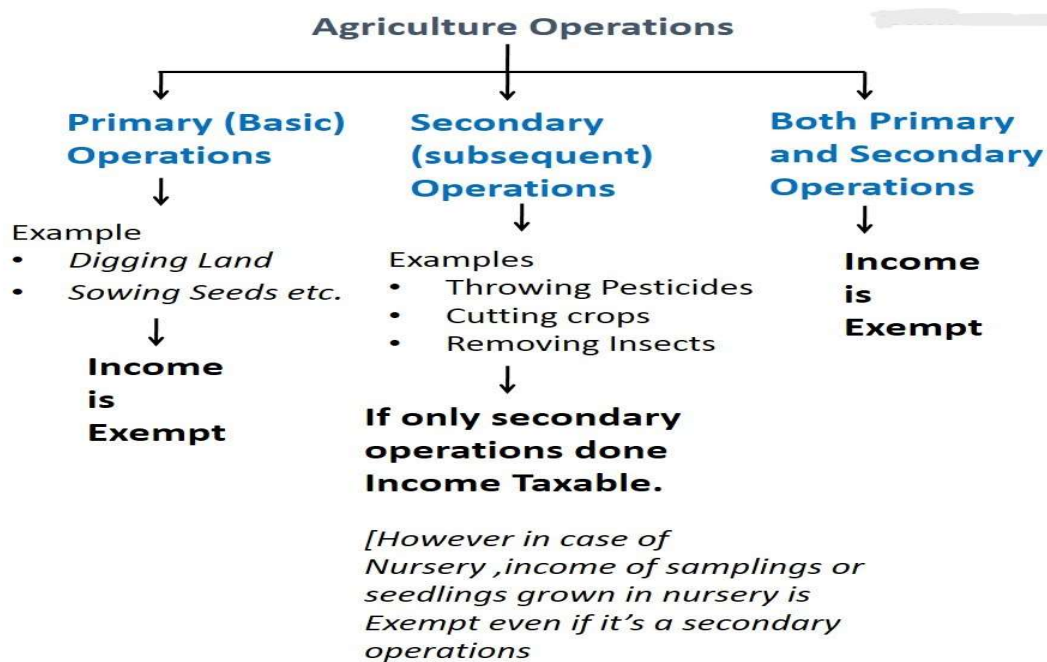
Therefore, if a person is born on 1st April, 1962/1942 then he shall get slab of ₹ 3,00,000/ ₹ 5,00,000 in Previous Year 31.3.2022.

AGRICULTURE INCOME

CHARGEABILITY

According to **sec.2 (1A) "agricultural income"** means:

- i. **Any rent or revenue, derived fm land which is situated in India and is used for agriculture purposes;**



ii. **Any income derived from:**

- a. land situated in India and used for agriculture operations; or
- b. the performance of some agriculture **process ordinarily employed** by a cultivator or receiver of rent in kind to render the produce fit for market or sale of such product.



- c. through the sale of agricultural produce (of any land situated in India and used for agriculture purposes) provided the produce is not subjected to any process except process ordinarily employed to make it fit for taking it into market.



KEY POINTS

- A. If marketing process is performed on the produce, which can be sold in its raw form in the market, then income derived from such product is partly agriculture & partly non-agricultural income.



B. “Process ordinarily employed” may be manual or mechanical. However, it must be to render the produce fit to be taken to the market.

iii. **Income attributable to a farm house provided that:**

- a. the farm house should be occupied by the cultivator (as a landlord or as a tenant) or receiver or rent in kind (as a landlord).
- b. it should be immediate vicinity of land situated in India and used for agriculture purposes.
- c. Such house is used for agriculture operations as dwelling / store house or other out building.
- d. The land is assessed to land revenue in India or situated outside urban area.



KEY POINTS

- A. Income derived from any farm building or land thereto arising from the use of such building or land for any purpose other than agriculture (including letting for residential purpose or for the purpose of any business or profession), shall not be agricultural income. **{Expl. to sec. 2(1A)}**

INSTANCE OF AGRICULTURAL INCOME & NON AGRICULTURE INCOME

Agricultural Income	Not an Agricultural Income
<p>1. Rent for Agricultural Land received from Tenant or Sub-Tenant.</p> <p>2. Income from growing of Flowers & Creepers.</p> <p>3. Income from sale of re-planted trees.</p> <p>4. Share of Profit or Salary received by Partner, from a Firm engaged in agricultural operations. [CIT vs R.M. Chidambaram Pillai 106 ITR 292 (SC)]</p>	<p>1. Income from Marketing Process, Fisheries, etc.</p> <p>2. Income from supply of water for irrigation purpose.</p> <p>3. Income from mining royalties.</p> <p>4. Income from sale of earth for brick-making.</p> <p>5. Income from sale of forest trees of spontaneous growth of wood bark, leaves, fruits, etc. [Maharajadhiraj Sri Kameshwar Singh 32 ITR 587(SC)].</p> <p>6. Income from Stone Quarries.</p> <p>7. Income from dairy or poultry farming.</p>
<p>5. Interest received by Partner on his Capital, from a Firm which is engaged in agricultural operations.</p> <p>6. Fees collected for allowing cattle to graze on forest lands of spontaneous growth.</p> <p>7. Compensation received from Insurance Company due to damage of tea garden from hailstorm.</p> <p>8. Income from growing mulberry leaves.</p> <p>9. Income from Sale of plants and seedlings grown in pots in a Nursery. [Soundarya Nursery 241 ITR 530 (Mad.)]</p> <p>10. Income derived from Sale of Seeds.</p> <p>11. Income from growing of Bamboo.</p>	<p>8. Dividend paid by a Company out of its Agricultural Income.</p> <p>9. Interest on Arrears of Rent payable in respect of Agricultural Land. 10. Income from sale of salt produced by flooding of land with sea water.</p> <p>11. Remuneration of fixed percentage of Net Profit received by Managing Agent, from a Company earning Agricultural Income. [Premier Construction Co. Ltd. 16 ITR 380 (PC)J.</p> <p>12. Interest received by a Money-Lender in the form of agricultural produce.</p> <p>13. Transfer of Urban Agricultural Land.</p> <p>14. Rental Income from farmhouse given for non-agricultural purpose.</p> <p>15. Growing mulberry leaves and feeding them to silkworms and obtaining silk cocoons.</p> <p>16. Income from Breeding and Rearing of Livestock.</p> <p>17. Income from Dairy Farming, Butter & Cheese making, Poultry Farming.</p>

RULES

✿ **Income that is partially agriculture and partially fm business**

In the case of an assessee who is growing and manufacturing tea in India, the income derived fm the sale of tea / coffee / rubber shall be computed as if it were income derived fm business. In such computation, the provision contained in sec. 30 to 43-D applicable to the computation of business income shall be applied. Out of such income, ratio of agriculture and business income liable to tax shall be as follows:

Rule	Produce	Agricultur e Income	Business Income
7A	Centrifuged latex or cenex or latex based crepes or technically specified block rubber manufactured fm rubber plants.	65%	35%
7B	Coffee grown, manufactured and cured	75%	25%
	Coffee grown, manufactured, cured and roasted	60%	40%
8	Tea	60%	40%

Note:

- Salary and interest received by a partner fm a firm growing and manufacturing tea, coffee or rubber, shall be treated as partly agriculture income and partly business income as stated above.

✿ **Any other case {Rule 7}**

If agriculture produce cultivated is used as raw material in the business of the cultivator, he can deduct market value of such produce in computing business income.

In such case, assessee will prepare two statements of income, i.e. one for agro business and another for non agro business as shown below:

Statement showing computation of agriculture income and manufacturing income:

Particulars	Manufacturing Income	Agriculture Income
Sale of agro products in the market		xxx
Sale of manufactured product in market	xxx	
Notional sale of agro products used in the process of mfg.		abc
Revenue	XX	XX
Less: Expenses Incurred		
Agricultural expenditure		xxx
Notional sale of agro products used in the process of mfg.	ab c	
Cost of conversion	xxx	
Expenditure	YY	YY
Income (Revenue – Expenditure)	ZZ	ZZ

For example:

If sugarcane is cultivated and used as raw material in the manufacture of sugar or jiggery by the assessee, this principle becomes applicable.

AGRICULTURAL INCOME

1. 40 per cent of the profits of a tea company amounting to Rs. 3,00,000 is charged to Income-tax at the rate of 30% and the balance 60%, amounting to Rs. 4,50,000 is exempt from Income-tax being agricultural income. The company pays out of the surplus a sum of Rs. 2,25,000 as dividend. One shareholder receiving Rs. 12,250 as dividend claims 60% thereof, i.e., Rs. 6,750 as exempt from tax in his own assessment as agricultural income. **Discuss whether the claim is correct or not.**

2. Mr. Ashwani submits the following information regarding his income for the previous year 2021-22:

	Rs.
a. Gross salary per annum	3,46,000
b. Rent received @ Rs. 5,000 pm	60,000
c. Agricultural Income	60,000
d. NSC (VIII Issue) purchased on 25-3-2022	20,000

Compute his taxable income and tax liability for the assessment year 2022-23.

3. Mrs. R owns a house property in Delhi which he has let out for residential purposes at Rs 31,000 p.m. The municipal valuation of the house property is Rs. 2,20,000. Municipal taxes are 12% of Municipal value which have been paid during the year. Besides the above, Mrs. R is having an agricultural income of Rs. 77,000.

Compute the total income of Mrs. R for the assessment year 2022-23. Also compute income-tax payable by her.

4. R has rented out his agricultural land to S who uses the same for agricultural purposes. As per the agreement, 'S' will pay the rent in the shape of agricultural produce from the land to R. R has received during the previous year agricultural produce valued at i.e- 60,000. He has consumed agricultural produce worth Rs. 40,000 for his own consumption and the balance has been sold by him for Rs. 20,000.

Compute the total income for the assessment year 2022-23 assuming he is getting a salary of Rs. 12,000 p.m. from Y Ltd. and has deposited Rs. 25,000 in PPF. He has no other income. Also compute the tax payable by him.

5. R earns the following income during PY 2021-22

a. Income from farm building	50,000
b. Income from sale of standing crops	1,00,000
c. Income from Ginning operation carried on by the owner of land on unginned cotton	1,80,000

Compute his tax liability for the assessment year 2022-23

6. For the assessment year 2022-23, X, an individual (age 66 years), submits the following information.

	Rs.
a. House property Income	1,75,000
b. Income from growing and manufacturing coffee in India (gross)	4,00,000
c. Expenditure on earning coffee income	2,000

Determine the tax liability of X for the Assessment year 2022-23 on the assumption that he contribution Rs. 20,000 towards public provident fund.

7. X Ltd grows sugarcane to manufacture sugar. Data of P.Y 21-22 is as follows

a. Cost of cultivation of sugarcane	6,00,000
b. Market value of sugarcane when sugarcane is transferred to factory	9,00,000
c. Other manufacturing expenses	6,00,000
d. Sales turnover of sugar	22,00,000
e. Salary of M.D	2,00,000

8. From the situations given below identify income as agricultural and non-agricultural Income.

- ✓ Wheat grown and sold
- ✓ Coffee seeds grown and sold
- ✓ Sold, self grown trees
- ✓ Income in the form of rent for granting rights for the others to use land for agriculture.
- ✓ Interest on outstanding rent for granting rights for the others to use land for agriculture.
- ✓ Accountants' salary who works in agricultural based company
- ✓ X gave Rs. 1,00,000 loan to Y, where Y is a cultivator of land. Y gave 120 kgs of rice as Interest on loan to X. Is it income from agriculture for Mr X?
- ✓ Vijay invested Rs. 12,000 in a company and the company paid Rs.500 as dividend out of its agricultural income. Is Vijay's Income considered as agricultural Income?
- ✓ Ram received Rs.5,000 as insurance due to damage caused by heavy rain for his crops.
- ✓ Akshay a working partner received salary from his partnership firm, where the firm is involved in growing flower and creepers.
- ✓ Sale of stone obtained by digging the land.
- ✓ Income from butter and cheese making.
- ✓ Income from poultry farming.
- ✓ Income in the form of Royalty from Mining.
- ✓ Sale of grass to companies to maintain green lounge.

9. Spectrum Agro Foods Ltd manufactures and sells tea. The raw materials of tea leaves will be grown in their own agricultural land. The total profits from the above activities is Rs. 30,00,000 for the AY 2022-2023. What is the income from agriculture?

10. In Problem 30, if the market value of tea leaves is Rs. 8,00,000 will your answer differ?

11. Suncafe Coffee Ltd produces and sells Rs. 5,00,000 worth coffee which is grown in their coffee estates and is cured by them. The profit made by this is Rs. 2,50,000. What is the portion of agricultural Income?

12. In Problem 32, if coffee is grown, cured, roasted and grounded by the company itself, what will be the agricultural income?

13. Natural Company Ltd sells both tea and rubber which are produced in the company's own farms. The profits earned from tea business is Rs. 9,50,000 and from latex (rubber) is Rs. 8,00,000. What will be their agricultural income for the AY 2022-2023 ?

14. Sweet Sugar Ltd grows sugarcane and manufactures sugar out of it. For growing sugarcane the cultivation cost including ploughing and manure is Rs.60,000. The sale of sugar during the AY 2022-2023 is Rs. 2,50,000. The manufacturing cost is Rs. 1,00,000. If the company would have sold sugarcane in the market without spending on manufacturing, the market value for sugarcane would be Rs. 85,000. Find out Income from business and income from agriculture for the AY 2022-2023

Illustration - Income Tax - Agricultural Income M 17

Discuss with brief reasons, whether Rent Received for letting out Agricultural Land for a Movie Shooting and Amounts Received from Sale of Seedlings in a Nursery adjacent to the Agricultural Lands owned by an Assessee can be regarded as Agricultural Income, as per the provisions of the Income-Tax Act, 1961.

Item	Treatment
Rent for Movie Shooting	It is not an Agricultural Income, since it is not Income derived "through Agriculture". This constitutes Rental Income for "non-agricultural purposes".
Sale of Seedlings in Nursery	As such, Income from Sale of Plants and Seedlings grown in Pots in a Nursery constitutes Agricultural Income as per decision in Soundarya Nursery 241 ITR 530 (Mad) . However, in this case, such Income is derived not from agricultural land, but from a Nursery " adjacent " to it. Hence, it does not constitute Agricultural Income.
Business Income	4,00,000

Illustration-M 18

Mr. Avani, a resident aged 25 years, manufactures tea leaves from the tea plants grown by him in India. These are then sold in the Indian Market for ₹ 40 lakhs. The cost of growing tea plants was ₹ 15 lakhs and the cost of manufacturing tea leaves was ₹ 10 lakhs. Compute her tax Liability for the Assessment Year 2022-2023.

Illustration - Income Tax - Agri & Business Income

Mr. Kamal grows Paddy and uses the same for the purpose of manufacturing of Rice in his own Rice Mill. The Cost of Cultivation of 40% of Paddy Produce is ₹ 7,00,000 which is sold for ₹ 15,00,000, and the Cost of Cultivation of balance 60% of Paddy is ₹ 12,00,000 and the Market Value of such Paddy is ₹ 24,00,000. To manufacture the Rice, he incurred ₹ 2,00,000 in the manufacturing process on the balance (60%) Paddy. The rice was sold for ₹ 30,00,000.

Compute the Business Income and Agriculture Income of Mr. Kamal.

INCOME FM SALARY

CHARGEABILITY

- ✿ In ordinary sense, 'Salary' means any compensation or consideration received by a person (say employee) for service rendered to another person (say employer). So, any **amount due to or received** by an employee fm employer as salary is chargeable to tax U/H "**Salary**".

Points to be remembered

- ✿
 01. There must be employer and employee relationship, either in present or past, between the person liable to pay the amount and the person entitled to receive the amount.
 02. As per **sec. 15**, Salary is chargeable to tax either on due basis or receipt basis whichever is earlier. Hence advance salary (due to receipt basis) as well as accrued salary (due to due basis) both are taxable.



KEY POINTS

- A. Advance against salary is treated as loan and hence not taxable U/H "Salary".
03. As per **sec. 9(1)**, salary is deemed to accrue or arise at the place where the service in respect of which it accrues is rendered.

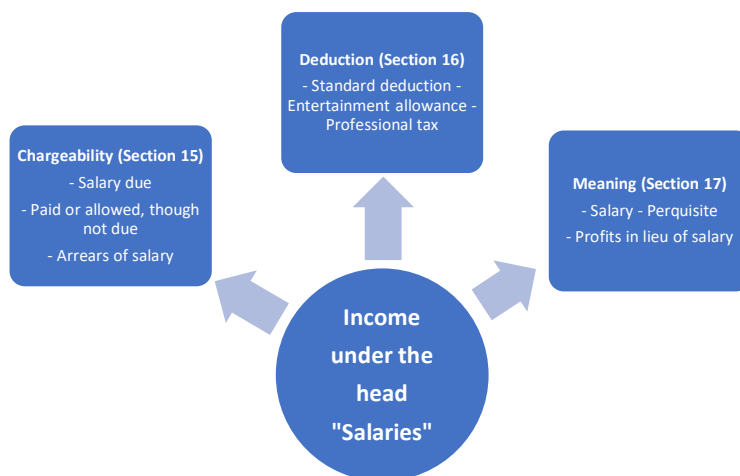


KEY POINTS

- A. As per **sec. 9(1)(iii)**, salary paid by Indian Govt. to an Indian national is deemed to accrue or arise in India even if service is rendered outside India.
- B. Any allowance and perquisites paid / allowed by the Govt. to Indian national working abroad are exempt **u/s 10(7)**.

COMPUTATION

Salary	a		
Basic		X	
Dearness allowance		X	
Bonus		X	
Fees and Commission		X	
Employer's cont. to PF in excess of 12% of Salary		X	
Annual accretion to PF in excess of 9.5%		X	
Pension		X	
Gratuity		X	
Leave Salary		X	
Retrenchment / Voluntary Retirement Compensation		X	
Taxable allowances after availing exemption u/s 10		<u>X</u>	XX
Taxable Perquisites u/s 17(2)	b		XX
Profit in lieu of salary u/s 17(3)	c		<u>XX</u>
GROSS SALARY	a + b + c		XXX
Less: Deduction u/s 16			
Standard deduction {Sec 16(ia) }	d		
Entertainment Allowance Deduction {Sec. 16(ii)}	e	XX	
Profession Tax {Sec. 16(iii)}	f	XX	
			<u>XXX</u>
INCOME TAXABLE U/H SALARY			XXX



STANDARD DEDUCTION: [SECTION 16(1a)]

(1) Standard Deduction is allowed to meet various expenses that employee has to meet while in the employment like expenses on travelling to office and back to home, expenses of stationary, medical expenses etc.

(2) Standard deduction is allowed from Gross Salary and it is lower of—

(a) Rs. 50,000 (Amended from AY 2021-2022) or

(b) the amount of Gross Salary.

ENTERTAINMENT ALLOWANCE: SECTION 16(ii)

For government employees the least of the following is allowed as deduction:

(a) Actual amount received

Salary means only Basis Salary

(b) 20% of the Salary

(c) Maximum limit of Rs. 5,000

(6) For Non-government employees no deduction for Entertainment Allowance is allowed.

PROFESSIONAL TAX/EMPLOYMENT TAX: SECTION 16(iii)

(1) Article 276 of the Constitution of India gives the power to the State Government to charge tax on any profession or employment and this is known as Professional Tax or Employment Tax.

(2) Article 276 does not give power to any State Government to charge Employment or Professional Tax for more than Rs. 2,500 pa per person.

(3) As per Income Tax Act any amount paid by the employee shall be allowed as deduction in the year of payment. This means that payment should be made on or before 31/3/PY.

(4) If the employer has paid any amount of Professional Tax on the behalf of the employee, then it shall be first included in the Gross Salary of the employee, and then the deduction under this section shall be given.

COMPUTATION OF INCOME UNDER THE HEAD SALARIES

Particulars	Exemption/ Deduction	Net Amount Taxable
BASIC SALARY	NIL	Fully Taxable
DEARNNESS ALLOWANCE - Whether forming part of Salary or Not	NIL	Fully Taxable
ADVANCE SALARY	NIL	Fully Taxable
ARREARS SALARY	NIL	Fully Taxable
CITY COMPENSATORY ALLOWANCE	NIL	Fully Taxable
BONUS	NIL	Fully Taxable
COMMISSION AS % OF TURNOVER	NIL	Fully Taxable
FEES	NIL	Fully Taxable
LUNCH / TIFFIN ALLOWANCE	NIL	Fully Taxable
OVERTIME ALLOWANCE	NIL	Fully Taxable
SERVANT ALLOWANCE	NIL	Fully Taxable
WARDEN ALLOWANCE	NIL	Fully Taxable
NON-PRACTISING ALLOWANCE	NIL	Fully Taxable
FAMILY ALLOWANCE	NIL	Fully Taxable
RETIREMENTS BENEFITS –		
Received from Statutory PF / PPF [Sec.10(II)]	Fully Exempt	NIL
RPF - subject to conditions [Sec. 10(12)]	Fully Exempt	NIL
Approved Superannuation Fund [Sec. 10(13)]	Fully Exempt	NIL

GRATUITY [Sec. 10(10)] (a) Government Employee	Fully exempt	NIL
(b) Employee covered by Gratuity Act: Least of: <ul style="list-style-type: none"> • Actual Gratuity received, • $15/26 \times \text{Last Drawn Salary} \times \text{Number of years of Completed Service or part thereof in excess of six months,}$ (Salary = Basic + D.A.) • Rs 20,00,000, 	Least is exempt	Actual amt. received Less Amount exempt
(c) Other Employees: Least of the following: <ul style="list-style-type: none"> • Actual Gratuity received, • $1/2 \times \text{Average salary for 10 months preceding the month of retirement} \times \text{Number of fully completed years of service}$ • Rs 20,00,000, Salary = Basic + DA (if forming part of Retirement Benefits) + Commission on T/O. <p>Gratuity from more than one Employer: Aggregate amount exempted shall not exceed Rs 20,00,000.</p>	Least is exempt	Actual amt. received Less Amount exempt

UNCOMMUTED PENSION	NIL	Fully taxable
COMMUTATION OF PENSION [Sec.10(10A)]		
a. Government Employee	Fully exempt	NIL
b. Other Employee		
• If in receipt of Gratuity	1/3 x Full Value of Pension is Exempt	Actual amt. received Less Amount exempt
• If not in receipt of Gratuity	1/2 x Full Value of Pension is Exempt	Actual amt. received Less Amount exempt
LEAVE ENCASHMENT DURING SERVICE	NIL	Fully taxable
LEAVE ENCASHMENT ON RETIREMENT [Sec. 10(10AA)]		
(a) Government Employees	Fully exempt	NIL
(b) Other employees, Least of the following:		
• Amount actually received	Least is Exempt	Actual amount received Less Amount Exempt
• Average Salary of past 10 Months x 10 Months • Rs 3,00,000 Leave credit at 30 days p.a. for every completed year of service x Average Salary of past 10 months Salary = Basic + DA (if forming part of retirement benefits) + Commission on Turnover. If the assessee receives Leave Encashment from more than one employer, the aggregate amount of Leave Encashment exempted shall not exceed Rs 3,00,000.		

<p>RETRENCHMENT COMPENSATION [Sec.10(10B)] Least of -</p> <ul style="list-style-type: none"> •Amount determined u/s 25F(b) of Industrial Disputes Act, 1947 •Amount actually received • Rs 5,00,000 	Least is exempt	Actual amount received Less Amount exempt
<p>VOLUNTARY RETIREMENT COMPENSATION (if relief u/s 89(1) is not claimed) [Sec.10(10C)] & Rule 2BA, Least of-</p> <p>(a)Amount actually received</p> <p>(b)₹ 5,00,000</p> <p>(c)Maximum of:</p> <ul style="list-style-type: none"> •Last drawn Salary x 3 x No. of fully completed years of service, or •Last drawn Salary x Balance of months of service left <p>Salary = Basic Pay + DA (if forming part of Retirement Benefits). This exemption can be availed by assessee only once in a lifetime.</p>	Least is exempt	Actual amount received Less Amount Exempt
<p>LEAVE TRAVEL ASSISTANCE Sec 10(5) - Rule 2B</p> <p>Twice in a block of four years: [Current Block is 2022-2025],</p> <p>(a)By Air - National Airways - Economy Class - Shortest route</p> <p>(b)By Train - 1 Class AC fare - Shortest Route</p> <p>(c)By Recognized Transport - Deluxe Class - Shortest Route</p> <p>(d)By other means - I Class AC Fare as per Railways, equivalent for distance travelled - Shortest Route</p>	Amount is exempt only for the Shortest Route	Actual amount received Less Amount Exempt

<ul style="list-style-type: none"> •If LTA is not availed twice in a block of 4 yrs, 1st LTA availed in the next 4 yrs block can be taken as if it is for previous block. •Exemption not available for more than two surviving children of an individual and born after 1.10.1998. •W.e.f. 01.04.2021, Where an individual claims the above exemption, no such exemption shall be allowed in respect of same expenditure to any other individual. 		
<p>EMPLOYER CONTRIBUTION TO RPF Sec. 10(12)</p> <p>Actual Contribution made Less 12% of Salary</p> <p>Salary = Basic + DA (if forming part of Retirement Benefits)</p>	NIL	Fully Taxable
<p>EMPLOYER CONTRIBUTION TO URPF</p> <p>Taxable only at the time of actual receipt from URPF or transfer from URPF to RPF. (Amount + Interest thereon is taxable)</p>	NIL	Fully Taxable
<p>INTEREST ON RPF: Actual Interest received Less Interest at 9.5%</p>	NIL	Fully taxable
<p>Allowance/Perquisites u/s 10(45):</p> <p>Notified Allowance or Perquisite paid to the Chairman / Retired Chairman / of UPSC is exempt.</p>	Fully Exempt	NIL
<p>INTEREST ON URPF: On EmployeeRss contribution - taxable as Income from Other Sources</p>		Not Applicable

<p>HOUSE RENT ALLOWANCE [Sec.10(13A), Rule 2A]:</p> <ul style="list-style-type: none"> Actual HRA received for relevant period 	Least is Exempt	Actual HRA Received Less Amount exempt
<ul style="list-style-type: none"> 50% (4 metros) / 40% (others) of Salary of the relevant period. Rent for relevant period Less 10% of salary for relevant period. Salary = Basic + DA (if part of Retmt Benefits) + Comm, on T/O 		
<p>Sec.10(14) ALLOWANCES - Partly Exempted</p> <p>(a) Children Education Allowance (for Maximum 2 Children)</p> <p>(b) Children Hostel Expenditure Allowance (for Max 2 Children)</p> <p>(c) Running Allowance for Transport Sector Employees</p> <p>(d) Transport Allowance (only for differently abled persons)</p> <p>(e) Mining / Underground Allowance</p> <p>(f) Tribal Area Allowance</p> <p>(g) Composite Hill Compensatory Allowance</p> <p>(h) Border Area, Remote Area, Disturbed Area Allowance</p> <p>(i) Compensatory Field Area Allowance</p> <p>(j) Compensatory, Modified Field Area Allowance</p>	<p>Rs 100 pm per child</p> <p>Rs 300 pm per child</p> <p>70% of Amount Received or Rs 10,000 pm</p> <p>Rs 3,200 p.m.</p> <p>Rs 200 p.m.</p> <p>Rs 300 to 7,000 p.m</p> <p>Rs 200 to Rs 1,300 pm</p> <p>Rs 2,600 p.m.</p> <p>Rs 1,000 p.m.</p>	<p>Actual amount received</p> <p>Less Amount Exempt</p>

(k) Counter Insurgency Allowance	Rs 3,900 p.m.	
(l) High Altitude Allowance	Rs 1,060 to Rs 1,600 pm	
(m) Special Compensatory Highly Active Field Area Allowance	Rs 4,200 p.m.	
(n) Island Duty Allowance	Rs 3,250 p.m.	
Fully Exempted Allowances		
(i) Travelling Allowance		
(ii) Daily Allowance	Fully Exempt If	NIL
(iii) Conveyance Allowance	incurred for	
(iv) Helper Allowance	performance of	
(v) Academic Allowance	official duties	
(vi) Uniform Allowance		
(vii) Allowances / Perquisites to Govt. Employees for Services rendered outside India - Sec. 10(7)		
GROSS SALARY (before Valuation of Perquisites)		Total of above
Add: Valuation of Perquisites	See Rule 3	
Gross Salary		
Less: Deduction u/s 16		
Standard Deduction	Rs 50,000	
Entertainment Allowance		
Tax on Employment (Professional Tax)		
INCOME UNDER THE HEAD SALARIES		

ILLUSTRATION :

Find out the amount of exemption under section 10(14) in the cases given below pertaining to the assessment year 2022-23:

X is employed in Indore (Madhya Pradesh). He has been allowed the following allowances-----

Tribal area allowance	6,000	Nil
Education allowance for first child	2,000	200
Education allowance for second child	240	600
Education allowance for third child	780	50
Helper allowance for office purposes	3,000	3,600
Uniform allowance for purchase and or		
Maintenance of uniform for official purposes	6,400	2,000
Research allowance	9,000	10,000
Conveyance allowance for office purposes .	15,000	14,500
2,000 is incurred for covering the journey between office and residence, Rs. 6,000 for private purposes and Rs. 8,500 is incurred for office purposes]		
Transport allowance for commuting between offices and residence	10,000	Nil
Medical allowance	4,800	4,800

ILLUSTRATION :

X, who resides in Kanpur, receives Rs. 78,000 as basic pay during the previous year 2021-22. He stays in his father's house up to August 31,2020 for which he does not pay any rent and thereafter in an accommodation taken on monthly rent of Rs. 3,000. The employer, however, pays Rs. 700 per month as house rent allowance throughout the previous year. As, the sum of House Rent allowance paid is the least of the three sum [viz. (a) Rs. 31,200, i.e. 40 percent of salary, (b) Rs. 8,400, i.e. house rent allowance, and (c) Rs. 13,200, i.e. excess of rent paid over 10 percent of salary], he claims that entire house rent allowance is exempt from tax under section 10 (13A) read with rule 2A. **Is he legally correct?**

ILLUSTRATION :

A is entitled to a basic salary of Rs. 50,000 pm and DA of Rs.10,000 pm(40% of which forms part of Retirement benefit).He is also entitled to HRA of Rs. 20,000 pm. He actually pay Rs.20,000 pm as rent for a house in Delhi. **Compute the taxable HRA.**

ILLUSTRATION :

X is employed at Delhi as the Finance Manager of R ltd. The particulars of his salary for the PY 2021-22 are as under :

Basic salary	30,000pm
Dearness allowance(forming part of RB)	10,000pm
Conveyance allowance for personal use	5,000pm
Commission @2% of the turnover (Rs. 22,50,000)	
HRA	15,000pm

The actual rent paid by him is Rs. 10,000pm for a accommodation at Noida till 31.12.2021. From 1.1.2022 the rent was increased to 20,000 pm. Compute the taxable HRA.

ILLUSTRATION :

Mr X is employed with ABC Ltd. on a Basic salary of Rs. 30,000 pm. He is also entitled to a DA of 20% of basic salary (70% forming part of retirement). The company give him HRA of Rs. 15,000 pm.

w.e.f 1.1.2022 he receive increment of Rs. 5,000 in his Basic salary. During the PY 2021-22 he has received arrears of salary pertaining to earlier years amounting Rs. 40,000. X was staying with his parents till 31.10.2021 he takes an accommodation on rent in Delhi and pays Rs. 12,500 pm as rent for the accommodation .

Compute his gross salary for AY 2022-23

Illustration : R retires on 4.1.2022 after serving XY company Ltd. for a period of 16 years and 11 months. At the time of retirement, his basic salary was ₹ 44,000 p.m. and he was also entitled to Dearness Allowance of ₹ 8,000 p.m. On his retirement, he received ₹ 6,00,000 as gratuity. Compute the amount of gratuity exempt from tax and the amount to be included in gross salary. He is covered under the Payment of Gratuity Act.

Illustration : R joined the service on 1.6.2003. He retired from his service on 17.11.2021 and received ₹ 21,20,000 as gratuity.

At the time of retirement his basic salary was ₹ 1,40,000 p.m. and dearness allowance ₹ 70,000 p.m. (60% of which was part of salary).

Compute the amount of gratuity exempt from tax and the amount to be included in gross salary. He is covered under the Payment of Gratuity Act.

Illustration : R, who was employed with P Company Ltd. retired on 21.10.2021, received ₹ 3,60,000 as gratuity. He served the company for 26 years and 8 months. At the time of retirement, his salary was ₹ 15,000 p.m. However, the average salary for 10 months preceding the month of retirement is ₹ 14,400 p.m. He is not covered under the Payment of Gratuity Act, 1972.

(A) Compute the taxable gratuity.

(B) What amount of gratuity shall be taxable, if R, earlier to his appointment with P Company Ltd, had worked for 4 years with X Ltd. and was not entitled to gratuity from X Ltd.?

Illustration (where exemption has been claimed in the past as well)

X, a General Manager of R Company Ltd., retired from the company on 15.6.2021. At the time of such retirement, his basic salary was ₹ 70,000 p.m. He was also entitled to dearness allowance @ 20% of his basic salary. 60% of the dearness allowance forms part of the salary for retirement benefits. He had worked with the company for 10 years 11 months and 15 days. He got an increment of ₹ 5,000 in his basic salary w.e.f. 1.2.2021. At the time of his retirement, the company paid him a gratuity of ₹ 20,00,000. X had earlier worked with S Company Ltd. from where he had received gratuity and had availed of an exemption of ₹ 3,00,000. Compute the amount of exemption available out of the gratuity received from R Company Ltd. He is not covered under the Payment of Gratuity Act. Also compute his gross salary for the assessment year 2022-23.

Illustration: A retired from his job w.e.f. 1.9.2021. He had joined the service on 1.1.2005. He gets an increment in his basic salary amounting to ₹ 2,500 every year on January 1. At the time of his retirement, he was getting a basic salary of ₹ 50,000 p.m. He was also entitled to dearness allowance @10% of basic salary and a commission on turnover @1% of the total sales achieved by him. His turnover for the 12 months ending on 31.8.2021 was ₹ 30,00,000, spread evenly over the year. He received a sum of ₹ 8,00,000 as gratuity on the date of his retirement. Compute his gross salary for the assessment year 2022-23.

Illustration (where he receives gratuity from more than one employer)

G, who has been in part time employment with R Ltd. and S Ltd. submits the following information:

	R Ltd.	S Ltd.
Basic Salary (On the date of retirement)	₹9,000 p.m.	₹5,000 p.m.
Dearness Allowance	20%	20% (60% forms part of Salary for retirement benefits)
Date of retirement	15.9.2021	1.1.2022
Period of service	20 years and 11 months	16 years and 5 months
Amount of gratuity received	₹ 1,80,000	₹80,000

Although he has been drawing the same salary from R Ltd. for the last one year; but from S Ltd. he received an increment of ₹ 500 w.e.f. 1.8.2021.

Compute the gratuity exempt under section 10(10). Also compute his Gross Salary.

Illustration : An employee, drawing a salary of ₹ 15,000 p.m., retires from service and becomes entitled to receive pension of ₹ 9,000 p.m. He gets half his pension commuted and receives ₹ 1,80,000 as lump sum payment. Henceforth, he shall be entitled to a pension of ₹ 4,500 p.m. Compute the exemption available under section 10(10A) in respect of the commuted pension. He is also entitled to gratuity.

Illustration : E, an employee of XYZ Pvt. Ltd. retired from the company on 30.11.2021. At the time of his retirement, he received ₹ 2,88,000 as leave salary from his employer. The following information is provided by the employee:

(1)	Salary at the time of retirement (p.m.)	₹ 18,000
(2)	Period of Service	20 years & 8 months
(3)	Leave encashment	₹2,88,000
(4)	Leave availed while in service	14 months

(5)	Balance unavailed leave at the time of retirement	16 months
(6)	Average salary for the months of February, 2021 to November, 2021	₹ 17,600
(7)	Leave entitlement	11/2 month for every completed year of service

Compute the amount of taxable leave encashment.

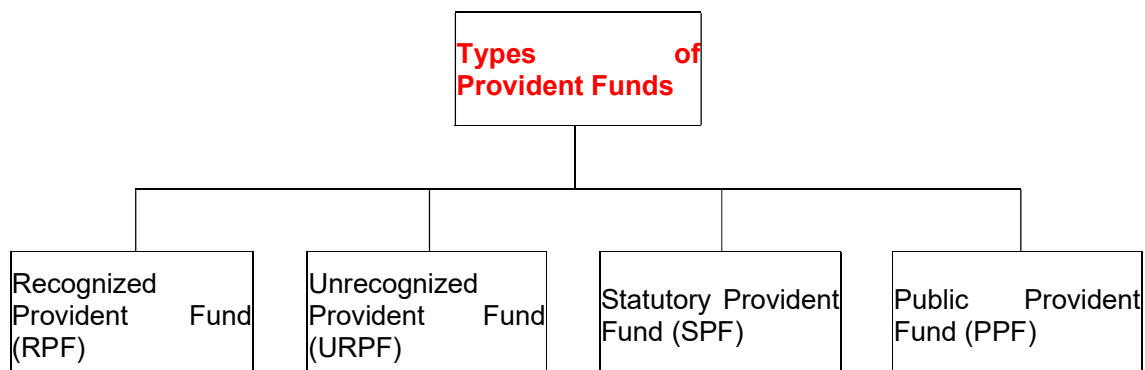
Illustration : X was employed with ABC Ltd. He retired w.e.f. 1.2.2022 after completing a service of 24 years and 4 months. He submits the following information:

Basic Salary	₹25,000 p.m. (at the time of retirement)
Dearness Allowance	100% of Basic Salary (40% of which forms part of salary for retirement benefits).
Last increment	₹ 2,500 w.e.f. 1.7.2021

His pension was determined at ₹ 15,000 p.m. He got 50% of the pension commuted w.e.f. 1.3.2022 and received a sum of ₹ 5,00,000 as commuted pension. In addition to this, he received a gratuity of ₹ 6,00,000 and leave encashment amounting to ₹ 2,80,000 on account of accumulated leave of 240 days. He was entitled to 40 days leave for every year of service.

Compute his Gross Salary for assessment year 2022-23 assuming that he is not covered under Payment of Gratuity Act.

PROVIDENT FUND



I. During the Employment period

Particulars	Recognised PF	Unrecognised PF	Statutory PF	Public PF
Employer's Contribution	Amount in excess of 12% of salary is taxable	Not taxable yearly	Fully exempt	N.A. (as there is only assessee's own contribution)
Employee's Contribution	Eligible for deduction u/s 80C	Not eligible for deduction	Eligible for deduction u/s 80C	Eligible for deduction u/s 80C
Interest Credited	Amount in excess of 9.5% p.a. is taxable	Not taxable yearly	Fully exempt	Fully exempt

Note: Salary for this purpose means basic salary and dearness allowance - if provided in the terms of employment for retirement benefits and commission as a percentage of turnover.

AY 2020-2021 i.e. PY 2019-2020	AY 2021-2022 i.e. PY 2020-2021
<p>Contribution of employer to superannuation fund: Section 17(2)(vii) Contribution of the employer to superannuation fund in excess of Rs1.5 lakhs shall be taxable for the employee</p>	<p>Contribution of employer to various funds on the behalf of the employee: Section 17(2)(vii) The amount or aggregate of amounts of contributions made to following account of employee by employer (a) RPF (b) NPS referred u/s 80CCD(1) and (c) Approved SAF Shall be exempt upto Rs7,50,000 but amount beyond Rs7,50,000 shall be taxable as perquisites</p>

Illustration: Salary of an employee, Mr. X is Rs80,00,000. Contribution of employer towards RPF for the amount of Rs9,60,000 (being 12% of salary of Rs80,00,000) would not be treated as salary u/s 17(1)(vi). However, since it exceeds Rs7,50,000, the amount in excess of Rs7,50,000 i.e. Rs2,10,000 (Rs9,60,000 - Rs7,50,000) would be treated as perquisite u/s 17(2)(vii)

Annual increase due to interest, dividend etc. related to funds mentioned above: Section 17(2)(viiia)

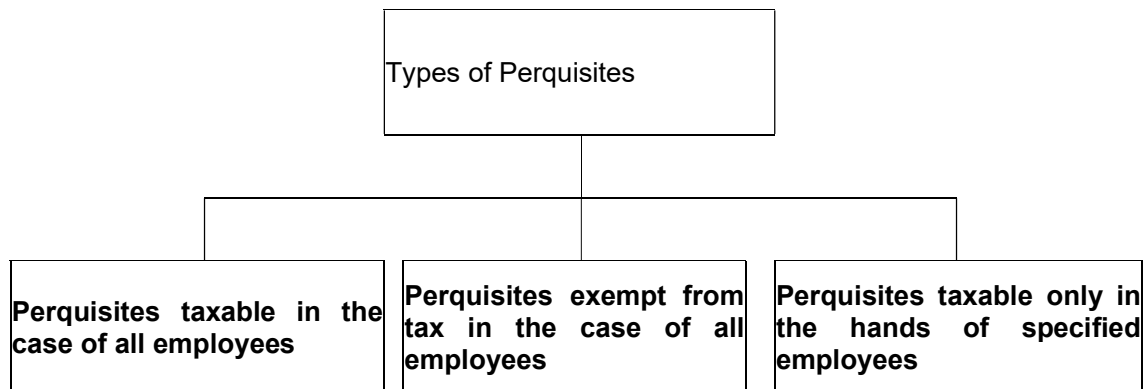
The annual increase due to interest, dividend or any other amount of similar nature which is credited to the funds referred to in Section 17(2)(vii) to the extent it is related to the contribution made by the employer and which is included in total income shall be computed in a manner as prescribed

Illustration: In above illustration, interest income on excess contribution of Rs2,10,000 would also be treated as perquisite u/s 17(2)(viiia)

PERQUISITES

Definition of "Perquisite"

The term "perquisite" is defined under section 17(2). The definition of perquisite is an inclusive one. Based on the definition, perquisites can be classified in following three ways:



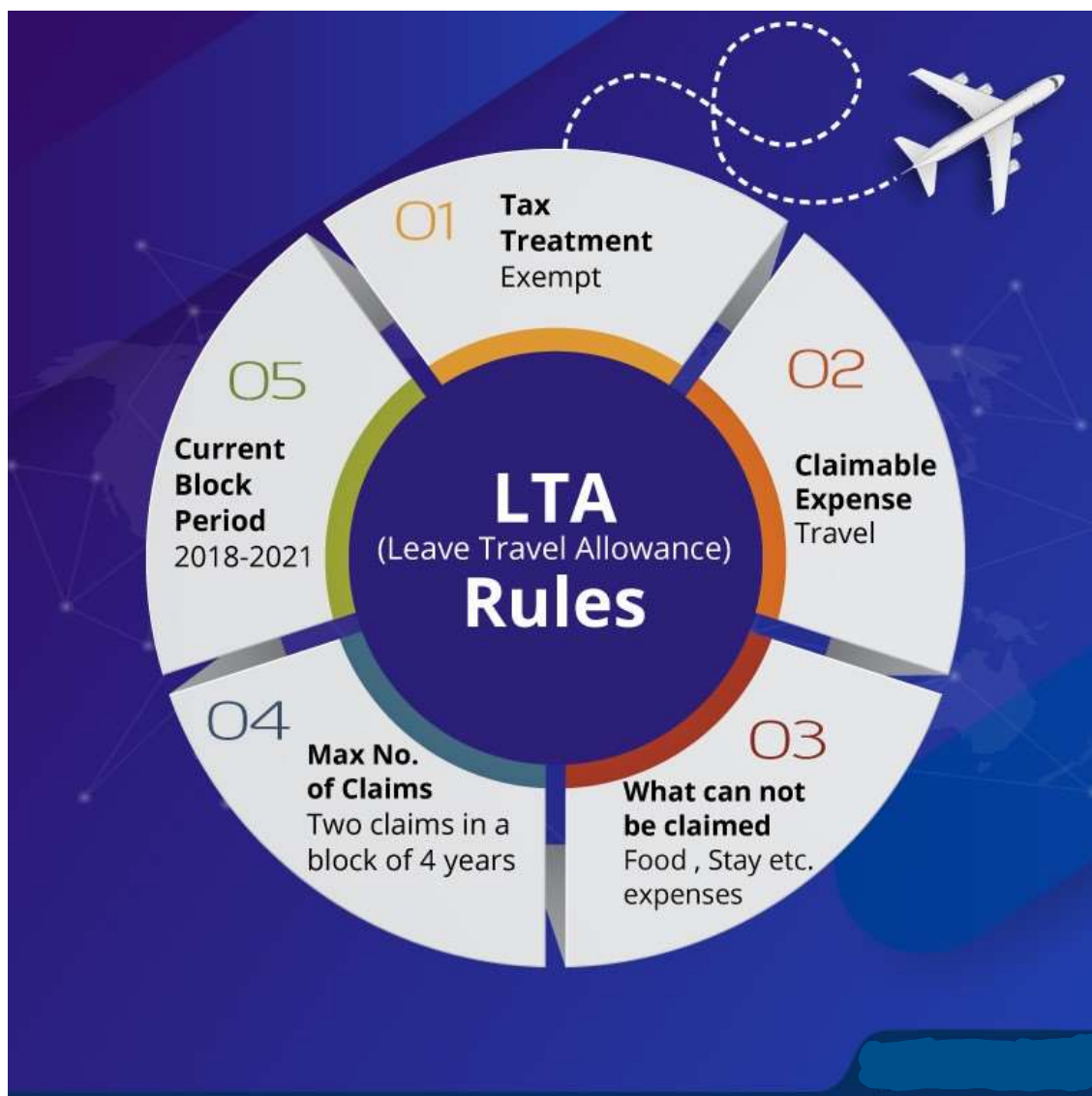
PERQUISITES EXEMPT FROM TAX IN ALL CASES

The following perquisites are exempt from tax in the hands of all employees.

Telephone	Telephone provided by an employer to an employee at his residence
Transport Facility	Transport facility provided by an employer engaged in the business of carrying of passengers or goods to his employees either free of charge or at concessional rate;
Privilege passes and privilege ticket	Privilege passes and privilege ticket orders granted by Indian Railways to its employees;
Perquisites allowed outside India by the Government	Perquisites allowed outside India by the Government to a citizen of India for rendering services outside India;
Employer's contribution to staff group insurance scheme;	Employer's contribution to staff group insurance scheme;
Annual premium by employer on personal accident policy	Payment of annual premium by employer on personal accident policy effected by him on the life of the employee;
Refreshment	Refreshment provided to all employees during working hours in office premises;
Subsidized lunch	Subsidized lunch or dinner provided to an employee;
Recreational facilities	Recreational facilities, including club facilities, extended to employees in general i.e., not restricted to a few select employees;
Amount spent on training of employees	Amount spent by the employer on training of employees or amount paid for refresher management course including expenses on boarding and lodging;
Sum payable by employer to a RPF or an approved superannuation fund	Sum payable by an employer to a RPF or an approved superannuation fund or deposit-linked insurance fund established under the Coal Mines Provident Fund or the Employees' Provident Fund and Miscellaneous Provisions Act;
Leave travel concession	Leave travel concession, subject to the conditions specified under section 10 (discussed below)
<p>Note: Value of Leave travel concession provided to the High Court judge or the Supreme Court Judge and members of his family are completely exempt without any conditions.</p>	

Medical facilities	Medical facilities subject to certain prescribed limits;
Rent-free official residence	Rent-free official residence provided to a Judge of a High Court or the Supreme Court;
Rent-free furnished residence	Rent-free furnished residence including maintenance provided to an Officer of Parliament, Union Minister and a Leader of Opposition in Parliament;
Conveyance facility	Conveyance facility provided to High Court Judges under section 22B of the High Court Judges (Conditions of Service) Act, 1954 and Supreme Court Judges under section 23A of the Supreme Court Judges (Conditions of Service) Act, 1958.

EXEMPTION IN RESPECT OF LEAVE TRAVEL CONCESSION [SECTION 10(5)]



Note: The exemption referred to shall not be available to more than two surviving children of an individual after 1.10.1998. This restrictive sub-rule shall not apply in respect of children born before 1.10.1998 and also in case of multiple births after one child.

ILLUSTRATION

Mr. D went on a holiday on 25.12.2020 to Delhi with his wife and three children (one son - age 5 years; twin daughters - age 2 years). They went by flight (economy class) and the total cost of tickets reimbursed by his employer was Rs. 60,000 (Rs. 45,000 for adults and Rs. 15,000 for the three minor children). Compute the amount of LTC exempt.

SOLUTION

Since the son's age is more than the twin daughters, Mr. D can avail exemption for all his three children. The restriction of two children is not applicable to multiple births after one child. The holiday being in India and the journey being performed by air (economy class), the entire reimbursement met by the employer is fully exempt.

ILLUSTRATION

In the above illustration 10, will there be any difference if among his three children the twins were 5 years old and the son 3 years old? Discuss.

SOLUTION

Since the twins' age is more than the son, Mr. D cannot avail for exemption for all his three children. LTC exemption can be availed in respect of only two children. Taxable

$$\text{LTC} = 15,000 \times \frac{1}{3} = \text{Rs. } 5,000.$$

LTC exempt is only Rs. 55,000 (i.e. Rs. 60,000 - Rs. 5,000)

VALUATION OF PERQUISITES

1.ACCOMMODATION PROVIDED BY THE EMPLOYER TO THE EMPLOYEE

1. Value of Unfurnished Accommodation - Explanation 1 to Sec. 17(2).

Nature of Perquisite	Taxable Value of Perquisite
Provided by Government	License Fee determined by the Government Less Rent recovered from Employee
Provided by Employer other than Central and State Government	
(a) Owned by Employer	In cities having population exceeding 25 Lakhs as per 2001 Census: 15% of Salary Less Rent actually paid by Employee In cities having population exceeding 10 Lakhs but not exceeding 25 Lakhs as per 2001 Census: 10% of Salary Less Rent actually paid by Employee In Other places: 7.5% of Salary Less Rent actually paid by the Employee
(b) Taken on Lease by the Employer	Rent paid by Employer or 15% of Salary, whichever is lower Less Rent recovered from Employee
(c) Accommodation in hotel	24% of Salary paid / payable or Actual Charges paid / payable, whichever is lower Less Amount paid or payable by the Employee

Hotel Accommodation: Accommodation provided in a Hotel will not be a taxable perquisite if—

- The period of such accommodation does not exceed 15 days,
- Such accommodation has been provided on the transfer of the Employee from one place to another.

2. Valuation of Furnished Accommodation:

Particulars	
Value of Unfurnished Accommodation as above	XXX
Add: Value of Furniture	
- If owned by Employer, then 10% per annum of Original Cost of such Furniture	XXX
If hired from Third Party, then Actual Hire Charges	XXX
Less: Any charges paid or payable by the Employee	(XXX)
Value of Furnished Accommodation	XXX

Note: Furniture includes Television Sets, Radio, Refrigerator, other Household Appliance, Air-Conditioning Plant or Equipment.

VALUATION NOT APPLICABLE

(a) Employees Covered: Employees working at — Mining Site, Onshore Oil Exploration Site, Offshore Site, Project Execution Site, Dam Site, Power Generation Site.

(b) Conditions:

- The accommodation should be of a temporary nature and
- Plinth area should not exceed 800 Square Feet.
- Accommodation should be located atleast 8 kms away from local limits of Municipality / Cantonment or located in a remote area (i.e. 40 kms away from town with less than 20,000 population)

VALUATION OF ACCOMMODATION IN CASE OF EMPLOYEES ON TRANSFER

(a) For the first 90 days of transfer: Where accommodation is provided both at existing place of work and in new place, the accommodation, which has lower value, shall be taxable.

(b) After 90 days: Both accommodations shall be taxable.

MEANING OF SALARY FOR VALUATION OF ACCOMMODATION FACILITIES

Salary includes	Salary excludes
<ul style="list-style-type: none"> •Basic Salary •D.A. if considered for Retirement Benefits •All Taxable Allowances •Bonus or Commission or Ex-gratia •Any other Monetary Payment 	<ul style="list-style-type: none"> •Other D.A. •Employers Contribution to PF •Exempted Allowances •Value of Perquisites •Value of Perquisites specifically excluded

ILLUSTRATION :

X, receives the following emoluments during the previous year ending March 31,2022: basic salary: Rs. 92,000, dearness allowance: Rs.8,000 (48 percent forms part of salary for computing retirement benefits),income-tax paid on behalf of X: Rs. 7,000 and education allowance: Rs. 4,800 (total allowance paid for 3 children).

During the previous year 2021-22, he is paid Rs. 20,000 by way of a special allowance.

X is a retired Government employee. Pension received from the Government is Rs. 3,070 per month. He has been provided a rent free unfurnished house by the employer from September 1,2021. **Find out the taxable value of the perquisite for the assessment year 2021-22 under the following situations-**

- a. The house is owned by the employer and is situated in Kelapur (population:3.50 lakh);
- b. The house is owned by the employer and is situated in Delhi (population: 28 lakh);
- c. The house is taken on lease by the employer (lease rent being Rs. 1,000 per month);
- d. The house is taken on lease by the employer (less rent being Rs. 20,000 per month).

ILLUSTRATION :

X, received during the previous year ending March 31,2021 emoluments consisting of basic pay: Rs. 96,000; project allowance: Rs. 6,000; special allowance: Rs. 8,000 and reimbursement of medical expenditure: Rs.4, 000. His employer has also provided a rent-free furnished flat in Bombay. Lease rent of the unfurnished flat is Rs. 72,000 per annum. Some of the household appliances provided to X with effect from August 1,2021 are owned by the employer (cost price of which is Rs. 96,000, date of purchase is April 1,1970 and written down value, as on April 1,2020 is Rs.9,000. Employer pays Rs. 12,000 annually as hire charges for one air-conditioner installed in rent-free

flat. Compute the value of the perquisite if; (1) X is a secretary in the Ministry of Industry and Rs. 5,000 is the license fee of unfurnished flat as per Central Government's Rules; and (2) X is the Managing Director of PQR (p) Ltd. **Does it make any difference if X has been provided a hotel accommodation throughout the year (tariff being Rs. 2,00,000 per annum).**

ILLUSTRATION :

X furnish the following for the PY 2021-22

Basic salary	12,000pm
DA(40%forming part of retirement)	1,000pm
Lunch allowance	200pm
Medical allowance	500pm
CCA	300pm
CEA (per child for 2 children)	230pm

He is provided with RFA in Delhi. The cost of furniture provided is Rs.1,00,000 and two AC , which have been taken on hire by the company, have also been provided in the accommodation .The hire charges of each AC is Rs. 2,000 pa. Compute the Value of RFA if the accommodation is provided by :

- The government and the value of the accommodation as per Govt rules is Rs. 500 pm
- RBI and accommodation has been taken on rent by RBI at Rs.5,000 pm
- XYZ Ltd. and the accommodation has been taken on rent by the company at Rs.5,000 pm

ILLUSTRATION :

A is working as GM of X Ltd.Particulars of his salary for the FY 2021-22 are as under

Basic Salary	10,000pm
Bonus	19,200
Conveyance allowance (70% spent on official duties)	14,000
Medical allowance	500pm
Employer contribution to RPF	20% of Salary

Compute the value of RFA to be included in the salary income of A for the AY 2022-23 if:

- the accommodation is owned by the company
- the accommodation has been taken on rent by the company at 7,000 pm

2. VALUATION OF OTHER PERQUISITES

Rule	Nature of Perquisite	Taxable Value of Perquisite (TVP)
3(3)	Service of Sweeper, Gardener or Watchman or Personal Attendant	Actual Cost to the Employer Less: Amount paid by the Employee
3(4)	Supply of Gas, Electricity or Water for household consumption	Procured from outside Agency: Amount paid to outside agency Resources owned by employer himself: Manufacturing cost p.u. Less: Amount paid by the Employee
3(5)	Education facilities to members of his household: (a) Free Education to children in the school maintained by the Employer or the school sponsored by the Employer	If the Cost of Education per Child does not exceed Rs 1,000 p.m. - Not Taxable, otherwise fully taxable. Cost to the Employer (See limit of Rs 1,000 pm above.) Less: Amount recovered from Employee
	(b) Other Schools	Cost of education in similar locality / institution Less: Amount recovered from Employee
3(6)	Transportation of goods or passengers at free or concessional rate provided by the employer engaged in that business (other than Railways / Airlines)	Value at which offered to Public Less: Amount recovered from the Employee
3(7)(i)	Housing Loan / Vehicle Loan - For acquiring Capital Assets and not for repairs SBI Rate = SBI Rate prevailing on the First Day of the Previous Year	<ul style="list-style-type: none"> •Interest Charged by Employer > SBI Rates: NOT Taxable. •Interest charged is lower than SBI rates: Interest at SBI rates on maximum outstanding balance Less: Interest paid by the Employee on that loan.

	Other Loans	<p>Interest Charged by Employer > SBI Rates: NOT Taxable. Interest charged is lower than SBI rates: Interest at SBI Rate on maximum outstanding balance Less: Interest paid by the Employee on that Loan</p> <p>Exceptions:</p> <p>(a) Medical Loan for treatment of diseases specified in Rule 3A except Loan reimbursed by Medical Insurance</p> <p>(b) Loan not exceeding Rs 20,000 in aggregate.</p>
3(7) GO	Travelling, Touring, Accommodation and Other Expenses met by the Employer other than specified in Rule 2B. (To be calculated only for the period of vacation)	Amount incurred by Employer or Value offered to public Less: Amount recovered from Employee
3(7)(iii)	Free Meals during office hours Free Meal in remote area or offshore installation area is not a taxable perquisite	<ul style="list-style-type: none"> • Actual Cost to the Employer (upto Rs 50 per Meal / Tea/ Snacks is NOT taxable) Less Amount recovered from the Employee • Tea or Non-Alcoholic Beverages / Snacks during working hours are not taxable.
	Value of any gift or voucher or token other than gifts made in cash or convertible into money (e.g. gift cheques) on Ceremonies.	<ul style="list-style-type: none"> • Value of Gift. • In case the aggregate value of gift during the previous year is less than Rs 5,000, then it is not a taxable perquisite.
3(7)(v)	Expenditure incurred on credit card or add on card including membership fee and annual fee.	<ul style="list-style-type: none"> • Actual expenditure to Employer Less Amount recovered from Employee. • If it is incurred for official purpose and supported by necessary documents then it is not taxable.

3(7)(vi)	Expenditure on Club other than Health Club or Sports Club or similar facilities provided uniformly to all Employees.	<ul style="list-style-type: none"> •Actual Expenditure incurred by the Employer Less Amount recovered from Employee. •If the expenditure is incurred exclusively for official purposes and supported by necessary documents then it is not taxable. •Initial Fee of Corporate Membership of a Club is not a taxable perquisite. 	
3(7)(vii)	Use of any Movable Asset other than Computer or Laptops or other assets already mentioned	10% of Actual Cost if owned by the Employer, or Actual Rental Charge Paid / Payable by Employer Less: Amount recovered from Employee	
Transfer of Movable Asset to Employees:			

	<ul style="list-style-type: none"> • Electronic gadgets include Computer, Digital Diaries and Printers, but exclude washing machines, Microwave ovens, Mixers, Hot plates, Ovens etc. • Transfer of assets, which are 10 years old, shall not attract taxability. 	
3(7)(ix)	Any other benefit or amenities or service or right or privilege provided by the employer other than telephone or mobile phone	Cost to the employer Less: Amount recovered from employee

•Member of household includes Spouse(s), Children & their spouses, Parents, Servants and dependents.

•Completed year means actual completed year from the date of acquisition of asset to the date of transfer of such asset to Employees.

3.TAXABILITY OF MOTOR CAR BENEFITS [Rule 3(2)(A)]

Owner of Car	Expenses met by	Purpose	Taxable Value of Perquisite
1(a) Employer	Employer	Fully Official	Not a perquisite provided the documents specified in Rule 3(2)(B) are maintained.
1(b) Employer	Employer	Fully personal use	Aggregate of - (a)Actual expenditure on car (b)Remuneration to Chauffeur (c)10% of the Cost of Car (normal wear & tear) Less: Amount charged from Employee
1(c) Employer	Employer	Partly for official and partly for personal	Cubic Capacity of Car Engine up to 1.6 Litres Rs 1,800 p.m. + Rs 900 p.m. for Chauffeur Cubic Capacity of Car Engine above 1.6 Litres Rs 2,400 p.m. + Rs 900 p.m. for Chauffeur
2(a) Employer	Employee	Fully Official use	Not a Perquisite, provided the documents specified in Rule 3(2)(B) are maintained. [See Note 2 below]
2(b) Employer	Employee	Fully Personal	10% of the Cost of Car (normal wear & tear) / hire charges
2(c) Employer	Employee	Partly for official and partly for personal	Cubic Capacity of Car Engine upto 1.6 Litres Rs 600 p.m. + Rs 900 p.m. for Chauffeur Cubic Capacity of Car Engine above 1.6 Litres Rs 900 p.m. + Rs 900 p.m. for Chauffeur
3(a) Employee	Employer	Fully official use	Not a perquisite provided documents as per Rule 3(2)(B) are maintained.
3(b) Employee	Employer	Partly for official use and partly for personal use	Subject to Rule 3(2)(B) Actual Expenditure incurred Less Car Cubic Capacity upto 1.6 Litres - Value as per

			l(c)(i) Car Cubic Capacity above 1.6 Litres - Value as per l(c)(i)
3(c) Employee	Employer	Fully Personal	Actual Expenses incurred by Employer.
3(i) Employee owns other automobile but not car	Employer	Fully official use	Not a Perquisite provided documents as per Rule 3(2)(B) are maintained
3(ii) Employee owns other automobile but not car	Employer	Partly for official and partly for personal use	Subject to Rule 3(2)(B) Actual Expenditure incurred by Employer Less: Rs 900 p.m.

Notes:

1. Using Cars from a Pool of Cars owned or hired by Employer:

The employee is permitted to use any or all cars for both official and personal use:

For one car	Valued as per l(c)(i)
For more than one car	Valued as per 1(b) as if fully used for personal purpose

2. Documents to be maintained for claiming not taxable perquisite or higher deduction wherever applicable. [Rule 3(2)(B)]

(a) Employer should maintain complete details of journey undertaken for official purpose, which includes date of journey, destination, mileage and amount of expenditure incurred thereon.

(b) Certificate of supervising authority of the employee, wherever applicable, to the effect that the expenditure was incurred wholly and exclusively for performance of official duties, should be provided.

ILLUSTRATION :

- a. X is employed by B Ltd. On April 1, 2021, he takes a personal loan of Rs. 25,000 from B Ltd. B Ltd. Recovers interest @ 7% p.a from X
- b. X purchase a Honda city on March 1, 2021 from a loan of Rs. 8,00,000 taken at concessional rate of 7% p.a from his employer PQR Ltd. As per the agreed terms of repayment, A is supposed to repay in monthly installment of Rs. 25,000 starting from January 1, 2022..Compute the taxable value of perquisite in respect of concessional loan for the P.Y 21-22
- c. C Ltd. gives the following interest free loan to Z, an employee of the company – Rs. 15,000 for child's education and Rs. 5,000 for purchasing a refrigerator. No other loan is given by C Ltd.
- d. X takes an interest free loan of Rs. 7,00,000 from his employer ABC Ltd., on June 16, 2020 for medical treatment of his wife who is suffering from a disease specified in rule 3A. Mrs. X is also covered under a mediclaim insurance cover. Insurance company reimburses her of the hospitalization charges of Rs. 2,50,000 on January 1, 2022. According to terms or repayment of loan, X has to pay Rs. 12,000 per month on the second day of each month starting from Nov 2020. Ascertain the taxable value of perquisite in respect of interest free loan for the PY 2021-22.

ILLUSTRATION

➤ Mr. Vishal gets a basic salary of Rs. 10,000 p.m. his employer has further provided him with the following facilities:

- a. He has been provided a credit card. Annual fees of such card is Rs. 8,000 which is incurred by the employer. The card is used for office as well as personal purpose.
- b. His employer is a corporate member of a club of which initial fees is Rs. 1,00,000 and annual expenditure of Rs. 30,000, paid by the employer. The membership is enjoyed by Mr. Vishal.
- c. He has been given a gift voucher of Rs. 13,500.
- d. He has been provided the facility of laptop used for office as well as personal purpose. The cost of the asset is Rs. 1,20,000.
- e. He has been provided with a TV set of Rs. 50,000 used for personal purpose, written down value of the same is Rs. 30,000.
- f. In his office chamber A.C. machine has been installed for Rs. 30,000.

Calculate taxable salary of Mr. Vishal

ILLUSTRATION :

- The employer company sells the following assets to the employees on January 1, 2021 –

Name of the employee	X	Y	Z
Asset sold	CAR	COMPUTER	FRIDE
Cost of the asset to employer	Rs. 6,96,000	Rs. 1,17,000	Rs. 40,000
Date of purchase(put to use on the same day)	15/05/2016	15/05/2016	15/05/2016
Sale price	Rs. 2,10,000	Rs. 24,270	Rs. 1,000

ILLUSTRATION :

- Compute the value of perq.
- a. X is an employee in the purchase department of A ltd .On Nov 27, 2020 , he attend a seminar .Seminar fee of Rs. 3,500 is paid by A ltd.
- b. X's son is a student of 7th class of DPS, Delhi .Rs. 17,800 being tuition fees of X's son is paid /reimbursed by P ltd, where X is employed. There is no arrangement between P ltd and DPS.
- c. SPS , kolkata ,is owned and maintained by Z ltd; a manufacturing co. Books of account of the school and Z ltd are maintained separately .X is an employee Z ltd .The following family member of X are student in SPS –

	Cost of education in a similar institution	Amount charged from X
H,daughter of X	Rs. 5,500 p.m	Rs. 800 p.m
T, dependant brother of X	Rs. 6,000 p.m	Rs. 1,600 p.m

ILLUSTRATION :

➤ **Compute the taxable value of the perquisite in respect of medical facilities availed of by X from his employer in the following situations:**

(a) the employer reimburses the following medical expenses:

- (i) treatment of X by his family physician Rs. 8,400
- (ii) treatment of Mrs. X in a private nursing home Rs. 7,200
- (iii) treatment of X's mother (dependent upon him) Rs. 2,400 by a private doctor
- (iv) treatment of X's brother (not dependent upon him) Rs. 800
- (v) treatment of X's grandfather (dependent upon him) Rs. 3,000

(b) The employer reimburses an insurance premium of Rs. 6,000 paid by X under health insurance scheme on the life of X and his wife.

(c) The employer maintains a hospital for the employees where they and their family members are provided free treatment. The expenses on treatment of X and his family members during the previous year 2021-22 were as under:

	Rs.
treatment of X's major son (dependent upon him)	4,400
treatment of X	10,400
treatment of X's uncle	9,200
treatment of Mrs. X	16,000
treatment of X's widowed sister (dependent upon him)	8,200
treatment of X's handicapped nephew	5,000

(d) Expenses on cancer treatment of married daughter of X at Tata Memorial Hospital, Bombay paid by the employer Rs. 1,00,000 and reimbursement of expenses for medical treatment of himself amounting to Rs. 40,000.

(e) The following expenses on treatment of X's major son outside India were paid by the employer.

	Actual expenses	Expenses permitted by RBI
Actual medical expenses	1,50,000	1,20,000
Expenses on stay abroad of X's son and brother who accompanied the patient	1,30,000	90,000
Traveling expenses of X's son and X's brother	2,40,000	—

Assume that the other income of X is (a) Rs. 1,20,000 (b) Rs. 1,80,000. (including income under the head salary excluding the above taxable perquisite)

ILLUSTRATION :

➤ **Determine taxable perquisite in following cases:**

- a. Miss shradha received a wrist – watch of Rs. 3,000 on 17/7/2021 and a golden chain worth Rs.12,000 on 18/8/2021 from her employer mr. Raju.
- b. Miss rakhi received Rs. 11,000 cash-gift from her employer dipu ltd.
- c. Mr. Anirudha is working with X &co a partnership firm. During the year the employer firm gifted a diamond ring worth Rs. 80,000 to wife of Mr. Anirudha

ILLUSTRATION :

- a. X is employed by a private sector company. He has been provided a car (1200cc) owned by the employer, cost of the car is Rs. 4,26,000. The expenditure incurred by the employer on the maintenance of the car are- petrol: Rs. 46,000, driver:Rs. 36,000and maintenance :Rs.10,000.The car can be used by X partly for official purposes and partly for private purposes. Find out the value of the perquisite. A sum of Rs. 12,000 recovered from X.
- b. Assume in situation 1 that the car is only used for private purpose
- c. A car (1.8cc) is owned by the employer (cost of the car Rs. 4,80,000) .X , an employee, can use it partly for official purpose and partly for private purpose .Expenses for private purpose are however incurred by X . During the P.Y 2021-22,the total expenditure incurred by X is Rs. 50,000 on car and Rs. 20,000 on driver.

- d. Assume in situation 3 that the car is used only for private purpose.
- e. X owns a car (1.4cc). He uses it partly for official purpose and partly for private. During the PY 2020-21, he incurs a sum of Rs. 40,000 on running and maintenance of car. Besides, he has engaged a driver (salary Rs. 24,000). The employer reimburses the entire expenditure of Rs. 64,000.
- f. Assume in situation 5 that the logbook of the car is maintained and 70% of the expenditure is attributable towards the official purpose.

MEANING OF GOVERNMENT EMPLOYEE IN DIFFERENT SECTIONS

Section	Topic	Meaning
16(ii)	Entertainment Allowance	CG/SG
10(10)	Gratuity	CG/SG/LA
10(10A)	Committed pension	CG/SG/LA/SC
10(10AA)	Leave salary	CG/SG
17(2)(i) & (ii)	RFA	CG/SG

DISTINGUISH BETWEEN 'MEMBER OF HOUSEHOLD' AND 'FAMILY'

Members of household mean spouse, children, spouse of children, parents, servants and all other dependents.

Family to include spouse, children dependent parents dependent brothers and dependent sisters.

PAYMENT OF INCOME TAX ON NON MONETARY PERQUISITES: SECTION 10(10CC)

Generally any tax paid by employer on behalf of employee is treated as the income of employee and is included in gross salary. But if the employer has paid income tax on the perquisite value of non-monetary perquisite that have been provided to employee then such an amount of tax shall not be included in the salary of employee as it is exempt from tax u/s 10(10CC).

15. X had been working with BV Ltd. , in a tribal area since 1-12-1997. He was entitled to the following emoluments.

- a. Basic salary w.e.f 1-1-2021 Rs. 6,000 p.m
- b. D.A 40% of basic salary (50% forming part of salary for R.B)
- c. Medical allowance Rs. 500 p.m (entire amount is spent on his own treatment)
- d. Entertainment allowance Rs. 400 p.m
- e. Children education allowance Rs. 40 p.m per child for three children
- f. Hostel expenditure allowance Rs. 120 p.m per child for three children
- g. Tribal area allowance Rs. 300 p.m
- h. Uniform allowance Rs. 250 p.m (He spend Rs. 1,500 on the purchase and maintenance of uniform)
- i. House rent allowance Rs. 750 p.m. He pays Rs. 1,000 per month as rent
- j. He contributes Rs. 900 p.m to RPF to which his employer contributes an equal amount

He retired from his job on 1-1-2022 and shifted to Delhi. He was entitled to the following benefits at the time of his retirement .

- a. Gratuity Rs. 1,15,000
- b. Pension from 1-1-2022 Rs. 2000 p.m
- c. Payment from RPF Rs. 3,00,000
- d. Encashment of earned leave for 150 days Rs. 36,000
- e. He was entitled to 40 days leave for every completed year of service . He got 50% of his pension commuted in lump sum w.e.f 1-3-2022 and received Rs. 1,20,000 as commuted pension.

He joined VB Ltd. w.e.f 1-2-2022 and was entitled to the following emoluments;

- a. Basic salary Rs. 5,000 p.m
- b. DA 20% of salary (forming part of R.B)
- c. Rent free unfurnished accommodation in Delhi which is owned by the employer and whose fair rental value is Rs. 48,000 p.a
- d. Motor car (1.4cc) with driver , which he uses partly for official and partly for personal purposes.
- e. The monthly expenses incurred on gas and electricity were Rs. 500 which were reimbursed by the employer.
- f. Reimbursement of educational expenses of his two children which amounted to Rs. 350 p.m
- g. On 4-3-2020 his wife fell ill and the employer reimburse the expenditure of medical treatment amounting to Rs. 17,500.
- h. A watchman , a sweeper , a cook and a gardener have been provided to whom the company pays a salary of Rs. 400 p.m each.
- i. Loan of Rs. 1,00,000 @ 7% p.a for construction of his house was given by the company . Normal rate of interest is 8%.
- j. He made the following payments during the P.Y.
- k. professional tax Rs. 500
- l. LIP on his life policy of Rs. 1,00,000 – Rs. 15,000
- m. Deposit in PPF Rs. 50,000.

Compute his total income and tax liability

16. Mrs. A , an employee – director of RK Ltd. submits the following information relevant for the A.Y 2022-23

salary Rs. 1,86,000 ; EA (date of joining 1st may 1965) Rs. 8,000 ; Bonus : Rs. 12,200 ; Education allowance : 4,000 (for her grandchildren) ; income tax penalty paid by the employer : Rs. 2,000 , Medical expenses reimbursed by employer : Rs. 2,000 ; leave travel concession : Rs 1,000 ; payment of electricity bill by employer : Rs. 1,060 ; free residential telephone : Rs 4,000; free refreshment during office hours: Rs 4,000; reimbursement of gas bill : Rs 1,000 ; professional tax paid by the employer : Rs. 300 ; professional tax paid by the Mrs. A Rs. 150.

Mrs A owns two houses , particulars of which are as follows

	House I	House II
M.V	43,000	80,000
Rent	46,000	nil(SO)
S.R	50,000	60,000
M.Tax paid	4,800	8,000
Interest on borrowed capital for purchase of H.P	4,000	16,000
Repayment of loan taken from LIC for the purpose of Purchasing House I	15,000	
Date of completion of construction	15-4-2010	15-5-2077

Other incomes:

Agricultural income for the P.Y 2021-22	2,00,000
Dividend from Indian private limited companies	17,000
Dividend from foreign company	70,000

Payment and investments:

Own contribution to URPF	1,500
Contribution to PPF	16,000
Donation to the Prime Minister's National Relief fund	2,000

Determine the net income and tax liability of Mrs. X for the A.Y 2022-2023.

17. VB is the principal of a college in Bangalore. He furnished the following details:

a. Basic salary Rs.16,200 per month

b. DA (under terms of employment) Rs.12,800 per month

c. He contributes 12.5% of his basic pay to RPF. The employer also contributes the same amount.

d. Education allowance for 3 children Rs.6,000

e. Medical allowance Rs.8,000 actual amount spent Rs.3,000

f. Telephone bill Rs.5,000 paid by the employer on behalf of Mr. Vyasa Raj

g. Sweeper, servant, watchman at a salary of Rs.350 per month per person appointed by Mr.Vyasa Raj and their salary is paid by the employer.

h. Surrender of earned leave and received an amount of Rs.22,000

i. LIC premium paid by employer on the life policy of Mr. Vyasa Raj is Rs.6,000

j. Mr. Vyasa Raj paid professional tax of Rs.2,400

k. He has been provided with rent free furnished house by the college whose FRV is Rs.5,000 pm and furniture facility of which rent of Rs.25,000 is paid by the employer.

l. Group insurance premium also being paid by the employer Rs.1,560

Compute his taxable salary for the AY 22-23 and also the amount entitled to deduction U/s 80C.

18. R is General Manager of a Textile Company of Ludhiana since 1997. He has submitted the following particulars of his income for the financial year 2022-23.

- a. Basic Salary Rs. 1,12,000,
- b. D.A. Rs. 2,000 per month (Rs. 500 p.m. enters into retirement benefits).
- c. Education allowance for two children at Rs. 130 p.m. per child.
- d. Commission on sales Rs. 20,000.
- e. Entertainment allowance Rs. 800 p.m.
- f. He was given cloth worth Rs. 2,000 by his employer free of cost.
- g. He resides in the Bungalow of the company. Its fair rent is Rs. 2,000 p.m. He pays Rs. 12,000 p.a. as rent for the house. The company who were paid Rs. 400 per month each has provided a watchman and a cook.
- h. He has been provided with a motorcar of 1.8 ltr. engine capacity power for his official as well as Personal use. Running and maintenance expenses are borne by the company.
- i. The company has contributed Rs. 15,000 to his RPF. Interest credited to RPF was @ 13% p.a. amounted to Rs. 16,250.

Compute his income from salary for the assessment year 2022-23.

19. From the following particulars of R compute his total income for assessment year 2022-23.

- a. Salary Rs. 13,000 p.m. (increased to Rs. 15,000 w. e. f. 1-12-2021) 1,64,000
- b. Bonus 16,000
- c. Dearness allowance 18,000
- d. Entertainment allowance 8,000
- e. Employers contribution to Recognized P.F. 25,000
- f. Employees contribution to Recognized P.F. 25,000
- g. Interest on P.P. @ 9.5% 22,000
- h. Personal expenses of R's son met by the employer 12,000
- i. Rent-free unfurnished house provided by the employer, at Delhi whose annual rental value is 96,000
Watchman engaged by the employer for many years for the security of residence of R, total salary paid to him by employer during the year 6,000
- j. Medical expenses of the employee and free refreshment in the office 12,000
- k. Club bill of the assessee reimbursed by the employer 2,400
- l. Unit Linked Insurance Plan Contribution paid by the employer 6,000
- m. He deposited Rs. 18,000 in NSS 1992.
- n. He was provided with rent free house till November 2019 for a period of 8 months only during 2021-22 after which he shifted to his own house. He continued to enjoy the facility of a watchman for his own house also.

Retrenchment Compensation [Sec. 10(10B)]

1. Meaning: It is a Compensation received by a Workman at the time of -

- (a) Closing down of the undertaking.
 (b) transfer (by agreement or by compulsory acquisition) if the following conditions are satisfied -
- Service of Workmen interrupted by transfer.
 - Terms and Conditions of employment after transfer are less favourable to Workmen.
 - New Employer is **not** under a legal obligation whether under the terms of transfer or otherwise, to pay compensation on the basis that the Employee's service has been continuous and has not been interrupted by transfer.

2. Taxability:

(a) Retrenchment Compensation received in accordance with any Scheme, which is approved by the Central Government, is **fully exempt** from tax.

(b) Other than above, if an Individual who receives Retrenchment Compensation, is entitled for exemption u/s 10(1 OB) in respect of the amount received, as computed below. Further, the taxable portion is eligible for Relief u/s 89(1),

Particulars	₹	₹
Amount of Retrenchment Compensation Received		XXXX
Less: Exemption u/s 10(10B) = Least of the following -		
(a) Actual Amount of Retrenchment Compensation Received	XXX	
(b) ₹ 5,00,000	XXX	
(c) Amount determined under Industrial Disputes Act, 1947, i.e. $15/30 \times$ Average Salary of last 3 months \times Number of Completed Years of Service and part thereof in excess of 6 months. (See Note)	XXX	(XXX)
Taxable Value		XXXX

Note:

- Computation is based on 15/30 and not 15/26 as held by Supreme Court in **Guru Jambheshwar University through Registrar vs Dharampal [AIR 2007 SC 1040]**.
- For computing Average Salary purposes, Wages includes Basic and Dearness Allowance.

Illustration - Retrenchment Compensation - M 13

Mr. Gobind received Retrenchment Compensation of ₹ 10,00,000 after 30 years and 4 months of service. At the time of retrenchment, he was receiving Basic Salary of ₹ 20,000 p.m. and Dearness Allowance of ₹ 5,000 p.m. Compute his taxable Retrenchment Compensation.

Voluntary Retirement Compensation [Sec. 10(10C)]

1. **Meaning:** Compensation received under Voluntary Retirement Scheme (called as VRS Compensation or VRC) falls within the meaning of **Profits in Lieu of Salary** u/s 17(3), and therefore is taxable as Salary.

2. **Exemption:** Exemption u/s 10(10C) is applicable for the Employees of-

- A Public Sector Company or any other Company.
- An Authority established under a Central, State or Provincial Act.
- A Local Authority.
- A Co-Operative Society.
- A University established or incorporated by or under a Central, State or Provincial Act and an Institution declared to be University u/s 3 of the UGC Act, 1956.
- An Indian Institute of Technology u/s 3(g) of the Institutes of Technology Act, 1961.
- Any State Government or Central Government.
- Notified Institutes of Management, i.e. IIMs at Ahmedabad, Bangalore, Calcutta, Lucknow, and Indian Institute of Foreign Trade.
- Notified Institutions, having importance throughout India or in any State or States, (e.g. International Crops Research Institute for Semi-Arid Tropics, Action for Food Production (AFPRO), Government Tool Room and Training Centre)

3. Computation of Exemption:

Particulars	₹	₹
1. Computation of Salary for VRC Exemption: Salary means Last drawn salary. Last drawn Salary = Last completed month of Salary.		
Basic Salary		XXX
DA considered for Retirement Benefits		XXX
Salary for Voluntary Retirement Compensation Exemption		XXX
2. Taxable Voluntary Retirement Compensation		
Amount Received as Voluntary Retirement Compensation		XXX
Less: Exempt u/s 10(10) = Least of the following -		
(a) Actual Voluntary Retirement Compensation received by the Individual	XXX	
(b) ₹ 5,00,000	XXX	
(c) Amount as per Note below	XXX	(xxx)
Taxable Amount of Voluntary Retirement Compensation		XXX

Note: The Compensation received shall not exceed **higher** of -

- Last Drawn Salary x 3 x Number of fully completed years of service.
- Last Drawn Salary x Balance Number of Months of Service left.

Illustration - VRS Compensation - N 00

John is employed in a public Company and is paid a sum of ₹ 6,00,000 on Voluntary Retirement from service. The normal age of retirement in the Company is 60 and John, who was 45 at the time of retirement, has completed 20 years of service. His monthly salary at the time of retirement was as follows —

Basic Pay	₹ 10,000
Dearness Allowance (50% includible for Pension)	₹ 6,000
House Rent Allowance	₹ 3,000
Conveyance Allowance	₹ 800

What is the amount of compensation taxable under the Act?

Illustration - Computation of value of Perquisites - N 10

AB Co. Ltd allotted 1000 Sweat Equity Shares to Sri Chand in June 2021. The shares were allotted at ₹ 200 per Share as against the fair market value of ₹ 300 per Share on the date of exercise of Option by the allotted viz. Sri Chand. The Fair Market Value was computed in accordance with the method prescribed under the Act.

- What is the Perquisite Value of Sweat Equity Shares allotted to Sri Chand?
- In the case of subsequent sale of those Shares by Sri Chand, what would be the Cost of Acquisition of those Sweat Equity Shares?

Illustration - Computation of LTA Exemption-Twin Children - M 13

Rajesh went to Shrinagar on a holiday on 15-11-2021 with his wife and two children (one Son - age 6 years, twin daughters - age 3 years). They went by aeroplane (economy class) and the total cost of tickets by his employer was ₹ 58,000. (₹ 43,000 for adults and ₹ 15,000 for the three minor children). Compute the amount of Leave Travel Concession exempt. Will the answer be any different if among his three children, the twins are 6 years old and son 3 years old?

Illustration - Tax Treatment of Medical Benefits - N 02 (F)

From the following data, you are required to calculate the perquisite value of the expenditure on medical treatment, which is assessable in the hands of the Employee of a Company, inclusive of the conditions to be satisfied - (amounts in ₹)

Gross Total Income, inclusive of Salary 2,00,000

- Amount spent on treatment of the Employee's wife in a hospital maintained by the Employer 10,000
- Amount paid by the Employer on treatment of the Employee's child in a notified hospital 5,000
- Medical Insurance Premium reimbursed by Employer on a policy covering Employee, his wife & dependent parents 8,000
- (i) Amount spent on medical treatment of the Employee outside India 1,50,000
(ii) Amount spent on travel and stay abroad 1,00,000
- Amount spent on travel and stay abroad of Attendant 50,000

Illustration-Taxability of Medical Benefits-M 14

Ms. Rakhi is an Employee in a Private Company. She receives the following Medical Benefits from the Company during the Previous Year 2021-2022

Particulars	₹
1. Reimbursement of following Medical Expenses incurred by Ms. Rakhi.	
(A) On treatment of her Self Employed Daughter in a Private Clinic.	4,000
(B) On treatment of herself by Family doctor	8,000
(C) On treatment of her Mother-in-Law dependent on her, in a Nursing Home	5,000
2. Payment of premium on Mediclaim Policy taken on her health.	7,500
3. Medical Allowance	2,000 P.m
4. Medical Expenses Reimbursed on her Son's treatment in a Government Hospital	5,000
5. Expenses incurred by Company on the treatment of her minor son abroad.	1,05,000
6. Expenses in relation to Foreign Travel and Stay of Rakhi and her son abroad for Medical Treatment. (Limit prescribed by RBI for this is ₹ 2,00,000)	1,20,000

Discuss about the taxability of above benefits and allowances in the hands of Rakhi.

Illustration - HRA vs RFA - N 07

Khanna, an Employee of IOL, New Delhi, a Private Sector Company, received the following for the Previous Year 2021-2022 -

Basic Salary ₹ 3,20,000, House Rent Allowance ₹ 90,000, Special Allowance ₹ 50,000. Khanna was residing at New Delhi and was paying a rent of ₹ 10,000 a month.

- Compute eligible exemption u/s 10(13A) in respect of House Rent Allowance received.
- If Khanna opts for Rent Free Accommodation whereby IOL would be paying a rent of ₹ 10,000 per month, to the Landlord, and recovers a sum of ₹ 1,000 per month from Khanna which was in excess of his entitlement, what will be the perquisite value in respect of such Rent Free Accommodation?
- Which of the above would be beneficial to Khanna, i.e. House Rent Allowance or Rent Free Accommodation?

Illustration - Valuation of Perquisites - M 11

Shri Bala employed in ABC Co. Ltd as Finance Manager gives you the list of Perquisites provided by the Company to him for the entire Previous Year 2021-2022 -

- Medical Facility given to his family in a hospital maintained by the Company. The estimated value of benefit because of such facility is ₹ 40,000.
- Domestic Servant was provided at the residence of Bala. Salary of Domestic Servant is ₹ 1,500 per month. The Servant was engaged by him and the Salary is reimbursed by the Company (Employer).

In case, the company has employed the Domestic Servant, what is the value of perquisite?

- Free Education was provided to his two children Arathy and Ashok in a school maintained and owned by the Company. The cost of such education for Arathy is computed at ₹ 900 per month and for Ashok at ₹ 1,200 per month. No amount was recovered by the Company for such education facility from Bala.

- The employer has provided movable Assets such as Television, Refrigerator and Air

Conditioner at the residence of Bala. The actual cost of such Assets provided to the employee is ₹ 1,10,000.

(v) A Gift voucher worth ₹ 10,000 was given on the occasion of his marriage anniversary. It is given by the Company to all employees above certain grade.

State the taxability or otherwise of the above Perquisites and compute the Total Value of Taxable Perquisites.

Illustration - Value of Concessional Loan - M 08

Following benefits have been granted by Ved Software Ltd, to one of its employees Mr. Badri —

(a) Housing Loan at 6% per annum. Amount Outstanding on 01.04.2021 is ₹ 6,00,000. Mr. Badri pays ₹ 12,000 per month, on 5th of each month.

(b) Air Conditioners purchased 4 years back for ₹ 2,00,000 have been given to Mr. Badri for ₹ 90,000.

Compute the chargeable perquisite in the hands of Mr. Badri for the Assessment Year 2022-2023. The Lending Rate of State Bank of India as on 01.04.2021 for Housing Loan may be taken as 10% for calculation convenience.

Illustration - Valuation of Various Perquisites - N 11

Mr. Balaji, employed as Production Manager in Beta Ltd, furnish you the following information -

(i) Basic salary upto 31.10.2021 - ₹ 50,000 p.m.

Basic salary from 01.11.2021 - ₹ 60,000 p.m.

Note: Salary is due and paid on the last day of every month.

(ii) Dearness Allowance @ 40% of Basic Salary.

(iii) Bonus equal to One Month Salary paid in October 2021 on Basic Salary plus Dearness Allowance applicable for that month.

(iv) Contribution of Employer to Recognized Provident Fund account of the employees @ 16% of Basic Salary.

(v) Profession Tax paid ₹ 3,000 of which ₹ 2,000 was paid by the Employer.

(vi) Facility of Laptop and Computer was provided to Balaji for both Official and Personal Use. Cost of Laptop ₹ 45,000 and Computer ₹ 35,000 were acquired by the Company on 01.12.2021.

(vii) Motor Car owned by the Employer (CC of Engine exceeds 1.60 Litres) provided to the Employee from 01.11.2021 meant for both Official and Personal Use. Repair and Running Expenses of ₹ 45,000 from 01.11.2021 to 31.03.2022 were fully met by the Employer. The Motor Car was self-driven by the Employee.

Leave Travel Concession given to Employee, his wife and three children (one daughter aged 7 and twin sons aged 3). Cost of Air Tickets (Economy Class) reimbursed by the Employer was ₹ 30,000 for adults and ₹ 45,000 for three children. Balaji is eligible for availing exemption this year to the extent it is permissible in Law.

Compute the Salary Income chargeable to tax and tax liability in the hands of Mr. Balaji for Assessment Year 2022-2023.

Illustration - Computation of Salary Income - N 13

From the following data, find out the Salary chargeable to tax of Mr. Anand for Assessment Year 2022-2023:

Mr. Anand is a regular employee of Malpani Ltd in Mumbai. He was appointed on 01-03-2021 in the scale of 25,000-2,500-35,000. He is paid dearness Allowance (which forms part of Salary for Retirement Benefits) @ 15% of Basic Pay, and Bonus equivalent to one and a half month's Basic Pay as at the end of the year. He contributes 18% of his Salary (Basic Pay plus Dearness Allowance) towards Recognized Provident Fund and the Company contributes the same amount.

He is provided free housing facility which has been taken on Rent by the Company at ₹ 15,000 per month. He is also provided with following facilities:

- (i) The Company reimbursed the medical treatment bill of ₹ 40,000 of his dependent daughter.
- (ii) The monthly salary of ₹ 2,000 of a house-keeper is reimbursed by the Company.
- (iii) He is getting Telephone Allowance @ ₹ 1,000 per month.
- (iv) A Gift Voucher of ₹ 4,700 was given on the occasion of his marriage anniversary.
- (v) The Company pays Medical Insurance Premium to effect an insurance on the health of Mr. Anand ₹ 12,000.
- (vi) Motor Car running and maintenance charged fully paid by Employer of ₹ 36,600. (The Motor Car is owned and driven by Mr. Anand. The engine cubic capacity is below 1.60 litres. The Motor Car is used for both official and personal purpose by the Employee.)
- (vii) Value of Free Lunch provided during office hours is ₹ 2,200.

Assessee: Mr. Anand Previous Year: 2021-2022 Assessment Year: 2022-2023

Illustration - Valuation of Perquisites, Exemption for Retirement Benefits - N 11

Mr. X retired from the services of M/s Y Ltd on 31.01.2022 after completing service of 30 years and one month. He had joined the company in 1992 at the age of 30 years and received the following on his retirement:

- (a) Gratuity ₹ 6,00,000. He was covered under the Payment of Gratuity Act, 1972.
- (b) Leave Encashment of ₹ 3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
- (c) As per the scheme of the Company, he was offered a Car which was purchased on 01.02.2019 by the Company for ₹ 5,00,000. Company has recovered ₹ 2,00,000 from him for the Car. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
- (d) An amount of ₹ 3,00,000 as Commutation of Pension for 2/3rd of his Pension Commutation.
- (e) Company presented him a Gift Voucher worth ₹ 6,000 on his retirement.
- (f) His colleagues also gifted him a Television (LCD) worth ₹ 50,000 from their own contribution.

Following are the other particulars:

- (a) He has drawn a Basic Salary of ₹ 20,000 and 50% Dearness Allowance per month for the period from 01.04.2021 to 31.01.2022.
- (b) Received Pension of ₹ 5,000 per month for the period 01.02.2022 to 31.03.2022 after Commutation of Pension.

Compute his Gross Total Income from the above for Assessment Year 2022-2023.

Illustration - Valuation of Perquisites & Chapter VI A Deductions - N 10

Mr. Raghu, Marketing Manager of KL Ltd. based at Mumbai furnishes you the following information -

Basic Salary - ₹ 1,00,000 per month, Dearness Allowance - ₹ 50,000 per month, Bonus - 2 Months Basic Salary, Contribution of Employer to RPF - 15% of Basic Salary plus Dearness Allowance. Rent Free Unfurnished Accommodation was provided by the Company at Mumbai (Accommodation owned by the Company).

Illustration - Computation of Total Income & Tax Payable - N 08

Mr. Mahesh, a Production Manager, working in ABC Ltd, New Delhi, receives following emoluments during the Previous Year 2021-2022:

Particulars	₹	Particulars	₹
Basic Salary	5,25,000	Bonus	24,000
D.A. (not forming part of Salary)	4,20,000	Medical Allowance	15,000
Commission on extra production	36,000	Special Allowance	54,000

1. Education Allowance (including allowance for Hostel Expenditure) for two sons who are engineering students at Mumbai - ₹ 48,000.
2. His Employer has provided Rent Free House to him in New Delhi.
3. Electricity Bills paid by ABC Ltd for him during the previous year are for ₹ 34,500.
4. On 02.01.2021, Employer Company has given him a CD player for domestic use and a laptop for office and personal use. Ownership of both the assets have not been transferred. The cost of CD player is ₹ 60,000 and that of laptop is ₹ 1,20,000.
5. His investments during the previous year are - (a) Notified Mutual Fund ₹ 75,000, & (b) PPF ₹ 45,000.
6. He has paid tuition fees of his sons on 17.12.2021 of ₹ 1,80,000
7. He has deposited ₹ 30,000 in Five Year Time Deposit Scheme in Post Office on 25.03.2022.
8. His Agricultural Income during the year is ₹ 1,35,000
9. He has received Gift of ₹ 75,000 from his Grandfather on 10.06.2021.
10. He has gifted his Car to his wife on 15.05.2021. She has earned income of ₹ 90,000 from hiring the same during the previous year.

Compute the Total Income and Tax Payable of Mr. Mahesh for the Assessment Year 2022-2023.

Illustration - Computation of Income under the Head "Salaries - M 17

Mr. Nambi, a Salaried Employee, furnishes the following details for the Financial Year 2021-2022:

Particulars	₹
Basic Salary	6,00,000
Dearness Allowance	3,20,000
Commission	50,000
Entertainment Allowance	7,500
Medical Expenses reimbursed by the Employer	21,000
Profession Tax (of this, 50% paid by Employer)	7,000
Health Insurance Premium paid by Employer	9,000
Gift Voucher given by Employer on his birthday	12,000
Life Insurance Premium of Nambi paid by Employer	34,000
Laptop provided for use at home. Actual Cost of Laptop to Employer [Children of the Assessee are also using the Laptop at home.]	30,000

Employer- Company owns a Tata Nano Car, which was provided to the Assessee, both for official and personal use. No Driver was provided. (Engine Cubic Capacity less than 1.6 litres)	
Annual Credit Card Fees paid by Employer [Credit Card is not exclusively used for official purposes, details of usage are not available.]	2,000

You are required to compute the income chargeable under the head "Salaries" for the assessment year 2022-2023.

Illustration - Computation of Income under the Head "Salaries - M 18

Mr. Honey is working with a Domestic Company having a production unit in the U.S.A. for last 15 years, he has been regularly visiting India for export promotion of Company's product. He has been staying in India for atleast 184 days every year.

He submits the following information:

Salary received outside India (For 6 Months) ₹ 50,000 P.M.

Salary received in India (For 6 months) ₹ 50,000 P.M.

He has been given rent free accommodation in U.S.A for which company pays ₹ 15,000 per month as rent, but when he comes to India, he stays in the guest house of the company. During this period he is given free lunch facility. During the previous year company incurred an expenditure of ₹ 48,000 on this facility.

He has been provided a car of 2,000 cc capacity in U.S.A which is used by him for both office and private purposes. The actual cost of the car is ₹ 8,00,000. But when he is in India, the car is used by him and the members of his family only for personal purpose. The monthly expenditure of car is ₹ 5,000. His elder son is studying in India for which his employer spends ₹ 12,000 per year where as his younger son is studying in U.S.A and stays in a hostel for which Mr. Honey gets ₹ 3,000 per month as combined allowance.

The Company has taken an accident insurance policy and a life insurance policy. During the year the company paid premium of ₹ 5,000 and ₹ 10,000 respectively.

Compute Mr. Honey's taxable income from salary for the Assessment Year 2022-2023.

Illustration - Place of Accrual of Salary - N 16

Mr. Rajnesh, a Citizen of India, was serving in the Ministry of Finance in India and transferred to High Commission of Australia on 15th March 2020. He did not come to India during the Financial Year 2021-2022. His Income during the Financial Year 2021-2022 is given here under:

Particulars	₹
Salary from Govt, of India	7.20.000
Foreign Allowances from Govt, of India	6,00,000
Rent from a House situated at London, received in London	3.60.000
Interest accrued on National Saving Certificate during the year 2021-2022	45,000
Compute the Gross Total Income of Mr. Rajnesh for the Assessment Year 2022-23	

Illustration - Place of Accrual of Salary - N 11

Mr. David a Government Employee serving in the Ministry of External Affairs left India for the first time on 31.03.2021 due to his transfer of High Commission of Canada. He did not visit India any time during Previous Year 2021-2022. He has received the following income for the Previous Year 2021-2022.

S.No.	Particulars	₹
(i)	Salary	5.00. 000
(ii)	Foreign Allowance	4.00. 000
(iii)	Interest on Fixed Deposit from bank in India	1.00. 000
(iv)	Income from Agriculture in Pakistan	2,00,000
(v)	Income from House Property in Pakistan	2,50,000

Compute his Gross Total Income for Assessment Year 2022-2023.

Illustration - Profit in Lieu of Salary - M 02

Raghav requests you to compute his Taxable Income for the previous year ending 31.03.2022, from the following data -

- Joined service on 01.10.2021, on a consolidated salary of ₹ 60,000 per month.
- He was paid ₹ 30,000 in September 2021, so that he should not join elsewhere.
- He contributed towards - (i) Life Insurance Premium - ₹ 20,000, (ii) PPF - ₹ 1,50,000.

Illustration - Computation of Taxable Salary-Taxability of Allowances - N 08

Mr. M is an Area Manager of M/s N Steels Ltd. During the PY 2021-2022, he gets following emoluments from his Employer -

Basic Salary Upto 31.08.2021 - ₹ 20,000 p.m., From 01.09.2021 - ₹ 25,000 p.m.

Transport Allowance ₹ 2,000 p.m.

Contribution to Recognized Provident Fund 15 % of Basic Salary and D.A.

Children Education Allowance ₹ 500 p.m. for two children

City Compensatory Allowance ₹ 300 p.m.

Hostel Expenses Allowance ₹ 380 p.m. for two children

Tiffin Allowance (Actual Expenses ₹ 3,700) ₹ 5,000 p.a.

Tax paid on employment ₹ 2,500

Compute Taxable Salary and Tax Payable of Mr. M for the Assessment Year 2022-2023.

Illustration - HRA with different periods & Rents - M 12

Mr. Mohit is employed with XY Ltd on a Basic Salary of ₹ 10,000 p.m. He is also entitled to DA at 100% of Basic Salary, 50% of which is included in Salary as per Terms of Employment. The Company gives him House Rent Allowance of ₹ 6,000 p.m. which was increased to ₹ 7,000 p.m. with effect from 01.01.2022. He also got an increment of ₹ 1,000 per month in his Basic Salary with effect from 01.02.2021.

Rent paid by him during the Previous Year 2021-2022 is as under:

April and May 2021 - Nil, as he stayed with his parents

June to October 2021 - ₹ 6,000 p.m. for an accommodation in Ghaziabad

November 2021 to March 2022 - ₹ 8,000 p.m. for an accommodation in Delhi

Compute his Gross Salary for Assessment Year 2022-2023.

Illustration - Computation of Gratuity - Different Scenarios - N 12, RTP

Alok, retired from service on 31.07.2021 after rendering service of 25 years and 7 months. He received Gratuity of ₹ 7,00,000. His Salary at the time of retirement was as under: Basic - ₹ 16,000 p.m. DA (Eligible for Retirement Benefits) - ₹ 8,000 p.m.

Compute the Taxable Portion of Gratuity in the following cases -

1. Alok is a Government Employee.
2. Alok is not a Government Employee but covered by Payment of Gratuity Act, 1972.
3. Alok is not a Government Employee and also not covered by Payment of Gratuity Act, 1972.

Illustration - Gratuity Exemption - N 10

Mr. Shah, an Accounts Manager, has retired from JK Ltd, on 15.01.2022 after rendering services for 30 years 7 months. His Salary is ₹ 25,000 p.m. up to 30.09.2021 and ₹ 27,000 thereafter. He also gets ₹ 2,000 p.m. as Dearness Allowance (55% of it is a part of Salary for computing Retirement Benefits). He is not covered by the Payments of Gratuity Act, 1972. He has received ₹ 8 Lakhs as Gratuity from his Employer Company. Compute the Exemption u/s 10(10) and Gross Income under Salaries.

INCOME FM HOUSE PROPERTY

SECTIONS DISCUSSED IN THIS CHAPTER

Chargeability - Chargeable amount is Annual Value	Section 22
Computation of the Annual Value	Section 23
Deductions from NAV: Statutory deduction	Section 24(a)
Deductions from NAV: Interest on borrowed capital	Section 24(b)
Interest on borrowed capital payable outside India	Section 25
Recovery of unrealized rent and arrear of the rent received	Section 25A
Property owned by co-owners	Section 26
Deemed Ownership	Section 27



CHARGEABILITY

✳ As per **sec. 22**, annual value of the property consisting of any building or land appurtenant thereto of which the assessee is the owner, other than such portions of such property as s/he may occupy for the purpose of any business or profession (**B/P**), carried on by him, the profits of which are chargeable to income-tax, shall be subject to income-tax U/H "Income from house property. (IHP).

So, in simple terminology, we can say that, following conditions must be satisfied to taxed income U/H "IHP".

- i. The property should consist of buildings or land adjoining the building.
- ii. The assessee should be the owner of such HP.
- iii. The owner should not utilize the property for the purpose of any B/P carried on by him, the profits of which are taxable under **I.T. Act**.

COMMERCIAL PROPERTIES	This chapter covers Rental Income from both residential building and commercial building such as offices, shops, go-downs etc.
MEANING OF BUILDING	Building has not been defined in the Act but in the ordinary meaning it means the space, which has the boundary walls, which may be with or without roof
RENT OF LAND	The term House Property shall include any building and lands appurtenant thereto. If the land is not attached to the building then Rent from such land is not taxable under this head but instead it shall be taxable under the head other sources
SUBLETTING	Any Rental Income earned from letting out of Property shall be chargeable to tax for the owner of House Property. But if tenant has let out the Property (sub-letting) then income earned by him shall be chargeable to Tax under the head of 'other sources'
BUSINESS OF LETTING OUT OF BUILDINGS	If any person is holding any HP for the purpose of business of letting it out then rental income of such person shall be taxable as PGBP income and not as income of HP. [<i>Rayala Corporation Pvt. Ltd. (SC)</i>]

Important Practical Issues

The House Property is owned by the Assessee, but it is used by the Firm in which he is a Partner, and he has not derived any benefit from the Firm. It is deemed that the Partner is using the property for his own business, and hence not taxable under Income from House Property .
Where the Property is owned by HUF, but used by the Firm in which all the Members are Partners, Property Income shall be assessable in the hands of HUF as House Property.
Where IT Authorities found that the Assessee had leased out his property to his own family members to show lesser income in his hand and family members had in turn sub-leased it to outsiders on much higher rentals, Assessing Authorities could tax the said income in hands of the assessee.

Deemed Ownership [Sec.27]: Person treated as Owner even if no document of title is registered in his name. Includes-

04. •Property transferred to Spouse or Minor Child for inadequate consideration,
05. •Holder of Impartible estate,
06. •Member of Co-operative Society, Company, etc. who is allotted a House Property,
07. •Part-performance of a Contract u/s 53A of the Transfer of Property Act,
08. •Holder of a Power of Attorney,
09. •Property constructed on a Leasehold Land.
10. •Ownership of Property is under dispute,
11. •Lessee of a Property taken on a lease for a period of not less than 12 years.

Unrealised Rent [Sec.23(I) Expln]: Reduced from Actual Rent, if - (a) Tenancy is Bonafide, (b) Tenant has vacated the property, (c) Tenant not in occupation of any other Property of Assessee, (d) Steps taken for Recovery.

Recovery of Unrealised Rent [Sec.25A]: Treated as the Income of the Previous Year in which it is realized, to the extent of the benefit enjoyed by way of reduction in Net Annual Value. 30% deduction will be allowed against such receipt / recovery of Unrealised Rent..

Municipal Tax including Tax for Services [Sec.23(I) Proviso]: Paid during current previous year allowed as deduction. Deductions u/s 24: 30% of NAV and Interest on Borrowed Capital. Treatment of Prior Period Interest [Sec.24 Expln.]: Allowed in 5 equal installments from the PY in which acquisition was made or construction completed.

Interest paid outside India [Sec.25]: Disallowed if paid without deduction of TDS and no person treated as Agent u/s 163.

COMPOSITE RENT

- ✿ Sometimes, owner charges rent fm the tenant not only on account of rent for the HP but also on a/c of service charges for various facilities provided with the house. Such rent is known as “**Composite rent**”.

Composite rent = Rent for building + rent for assets + charges for various services.

- ✿ **Letting of building with other inseparable assets:**

If the letting of building is inseparable fm the letting of other assets like machinery, furniture etc., the entire income would be taxable as IB&P or IOS, even segregation of rent is possible.



KEY POINTS

- A. Where letting of building and letting out of other assets are separable (i.e. in the senses that letting of one is acceptable to other without letting out of the other; **for instance** letting out of building along with car), then sum received for use of building is to be taxable as “IHP” and sum received for use of assets or services is taxable either as “IB&P” or “IOS”.
- ✿ **Rent includes rent of building and charges of different services (like lift, air-conditioning etc.)**

If the owner of a house property gets a composite rent for the property as well as for services rendered to a tenant, composite rent has to be split up and the sum which is attributable to the use of the property is taxable as rental income fm house property u/s 22. The amount which relates to rendition of services (such as electricity supply, provision of lifts, supply of water, watch and water facility, arrangement for scavenging).

X owns a house property at Kolkata which is let out for residential purposes , particulars of which are as follows :---

Rent of house and amount charged for different amenities (Rs. 96,000 Includes charges for the following amenities – water charges Rs. 8,000,Electricity charges Rs. 24,200 , lift charges Rs. 12,000 and security chargers. 11,000) 96,000

Rent of 1 month could not be collected	8,000
Municipal taxes paid by the tenant	3,000
MV	36,000
FR	38,000
SR	39,000

Expenditure :-

The construction of the property was completed on October 31,2010.

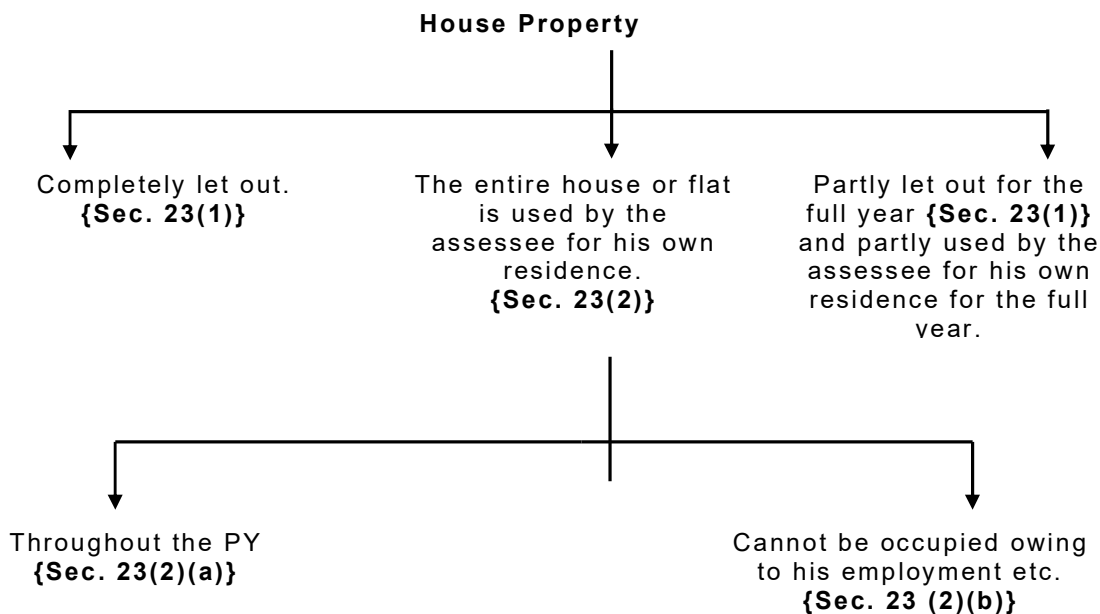
During the P.Y 2002-2003, X had claimed deduction of UR of Rs. 15,000 out of which Rs. 11,000 was allowed as Deduction for that year .On August 10,2020, X, however recovers Rs. 7,000 from the defaulting tenant (expenditure on recovery of rent) .

For providing the different amenities, the following expenses are incurred by X:

Water bills	19,400
Lift maintenance	4,600
Salary of liftman	6,000
Depreciation on lift	2,800
Salary of guard	18,000

Assuming that income of X from business is Rs. 4,00,000.Find out the net income and tax liability of X for the A.Y 2021-2022 .X annually contributes Rs. 55,000 towards PPF.

TYPE OF HOUSE PROPERTY



MODE OF COMPUTATION OF INCOME



SELF OCCUPIED HOUSE PROPERTY

Gross Annual value	nil
Less: Interest for current financial year	(****)
Less: 1/5th of pre-construction interest	(****)
Income from self occupied house property	(****)

Note:

Loss from house property is restricted to 2 Lakhs.



LET OUT HOUSE PROPERTY

Gross Annual value	****
Less : Municipal taxes	(****)
Net Annual Value	****
Less : Deduction u/s 24	(****)
- Standard deduction @30%	
- Interest on borrowed capital	
Income from house property	****

LET OUT PROPERTY**Computation of Gross Annual Value (GAV) {Sec. 23(1)}**

SELF OCCUPIED HOUSE PROPERTY

A HP fully utilised throughout the PY for self-residential purpose, it is not let out or put to any other use. {Sec. 23(2)(a)}

- ⊛ Nothing is taxable. Annual value is nil. Only interest on borrowed capital is deductible subject to a maximum of Rs 30,000/- or Rs 2,00,000/-.
- X owns a house property .It is used by him throughout the P.Y 2020-21 for his residence .Municipal value of the property is Rs. 1,66,000 , whereas fair rent is Rs. 1,76,000 and standard rent is Rs. 1,50,000.The following expenses are incurred by X ; repairs Rs. 20,000 , municipal tax ; 16,000 , insurance Rs. 2,000 ; interest on capital borrowed to construct the property Rs. 1,36,000 ; interest on capital borrowed by mortgaging the property for daughter marriage Rs. 20,000 (in either case capital is borrowed before April 1,1999).Income of X from business is Rs. 7,10,000 . Find out the net income of X for the assessment year 2021-22.

HP away fm the place of the work. {Sec. 23(2)(b)}

- ⊛ Net annual value of such HP shall be taken as nil provided the following conditions are satisfied:
 - i. The assessee must be the owner of only one HP.
 - ii. He can't occupy the HP throughout the PY because of his employment, business or profession away fm the place where the property is situated.
 - iii. He has to reside at that other place in a building not belonging to him.
 - iv. The property is not actually let out; and
 - v. No other benefit is derived fm the property.
- ⊛ Nothing is taxable. Only interest on borrowed capital is deductible subject to a maximum of Rs 30,000/- or Rs 2,00,000/-.

Assessee has more than one house for residential purpose. {Sec. 23(4)}

- ✿ Where the assessee has occupied more than one house for his own residential purposes, only **TWO** of them (according to his own choice) is treated as self occupied u/s 23(2)(a) and all other houses shall be treated as deemed to be let out.

- ✿ Points to be remembered

01. Such option may be changed fm year to year in a manner beneficial to the assessee.
02. However if an assessee has a HP consist of two or more residential units and all such units are self occupied, the annual value of the entire HP shall be taken as nil as there is only one HP though it has more than one residential units.

➤ **Mr X owns four house, particulars of which are as follows**

	H1	H2	H3	H4
MV	30,000	70,000	92,000	28,000
FR	40,000	58,000	96,000	37,000
SR	37,000	74,000	NA	36,000
Municipal tax	3,000	16,000	29,000	12,000
Insurance premium	1,000	2,000	11,700	2,810
Interest on borrowed capital(capital was borrowed before 1-4-99 in the case of H1,H3 and H4.In case of H2 capital was borrowed on 16 -04-2003	11,060	75,900	54,090	85,300
Repayment of loan taken from LIC	nil	6,000	17,000	2,000

Find out the net income and tax liability of X for AY 2021-22 taking into consideration the following information

1. income of X from other source is Rs. 14,75,000
2. X has deposited Rs. 30,000 in PPF.

Part of HP is self occupied and part is let out. {Sec. 23(3)}

- ✿ In this case, a HP consists of two or more independent units and one or more of which are self-occupied and remaining units are let out.
- ✿ Income fm the independent unit, which is self occupied, will not be taxable. Interest on borrowed capital is deductible upto Rs 30,000/- Rs 2,00,000/-. Income fm the unit which is let out is computed as if the unit is let out.

- **X owns a residential house property .It has two equal units – Units 1 and Unit 2. Unit 1 is self occupied by X for his residential purpose . Unit 2 is let out (rent being Rs. 6,000 per month , rent of 2 month could not be recovered). Municipal value of the property is Rs. 1,30,000, Standard rent Rs. 1,25,000 and fair rent is Rs. 1,40,000 .Municipal tax is imposed @ 12 per cent which is paid by X .Other expenses for the P.Y 2020-21 being repairs Rs. 250 , insurance Rs. 600, interest on capital for constructing the property Rs. 63,000.. Find the income of X for the assessment year 2021-22 on the assumption that income of X from other sources is Rs. 1,80,000.**

No notional income for house property held as stock in trade {Sec. 23(5)}

- a. The property (consisting of any building and land appurtenant thereto) is held as stock in trade by the owner of the house property
- b. The property (or any part of the property) is not let out during the whole (or any part) of the PY

If above condition satisfied ,annual value of such property (or part of the property)shall be taken to be nil .However this concession will be available only for the period upto 2 year from the end of the FY in which the certificate of completion of construction of the property is obtained from the competent authority

HP which is self occupied for a part of the year and let out for other part of the year.

- ✳ In this case benefit of sec. 23(2)(a) is not available and its annual value shall be computed as if the property is let out throughout the year. In this case, the period of occupation of property for owns residence shall be irrelevant.

- **X owns a property at Delhi (MV ;Rs. 1,64,000 , FR; Rs. 2,16,000 , SR ;Rs. 1,80,000). The house is let out up to January 31,2021 (monthly rent being Rs. 14,000) .From February 1,2020 the property is self occupied for own residential purposes .Expenses incurred by X are : Municipal tax ; Rs. 6,000 (actually paid), Repairs Rs. 2,100, insurance Rs. 1,100 , interest on capital borrowed for acquiring the property Rs. 1,23,000 .Assuming that the income of X from other sources is Rs. 1,86,000 , find out the net income of X for the A.Y 2021-22. Does it make any difference if the property is let out up to January 31,2021 @ 19,000 per month .There is no unrealized rent .**

	REMNANTS
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Recovery of Unrealised Rent and taxation of arrears of rent {Sec. 25-A read with sec. 25-AA}

Amount of rent received in arrears or the amount of unrealized rent realized subsequently by an assessee shall be charged to income tax in the previous year in which such rent is received or realised, whether the assessee is the owner of the property or not in that previous year. Moreover, the assessee can claim 30% of the arrears or the unrealised rent realised subsequently as deduction.

Property owned by co-owners {Sec. 26}

- ✿ If two or more persons jointly own a house property, then they are known as co-owners. If individual share of each co-owner is definite and ascertainable, the share of each such person from such house will be included in respective individual assessment as his IHP. Otherwise, these co-owners will be treated as AOP to be treated as assessee separate from individuals.
- ✿ If the property is **self occupied** by all the co-owners, then annual value for each co-owner shall be nil. In such a case, interest on loan u/s 24(b) shall be allowed to each co-owner to the extent of Rs 30,000/- or Rs 1,50,000/- as the case may be.
- ✿ If the property is **let out**, then it will be first computed ignoring the co-ownership and then distributed amongst co-owners in their respective extent of ownership.

Three brothers A, B and C having equal share are co-owners of a house property consisting of six identical units, the property was constructed on 31-5-1998. Each of them occupies one unit for his residence and the other three units are let out at a rent of Rs. 7,000 per month. The MV of the house property is Rs. 4,00,000 and the municipal taxes are 40% of such municipal value, which were paid during the year. The other information is as follows ;

Repairs	20,000
---------	--------

Collection charges	5,000
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Interest payable on loan taken for construction of house 2,42,000

One of the let out remained vacant for three months during the year. A could not occupy his unit for six months as he was transferred to Mumbai. He does not own any other house. The other income of A, B and C are Rs. 1,80,000 ; and Rs. 1,90,000 and Rs. 2,10,000 respectively

Compute the income under the head Income from house property .

Exempted Properties

- ✿ Income fm any farmhouse forming part of agriculture income. {Sec. 10(1)}
- ✿ Annual value of any one palace in the occupation of an ex-ruler. {Sec. 10(19A)}
- ✿ Property income of a local authority. {Sec. 10(20)}
- ✿ Property income of an approved scientific research association. {Sec. 10(21)}
- ✿ Property income of certain funds, educational institutions, hospitals etc. {Sec. 10(23C)}
- ✿ Property income of any registered trade union. {Sec. 10(24)}
- ✿ HP held for charitable purposes. {Sec.11}
- ✿ Property income of a political party. {Sec.13A}
- ✿ Property used for own business or profession.
- ✿ One SOHP. {Sec. 23(2)}

Foreign Property

- ✿ If HP is situated abroad, then income fm such property is taxable as following:
 - i. Ordinarily resident Always taxable.
 - ii. Not ordinarily resident or non-resident Income must be received in India.
- X, an America national , is a resident in India during the P.Y ending on March 31, 2020.He was owner of a building located in New york . The same was on rent @ US \$ 12,500 per month . The Municipal tax on such building was paid of US \$ 10,000 on February 12,2020.Besides the above property , he purchased a piece of land at Delhi for construction of a house .The said land was given on rent for running of dairy @ Rs. 3,000 p.m with effect from October 1,2020.The value of one US \$ in Indian rupee throughout the year remained at Rs. 64.50.

Disputed Ownerships

- ✿ In case of disputed ownership, person who is in receipt of income or who enjoys the possession of the HP is assessable to tax.

Loss fm HP

- ✿ DISCUSSED IN "SET OFF AND CARRY FORWARD OF LOSSES".

Doctrine of Mutuality

- ✿ **Sec. 22** levied tax on annual value of house property and not on house property. In case of a club, which provides recreational facilities exclusively to its members and their guest and not to any non-members, it is considered as non-profit seeking concern and run on on-profit no-loss basis. Such club is running on principle of mutuality and its member are not entitled to any share of profit. In the case of such a mutual concern, not only the surplus of the organisation but the annual value of the club house shall be exempted fm tax.

This has been confirmed in the case laws of **CHELMSFORD CLUB**.

House let out to employer company which in turns allot the same as rent free accommodation

- ✿ In such a case, the assessee is not entitled to the aforesaid benefits permissible u/s 23(2), as he occupies the house not as an owner but only in his capacity as a sub tenant of the employer company.

So, there will be two computations of two counts:

Income fm House Property : for rent received.

Income fm Salary : for perquisites as rent free accommodation.



	A	B	C	D	E
Municipal value	40	40	40	40	40
Fair rent	46	46	46	48	51
Standard rent	NA	45	35	45	63

IF THE PROPERTY IS LET OUT THROUGHOUT THE PREVIOUS YEAR (NO UNREALIZED RENT AND VACANCY)

	H 1	H 2	H 3	H 4	H 5
Municipal value	105	105	105	105	105
Fair rent	107	107	107	107	107
Standard rent	NA	88	88	135	135
Annual rent	102	110	85	112	96

IF PROPERTY IS LET OUT THROUGHOUT THE PREVIOUS YEAR, BUT THE ENTIRE RENT COULD NOT BE COLLECTED

	X	Y	Z	A	B
Municipal value	60	60	60	112	112
Fair rent	68	68	68	117	117
Standard rent	62	62	70	115	115
Annual rent	66	66	72	120	110
Unrealized rent	2	2	5	50	40

If the entire rent is collected but the property remains vacant

	X	Y	Z	A	B	C	D
Municipal value	60	61	60	80	80	140	140
Fair rent	65	66	64.5	78	78	150	150
Standard rent	59.5	59	63	85	76	120	120
Annual rent	72	57	72	72	NA	96	144
Property remains vacant	1	1 ½	5	3	12	10	10
Unrealized rent	Nil	Nil	Nil	Nil	Nil	Nil	Nil

If the property remains vacant and the entire rent is not collected

	X	Y	Z	A	B
Municipal value	140	180	180	140	231
Fair rent	145	185	185	145	262
Standard rent	142	175	175	142	241
Annual rent	168	168	168	168	252
Property remains vacant	½	1	1	3	5
Unrealized rent	14	42	1	70	42

(1) Find it the income from property chargeable to tax for the A.Y 2021-22 in the following cases ---

	X	Y
Municipal value	1,20,000	1,20,000
Fair rent	1,30,000	1,30,000
Standard rent under the rent control Act	1,10,000	1,10,000
Actual rent if property is let out throughout the P.Y	1,26,000	1,26,000
Unrealized rent of P.Y 2020-2021	10,500	nil
Period when the property remains vacant (in no. of month)	(1)	(nil)
Loss due to vacancy	10,500	nil
Municipal taxes ---	18,000	18,000
---- paid by X and Y during 2020-21	17,000	8,000
---- paid by X and Y after March 31,2021	1,000	9,000
---- paid by tenants during 2020-21	nil	1,000

PROBLEM ON HOUSE PROPERTY

20. A and B construct their houses on a piece of land purchased by them at New Delhi. The built up area of each house is 1,000 sq. ft. (ground floor and an equal area in the first floor). A starts construction on April 1, 2017 and completes it on March 31, 2020. B starts the construction on April 1, 2017 and completes the same on June 30, 2021. A occupies the entire house on April 1, 2020. However, B occupies the ground floor on July 1, 2021 and lets out the first for a rent of Rs. 15,000 per month. The tenant vacates the house on December 31, 2021 and B occupies the entire house during the period January 1, 2022 to March 31, 2022.

The following is the other information:

Fair rental value of each unit (ground floor/first floor) (per annum)	1,00,000
Municipal value of each unit (ground floor/first floor) (per annum)	72,000
Municipal taxes paid by	
A	8,000
B	8,000
Repair and maintenance charges paid by	
-A	28,000
-B	30,000

A has availed a housing loan of Rs. 20 lakh @ 12 percent on April 1, 2017. B has availed a housing loan of Rs. 12 lakh @ 12 percent on July 1, 2017. No repayment is made by either of them till March 31, 2020.

Compute income from house property for A and B for the assessment year 2021-22.

21. X owns a big house (erection completed on 31-03-2017) which is partly self-occupied and partly let out. Unit 1 (fifty per cent of the floor area) is let out for commercial purposes on a monthly rent of Rs. 8,200pm (1 month and Rs.700 could not be realized). Unit 2 (25 per cent of the floor area) is used by X for the purpose of his profession, while Unit 3 (the remaining 25 percent), is utilized for the purpose of his residence. Other particulars of the house are as follows:

Municipal valuation: Rs. 60,000, Fair rent 70,000 & Standard rent under the Delhi Rent Control Act: Rs. 90,000, Municipal tax: Rs. 15,000, Repairs: Rs. 8,000, Ground rent: Rs. 16,800, Annual charge created by will by father in favour of Mrs.X: Rs. 9,000 and Insurance Premium: Rs. 12,000. Income of X has from profession is Rs. 7,95,000 (without debiting house rent and other incidental expenditure on the portion of house used for profession Rs 8,000. Determine the taxable income of X for the assessment year 2022-23, on the assumption **that he maintains books of account on the basis of mercantile system.**

22. Mr.X has 3 house properties situated at Delhi .

Property A is let out for business.

Property B is let out for residential purpose.

Property C has four identical units:

Unit P ---- let out for residential purpose throughout the P.Y

Unit Q ---- used for own business.

Unit R ---- used for own residence

Units S ---- let out for residential purposes ; but w.e.f. 1-1-2022 was also used for own residence

The particulars of property A and B are as under:

	Property A	Property B
Municipal value	50,000	60,000
Actual rent	5,000 p.m	6,000 p.m
Fair rent	70,000	75,000
Standard rent	54,000	84,000
Date of completion of construction	1-3-2015	1-3-2016
Municipal tax paid	12,000	20,000
Repairs	5,000	-----
Interest on money borrowed for construction	30,000	12,000
Collection charges	4,800	4,800
Insurance premium paid	2,000	2,000

Mr.X has borrowed a sum of Rs. 2,50,000 @ 12% p.a on 1-1-2015 for construction of House –A . The entire loan was still outstanding though interest is being paid every year.

The particulars of property C are as under :

	Rs.
Date of completion	1.3.2015
Date of purchase by Mr.X	1.5.2016
Municipal value	1,60,000
Rent of unit P	3,000 p.m
Rent of unit S	3,000 p.m
Municipal tax paid	20,000
Interest on money borrowed for purchase of house	40,000
Lease rent of land of house property	5,000

Compute the income of Mr.X under the head RsIncome under the head house property Rs for the A.Y 2021-22.

23. X owns four houses particulars of which are as follows :

	I	II	III	IV
MV	30,000	5,000	68,000	95,000
FR	39,000	18,000	77,000	95,000
SR	36,200	12,000	75,000	90,000
Rent (if property is let out throughout the year)	42,000	----	---	----
UR	3,500	----	---	---
Municipal Taxes				
- Paid by X	----	500	7,000	9,000
- Paid by tenant	3,000	----	---	----
Date of completion of construction	May 31,2021	May 31,2021	march 31,2021	April 1,2021
Nature of occupation	LO	SO	SO	SO

Property I remains vacant for 2 month (March 16,2022 to May 15,2022) . X borrows Rs. 30,000. Rs. 40,000 and Rs. 65,000 for construction of House I , House II and House IV , respectively (date of borrowing ; June 15,2016, date of repayment of loan along with interest ; December 31,2021 , rate of interest 15%).

Business income of X for the P.Y 2022-23 is Rs. 12,55,000 (it has been computed as per the provision of the income tax.) Determine the taxable income and tax liability of X for the A.Y 2022-23 on the assumption that he contributes Rs. 40,000 towards PPF.

24. Mr. X owns a house in Delhi, During the previous year 2021-22, 3/4th portion of the house was self-occupied for full year and 1/4th portion was let out for residential purposes from 1.4.2021 to 31.12.2021 on a rent of Rs.7,000 p.m. From 1.1.2022 this portion was also used for own residence. Municipal valuation of the house is Rs.2,00,000. He incurred the following expenditure in respect of the house property.

Municipal taxes due Rs.60,000; Repairs Rs.20,000; Fire Insurance Premium Rs.35,000; Land Revenue Rs.40,000; Ground Rent Rs.2,000 were paid during the year. A loan of Rs. 10,00,000 was taken on 1.4.2017 @ 9% p.a. for the construction of the house which was completed on 28.3.2018. Nothing was repaid on loan account so far.

Find out his income from house property for the assessment year 2022-23 if X:

(a) does not opt to be taxed under section 115BAC

(b) opts to be taxed under section 115BAC

25. R owns a house property which is self-occupied by him till 30.11.2021 and thereafter let out for Rs. 10,000 p.m. The municipal value of house property is Rs. 1,00,000 and the fair rent is Rs. 1,20,000, R paid Rs. 1,50,000 as municipal taxes during the previous year which relate to past years as well as for current year.

Determine the income from house property assuming the insurance premium and interest paid during the year were Rs.3,000 & Rs.25,000 respectively. Assume if R:

(a) does not opt to be taxed under section 115BAC

(b) opts to be taxed under section 115BAC

26. R has a house property situated in Delhi. From the following particulars submitted to you. Compute the income from house property for the assessment year 2022-23.

	Rs.
Municipal valuation	90,000
Fair rent	1,10,000
Standard rent	1,00,000

The house property was let out w.e.f. 1.4.2021 for Rs.8,000 p.m. which was vacated by tenant on 30.9.2021. It remained vacant for 2 months. W.e.f. 1.12.2021, it was let out for Rs. 11,000 p.m.

Municipal taxes paid	20% of municipal valuation
Insurance premium paid	Rs.3,000
Interest on money borrowed for purchase of house property	Rs.30,000

Assume R:

(a) does not opt to be taxed under section 115B AC

(b) opts to be taxed under section 115BAC

Illustration - Evaluation of Beneficial Option - M 10

Mr. Mahesh has three flats at Chennai, all the houses were self occupied, the particulars of which are provided below (in ₹)

Particulars	Flat I	Flat II	Flat III
Municipal valuation	3,00,000	3,60,000	3,30,000
Fair Rent (Rent which similar property would fetch)	3,75,000	2,75,000	3,80,000
Standard rent	3,50,000	3,70,000	3,75,000
Municipal taxes paid	12%	8%	6%
Date of Completion/ Purchase	31.03.1999	31.03.2001	01.04.2014
Interest on loan for Repairs of property during the Current year	—	55,000	—
Current year Interest on loan borrowed in July 2013 for Purchase of property			1,75,000

You are required to advise Mr. Mahesh which flats can be treated as self-occupied and the other deemed to be let out in a manner beneficial to him.

Assessee: Mr. Mahesh Previous Year: 2021-2022 Assessment Year: 2022-2023

Illustration - Computation of Income from House Property - M 17

Mr. Ganesh owns a Commercial Building whose construction got completed in June 2020. He took a Loan of ₹ 15 Lakhs from his friend on 01-08-2019 and had been paying Interest calculated at 15% per annum. He is eligible for Pre-Construction Interest as deduction as per the provisions of the Income Tax Act.

Mr. Ganesh has let out the Commercial Building at a monthly rent of ₹ 40,000 during the financial year

2020-2021. He paid Municipal Tax of ₹ 18,000 each for the financial year 2020-2021 and 2021-2022 on 01-05-2021 and 05-04-2022 respectively.

Compute Income under the head 'House Property ₹ of Mr. Ganesh for the Assessment year 2022-2023.

Illustration - Determination of Annual Value - M 12

Mr. Vaibhav owns 5 houses at Cochin. Compute the Gross Annual Value of each House from the information given:

Particulars	House - I	House - II	House - III	House - IV	House - V
Municipal Value	1,20,000	2,40,000	1,10,000	90,000	75,000
Fair Rent	1,50,000	2,40,000	1,14,000	84,000	80,000
Standard Rent	1,08,000	NA	1,44,000	NA	78,000

Actual Rent received / receivable	1,80,000	2,10,000	1,20,000	1,08,000	72,000
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Illustration - Income from House Property - N 13

Mr. Krishna owns a Residential House in Delhi. The House is having two identical units. First Unit of the House is self-occupied by Mr. Krishna, and another unit is rented for ₹ 12,000 p.m. The rented unit was vacant for three months during the year. The particulars of the house for the previous year 2021-2022 are -

Standard Rent	₹ 2,20,000 p.a.
Municipal Valuation	₹ 2,44,000 p.a.
Fair Rent	₹ 2,35,000 p.a.
Municipal Tax paid by Mr. Krishna	12% of the Municipal Valuation
Light and Water Charges	₹ 800 p.m.
Interest on Borrowed Capital	₹ 2,000 p.m.
Insurance Charges	₹ 3,500 p.m.
Painting Expenses	₹ 16,000 p.a.

Compute Income from House Property of Mr. Krishna, for the Assessment Year 2022-2023.

Illustration - Portions Self Occupied & Let out - N 12

Mr. Vikas owns a House Property whose Municipal Value, Fair Rent and Standard Rent are ₹ 96,000, ₹ 1,26,000 and ₹ 1,08,000 (per annum) respectively. During the Previous Year 2021-2022, one-third of the portion of the house was let out for residential purpose at a monthly rent of ₹ 5,000. Remaining two-third portion was self-occupied by him. Municipal Tax @ 11% of Municipal Value was paid during the year.

The Construction of the House began in June 2012 and was completed on 31.05.2016. Vikas took a Loan of ₹ 1,00,000 on 01.07.2013 for the Construction of Building. He paid Interest on Loan @ 12% p.a. and every month such interest was paid.

Compute Income from House Property of Mr. Vikas for the Assessment Year 2022-2023.

Assessee: Mr. Vikas Previous Year: 2021-2022 Assessment Year: 2022-2023

Illustration - Co-Ownership - N 12

Two brothers Arun and Bimal are Co-Owners of a House Property with equal share. The property was constructed during the Previous Year 1998-1999. The property consists of eight identical units and is situated at Cochin.

During the Previous Year 2021-2022, each Co-Owner occupied one unit for residence and the balance of six units were let out at a rent of ₹ 12,000 per Month per unit. The Municipal Value of the House Property is ₹ 9,00,000 and the Municipal Taxes are 20% of Municipal Value, which were paid during the year. The other expenses were as follows:

Particulars	
Repairs	40,000
Insurance premium (paid)	15,000
Interest payable on loan taken for construction of house	3,00,000

One of the Let - Out units remained vacant for four months during the year.

Arun could not occupy his unit for six months as he was transferred to Chennai. He does not own any other house.

The Other Income of Mr. Arun and Mr. Bimal are ₹ 2,90,000 and ₹ 1,80,000 respectively for the Previous Year 2021-2022.

Compute the Income under the head Income from House Property and the Total Income of two brothers for the Assessment Year 2022-2023.

Illustration - Indian & Foreign Property - N 09

Mrs. Indu, a Resident Individual, owns a house in USA. She receives rent at \$ 1,500 per month. She paid municipal taxes of \$ 1,125 during the Previous Year 2021-2022. She also owns a two storied house in Mumbai, Ground Floor is used for her residence and First Floor is Let Out at a monthly rent of ₹ 10,000. Standard Rent for each floor is ₹ 11,000 per month. Municipal taxes paid for the house amounts to ₹ 7,500. Mrs. Indu had constructed the house by taking a loan from a nationalized bank on 20.06.2017. She repaid the loan of ₹ 54,000 including interest of ₹ 24,000. The Value of one dollar is to be taken as ₹ 60.

Compute Total Income from House Property of Mrs. Indu.

Illustration - Indian & Foreign Property - Beneficial Option to Assessee - M 09

Mrs. Rohini Ravi, a Citizen of the USA is a Resident and Ordinarily Resident in India during the Previous Year 2021-2022. She owns a House Property at Los Angeles, U.S.A. which is used as her

residence. The annual value of the house is \$ 20,000. The value of 1 USD (\$) may be taken as ₹ 65.

She took ownership and possession of a flat in Chennai on 01.07.2021, which is used for Self-Occupation, while she is in India.

The flat was used by her for 7 months only during the year ended 31.03.2022. Whilst the Municipal Valuation is ₹ 32,000 p.m, the Fair Rent is ₹ 4,20,000 p.a. She paid the following to Corporation of Chennai - Property Tax ₹ 16,200 and Sewerage Tax ₹ 1,800.

She had taken a Loan from Standard Chartered Bank for purchasing this flat. Interest on Loan was

Period prior to 01.04.2021 49,200

01.04.2021 to 30.06.2021 50,800

01.07.2021 to 31.03.2022 1,31,300

She had a house property in Bangalore, which was sold in March, 2022. In respect of this house, she received arrears of rent of ₹ 60,000 in March, 2022. This amount has not been charged to tax earlier.

Compute the Income chargeable from House Property of Mrs. Rohini Ravi for the Assessment Year 2022-2023, exercising the most beneficial option available.

Illustration - Taxable Income & Tax Liability

Pritam occupied Three flats for his residential purposes, particulars of which are as follows

Particulars	Flat 1	Flat 2	Flat 3
Gross Annual Value	4,80,000	4,50,000	4,75,000
Municipal Taxes paid	10%	10%	10%
Interest payable on Loan for purchase of Flat	—	1,20,000	1,60,000

Income of Pritam from his proprietary business, "Pritam Warehousing Corporation" is ₹ 19,50,000. Determine the Taxable Income and Tax Liability for AY 2022-2023, on the assumption that he contributes ₹ 80,000 towards the Public Provident Fund.

You are informed that Pritam could not occupy Flat 2 for two months commencing from December 1, 2016 and that he has attained the age of 60 on 23rd August 2021.

Illustration - Computation of Taxable Income & Tax Liability for NRI - N 19

Mr. Jagdish, aged 61 years, has set-up his business in Thailand and is residing in Thailand since last 20 years. He owns a house property in Bangkok, half of which is used as his residence and half is given on rent (Such rent received, converted in INR is ₹ 6,00,000). The annual value of the house in Thailand is ₹ 50,00,000 i.e. converted value in INR.

He purchased a flat in Pune during F.Y. 2017-2018, which has been given on monthly rent of ₹ 27,500 since 01.07.2020. The annual property tax of Pune flat is ₹ 40,000 which is paid by Mr. Jagdish whenever he comes to India. Mr. Jagdish last visited India in July 2018. He has taken a loan from Union Bank of India for purchase of the Pune flat amounting to ₹ 15,00,000. The interest on such loan for the F.Y. 2021-2022 was ₹ 84,000. However, interest for March 2022 quarter has not yet been paid by Mr. Jagdish.

He had a house in Jaipur which was sold in May 2017. In respect of this house he received arrear of rent of ₹ 96,000 in Feb.2022 (not taxed earlier).

Details of other incomes during F.Y. 2021-2022 which are as follows:

- Profit from business in Thailand ₹ 2,75,000
- Interest on bonds of a Japanese Co. ₹ 45,000 out of which 50% was received in India.
- Income from Apple Orchard in Nepal given on contract and the yearly contract fee of ₹ 5,00,000, for F.Y. 2021-2022 was deposited directly by the contractor in Kathmandu branch of Union Bank of India in Mr. Jagdish's bank account maintained with Union Bank of India in Mr. Jagdish's bank account maintained with Union Bank of India's Pune Branch.

Compute the total income of Mr. Jagdish for AY 2022-2023 chargeable to income tax in India.

DEDUCTIONS FROM GROSS TOTAL INCOME

Sec 80A General rules of deductions

Sec 80B(5) Gross total income means a total income computed in accordance with the provisions of act without deduction under chapter VIA which implies that.

- ✓ Deduction under respective chapter has been taken
- ✓ Clubbing provisions is effected
- ✓ Setoff has been made
- ✓ Unabsorbed losses and depreciation has been effected.

Sec 80A - The aggregate amount of deductions under this Chapter shall not, in any case, exceed gross total income of the assessee i.e. an assessee cannot have a loss after taking the deduction.

No Deduction is available if income (GTI) only contains

- LTCG - u/s 112.
- STCG - u/s 111A
- NR Presumptive Income u/s 115A to 115AD
- Income of NR under chapter XIIA

Sec 80AC - No deduction would be allowed to a taxpayer if Income-tax return is not filled on or before the due date u/s 139[1]

Sec 80TTA Deduction for interest on savings account

Assessee	Individual or HUF (Other than Senior citizen)
Qualifying Income	Interest on savings account (not time deposits) earned on savings account with a) Banking company b) Co-operative society doing banking business c) Post office
Amount of Deduction	Minimum of the following a. Interest on such deposits in saving account. b. Rs.10,000

Sec 80TTB Deduction for interest on Deposits

Assessee	Individual being Resident [Being Senior Citizen] [FA 2018]
Qualifying Income	Interest on deposit earned from a) Banking company b) Co-operative society doing banking business c) Post office
Amount of Deduction	Minimum of the following a. Interest on deposits b. Rs.50,000
Other Condition	> Where the income is derived from any deposit held by or on behalf of a. A Firm b. AOP/BOI no deduction shall be allowed to any partner of the firm or any member of the association or any individual of the body. > corresponding amendment has been proposed in Sec 194A to provide that TDS is required from payment of interest to senior citizen upto Rs.50,000

Sec 80GGB Contribution to Political Party

Assessee	Indian Company
Contribution to	Political Party or Electoral Trust [Within the meaning of Sec 182 of the Companies Act, 2013]
Amount Deduction of	Any Amount [100%]
Restriction	Amount should not be paid in Cash

Sec 80GGC Contribution to Political Party

Assessee	Any Assessee [other than Indian Company]
Contribution to	Political Party or Electoral Trust [Within the meaning to of Sec 182 of the Companies Act, 2013]
Amount Deduction of	Any Amount [100%]
Restriction	Amount should not be paid in Cash

Sec 80U Deduction for person with Disability

Assessee	Individual being Resident	
Condition	<p>The assessee, at any time during the PY, is certified by the medical authority to be a person with disability.</p> <p>The assessee Furnishes a copy of certificate issued by the medical authority in the prescribed form along with the return of income in respect of the A.Y. for which the deduction is claimed.</p>	
Amount of Deduction	Disability of the assessee	Amount of deduction
	Other than severe disability	Rs.75,000
	Sever disability [80%]	Rs.1,25,000
	Deduction is allowed irrespective of expense incurred by the assessee.	

Illustration :

X is total blind. Determine his net income for the Assessment year 2022-23:

a. Salary from a publishing house for working as an artist (gross)	4,96,000
b. Special allowance from the employer	1,07,000
c. Transport allowance for commuting between office and residence	19,200
d. Cash award received from the Govt.	1,10,000
e. Remuneration for setting question papers	12,000
f. Interest on debentures	71,000
g. Dividend from a foreign Company	11,200
h. Collection charges of question paper setting remuneration	1,100
• Contribution towards recognized provident fund	62,000
• Payment of insurance premium on the life of Mrs. X (sum assured Rs. 50,000)	12,500
• Contribution to Prime Minister's National Relief Fund	11,800

Sec 80DD Maintenance/Medical treatment of disabled dependant

Assessee	Individual/HUF being Resident	
Condition	1) Medical treatment (including nursing), training & rehabilitation of a dependant, being a person with disability 2) Deposited any amount under a scheme (framed by the LIC or any other approved insurer), which would provide for payment of annuity or lump sum amount For the benefit of such dependent, in the event of the death of the assessee.	
Amount of Deduction	Disability of the assessee	Amount of deduction
	Other than severe disability	Rs.75,000
	Sever disability [80%]	Rs.1,25,000
Deduction is allowed irrespective of expense incurred by the assessee. Deduction is Allowed on Actual Payment Basis		

Where disabled dependent dies before the death of the assessee: In such a case, the amount paid or deposited under scheme, as discussed above, shall be deemed to be the income of the assessee of the PY in which such sum is received.

"disability" shall have meaning assigned to it in sec 2(i) of the Persons with Disabilities Act, 1995 (i.e. "Blindness", "low vision", "leprosy-cured", "hearing impairment", "locomotor disability", "mental retardation" & includes "autism", "cerebral palsy" and "multiple disability").

Sec 80DDB Deduction w.r.t medical treatment

Assessee	Individual/HUF being Resident	
Condition	Expenditure incurred on the medical treatment of relative. [Specified Diseases in Rule 11D ~ Neurological disease, Cancer, Chronic Renal failure, Thalassaemia.]	
Amount of Deduction	Dependent	Amount of deduction
	1. Other than senior citizen	Actual or Rs.40,000, whichever is less
	2. Senior citizen	Actual or Rs.100000, whichever is less
	3. Very senior citizen	
Deduction is allowed irrespective of expense incurred by the assessee. Deduction is Allowed on Actual Payment Basis		
Meaning of Various Terms	Dependent	Person Covered
	Individual	Spouse, children, parents, brothers and sisters of the individual.
	HUF	Any Member

Sec 80D Medical Insurance

Assessee	Individual HUF [R/NR]
Condition	Payment should be in any mode other than cash however payment shall be made by any mode including cash in respect of any sum paid on account of preventive health check-up.

Conditions for claiming deduction:

Description	medical ins, 1.e. insurance on the health	Health Scheme contribution. i.e. to 1) CG health scheme 2) other scheme notified by CG.	Expense on preventive health checkup	Medical Expense - very senior citizen
Applicable for	whether resident/non-resident	individual whether resident/non-resident	Individual whether resident/NR	Individual/HUF whether R/NR
Payment mode	Any mode other than cash.	Any mode other than cash.	Any mode including cash.	Any mode other than cash.

The Insurance/Contribution/Checkup can be

Individual	In name of Individual/Spouse/Parents & dependent Children.
HUF	In the Name of any member.

Amount of Deduction:

Assessee	Deduction = least of
Individual: - Aggregate of (a)(b)(c) of point 1 > Individual/his family (Spouse, Dependent Child) > Parents (dependent or not) HUF: - Policy in the name of any member	Aggregate of amount, or Rs.25000

Illustration :

Mr. A, aged 40 years, is a central government employee, paid Medical Insurance premium of Rs. 10,000 to insure his health, health of his spouse and dependent children. He has incurred Rs. 7,000 for the preventive health check-up for himself and the amount was paid in cash. He also paid Medical Insurance premium of Rs. 51,000 during the year to insure the health of his father, aged 61 years, who is not dependent on him. He contributed Rs. 12,400 to the Central Government Health Scheme during the year. **Compute the deduction allowable under Section 80D for the AY 2022-23 i.e. PY 2021-2122.**

Solution: Deduction allowable under Section 80D for the AY 2022-23 i.e. PY 2021-2122

Particulars	Rs.	Rs.
Medical Insurance premium paid for self, spouse and dependent children	10,000	
Expenditure of preventive health check-up	5,000	Restricted
Contribution to CGHS	12,400	to 25,000
Mediclaim premium paid for father, who is over 60 years of age (restricted to Rs. 50,000)		50,000
Total deduction allowed		75,000

Illustration :

Mr. A, aged 40 years, paid medical insurance premium of Rs. 12,000 to insure his health as well as the health of his spouse and dependent children. He also paid medical insurance premium of Rs. 51,000 during the year to insure the health of his father, aged 67 years, who is not dependent on him. He contributed Rs. 2,400 to the Central Government Health Scheme during the year. **Compute deduction allowable under Section 80D for the AY 2022-23 i.e. PY 2021-2122.**

Solution: Deduction allowable under Section 80D for the AY 2021-22 i.e. PY 2020-2120

Particulars	Rs.	Rs.
Medical Insurance premium paid for self, spouse and dependent children		12,000
Contribution to CGHS		2,400
Mediclaim premium paid for father, who is over 60 years of age (Rs. 51,000 but restricted to Rs. 50,000, being the maximum allowable)		50,000
		64,400

Illustration :

Mr. A, aged 40 years, paid medical insurance premium of Rs. 20,000 during the AY 2021-22 i.e. PY 2020-2120 to insure his health as well as the health of his spouse. He also paid medical insurance premium of Rs. 47,000 during the year to insure the health of his father, aged 63 years, who is not dependent on him. He contributed Rs. 3,600 to Central Government Health Scheme during the year. He has incurred Rs. 3,000 in cash on preventive health check-up of himself and his spouse and Rs. 4,000 by cheque on preventive health check-up of his father. **Compute the deduction allowable under section 80D for the AY 2022-23 i.e. PY 2021-2122**

Solution: Deduction allowable under section 80D for the AY 2022-23 i.e. PY 2021-2122

Particulars	Actual Payment Rs.	Maximum Deduction Allowable (Rs.)
Premium paid and medical expenditure incurred for self and spouse		
Medical insurance premium paid for self and spouse	20,000	20,000
Contribution of CGHS	3,600	3,600
Expenses on preventive health check-up of self & spouse	3,000	1,400
Total	26,600	25,000
Premium paid or medical expenditure incurred for father, who is a senior citizen		
Mediclaim premium paid for father, who is over 60 years of age	47,000	47,000
Expenditure on preventive health check-up of father	4,000	3,000
Total	51,000	50,000
Total deduction under section 80D (Rs. 25,000 + Rs. 50,000)		75,000

Sec 80EEB Tax Incentive for Electric Vehicles

Assessee	Any Assessee
Condition	1) Interest on Loan taken for Purchase of Electric Vehicle from Financial Institution/NBFC 2) Loan must be taken between April' 19 to March' 23 3) Assessee does not own any other Electric Vehicle on the date of sanction
Amount of Deduction	Interest Paid or 150,000 - whichever is lower

Sec 80E Interest on Education Loan

Assessee	Individual (R/NR)
Payment for	Paid Interest on education loan [out of income chargeable to Tax] taken for Own/Relative's Education
Amount of Deduction	> Any Amount of Interest Paid [100%]; Only Interest is allowed and not the principal amount. Deduction is available from the year from which assessee start paying interest & 7 immediately succeeding A.Y. (or until above interest is paid in full, whichever earlier)
Meaning Condition	<ul style="list-style-type: none"> ➤ Relative : Spouse, Children, for whom Assessee is Guardian ➤ Loan should be taken from approved financial institute. ➤ The loan is taken for graduate & post graduate studies ➤ Actual amount of interest paid is available ➤ "higher education" means any course of study pursued after passing the Senior Secondary Examination or its equivalent from any school, board or university recognized by CG or SG or local authority or by any other authority authorized by the above to do so

Sec 80EEA Interest on Self Occupied property (SOP)

Assessee	Individual (R/NR)
Payment for	Paid Interest on Loan borrowed for SOP
Amount of Deduction	Additional Benefit upto Rs.150000 apart from Available in Sec.24(b). Benefit will be available till the date of Repayment
Meaning & Condition	<ul style="list-style-type: none"> ➤ Loan should from approved financial institute. ➤ Actual amount of interest paid is available ➤ The Stamp Value of the House does not exceed Rs.45L ➤ Loan should be Sanctioned Between 2019-21 [FA'19]

Sec 80C Deduction w.r.t various Investments

Assessee	Individual/HUF irrespective of Residential Status
Investment	See list below
Maximum Deduction	Maximum deduction along with sec 80CCC and 80CCD or independently u/5 80C is restricted to Rs.150000. [80CCE]
Condition	<ul style="list-style-type: none"> ➤ Investment is made in approved scheme ➤ Payment income need not necessarily made out of chargeable to tax ➤ Deduction shall be made only on payment basis not on accrual basis.

Qualifying savings/investments

Any sums paid or deposited in PY by assessee:	Individual	HUF
To effect or to keep in force a Life insurance on life of following persons: 1. The children may male/female, married/unmarried, dependent/ independent. 2. The premium exceeding 10% of sum assured is no eligible for deduction. [if policy is issued before 31.03.12 then it shall be 20%] 3. 15% of SA for person covered u/s 80U/80DDB	Self/ Spouse/Child	Any member
to effect or to keep in force a non-commutable deferred annuity, (other than the annuity plan of LIC, or other insurer), on the life of the individual, the wife or husband and any child of such individual.	Self/ Spouse/Child	NA
by way of deduction from the salary of Govt. EE, being a sum deducted, for the purpose of securing to him a deferred annuity or making provision for his spouse or children, max upto 1/5th of the salary.	Self	NA
as a contribution by an individual to any statutory PF or RPF.	Self	NA
as a contribution by an employee to an approved superannuation fund.	Self	NA
as a contribution an to any PPF, Min - 500 Max - 150000	Self/ Spouse/Child	Any Member

as subscription to NSS-1992.	Self	NA
as subscription to NBC. VIII issue. Note: Interest accrued on these certificates which is deemed to be reinvested, also qualifies for deduction.	Self	NA
as a contribution in the Unit-linked Self/ Spouse/Child Any Insurance Plan (ULIP)	Self/ Spouse/Child	Any Member
to effect or to keep in force a contract for notified annuity plan of the LIC or any other insurer.	Spouse/Child	Any Member
as subscription to any units of any /Mutual Fund referred to in section 10(23D), under any notified plan.	Self	NA
as a contribution an individual to Retirement Benefit Pension Fund of UTI	Self	NA
as subscription to the Home Loan Account Scheme of National Housing Bank.	Self	NA
as subscription to notified deposit scheme.	Self	NA
as tuition fees paid by individual, whether at the time of admission or thereafter,— Including Stamp duty and registration fees. > to any university, college, school/other educational institution situated in India; > for the of full-time purpose education of any two children of such individual.	Maximum 2 children	NA
RE-PAYMENT OF HOUSING LOANS Repayment of Housing loan except interest on borrowed capital provided house is taken for & NA residential purpose assessee should not transfer the house property for 5 years. Including Stamp Duty.	Self	NA
as subscription equity shares/debentures forming part of any eligible issue of capital approved by the Board of a public co engaged in infrastructure including power sector or public financial institution.	Self	NA
as term deposit— (a) for a fixed period of not less than 5 years with a scheduled bank; & (b) which is in accordance with a scheme framed & notified, by CG	Self	NA

as subscription to bonds of NABARD	Self	NA
in an account under the senior Citizen Saving Scheme Rules, 2004.	Self	NA
as 5 year time deposit in an a/c under the Post Office Time Deposit Rules, 1981.	Self	NA
Sukanya Samriddhi Account [Noti. 5/2015]		
Deposit by CG Employee as a contribution to his Tier-II A/c of Pension Scheme	Self	NA

Illustration

X (age: 26 years), a resident individual, has income of Rs. 5,90,000 (i.e., Rs. 4,10,000 from a business in Delhi and Rs. 80,000 from a property in Bombay) during the previous year 2021-22. Find out his net income and tax liability for the Assessment year 2022-23 taking into consideration the following payments-

▪ Insurance premium paid on own life (sum assured: Rs. 22,500)	6,500
▪ Insurance premium paid on the life of mother	13,800
▪ Insurance premium paid on the life of father	15,500
▪ Insurance premium paid on the life of Mrs. X (sum assured: Rs. 1,00,000)	4,000
▪ Insurance premium paid on the lie of his major son (sum assured: Rs. 20,000)	3,100
▪ Insurance premium due before March 31, 2022 but paid on April 4, 2022 on own life	1,000
▪ Contribution towards employees' provident fund	15,000
▪ Contribution towards public provident fund	30,000
▪ Deposit in 10 years account under the Post Office savings Bank (CTD) Rules 1969, (including Rs. 600 paid in advance)	23,000
▪ Contribution made for participating in unit-linked insurance plan	10,000
▪ Repayment of loan taken from LIC for purchase of a house (whose constriction is completed on March 10, 1987 and used by him for his residence)	32,000
▪ Tuition fee of X's son	25,000
▪ Investment in units of a notified Mutual Fund for financing Infrastructure facility	35,000

Sec 80CCC Contribution to certain funds

Condition 1	The assessee is an Individual. [irrespective of status]
Condition 2	The assessee has paid or deposited any amount for any annuity plan of LIC of India (or any other insurer) For receiving pension from Fund referred to in section 10(23AAB)
Condition 3	The amount is paid out of his income chargeable to tax. Any amount withdrawn or pension received from the plan is taxable in the hands of the assessee or nominee in the year of receipt
Deduction	Independently - Rs.150000 Overall- Rs.150000 Or actual, whichever is lower.

Sec 80CCD Contribution to pension scheme of CG or other employer

Condition 1	The assessee is an Individual, who is - a) employed by CG or any other employer, or b) any self employed person.
Condition 2	The assessee has, during the previous year, paid or deposited any amount in his account under a pension scheme notified by the > Central Government/Employer/Assessee. > Atal Pension Yojna is also Eligible.
Deduction	CG/Employer/Employee - 10% (14% proposed) of salary Any other individual- 20% of Gross Total Income [Basic+DA(R)]
80CCD[1B] Own Contribution	Additional deduction upto Rs.50000 shall be allowed other than contribution covered u/s 80CCD[1] Example: Assessee contribution Rs.140000 towards NPS & GTI is 560000 in this case deduction shall be 20% of GTI = 112000 u/s 80CCD[1] Balance deduction = 28000 u/s 80CCD[1B]
80CCD[2] Own Contribution	Employer contribution is first taxable under the head salary & then he [employee] gets deduction u/s 80CCD[2] lower of a. Employers contribution b. 10% of salary
Other notes	1) As per 10 [12A] any payment received from the NPS by Assessee upon closure of his account or on his opting out of the pension scheme to the extent of 60% [40% Taxable] of the total amount payable to him at the time of such closure or his opting out of the scheme. [If amount is received by legal heir it is fully exempt]. 2) As per 10[12B] Any payment from the NPS to an EE under the pension scheme on partial withdrawal made out of his account in accordance with terms & conditions, specified under the Pension Fund Regulatory and Development Authority Act, 2013 and the regulations made thereunder, to the extent it does not exceed 25% of the amount of contributions made by him;]

Illustration

Mr.X , a resident individual and self employed industrial designer , furnished the following particulars for the year ended 31.03.2022

Gross total income	5,00,000
Housing loan repayment (property is under construction as on 31.03.2022)	1,10,000
Principal repayment of housing loan from a relative	50,000
Contribution to PPF in the name of his mother	70,000
Deposit Rs. 5,000 pm in his account under a pension scheme notified by CG	

Compute total income of Mr.X for AY 2022-23

Sec 80G Donations

Assessee	All Assessee	
Expense on	Any donation in form of sum of money. Donation in kind is not qualified for deduction. [Rama Vera 187 ITR 308] The donation should be made only to specified funds/ institutions (List).	
Payment Mode	If the Donation Exceed Rs.2000 then only through Cheque	
Deduction	% Specified in the List Some items: - With Qualifying Limit [10% of Adjusted Total Income] Rest:- Without Qualifying Limit	
Calculation of Qualifying Limit	Particulars	Rs.
	Gross Total Income	Xxx
	Less:	
	LTCG	(xxx)
	STCG u/s 111A(only)	(xxx)
	Deduction u/s 80C to 80U Except 80G	(xxx)
	Adjusted Gross Total Income	Xxx
10% of ATI	Xxx	
Deduction = 50% or 100% of (10% of ATI)	xxx	
While calculating Adjusted GTI, casual income like winning from lotteries etc. shall be included.		

The amount of deduction in respect of various kinds of donations is :

Trust/institution to which donation is made	Qualifying limit applies or not	% of donation eligible for dedn
National Defence Fund set up by Central Govt	No	100
Prime Minister's National Relief Fund	No	100
Prime Minister's Armenia Earthquake Relief Fund	No	100
Africa (Public Contributions - India) Fund	No	100
National Foundation for Communal Harmony	No	100
University/any educational inst. of national Eminence	No	100
Maharashtra Chief Minister's Relief Fund or Earthquake Relief Fund	No	100

Fund set up by the Govt. of Gujarat for relief of the victims of earthquake	No	100
Zila Saksharta Samiti	No	100
National/State Blood Transfusion Council	No	100
Any fund set up by a State Govt. to provide medical relief to the poor	No	100
Army Central Welfare Fund/Indian Naval Benevolent Fund/Air Force Central Welfare Fund	No	100
Andhra Pradesh CM's Cyclone Relief Fund, 1996	No	100
National Illness Assistance Fund	No	100
Chief Minister's Relief Fund/Lieutenant Governor's Relief Fund	No	100
National Sports Fund to be set up by the CG	No	100
National Cultural Fund set up by the CG	No	100
Fund for Tech Development/application by CG	No	100
National Trust for Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation & Multiple Disabilities	No	100
Any sums paid by the assessee, between Jan 26 2001 to Sep 30, 2001, to any trust, institution or fund which satisfies conditions of sec 80G(5) for providing relief to victims of Guj earthquake	No	100
Jawaharlal Nehru Memorial Fund	No	50
Prime Minister's Drought Relief Fund	No	50
National Children's Fund	No	100
Indira Gandhi Memorial Trust	No	50
Rajiv Gandhi Foundation	No	50
The Govt/any approved local authority, institution or association, to be utilised for purpose of promoting family planning	Yes	100
Any sums paid by assessee, being a co, in the PY as donations to Indian Olympic Association or to any other association/institution established in India and notified by the CG for—i) the development of infrastructure for sports & games, in India; or ii) the sponsorship of sports & games, in India	Yes	100

Fund or any institution which satisfies the conditions given u/s 80G(5)	Yes	50
The Government or any local authority, to be utilised For any charitable purpose other than the purpose of promoting family planning	Yes	50
An authority constituted in India for satisfying the need for housing accommodation or for the purpose of planning, development or of cities, towns and villages, or for both	Yes	50
Any corporation referred to in sec 10(26BB) for promoting the minority community	Yes	50
sums paid For the renovation or repair of any such temple, mosque, gurdwara, church/other notified place.	Yes	50
Swachh bharat Kosh set up by CG	No	100
Clean Ganga Fund set up by CG	No	100
National Fund for control of drug abuse constituted u/s 7A of the narcotic drugs	No	100

CIT v. Shree Govindbhai Jeehalal Nathavani Charitable Trust (2015) (Guj.)

Can Commissioner reject an application For grant of approval u/s 80G(5) on the ground that the trust has failed to apply 85% of its income for charitable purposes?

At time of granting approval of exemption u/s 80G, only object of trust is required to be examined &, therefore, assessee's application seeking approval u/s 80G(5) could not be rejected on ground that it failed to incur expense to extent of 85% of its income during relevant year. High Court observed that, while considering application for the purpose of sec 80G, the authority cannot act as an assessing authority & enquiry should be confined to finding out if institution satisfies the prescribed conditions.

Illustration

X (34 years), a resident individual, submits the following particulars of his income for the previous year 2021-22:

a. Business income	83,000
b. Interest on debentures	49,000
c. Long-term capital gains on transfer of gold	4,10,000
d. Short-term capital gain on sale of shares taxable U/S 111A	20,000
e. Other Short-term capital gain	10,000
f. Contribution towards public provident fund	40,000
g. Payment of medical insurance premium on own life	3,000
h. <i>Donation to the</i>	
• National Trust for welfare of persons with Autism	4,000
• Donation to the fund set up by the Gujarat Govt. for providing relief to victims of Earthquake in Gujarat	3,000
• Donation to Rajiv Gandhi Foundation	1,000
• Donation to the Prime Minister's Drought Relief Fund	5,000
• Donation to approved public charitable institution	11,000
• Donation to a poor boy for higher education	5,000
• Donation of clothes to an approved institution	12,000
• Donation to a charitable institution for construction of a rest house only for a Particular religious community	8,000

Determine the net income of X for the Assessment year 2021-22.

Section 80GG Deduction in respect of rent paid

Assessee	Individual [R/NR]		
Condition	<ul style="list-style-type: none"> > No HRA : Assessee is not receiving HRA. > No house at place of employment: He/his spouse/minor child or HUF of which he is a member, should not own any residential house at a place where the assessee resides, perform the duties of this office, or employment or carries on his business or profession. > A declaration in Form 10BA should be filed for expense incurred by him towards payment or rent. > The assessee has not claimed concession in respect of self-occupied property 		
Deduction	Lower of > Rs.5000 pm (60000 pa) > 25% of Adjusted Total Income > Rent paid (-) 10% of ATI		
Calculation of ATI	Particulars	Rs.	
	Gross Total Income	Xxx	
	Less:		
	LTCG	(xxx)	
	STCG u/s 111A(only)	(xxx)	
	Deduction u/s 80C to 80U Except 80GG	(xxx)	
	Adjusted Gross Total Income	Xxx	
While calculating Adjusted GTI, casual income like winning from lotteries etc. shall be included.			

Illustration

X, a professional tax consultant, based at New Delhi furnishes the following particulars of his income/expenditure relevant for the assessment year 2022-23:

a. Income from profession	6,70,000
b. Short-term capital gain (covered by section 111A)	4,000
c. Long-term capital gain	11,000
d. Winning from a camel race	1,700
e. Winning from a horse race	2,000
f. Winning from lottery	1,600
g. Income from other sources	11,000
• Payment of medical insurance premium on own life	3,000
• Payment of rent	80,000
• Contribution towards public fund	70,000

Determine the amount deductible under section 80GG and the net income for the Assessment year 2022-23.

Section 80GGA Certain donations for scientific research or rural development

Assessee	Any Assessee not having Income from PGBP
Contribution to	<ul style="list-style-type: none"> > A Scientific Research Association, or to an Approved University, or College or other institutions to be used For Scientific Research or Research in Social Science or Statistical Research. > An Approved Association, Institution, Public Sector Co which has as its object the training of persons for implementing program of rural development. > Sum paid to the National Fund for rural development set up and notified by the Central Government for the purpose of carrying out rural development programmers
Deduction	Any Amount [100%]. However if Sum Exceed Rs.2000 then Amount should be paid via Cheque.
Logics	<p><u>No withdrawal of deduction even if approval is withdrawn</u></p> <p>Above deduction, shall not be denied merely on the ground that subsequent to the payment of such sum by the assessee, the approval of above mentioned institutions has been withdrawn.</p>

Sec 80JJAA Employment of new workmen

Assessee	Assessee to whom Section 44AB applies
Deduction	30% of "additional wages" paid to the "new regular workmen" employed by the assessee in the PY. The deduction shall be allowed for 3 AYs, including the AY relevant to the PY in which such employment is provided.
Meaning of Terms	New Regular workmen do not include - <ul style="list-style-type: none"> > Employee Whose Total Remuneration exceed Rs.25000pm > Whose entire contribution is paid by Government under Pension Scheme > Employee worked for Less than 240 days/150 days in case of apparel Business/footwear & leather industry. > Employee who does not participate in RPF.
Restriction	<ol style="list-style-type: none"> 1) The Business should not be formed by splitting up or reconstruction of an existing business. Exceptions: Business formed as a result of re-establishment, reconstruction or revival by the assessee of the business referred u/s. 33B & within the period specified in that section; 2) The Business should not be acquired by the assessee by way of transfer from any other person or as a result of any business reorganization; 3) The assessee furnishes along with the ROI the report of the accountant, as defined in the Explanation to Sec 288 giving such particulars in the report as may be prescribed. [Form 10DA]

Sec 80QCB Royalty Income of Authors

Assessee	Individual Being > Resident > An Author (Including Joint Author or Book) being a work of literary, artistic or scientific nature
Deduction	Lumsump Royalty - Actual or Rs.3L., whichever is lower Other than above - Upto 15% of value of book sold
Conditions	<ol style="list-style-type: none"> 1) The assessee must furnish a certificate in prescribed form (Form No 10CCD), duly verified by the person responsible for making such payment to the assessee, 2) If the income is earned outside India, the assessee must furnish a certificate, in the prescribed form (Form No. 10H) from the prescribed authority (i.e. RBI, see rule 29A). 3) If royalty is earned outside India the deduction is allowed only if such royalty is brought to India in convertible Forex within 6m from the end of PY or time allowed by RBI.

Determine the amount of deduction deductible under section 80QQB in the following cases pertaining to the AY 2021-22

	X	Y	Z	A
Royalty on books covered u/s 80QQB	90,000	3,00,000	6,00,000	8,00,000
Is it lum sum payment	No	No	No	Yes
Rate of royalty as % of value of books	18%	17.5%	12.5%	NA
Expenditure for earning royalty	10,000	1,10,000	1,80,000	2,40,000
Is royalty received from abroad	Yes	Yes	No	Yes
Amount remitted to India till sep 30,2022	70,000	2,80,000	NA	7,00,000

Sec 80RRB Royalty on Patent

Assessee	Individual Being > Resident > Patentee: person who is true and first inventor of the patent and whose name is entered on the patent which is registered on or after 1.4.2003 under the Indian Patents Act, 1970.	
Deduction	Earned In India	Minimum of the following: > 100% of such income; or > Rs.3,00,000
	Earned outside India	Minimum of the following: > Income in respect of money brought into India in convertible foreign exchange within prescribed time limit; or > Rs.3,00,000
Conditions	<p>> The assessee must furnish a certificate in the prescribed form (Form No. 10CCE), duly verified by the person responsible for making such payment to the assessee,</p> <p>> Deduction should not exceed royalty as per licence</p> <p>> Double deduction not permissible: Where deduction under this section is claimed and allowed for any AY, no deduction shall be allowed in respect of such income under any other provisions of the Act for the same or in any other AY.</p> <p>> If royalty is earned outside India the deduction is allowed only if such royalty is brought to India in convertible Forex within 6m from the end of PY or time allowed by R81.</p>	

SECTION 80RRB Deduction for Royalty on Patents



Essential Condition

- > Available to Resident Individual
- > Patent Registered under Patent Act, 1970
- > GTI of the previous year includes Royalty

Quantum Of Deduction

100% of Such Royalty

OR

Rs.3,00,000
(Whichever is less)

SSDEDUCTION FROM GROSS TOTAL INCOME

27. Taxable income of R, resident in India, for the previous year 2021-22 consists of the following:

LTCG on sale of shares on which securities transaction tax has been paid	1,20,000
Short-term capital gain on shares on which securities transaction tax has been paid	26,000
Long-term capital gain on gold	24,000
Short-term capital gain on other assets	22,000
Other income	3,04,000

Compute the tax payable for the assessment year 2022-23 assuming he has deposited Rs. 20,000 towards PPF during the year.

28. X, aged 69 years, furnishes the following particulars of his income for the previous year 2021-22:

a. Pension @Rs. 25,000 p.m.	1,80,000
b. Interest on FDRs in a Bank (Gross)	46,000
c. Income from Royalty	1,12,000

He has deposited Rs. 2,000 in a PPF account and has paid Life Insurance premium of Rs. 1,000 on the life of his major son. Compute the tax liability of X for the assessment year 2022-23.

29. The following are the particulars of income of R for the previous year 2021-22:—

a. Income from House Property	61,200
b. Business income	1,80,000
c. Dividends from co-operative society	500
d. Long-term capital gain from	
• Land	40,000
• Listed Shares sold through a	

recognized stock exchange	15,000
e. Life Insurance premium on his life on policy of Rs. 2,00,000	28,000
f. Donation to charitable institution approved u/s 80G	20,000
g. Deposit in a scheme notified u/s 80C	12,000
h. Deposit in National Saving Scheme, 1992	12,500
i. Interest accrued on National Saving Certificate VII	1,840

issue for Rs. 20,000 purchased in May, 2018

Compute his total income and tax payable for assessment year 2022-23 .

30. Compute the deduction allowable u/s 80C and the net-tax payable by R from the : Following information submitted by him for the assessment year 2022-23:

a.	Gross Salary	5,85,000
b.	Royalty (Gross)	40,000
c.	Expenses allowable from royalty	8,000
d.	Interest on bank deposits (gross)	19,000
e.	Donations to an approved charitable institution	38,000
f.	LIP on his own life (sum assured Rs. 40,000)	5,000
g.	LIP on the life of his wife	3,000
h.	LIP on the life of his major son (not dependent on A)	3,000
i.	LIP on the life of dependent brother	2,500
j.	Contribution to a Recognized Provident Fund	22,000
k.	Term deposit in scheduled bank for 5 years	31,000
l.	Contribution to ULIP	4,000
m.	Repayment of housing loan taken from LIC (principal Amount Rs. 40,000 and interest Rs. 35,000)	75,000
n.	Subscription to units of a Mutual fund notified u/s 12(23D)	

for eligible issue of capital of some companies 12,000

He had taken the loan from LIC for construction of a residential house property which was completed in 1994 and which is being utilized by R for his own residence.

31. The gross total income of A for the previous year 2021-22 as computed is Rs 4,55,000 which includes Rs. 1,12,000 Long-term Capital Gain and Rs. 12,000 on account of Short-term Capital Gain from the sale on 5-12-2021 of listed shares through a recognized stock exchange. Besides the above he provides you the following information:

- He has deposited Rs. 12,000 to effect a contract for annuity plan of L.I.C.
- He has paid the following premium to the New India Assurance Co. Ltd. for mediclaim scheme for himself and his relatives:

● his own health	1,000
● for health of spouse	600
● Major son not dependent on him	800
● Mother dependent on him	1,200
● Brother dependent on him	1,120

- One of his brothers is a person with disability wholly dependent on him for medical treatment and rehabilitation. A spends Rs. 12,000 on such brother.
- He has also deposited Rs. 25,000 under a scheme framed by U.T.I, for the maintenance of his dependent brother with disability.

Compute his total income and tax payable for the assessment year 2022-23.

32. R submits the following information regarding his income for the previous year 2020-2021.

a.	Salary (per month)	24,000
b.	Rent received from property in Delhi (per month)	5,000
c.	Winnings from lottery (Gross)	25,000
d.	He makes the following deposits/Payments during the year	
	• Contribution towards PPF	15,000
	• Premium paid in cash on Mediclaim policy for his dependent father	4,000

He has a son with disability, dependent on him, for whom he incurs Rs. 20,000 as expenses for his medical treatment and rehabilitation. He also deposits a sum of Rs. 25,000 for the benefit of his son under a scheme framed by the UTI for such a purpose.

(a) Compute his Total Income for the assessment year 2022-23.

(b) Compute his tax liability for the assessment year 2022-23.

33. A, whose Gross Total Income for assessment year 2022-23 is Rs. 3,00,000 (which includes long-term capital gains of Rs. 60,000 and short-term capital gains of Rs. 30,000), submits the following information:

a.	Contribution towards PPF	45,000
b.	LIP paid for married son not dependent on him	16,000
c.	Mediclaim Premium paid by cheque for:	
	Himself	4,000
	For married son not dependent on him	2,000
d.	He has made the following donations:	
	• National Defense Fund	3,000
	• PM's National Relief Fund	5,000
	• Indira Gandhi Memorial Trust	6,000
	• Delhi University (declared as an institution of national eminence)	3,000
	• Zila Saksharta Samiti	5,000
	• An approved charitable institution	14,000
	• Government for Family Planning	5,000
	• Donations of blankets to an orphanage	5,000
	• Donations to National Blood Transfusion Council	3,000

Compute: (A) Total Income for the assessment year 2022-23

(B) Tax Payable for the assessment year 2022-23

34. R has computed his income under various heads for the previous year 2021-22 as under:

a.	Income under the head salary	1,12,000
b.	Income under the head house property (-)	(15,000)
c.	Profits and Gains of business or profession	90,000
d.	Capital Gains — short-term	30,000
	— long-term	40,000
		70,000
e.	Income from other sources	
	Winnings of lotteries (gross)	15,000
	Interest on Government securities	20,000
		35,000

f. A also submits the following information:

- Payment made by cheque for Medclaim policy 5,000
- Expenses on Medical treatment of dependent son with severe disability 25,000
- Re-payment of loan, with interest to Canara Bank, which was taken for pursuing approved higher education 35,000 (Principal amount Rs. 25,000 + 12,000 interest)

Donations to:

- ✓ Prime Minister's Drought Relief Fund 3,000
- ✓ National Fund for Communal Harmony 4,000
- ✓ Jawaharlal Nehru Memorial Fund 4,000
- ✓ Prime Minister's National Relief Fund 4,200
- ✓ Government for Family Planning 12,000
- ✓ Approved Charitable Institution 7,000

Compute the tax liability for the assessment year 2022-23 , if he deposits Rs. 60,000 in his PPF Account during the previous year.

35. G, who is working in Delhi as a Manager of X Ltd. furnishes the following particulars of his income for the previous year 2021-22 :

- a. Basic Salary 25,000 per month
- b. DA (forming part of salary for retirement benefits) 30% of Basic salary

He has been provided with a motor car of 1.8 ltr. engine capacity which he uses partly for official purposes and partly for his personal use. The running and maintenance expenses of the motor car are met by the employer. However, the employer recovers Rs. 500 per month from the employee for use of such motor car.

He is also provided with a furnished accommodation in Delhi. The house has been taken on rent by the company at Rs. 7,000 p.m. The cost of furniture provided is Rs 90,000.

Besides salary, he has earned the following income:

- (i) Interest on bank deposits 14,000
- (ii) Winnings from card games 12,000

Compute the Total Income of G for the assessment year 2022-23 assuming that he donates Rs. 12,000 to National Children Fund.

36. The Gross Total Income of Shiveti for the assessment year 2022-23 is Rs. 5,12,000 which includes Rs. 40,000 as long-term capital gain and Rs. 6,000 as interest accrued on National Saving Certificate VIII issue purchased last year. She has made the following payment during the year:

- a. L.I.P. for her own life 5,000
- b. Deposit in Public Provident Fund 30,000
- c. Premium for mediclaim scheme by cheque 4,000

Donations to:

- The Prime Minister Drought Relief Fund 5,000
- Birla Mandir (an approved charitable trust) 12,000
- Municipal corporation of Delhi for family planning 5,000
- National Foundation for communal harmony 5,000

Compute the total income of Shiveti for the assessment year 2022-23.

37. Find out the amount of deduction under section 80DDB in the following cases for the assessment year 2021-22

Name of the taxpayer	X	Y	Z	A	B
Residential status of the taxpayer	Resident	Resident	Resident	Resident	Non-resident
Expenditure incurred on medical treatment of dependent mother in a hospital recognized by the Chief Commissioner (amount in Rs.)	12,000	26,000	80,000	1,00,000	34,000
Age of mother	60 years	60 years	67 years	67 years	65 years
Residential status of dependent mother	Resident	NR	Resident	NR	Resident
Whether the disease is specified under rule made by the Board	Yes	yes	Yes	yes	Yes
Amt. received from insurance Co. (amt. in Rs.)	4,000	14,000	70,000	15,000	7,000
Amount received from the employer of the taxpayer (amount in Rs.)	2,000	3,000	4,000	20,000	16,000

38. From the following information find out the net income and tax liability of X (26 years), a resident individual, for the Assessment year 2022-23-

- | | |
|--|------------------------|
| a. Salary | 3,94,000 |
| b. Business income | (-) 32,000 |
| c. Capital gain: | |
| d. Long term | 50,000 |
| e. Short term (not covered by section 121A) | 16,000 |
| f. Winning from horse races | <u>35,000</u> |
| Total | <u>4,63,000</u> |
| • Medclaim insurance on his own health | 9,000 |
| • Contribution towards pension fund of LIC | 2,000 |
| • Expenditure on medical treatment of a dependent relative | |

(being a person with Disability)	12,000
• Deposit for maintenance of a handicapped dependent relative	25,000
• Donation to the Govt. of India for family planning	20,000
• Donation to the Central Welfare fund of Indian army	4,000
• Life insurance premium on the life of Mrs. X	1,000

39. X (age: 62 years) is an employee of a private limited Company in Madras. He gets Rs. 25,000 per month as salary. Besides, the employer provides a furnished housing facility (house being owned by the employer) at concessional rate (fair rent of unfurnished house: Rs. 28,000; rent of furniture: Rs. 20,000; rent paid by X: Rs. 36,000); and medical allowance at the rate of Rs. 500 per month. The employer provides sports club facility. A similar facility will cost X, Rs. 7,000 per year.

Determine the net income and tax liability of X for the Assessment year 2022-23 after giving due consideration to the following particulars:

	Rs.
a. Long term capital gains in respect of commercial buildings	17,000
b. Long term capital gains in respect of shares (non-listed)	12,000
c. Income from horse races (gross)	4,000
d. Winning from lottery (gross)	75,000
e. Expenditure on recovery of lottery prize	16,000
f. Interest from IFCI	8,000
g. Interest paid on capital borrowed for the purpose of investment in bonds of IFCI	8,500
h. Interest on Company deposit	48,200
• Insurance premium paid on a joint life policy on the life of X and Mrs. X (sum assured: Rs. 1,00,000)	24,000
• Medclaim insurance on the life of X's father	14,000

Illustration - Quantum of Deduction-N 14

Determine the eligibility and quantum of deduction under Chapter VI-A in the following cases -

(1) Subscription to Sukanya Samriddhi Account ₹ 30,000 paid by Mr.A, he also paid Life Insurance Premium of ₹ 70,000 during the year. (Sum Assured ₹ 3,50,000 Policy issued on 31.03.2012)

(2) Contribution to Notified Pension Scheme (referred to in Sec.80CCD) by the Employer ₹ 40,000 for an Employee whose Basic Salary plus Dearness Allowance is ₹ 3,00,000 for the year.

Assessee: Individual Previous Year: 2021-2022 Assessment Year: 2022-2023

Illustration - Chapter VI A Deductions - M 17

Mr. Rohan, a Resident Individual, has Gross Total Income of ₹ 7,50,000 comprising of Income from Salary and Income from House Property for the Assessment Year 2022-2023. He provides the following information:

1. Paid ₹ 70,000 towards Premium on Life Insurance Policy of his Handicapped Son (Section 80U disability). Sum Assured is ₹ 4,00,000, and Date of Issue of Policy 01.08.2020.
2. Deposited ₹ 90,000 in Tax Saver Deposit in the name of his major son in State Bank of India.
3. Contributed ₹ 25,000 to The Clean Ganga Fund, set up by the Central Government.

Compute the Total Income and Deduction under Chapter VI-A for the Assessment Year 2022-2023.

Illustration - Insurance Premium Deduction u/s 80C

Compute the eligible deduction u/s 80C for A.Y 2022-2023 in respect of Life Insurance Premium

S.No	Date of Issue of policy	Person insured	Actual Capital sum assured (₹)	Insurance Premium paid during 2021- 2022 (₹)
1	30.03.2012	Self	2,00,000	50,000
2	01.05.2020	Spouse	1,50,000	20,000
3	01.06.2021	Handicapped Son (Sec.80U Disability)	3,00,000	60,000

Illustration - Allowability of Prior Period Interest and Principal - M 08

Kalpesh borrowed a sum of ₹ 30 Lakhs from the National Housing Bank for purchase of a Residential Flat. The Loan amount was disbursed directly to the Flat Promoter by the Bank.

Though the construction was completed in May 2022, repayments towards Principal & Interest had been made during the year ended 31.03.2022.

In the light of the above facts, state-

(a) Whether Kalpesh can claim deduction u/s 24 in respect of interest for Assessment Year 2022-2023?

(b) Whether deduction u/s 80C can be claimed for the above Assessment Year, even though the construction was completed only after the closure of the year?

Illustration - Investment in NSC - Deduction u/s 80C - N 96(Mod)

From the following data, find out the tax payable on self-assessment by Mr. Bharath, 66 Year old Resident Individual -

Particulars	₹	Particulars	₹
House Property	75,000	Interest on Company Deposit	60,000
Pension	98,000	Capital Gains - Long Term	1,25,000

Investment in National Savings Certificate is ₹ 40,000.

Illustration - Deduction u/s 80D - M 09 (Mod.)

Mr. Abhik, an individual made payment of health insurance premium to GIC in an Approved Scheme. Premium paid on his health ₹ 10,000 and his Spouse ₹ 15,000 during 2021-2022. He also paid Health Insurance Premium of ₹ 35,000 on his father's health who is a Senior Citizen and not dependent on him. The payments have not been made by cash. Compute the amount of deduction under Chapter VI-A of the Act, available to Mr. Abhik for the AY 2022-2023.

Illustration - Deductions u/s 80C, 80CCC, 80D - N 11

The Gross Total Income of Mr. Nepal for the Assessment Year 2022-2023, was ₹ 12,00,000. He has made the following investments / Payments during the year 2021-2022:

S.No	Particulars	₹
1.	L.I.C. Premium paid (Policy Value 7 1,00,000)	25,000
2.	PPF Amount paid	25,000
3.	Repayment of Housing Loan to Indian Bank	50,000
4.	Payment made to L.I.C. Pension Fund	20,000
5.	Medical Insurance Premium for self, wife and dependent Children.	18,000
6.	Mediclaime Premium for Parents (aged over 80 years)	80,000

Compute eligible deduction under Chapter VI A for the Assessment Year 2022-2023.

Illustration - Deductions u/s 80C, 80CCC, 80D - M 15

Compute the Eligible Deduction under Chapter VI-A for the Assessment Year 2022-2023 of Ms. who has a Gross Total Income of ₹ 15,00,000 for the Assessment Year 2022-2023 and the following information about his investments / payments during the year 2021-2022:

	Particulars	₹
1.	Life Insurance Premium paid (Policy taken on 01-01-2012 and sum assured is ₹ 1,50,000)	35,000
2.	Public Provident Fund Contribution	90,000
3.	Repayment of Housing Loan to Bhartiya Mahila Bank, Bangalore	20,000

4.	Payment of L.I.C. Pension Fund	25,000
5.	Mediclaim Policy taken for Self, Wife and Dependent Children, premium paid.	30,000
6.	Medical Insurance Premium paid for Parents (Senior Citizen)	55,000

Assessee: Ms. Roma Previous Year: 2021-2022 Assessment Year: 2022-2023

Illustration - Sec.80DD- Treatment / Maintenance of Handicapped Dependent

The Gross Total Income of A for the Previous Year 2021-2022 as computed is ₹ 3,50,000 which includes ₹ 2,80,000 Long-Term Capital Gain and ₹ 10,000 on account of Short-Term Capital Gain. Besides the above, he provides you the following information -

- (a) He has deposited ₹ 12,000 to effect a contract for Annuity Plan of LIC.
 (b) He paid the following premium to New India Assurance Co Ltd for Mediclaim scheme for himself & his relatives. ?

(i) His own health	1,000	(iv) Mother dependent on him	1,200
(ii) For health of Spouse	600	(v) Brother dependent on him	1,100
(iii) Major Son not dependent on him	800		

(c) One of his brothers is totally blind and dependent on him for medical treatment and rehabilitation. A spends ₹ 10,000 on his blind brother.

(d) He has also deposited ₹ 25,000 in a Scheme framed by UTI for maintenance of his handicapped dependent brother.

Compute his Total Income and Tax Payable for the Assessment Year 2022-2023.

Illustration - Sec.80DD - Maintenance of Handicapped Son

Sri submits the following information regarding his income for Previous Year 2021-2022 -

- (a) Salary (Per Month) ₹ 32,500
 (b) Rent received from property in Delhi (Per Month) ₹ 5,000
 (c) Winnings from Lottery (Gross) ₹ 30,000
 (d) Contribution towards PPF ₹ 15,000
 (e) Premium paid in cash on Mediclaim policy for his dependent father ₹ 4,000

He has a handicapped son, dependent on him, for whom he incurs ₹ 20,000 as expenses for his medical treatment and rehabilitation. He also deposits a sum of ₹ 25,000 for the benefit of his son under a scheme framed by the UTI for such a purpose. Compute his Total Income and determine tax liability for the Assessment Year 2022-2023.

Illustration - Deductions u/s 80EEA & 80EEB

The Following are the particulars relating to Mr.A, Mr.B, Mr.C and Mr.D salaried individuals for AY 2021-22-

Particulars	Mr.A	Mr.B	Mr.C	Mr.D
Amount of loan taken	₹ 43 lacs	₹ 45 lacs	₹ 20 lacs	₹ 15 lacs
Loan taken from	HFC	Deposit taking NBFC	Deposit taking NBFC	Public Sector Bank
Date of Sanction of	01.04.2021	01.04.2021	01.04.2021	30.03.2019

Loan				
Date of disbursement of loan	01.05.2021	01.05.2021	01.05.2021	01.05.2019
Purpose of loan	Acquisition of residential house property for Self occupation	Acquisition of residential house property for Self occupation	Purchase of Electric vehicle for personal use	Purchase of Electric vehicle for personal use
Stamp Duty value of house property	₹ 45 lacs	₹ 48 lacs	-	-
Cost of Electric Vehicle	-	-	122 lacs	₹ 18 lacs
Rate of interest	9% p.a	9% p.a	10% p.a	10% p.a

Compute the amount of deduction if any allowable under the provision of IT Act for AY 2022-23 in the hands of Mr.A, Mr.B, Mr.C and Mr.D. Assume that there has been no principal repayment during the P.Y 2020-21.

Illustration - Donation u/s 80G - N 12

Mr. Rajmohan whose Gross Total Income was ₹ 6,40,000 for the Previous Year 2021-2022 furnishes the following information:

1. Stamp Duty paid on acquisition of Residential House (Self-Occupied) ₹ 50,000.
2. Five-Year Time Deposit in an account under Post Office Time Deposit Rules, 1981 ₹ 20,000.
3. Donation to a recognized Charitable Trust ₹ 25,000 which is eligible for deduction u/s 80G at the applicable rate.
4. Interest on Loan taken for Higher Education of Spouse paid during the year ₹ 10,000.

Compute the Total Income of Mr. Rajmohan for the Assessment Year 2022-2023.

Illustration - Computation of 80G Deduction

Prem has computed his income under various heads for PY 2021-2022. He submits the following information

Particulars	₹	Particulars	₹
Income under the head Salary	4,50,000	Payment made by Cheque for Mediclaim Policy	10,000
Income under the head House Property	(90,000)	Expenses on Medical Treatment of dependent son being a person with disability	40,000
Profits and Gains of Business or Profession	1,50,000	Repayment of interest on loan from Canara Bank (taken on 01.04.2011 for pursuing approved higher education)	20,000
Capital Gains - Short Term	75,000	Donations to:	

- Long-term	1,20,000	Prime Minister's Drought Relief Fund	2,000
Income from Other Sources - Winnings from Lotteries	30,000	National Foundation for Communal Harmony	3,000 4,000
- Interest on Government Securities	45,000	Jawaharlal Nehru Memorial Fund Prime Minister's National Relief Fund	1,000

Compute Prem's Total Income for A.Y. 2022-2023. Compute his Tax Liability if he deposits ₹ 60,000 in his PPF Account, ₹ 40,000 in NSC during the previous year.

Illustration - Quantum of Deduction u/s 80JJAA

Mr. Krishnan has commenced the operations of Manufacture of goods in a factory on 01.04.2021. He employed 105 New Employees during the PY 2021-2022, - as under

- 10 Employees, Who does not participate in PF benefits
- 30 Employees employed From 01.04.2021 to 30.03.2022
- 50 Employees employed on 01.05.2021, to whom Salary is paid at ₹ 30,000 pm.
- 15 Employees employed on 01.09.2021

Compute the Deduction, available to Mr. Krishnan for AY 2022-2023, if Salary paid to each employee at ₹ 10,000 p.m. except those employed on 01.05.2021 and the Profits and Gains from the Manufacture of Goods in the Factory for AY 2022-2023 is ₹ 4.75 Lakhs.

INCOME OF OTHER PERSONS INCLUDED IN ASSESSEE'S TOTAL INCOME

Transfer of Income without Transfer of Assets [Sec. 60]:

- (a) **Clubbed in the hands of:** Transferor who transfers the income.
- (b) **Conditions:** The Clubbing shall apply irrespective of-
- Whether such transfer is revocable or not,
 - Whether the transfer is effected before or after the commencement of IT Act.

Revocable Transfer of Assets [Sec. 61]:

- (a) **Meaning of Revocable Transfer:** A Transfer shall be **deemed** to be revocable if, -
- It contains any provision for the re-transfer directly or indirectly of the whole or part of the Income (or) Assets to the Transferor, (or)
 - Gives the Transferor a right to re-assume power directly or indirectly over the whole or any part of the income or assets.
- (b) **Clubbed in the hands of:** Transferor who transfers the assets.
- (c) **Exceptions u/s 62:** Sec. 61 shall not apply in the following cases, if the Transferor does not receive any direct or indirect benefit from such income-
- Trust / transfer not revocable during the life time of Beneficiaries / Transferee.
 - Transfer made prior to 01.04.1961 and not revocable for a period of 6 years.

Note:

1. When the Transferor receives direct or indirect benefit from such Income, such Income is to be included in his Total Income, even though transfer may not be revocable during the lifetime of the Transferee.

2 Even in cases excepted u/s 62, Clubbing will apply when the power to revoke the transfer arises.

If there is provision to re-assume power, the transfer will be "revocable", actual exercise of power is not necessary. **[S. Raghbir Singh 57 ITR 408 (SC)]**

Where Assessee can at any time re-assume power over assets or income by just cancelling / altering the terms of the deed, trust is "revocable". **[Senthinathan Chettiar vs State of Madras 67 ITR 102 (SC)]**

Where no absolute right is given to Transferee, and asset can revert to Transferor in certain circumstances, transfer is revocable. **[V. Venugopala Varma Rajah 84 ITR 466 (SC)]**

Salary, Commission, Fees or Remuneration paid to Spouse, from a concern in which an Individual has a Substantial Interest [Sec. 64(1)(ii)]:

- (a) **Clubbed in the hands of:** Husband or Wife whose Total Income is greater, before including the Income from that concern.
- (b) **Conditions:**
- Husband or Wife should get remuneration from such a Concern.
 - The relationship of Husband and Wife should subsist at the time of accrual of such income.
- (c) **Exception:** Clubbing is **not** attracted in case the Spouse possesses technical or

professional qualifications and the remuneration is received in exercise of that knowledge / qualification / experience.

(d) **Change in Assessment:** Any such income is once included in the Total Income of either Spouse, income arising in the succeeding year shall **not** be included in the Total Income of other Spouse, unless the A.O is satisfied that it is necessary to do so, after giving that Spouse an opportunity of being heard.

Income from Assets (other than House Property) transferred directly or indirectly to Spouse [Sec. 64(1)(iv)]:

(a) **Clubbed in the hands of:** Individual.

(b) Exceptions:

- If the assets are transferred before marriage.
- If the assets are transferred for adequate consideration. [**Note:** Natural Love and Affection does **not** constitute adequate consideration.]
- If the assets are transferred in connection with an agreement to live apart.
- If on the date of accrual of income, Transferee is not the spouse of the Transferor.
- If a property is transferred by a Karta of HUF, gifting coparcenary property to his wife. [**L. Hirday Narain [19701 78 ITR 26 (SC)]**]
- If Property is acquired by the spouse out of pin money (i.e. an allowance given to the wife by her husband for her dress and usual household expenses) - [**R. B. N. J. Naidu 29 ITR 194 (Nag.)**] or household savings - [**R. Dalmia 133 ITR 169 (Del.)**]

(c) Other Points:

- Any Income from the accretion of the Transferred Asset is to be clubbed with the Income of the Transferor.
- Any Income earned by investing such Income (arising from Transferred Asset) cannot be clubbed.
- If the investment is in the nature of contribution of Capital, proportionate Interest on Capital will be clubbed with the Income of the Transferor. The value of investment shall be as on the first day of the P.Y to the Total Investment in the business by the Transferee as on that day.

5. Income from Assets transferred to Son's Wife [Sec. 64(1)(vi)]:

(a) **Clubbed in the hands of:** Transferor (i.e. in laws)

(b) **Condition:** The transfer should be for inadequate consideration.

Transfer of Assets by an Individual to a person or AOP to the extent such income is used by Transferee for the immediate or deferred benefit of (a) Spouse/ (b) Son's Wife [Sec. 64(1)(vii)(viii)]:

(a) **Clubbed in the hands of:** (i) Individual Transferor- when transferred to spouse, and (ii) In-Laws - When transferred to Son's Wife.

(b) **Condition:** The transfer should be for inadequate consideration.

Income from HUF Property:

Note:

- As per Explanation to Sec.64, Income would include Loss. If the specified income to be included in the Total Income of the individual is a Loss, such Loss will be taken into account while computing the Total Income of the Individual. It is significant for clubbing provisions under both Sec.64 (1) and Sec.64 (2).
- **Distinction between Sec.61 and Sec. 64 - Sec. 61 applies only to a Revocable Transfer made by any person and Sec.64 applies to both Revocable and Irrevocable transfers made by Individuals.**

Significant Issues

Conversion of Original Asset	Where the Original Asset is converted into any other form, income from converted asset should also be clubbed. [Explanation 1 to Sec. 64]
Cash gifted and invested in other forms	<ul style="list-style-type: none"> Where Cash is gifted by an Assessee to his wife, and the latter invests the same in deposits, Interest Income is includible in the Assessee's Total Income. [Mohini Thapar [1972] 83 ITR 208 (SC)432] If gifted money is invested by wife in house property, Rental Income is taxable u/s 64. [R. Ganesan [1975] 58 ITR 411 (Mad.)]
CG on sale of Transferred Assets	If an individual transfers an asset without consideration to his wife who sells it at a profit, Capital Gain arising to wife on sale of such asset is chargeable to tax in the individual's hands. [Seventilal Maneklal Sheth [1968] 68 ITR 503 (SC)]
Income in Representative Capacity	Share Income of husband of Assessee who was a Partner in a Firm in representative capacity as Karta of HUF, is not liable to be included in income of Assessee u/s 64. [Smt. Ravaban B. Mistry 163 CTR 297 (SC)]
Spouse Relationship	For clubbing u/s 64, relationship between individual and spouse should subsist both at the time of transfer and at the time of accrual of income. [Philip John Plasket Thomas 49 ITR 97 (SC)]
Natural Love & Affection	Natural Love and affection would not be adequate consideration for the purpose of Sec.64(1). [Thulsidas Kilachand 42 ITR 1 (SC)]
Income on Income from Trfd Assets	Income accruing or arising from transferred assets only will be clubbed. Any income earned out of such income should not be clubbed, e.g. dividend from Bonus Shares. [MSS Rajan 252 ITR 126 (Mad.)]
Maturity of Policy for Wife's Benefit	Assessee pays premium on policy in spouse's name for her benefit under Married Women's Property Act, 1874 . On maturity, interest on investment made out of proceeds of policy will be clubbed in husband's hands. [Damodar K. Shah 252 ITR 235 (SC)]
Transfer to Trust	Transfer of Assets to Trust for benefit of the daughter-in-law and grandchildren of Assessee is not a direct or indirect transfer. Trust is an Independent Legal Entity and Trustees are the Legal Owners of trust property. Income from the Trust not includible in Income of Assessee. [CIT vs Smt. Pushpawati 327 ITR 490 (Del)]

Illustration - Transfer for inadequate Consideration Arjun was holding 3,000 listed Shares in White Light Limited purchased by him on 08.08.2018 at ₹ 60 per share. He gifted them to his girlfriend, Chitrangada on 10.02.2021. Arjun married Chitrangada on 01.03.2021. Chitrangada was allotted bonus shares by the Company at the rate of one share for every three shares held on 11.02.2022. She sold all shares including Bonus Shares at ₹ 150 per Share. State in whose hands Capital Gain on sale of Shares is taxable. Also compute the Capital Gain. FMV of shares on 10.02.2021 is ₹ 100 per share

Cross Transfers

1. **Principle:** Income from assets transferred in a cross-transfer would be assessed in the hands of the Transferor, if -

- (a) Transfers are so intimately connected to form part of a single transaction, and
- (b) Each transfer constitutes consideration for the other by being mutual or otherwise.

2. **Legal Position:** When two transactions are inter-connected and are parts of the same transaction in such a way that it can be said that the **circuitous method** was adopted as a device to evade tax, the implication of clubbing provisions would be attracted. **[CIT Vs Keshavji and Moraji 66 ITR 142 (SC)]**

Illustration:

Situation: Mr. A makes a gift of ₹ 1,00,000 to his brother's spouse Mrs. B which was used by her for purchase of a house. Mr. B gifted to Mr. A's minor son ₹ 1,00,000. The cash was deposited in Fixed Deposits and the interest accrued during the Financial Year is ₹ 6,000.

Inference: In the given case, income accruing from House Property should be included in the Total Income of Mr. B and the interest received from the Fixed Deposits would be taxable in the hands of Mr. A, as Mr. A and Mr. B are indirect Transferors of their income yielding assets, to their Minor Child and Spouse respectively, and such transfer has been made so as to reduce their burden of taxation.

Illustration -CrossTransfer-M 15

Mr. Ramesh gifted a sum of ₹ 5 Lakhs to his brother's Minor Son on 16-04-2021. On 18-04-2021, his brother gifted Debentures worth ₹ 6 Lakhs to Mrs. Ramesh. Son of Mr. Ramesh ₹ Brother invested the amount in FD with Bank of India @ 9% p.a. Interest and Mrs. Ramesh received Interest of ₹ 45,000 on Debentures received by her. Discuss the implications under the provisions of the Income-Tax Act, 1961.

Illustration - Clubbing of Business Income - N 11

Mr. Vaibhav started a Proprietary Business on 01.04.2020 with a Capital of X 5,00,000. He incurred a loss of ₹ 2,00,000 during the year 2020-2021. To overcome the financial position, his wife Mrs. Vaishaly, a Software Engineer, gave a gift of ₹ 5,00,000 on 01.04.2021, which was immediately invested in the business by Mr. Vaibhav. He earned a profit of ₹ 4,00,000 during the year 2021-2022. Compute the amount to be clubbed in the hands of Mrs. Vaishaly for the Assessment Year 2022-2023. If Mrs. Vaishaly gave the said amount as Loan, what would be the amount to be clubbed?

Minor's Income [Sec.64(1A)]

A. Basic Principles

Nature of Transaction	Clubbed in the hands of	Conditions / Exceptions
Income of a Minor Child, including Minor Married Daughter. Note: Child includes Step-Child and Adopted Child.	<ul style="list-style-type: none"> If the Parents ₹ marriage subsists, in the hands of the Parent whose total income is greater, or If the marriage does not subsist, in the hands of the person who maintains the Minor Child. Exemption u/s 10(32): The Parent in whose hands the Minor's Income is clubbed, is entitled to an exemption of ₹ 1,500 per child, u/s 10(32). [Note]	Following Incomes of Minor Child shall not be clubbed - <ol style="list-style-type: none"> Income of a Minor Child suffering any disability specified u/s 80U, Income on account of manual work done by Minor Child. Income on account of any activity involving application of skills, talent or specialised knowledge and experience. If an individual transfers House Property to a Minor Married Daughter, income from that property shall not be clubbed in the Parents ₹ hands. [Sec.27]

Note: For assessee who opting for new tax regime u/s 115BAC, exemption u/s 10 (32) cannot be claimed.

B. Taxability of Income of a Minor Married Daughter:

Source of Income	Clubbed in the hands of
1. Income from House Property , where the Transferor is - (a) Parents	Clubbing provisions not attracted. Taxable in Minor's hands.
(b) Parents-in- Law	Parents-in-law.
(c) Spouse	Spouse.
(d) Any other Person	Parents. Exemption u/s 10 (32) is applicable.
2. Income under other Heads of Income	
(a) Minor suffering from disability u/s 80U	Clubbing provisions not attracted. Taxable in Minor's hands.
(b) Income earned through - Manual work	Clubbing provisions not attracted. Taxable in Minor's hands.
Skill, Talent and Specialised knowledge	Clubbing provisions not attracted. Taxable in Minor's hands.

Any other source	Parents. Exemption u/s 10 (32) is applicable.
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C. **Change in Clubbing:** Once clubbing of Minors Income is done with that of one parent, it will continue to be clubbed with that parent only, in subsequent years. However, the A.O may club income of Minor with that of other parent if it is necessary to do so, after giving reasonable opportunity of being heard to other parent.

If the Assessee transferred part of his share in profits to the Trust for benefit of the children of the Assessee, income from share in the Firm received by the Trust is **not includible** in the Total Income of the Assessee. [CIT vs Jayantilal D. Patel 295 ITR 386 (Guj.)]

Illustration - Clubbing of Minor's Income - N 14

Mr. Mittal has 4 Minor Children consisting of three daughters and one son. The Annual Income of all the Children for the Assessment Year 2022-2023 were as follows -

First Daughter (including Scholarship received ₹ 5,000)	₹ 10,000
Second Daughter	₹ 8,500
Third Daughter (suffering from Disability specified u/s 80U)	₹ 4,500
Son	₹ 40,000

Mr.Mittal gifted 2,00,000 to his Minor Son who invested the same in the business and derived Income of 20,000 which is included above.

Compute the amount of Income earned by Minor Children to be clubbed in the hands of Mr.Mittal.

Illustration - Clubbing of Minor's Income

Mr. Sharma has 4 children consisting 2 daughters and 2 sons. The Annual Income of 2 daughters were ₹ 9,000 and ₹ 4,500 and of sons were ₹ 6,200 and ₹ 4,300 respectively. The daughter who has Income of ₹ 4,500 was suffering from a disability specified u/s 80U. Compute the amount of Income earned by minor children to be clubbed in hands of Mr. Sharma.

Assessee: Mr. Sharma Previous Year: 2021-2022 Assessment Year: 2022-2023

Particulars	Son 1	Son 2	Daughter 1	Total
Annual Income	6,200	4,300	9,000	19,500
Less: Exempt u/s 10(32)	(1,500)	(1,500)	(1,500)	(4,500)
	4,700	2,800	7,500	15,000

Note: Income of Daughter whose income is ₹ 4,500 and suffering from disability specified u/s 80U shall not be clubbed in the hands of Mr. Sharma.

Illustration - Clubbing of Minor's Income - M 08

Mr. Dhaval and his wife Mrs. Hetal furnish the following information: ?

- Salary Income (computed) of Mrs. Hetal 4,60,000
- Income of Minor Son "B" who suffers from disability specified in Sec.80U. 1,08,000
- Income of Minor Daughter "C" from singing 06,000

- (d) Income from profession of Mr. Dhaval 7,50,000
 (e) Cash Gift received by "C" on 02.10.2021 from friend of Mrs. Hetal, on winning of Singing Competition 48,000
 (f) Income of Minor Married Daughter "A" from Company Deposit 30,000
 Compute the Total Income of Mr. Dhaval and Mrs. Hetal for the Assessment Year 2022-2023.

Illustration - Clubbing of Minor's Income - Jul 21

Mr. Dharmesh who is 45 years old and his wife Mrs. Anandi is 42 years old furnished the following information:

	Particulars	₹
(i)	Salary Income (computed) of Mrs. Anandi	9,60,000
(ii)	Income of minor Son "A" who suffers from disability specified in Section 80U	3,08,000
(iii)	Income of minor daughter "C" from script writing for Television Serials	1,86,000
(iv)	Income from garment trading business of Mr. Dharmesh	17,50,000
(v)	Cash gift received by minor daughter "C" on 02-10-2021 from friend of Mrs. Anandi, on winning of a story writing competition	45,000
(vi)	Income of minor son "B" from Scholarship received from his School	1,00,000
(vii)	Income of minor son "B" from fixed deposit with PNB, made out of income earned from Scholarship	5,000

Compute the total income of Mr. Dharmesh and his wife Mrs. Anandi for AY 2022-23 assuming that they have not opted to be taxed under section 115BAC

Illustration - Clubbing of Business Income and Minor Income

Mr. Singh is a Trader. Particulars of his income and those of the members of his family are given below. These relate to the Previous Year ending 31.03.2022: ?

- (a) Income from Business - Mr. Singh's 90,000
 (b) Salary derived by Mrs. Singh from a school in which she is the principal 50,000
 (c) Interest on Company deposits derived by Master Deep Singh (Minor Son)
 These deposits were made in Deep Singh's name by his father's father about 6 years ago 12,000
 (d) Receipts from sale of paintings and drawings made by Minor Dipali Singh (Minor Daughter of Mr & Mrs. Singh and a noted child artist) 60,000
 (e) Lottery earnings by Master Dipendar Singh (Minor son of Mr. Singh) 6,000
 Discuss whether the above will form part of the Assessable Income of any Individual and also compute the Assessable Income of Mr. Singh.

Illustration - Clubbing of Salary and Minor Income - M 13

Mr. A is an Employee of Larsen Limited and has substantial interest in the Company. His Salary is ₹ 25,000 p.m. Mrs. A also is working in that Company at a Salary of ₹ 10,000 p.m. without any professional qualification. (Ignore Standard Deduction)

Mr. A also receives ₹ 30,000 as Income from Securities, Mrs. A owns a House Property which she has let out. Rent Received from such House Property is ₹ 12,000 p.m.

Mr. & Mrs. A have three minor children - two twin daughters and one son, Income of the twin daughters is ₹ 2,000 p.a. and that of his son is ₹ 1,200 p.a. Compute the Income of Mr. and Mrs. A.

Illustration - Computation of Total Income and Tax liability - N 09

Mr. Dhaval has an income from Salary of ₹ 3,20,000 and his Minor Children's income are under:

(a) Minor Daughter has earned the following income:

From TV show 50,000

From Interest on FD with a Bank (deposited by Mr. Dhaval from his Income) 5,000

(b) Minor Son has earned the following income:

From the sale of a own painting 10,000

From Interest on FD with a Bank (deposited by Mr. Dhaval from his income) 1,000

Compute the Taxable Income and tax liability in the hands of Mr. Dhaval.

Illustration - Computation of Total Income - N 12

Mr. B is the Kart a of a HUF, whose Members derive Income as given below -

Particulars	₹
(i) Income from B's Profession	45,000
(ii) Mrs. B's Salary as Fashion Designer	76,000
(iii) Minor son D (Interest on Fixed Deposits with a Bank which were gifted to him by his Uncle)	10,000
(iv) Minor Daughter P's earnings from sports	95,000
(v) D's winnings from Lottery (Gross)	1,95,000

Discuss the tax implications in the hands of Mr. B and Mrs. B.

Illustration - Clubbing of Income - M 12

During the Previous Year 2021-2022 the following transactions occurred in respect of Mr. A:

(a) Mr. A had a Fixed Deposit of ₹ 5,00,000 in Bank of India. He instructed the Bank to credit the Interest on Deposit at 9% from 01.04.2021 to 31.03.2022 to the Savings Bank Account of Mr. B, son of his brother, to help him in his Education.

(b) Mr. A holds 75% share in a Partnership Firm. Mrs. A received a Commission of ₹ 25,000 from the Firm for promoting the sales of the Firm. Mrs. A possesses no technical or professional qualification.

(c) Mr. A gifted a Flat to Mrs. A on April 1st 2021. During the PY the Flat generated a Net Income of ₹ 52,000 to Mrs. A.

(d) Mr. A gifted ₹ 2,00,000 to his minor son who invested the same in a Business & he got a share Income of ₹ 20,000 from the Investment.

(e) Mr. A's minor son derived an Income of ₹ 20,000 through a Business Activity involving Application of his Skill & Talent.

(f) During the year Mr. A got a Monthly Pension of ₹ 10,000. He had no other Income. Mrs. A received Salary of ₹ 20,000 per month from a Part Time Job. (Ignore Standard Deduction)

Discuss the Tax Implications & compute the Total Income of Mr. A, Mrs. A and their Minor Child.

Illustration - Clubbing of Income - N 19

Mr. Mahadev, a noted bhajan singer of Rajasthan and his wife Mrs. Dariya furnish the following information relating to the Assessment Year 2022-2023.

S.no	Particulars	₹
1	Income of Mr. Mahadev - professional bhajan singer (computed)	5,65,000
2	Salary income of Mrs. Dariya (computed)	3,80,000
3	Loan received by Mrs. Dariya from Ramu & Jay (Pvt) Ltd. (Mrs. Dariya holds 35% shares of the Co. The Co. has incurred losses since its inception 2 years back)	2,50,000
4	Income of their minor son Golu from winning singing reality show on T.V.	2,50,000
5	Cash gift received by Golu from friend of Mr. Mahadev on winning the show	21,000
6	Interest income received by minor married daughter Gudia from deposit with Ramu & Jay Pvt Ltd.	40,000

Compute total taxable income of Mr. Mahadev & Mrs. Dariya for the Assessment Year 2022-2023.

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Income from HUF Property [Sec.64(2)]

Nature of Transaction	Clubbed in the hands of	Conditions / Exceptions
Income of HUF , from property converted by the Individual into HUF property, or by throwing such property in to the common stock of the HUF or by otherwise transferring such individual property into HUF Property, for inadequate consideration [Sec. 64(2)]	Individual	Income is included in the hands of Individual, but excluded in the hands of HUF . If the converted property is subsequently partitioned either by way of total or partial partition, income derived by the spouse from such converted property will be taxable in the hands of the Individual.

SET-OFF & CARRY FORWARD OF LOSSES

Sec.	Nature of loss	Details of set-off	Conditions / Exceptions
70	Current Year Loss within the same Source	Set-off within the same source	Exceptions: Loss from - <ol style="list-style-type: none"> 1. Activity of owning or maintaining of race horses. 2. Speculation Business. 3. Short Term Capital Loss- (set-off against STCG / LTCG.) 4. Long Term Capital Loss- (set-off only against LTCG.)
71	Current Year Loss under any head	Set-off against income under any other head.	Exceptions: <ol style="list-style-type: none"> 1. Loss from - <ol style="list-style-type: none"> (a) Activity of owning or maintaining of race horses. (b) Speculation business. (c) Capital Gains. 2. w.e.f. 01.04.2018 Set-Off of loss u/h "Income from House Property" against any other Head of Income shall be restricted to ₹ 2,00,000 for any Assessment Year. 3. Loss under the head Profits & Gains of Business or Profession cannot be set-off against Income from Salaries. 4. Loss from Specified Business u/s 35AD can be setoff only against Income from any other Specified Business. [S.73A]
71B	Brought forward Unabsorbed Loss from House Property	Set-off only against income from House Property.	Permissible for 8 Assessment Years immediately succeeding the Assessment Year in which the loss first arose.
72	Brought Forward Unabsorbed Business Loss other than Speculation loss	Set-off only against income under the head profits and gains of Business Or Profession	<ol style="list-style-type: none"> 1. Carry forward and set-off is permissible for 8 assessment years immediately succeeding the assessment year in which the loss first arose. 2. Loss can be carried forward, only if the return is filed u/s 139(1) and determined and communicated u/s 157.
32(2)	Brought forward Unabsorbed Depreciation	Set-off against any head of Income	Unabsorbed Depreciation Loss can be carried forward for any number of years until it is fully set-off.
73	Brought forward Unabsorbed Speculation Business Loss	Set-off only against income under Speculation business	<ol style="list-style-type: none"> 1. Carry forward and set-off is permissible for 4 assessment years immediately succeeding the assessment year in which the loss first arose. 2. Loss can be carried forward, only if the return is filed u/s 139(1) and determined and communicated u/s 157

73A	Brought forward loss of Specified Business u/s 35AD	Set-off only against Income from any other Specified Business	1. Loss can be carried forward for any number of years until it is fully set-off. 2. Loss can be carried forward if Return is filed u/s 139(3) and it is determined and communicated u/s 157. [S.80]
74	Brought forward Unabsorbed Loss under the head Capital Gains.	Set-off only against Income under the head Capital Gain.	1. Carry forward and set-off is permissible for 8 assessment years immediately succeeding the assessment year for which the loss was computed. 2. Loss can be carried forward, only if the return is filed u/s 139(1) and is determined and communicated u/s 157 3. STCL can be set-off against any Capital Gain. However, LTCL can be set-off only against LTCG.
74 A	Brought forward Unabsorbed Loss from activity of owning & maintaining Race Horses	Set-off only against Income from owning and maintaining Race Horses	1. Carry forward and set-off is permissible for 4 assessment years immediately succeeding the assessment year for which the loss was computed. 2. Loss can be carried forward, only if the return is filed u/s 139(1) and determined and communicated u/s 157.

Note: Deemed Speculation Business -

1. If any part of the business of the Company consist of purchase and sale of the Shares of other Companies **otherwise** than in ordinary course of their business, such a Company shall be **deemed** to be carrying on speculation business, to the extent of purchase and sales of such Shares.
2. Companies whose principle business is that of trading in shares or banking or granting of loans & advances, would **not** be treated as carrying on Speculation Business, in cases where they purchase and sell shares of other Companies.

Significant Issues

Beneficial to Taxpayer	<ul style="list-style-type: none"> • Wherever two views or methods are possible, the view or the method, which is beneficial to the taxpayer, shall be adopted in the absence of any specific provision to the contrary. (Vegetable Products Ltd 88 ITR 192 (SC)) • For Sec.71, where there are more than one source for set-off, the Assessee can adopt the most beneficial method for set-off. [Circular No. 26/7.7.55]
LTCG	U/s 71, Any loss determined under any other head can be set-off against LTCG . [Cir. 721/13.9.95]
Order of setoff and carry forward	The effect has to be first given to the provisions of Sec.71. This position is however subject to exceptions provided in Chapter VI of the Act which prohibits inter-head adjustments with regard to certain losses. [Circular No. 587/11.12.90]
Loss from Derivatives	Loss incurred on account of derivatives would be deemed business loss under proviso to Sec. 43(5) and not speculation loss and, hence, Explanation to Section 73 could not be applied. [CIT vs Asian Financial Services Ltd. [2016J 75 taxmann.com 68 (SC)]

Illustration - Computation of Carried Forward Loss - M 13

From the following information of Mr. Mohit for the Financial Year 2021-2022, you are required to compute his Total Income for the Financial Year 2021-2022, and ascertain the amount of losses which will be carried forward to next year.

Particulars	₹
He owns two houses:	
House No. 1 - Income after all statutory deductions	80,000
House No. 2 - Current Year Loss	(38,000)
He has three proprietary business concerns:	
1. Textile Business: Discontinued from 30th September 2021 -	
(a) Current Year's Loss	40,000
(b) Brought Forward Loss of AY 2017-2018	95,000
Particulars	₹
2. Chemical Business - since discontinued:	Nil
(a) Bad Debts allowed in earlier years recovered during the year	35,000
(b) Brought Forward Business Loss of Asst. Year 2019-2020	50,000
3. Leather Business - Profit for the current year	1,00,000
Other Information:	
Share of Profit in a Firm in which he is Partner since 2007	16,550
Capital Gains:	
(a) Short Term Capital Gains	60,000
(b) Long Term Capital Loss	35,000
Contribution to L.I.C towards Premium	10,000

Computation of Total Income**Illustration - Computation of Total Income - M 10**

Mr. Banerjee furnishes you the following details for the year ended 31.03.2022. Compute the Total Income of Mr. Banerjee for the Assessment Year 2022-2023.

Income (loss) from house property -	₹
House 1	36,000
House 2 - Self occupied	(20,000)
House 3	60,000

Profits and gains from Business or Profession -	₹
Textile Business	2,00,000
Automobile Business	(3,00,000)
Speculation Business Capital Gains -	2,00,000
Long Term Capital Gain from Sale of Shares (STT) paid	1,50,000
Long Term Capital Gain from Sale of Vacant Site	2,00,000
Short Term Capital Loss from Sale of Building Other Sources -	1,00,000
Gift from a Friend (Non-Relative) on 05.06.2021	60,000
Gift from Maternal Uncle on 25.02.2022	1,00,000
Gift from Grandfather's Younger Brother on 10.02.2022	1,00,000

Note: Assume that the figures given above are computed and arrived at after considering eligible deductions.

Priority for Set-off of Losses

S. No.	Sec.	Nature of Losses
1	35(1)	Current Scientific Research Capital Expenditure
2	32(1)	Current Depreciation
3	36(1)(ix)	Current year Expenditure on Family Planning to the extent allowed
4	72(1)	Unabsorbed Business Losses of previous years
5	32(2)	Unabsorbed Depreciation of previous years
6	35(4)	Unabsorbed Scientific Research Capital Expenditure of previous years
7	36(1)(ix)	Unabsorbed Family Planning Promotion Expenditure of previous year

Illustration - Computation of Total Income - N 12

Mr. Rahul an Assessee aged 61 years gives the following information for the Previous Year 31.03.2022:

Particulars	Amount ₹
(a) Loss from Profession	1,05,000
(b) Capital Loss on the Sale of Property - Short Term	55,000
(c) Capital Gains on Sale of Shares - Long Term	2,05,000
(d) Loss in respect of Self Occupied Property	15,000
(e) Loss in respect of Let Out Property	30,000
(f) Share of Loss from Firm	1,60,000
(g) Income from Card Games	55,000
(h) Winnings from Lotteries	1,00,000
(i) Loss from Horse Races in Mumbai	40,000
(j) Investment in Notified Bonds	21,000
(k) Medical Insurance Premium paid by Cheque	24,000

Compute the Total Income of Mr. Rahul for the Assessment Year 2022-2023.

Illustration - Set Off and Carry Forward of Losses - M 14

Mr. Garg, a Resident Individual, furnishes the following particulars of his Income and other details for previous year 2021-2022.

(1) Income from Salary	₹ 15,000
(2) Income from Business (before providing Depreciation)	₹ 66,000
(3) Long term Capital Gain on Sale of Land	₹ 10,800
(4) Loss on Maintenance of Race Horses	₹ 15,000
(5) Loss from Gambling	₹ 9,100

The other details of Unabsorbed Depreciation and Brought Forward Losses pertaining to Assessment Year 2021-2022 are as follows:

(1) Unabsorbed Depreciation	₹ 11,000
(2) Loss from Speculative Business	₹ 22,000
(3) Short term Capital Loss	₹ 9,800

Compute the Gross Total Income of Mr. Garg for the Assessment Year 2022-2023 and the amount of Loss, if any, that can be carried forward, or not.

Illustration - Set Off and Carry Forward - M 17

Mr. Shyam, a resident of Chandigarh, provides the following information for the financial year 2021-2022:

Particulars	₹
Income from Textile Business	4,60,000
Income from Speculation business	25,000
Loss from Gambling	12,000
Loss in maintenance of Race Horse	15,000
Eligible Current Year Depreciation of Textile Business not adjusted in the Income given above	5,000
Unabsorbed Depreciation of Assessment Year 2020-2021 Brought Forward	10,000
Speculation Business Loss of Assessment Year 2020-2021	30,000

Compute the Gross Total Income of Mr. Shyam for Assessment Year 2022-2023 and any other item of expense or loss eligible for carry forward.

Illustration - Set-off and Carry Forward of Multiple Losses - N 11 Mr. Batra furnishes the following details for year ended 31.03.2022:

Particulars	
Short Term Capital Gain	1,40,000
Loss from Speculative Business	60,000
Long Term Capital Gain on Sale of Land	30,000
Long Term Capital Loss on Sale of Shares (Securities Transaction Tax not paid)	1,00,000
Income from Business of Textile (after allowing current year Depreciation)	50,000
Particulars	₹
Income from activity of owning and maintaining Race Horses	15,000
Income from Salary	1,00,000
Loss from House Property	40,000

Following are the Carry Forward Losses:

(i) Losses from activity of owning and maintaining Race Horses - pertaining to Assessment Year 2017-2018 ₹ 25,000.

(ii) Carry Forward Loss from Business of Textile ₹ 60,000 - Loss pertains to Assessment Year 2014-2015.

Compute Gross Total Income of Mr. Batra for the Assessment Year 2022-2023. Also state the eligible carry forward losses for the Assessment Year 2022-2023.

Illustration - Loss from Specified Business - M 11, RTP

The following are the details relating to Mr. Srivatsan, a Resident Indian, aged 57, relating to the year ended 31.03.2022:

Particulars	₹
Income from Salaries	2,20,000
Loss from the House Property	2,10,000
Loss from Cloth Business	2,40,000
Income from Speculation Business	30,000
Loss from Specified Business covered by Sec. 35AD	20,000
Long-Term Capital Gain from sale of Urban Land	2,50,000
Long-Term Capital Loss from sale of Listed Shares in Recognized Stock Exchange (STT paid)	1,10,000
Loss from Card Games	32,000
Income from betting	45,000
Life Insurance Premium paid	1,20,000

Compute the Total Income and show the items eligible for Carry Forward.

Illustration - Set-off of various Losses - M 12

Sanjay engaged in various types of activities gives the following information for the year ended 31.03.2022.

Particulars	₹
(i) Loss from Automobile Business (Total Turnover ₹ 6,00,000)	1,10,000
(ii) Profit from Wholesale Trade in Furniture items at the prescribed percentage of Turnover as per Sec. 44AD	4,00,000
(iii) Brought Forward Loss relating to discontinued Textile Business (discontinued w.e.f. 01.06.2016)	2,00,000
(iv) Short Term Capital Loss on sale of vacant site during the year	70,000
(v) Profit from Speculation Business relating to oil seeds	1,10,000
(vi) Loss from Speculation Business brought forward and related to Cotton (brought forward from AY 2020-2021)	50,000
(vii) Brought Forward Unabsorbed Depreciation of trade in Furniture items related to Assessment Year 2020-2021	60,000

Note: Aggregate Total Business Turnover of Sanjay to be assumed as below limit prescribed u/s 44AB. Compute the Total Income of Sanjay for the Assessment Year 2022-2023.

Illustration - Computation of Business Income - N 02

The summarised P&L Account of Sri Raj (from his Grocery Stores) for the Previous Year ended 31.03.2021 is as under:

Particulars	₹	Particulars	₹
To Expenses To Net Profit	4.20.000 2.80.000	By Gross Profits By Dividends (From Indian Listed Companies)	6,00,000 1,00,000
Total	7,00,000	Total	7,00,000

The following further information was provided for the same Previous Year: Raj had other businesses (Proprietary)

(a) Cloth Trade (Loss) ₹ 42,000

(b) Speculation (Profit) ₹ 30,000

(c) Loss in Proprietary business carried on in the name of Minor Son ₹ 45,000

He had carried forward loss of ₹ 39,000 in Electrical Spares for Assessment Year 2021—2022. The business was closed down. However, the Income Tax return for Assessment Year 2021-2022 was filed in time.

Income of Smt. Raj was ₹ 55,000

Compute the income of Mr. Raj for AY 2022—2023 chargeable under the head Profits and Gains of Business.

Illustration - Set-off Multiple Losses - M 03

Compute the tax liability of X for Assessment Year 2022-2023 from the following particulars: ?

(a) Net House Property Income as computed under the head "IHP	4,70,000
(b) Income from business before adjusting the following	90,000
(i) Carried forward Business Loss	70,000
(ii) Current Depreciation	30,000
(iii) Carried forward Unabsorbed Depreciation	1,40,000
(c) Short Term Capital Gain - Jewellery	1,60,000
(d) Long Term Capital Loss - Shares	40,000
(e) Long Term Capital Gains - Debentures	2,00,000
(f) Income from growing and manufacturing coffee (cured and roasted)	1,00,000

Illustration-Set Off, Computation of Total Income -N 13

Compute the Total Income of Mr. Krishna for the Assessment Year 2022-2023 from the following particulars:

Particulars	₹
Income from Business before adjusting the following items -	1,75,000
(a) Business Loss brought forward from Assessment Year 2019-2020	70,000
(b) Current Depreciation	40,000
(c) Unabsorbed Depreciation of earlier year	1,55,000
Income from House Property (Gross Annual Value)	4,32,000
Municipal Taxes paid	32,000
Mr. Krishna sold a Plot at Noida on 12 th September 2021 for a consideration of ₹ 6,40,000, which had been purchased by him on 20th December 2017 at a cost of ₹ 4,10,000.	
Long-Term Capital Loss on Sale of Shares sold through Recognized Stock Exchange	75,000
(STT paid)	
Long-Term Capital Gain on Sale of Debentures	60,000
Dividend on Shares held as Stock-in-Trade	22,000
Dividend from a Company carrying on agri business	10,000

During the previous year 2021-2022, Mr. Krishna has repaid ₹ 1,67,000 towards Housing Loan from a Scheduled Bank. Out of ₹ 1,67,000, ₹ 97,000 was towards Payment of Interest and rest towards Principal Payments. Cost Inflation Indices are- Financial Year 2017-2018: 272, Financial Year 2021-2022:317.

Illustration - Order of set-off and carry forward of losses - M 07

Simran, engaged in various types of activities, gives the following particulars of her Income for the year ended 31.03.2022:

- Profit of business of Consumer and Household Products ₹ 1,50,000
- Loss of business of Readymade Garments ₹ 10,000
- Brought forward loss of Catering Business, which was closed in AY 2021-2022 ₹ 15,000
- Short Term Loss on Sale of Securities and Shares ₹ 15,000
- Profit of Speculative Transactions entered into during the year ₹ 12,500
- Loss of Speculative Transactions of AY 2017-2018 not set-off till AY 2021-2022 ₹ 15,000

Compute the Total Income of Simran for the Assessment Year 2022-2023.

Illustration - Order of set-off and carry forward of losses

P, a Resident Individual, furnishes the following particulars of income and other details for PY 2021-2022:

Particulars	₹	Particulars	₹
Income from Salary	18,000	Unabsorbed Depreciation	9,000
Net Annual Value Taxable under Income from House Property	70,000	Depreciation allowable under the IT Act for which no treatment is given above	8,000
Income from Business	80,000	Short Term Capital Loss	7,800
Income from Speculative Business	12,000	Unrealized Rent	17,000
LTCG on Sale of Land	15,800	Loss from Speculative Business	16,000
Loss on Maintenance of Race Horses	9,000	Loss on Gambling	8,000

Compute the Gross Total Income, for AY 2022-2023 and amount of Loss that can be carried forward.

Illustration -Set-off and carry forward of losses - Tax Planning

From the following particulars of Naresh for the Previous Year ending 31.03.2022, compute the income under each head and the taxable income with reasons and also explain the provisions of carry forward of such loss, that could not be absorbed - ₹

(a) Income from Business (Proprietary Concerns)	₹
Net Adjusted Profit from Textile Trade	20,000
Net Adjusted Loss from Automotive Trade	(-) 30,000
Loss in Shares traded (Shares were never taken delivery)	(-) 40,000
(b) Negative Income from House Property	(-) 25,000
(c) Capital Gains:	
Short Term Loss	(-) 20,000
Long Term Capital Gain	30,000

Illustration -Carry forward of losses

Mr. Rajat submits the following information for the Year ending 31.03.2022. He desires that you should -

(i) Compute the Gross Total Income, and (ii) Ascertain the amount of losses that can be carried forward.

(a) He has two houses -	₹
(i) House No. I - After all statutory deductions	72,000
(ii) House No. II- Current year loss	(30,000)

(b) He has three proprietary businesses - (i) Textile Business:	(40,000)
- Discontinued from 31.10.2021 - Current year loss	
- Brought forward business loss of the Assessment Year 2017-2018	(95,000)
(ii) Chemical business:	NIL
- Discontinued from 01.03.2020 - hence no Profit / Loss	
- Bad debts allowed in earlier years recovered during this year	35,000
- Brought forward business loss of the Assessment Year 2020-2021	(50,000)
(iii) Leather business: Profit for the current year	1,00,000
(iv) Share of Profit in a Firm in which he is a partner since 2011	16,550
(c) (i) Short term Capital Gains	60,000
(ii) Long Term Capital Loss	35,000
(d) Contribution to LIC towards Premium	10,000

Illustration - Computation of Total Income - Jul 21

Mr.X a resident individual submits the following information relating to the previous year ending 31st March, 2022.

	Particulars	₹
(i)	Income from Salary (Computed)	2,22,000
(ii)	Income from House Property House in Delhi House in Chennai House in Mumbai (Self occupied)	22,000 (2,60,000) (20,000)
(iii)	Profits and gains from business or profession - Textile Business - Cosmetic Business - Speculative Business-1 - Speculative Business-2	18,000 (22,000) (74,000) 46,000
(iv)	Capital gains Short term capital loss from sale of property Long term capital gains from sale of property	(16,000) 15,400
(v)	Income from other sources (Computed) - Income from betting - Income from Card games - Loss of maintenance of race horses	34,000 46,000 (14,600)

Determine the gross total income of Mr.X for the Assessment year 2022-23 and the losses to be carried forward assuming that he does not opt to be taxed under section 115BAC.