

BASICS OF INCOME TAX

1

Question 1

Mr. Raj has a total income of ₹13,00,000 for P.Y. 2021-22, comprising of income from house property and interest on fixed deposit. Compute his tax liability for A.Y. 2022-23 assuming his age is -

- (a) 37years
- (b) 65years
- (c) 83years

Assume that Mr. Raj has not opted for the provisions of section 115BAC.

Solution

a) Computation of tax liability of Mr. Raj (age 37years)

Tax liability:

First	₹ 2,50,000	Nil	
Next	₹ 2,50,001 – ₹ 5,00,000	@5% of ₹2,50,000	₹12,500
Next	₹ 5,00,001 – ₹ 10,00,000	@20% of ₹5,00,000	₹1,00,000
Balance = ₹13,00,000 (-) ₹ 10,00,000		@30% of ₹ 3,00,000	₹90,000
			₹2,02,500
Add: Health and Education cess@4%			₹8,100
			₹2,10,600

b) Computation of tax liability of Mr. Raj (age 65years)

First	₹ 3,00,000	Nil	-
Next	₹ 3,00,001 – ₹ 5,00,000	5% of ₹ 2,00,000	₹10,000
Next	₹ 5,00,001 – ₹10,00,000	@ 20% of ₹ 5,00,000	₹1,00,000
Balance i.e., ₹13,00,000 minus ₹ 10,00,000		30% of ₹ 3,00,000	₹90,000
			₹2,00,000
Add: Health and Education cess@4%			₹8,000
			₹2,08,000

c) Computation of tax liability of Mr. Raj (age 83years)

First	₹5,00,000	Nil	-
Next	₹5,00,001 – ₹10,00,000	@ 20% of ₹5,00,000	₹1,00,000
Balance i.e., ₹13,00,000 minus ₹ 10,00,000		@ 30% of ₹3,00,000	₹90,000
			₹1,90,000
Add: Health and Education cess@4%			₹7,600
			₹1,97,600

Question 2

Compute the tax liability of Mr. Raja (aged 42 years), having total income of ₹51.5 lakhs for the Assessment Year 2022-23. Assume that his total income comprises of salary income, income from house property and interest from saving bank account. Also, assume that Mr. Raja has not opted for the provisions of section 115BAC.

Solution

Computation of tax liability of Mr. Raja for the A.Y. 2022-23

	Particulars	₹	
(A)	Tax payable including surcharge on total income of 51,50,000		
	₹2,50,000 – ₹ 5,00,000 @5%	12,500	
	₹ 5,00,000 – ₹ 10,00,000 @20%	1,00,000	
	₹ 10,00,000 – ₹ 51,50,000 @30%	12,45,000	
	Total	13,57,500	
	Add: Surcharge @10%	1,35,750	14,93,250
(B)	Tax Payable on total income of ₹50 lakhs (₹12,500 plus ₹1,00,000 plus ₹12,00,000)		13,12,500
(C)	Total Income less ₹50 lakhs		1,50,000
(D)	Tax payable on total income of ₹50 lakhs plus the excess of total income over ₹50 lakhs (B+C)		14,62,500
(E)	Tax payable: Lower of (A) and (D)		14,62,500
	Add: Health and education cess @4%		58,500
	Tax Liability		15,21,000
(F)	Marginal Relief (A – D)		30,750

Alternative Method:

(A)	Tax payable including surcharge on total income of ₹ 51,50,000		
	₹ 2,50,000 – ₹ 5,00,000 @5%	₹ 12,500	
	₹ 5,00,000 – ₹ 10,00,000 @20%	₹ 1,00,000	
	₹ 10,00,000 – ₹ 51,50,000 @30%	₹ 12,45,000	
	Total	₹ 13,57,500	
	Add: Surcharge @10%	₹ 1,35,750	₹ 14,93,250
(B)	Tax Payable on total income of ₹ 50 lakhs (₹12,500 plus ₹1,00,000 plus ₹ 12,00,000)		₹ 13,12,500
(C)	Excess tax payable (A)-(B)		₹ 1,80,750
(D)	Marginal Relief (₹1,80,750 – ₹1,50,000, being the amount of income in excess of ₹ 50,00,000)		₹ 30,750
(E)	Tax payable (A)-(D)		₹ 14,62,500
	Add: Health and education cess @4%		₹ 58,500
	Tax Liability		₹ 15,21,000

Question 3

Compute the tax liability of Mr. Akash (aged 55 years), having total income of ₹ 1,02,00,000 for the Assessment Year 2022-23. Assume that his total income comprises of salary income, income from house property and interest from fixed deposit account. Also, assume that Mr. Akash has not opted for the provisions of section 115BAC.

Solution

Computation of tax liability of Mr. Akash for the AY 2022-23

Particulars	₹	₹
A) Tax payable including surcharge on total income of ₹1,02,00,000	12,500	
₹2,50,000 - ₹5,00,000	1,00,000	
₹5,00,000 - ₹10,00,000 @20%	27,60,000	
₹10,00,000 - ₹1,02,00,000 @30%		
Total	28,72,500	
Add: Surcharge @ 15%	4,30,875	33,03,375
B) Tax payable on total income of 1 crore (₹12,500 + ₹1,00,000 + ₹27,00,000)		28,12,500
Add: Surcharge @ 10%		2,81,250
		30,93,750
C) Total income (-) ₹1 crore		2,00,000
D) Tax payable on total income of ₹1 crore (+) excess of total income over ₹1 crore (B+C)		32,93,750
E) Tax payable: Lower of (A) and (D)		32,93,750
Add: Health and education cess @ 4%		1,31,750
Tax liability		34,25,500
F) Marginal relief (A-D)		9625

Alternative Method:

(A)	Tax payable including surcharge on total income of ₹ 1,02,00,000		
	₹ 2,50,000 - ₹ 5,00,000 @5%	₹ 12,500	
	₹ 5,00,000 - ₹ 10,00,000 @20%	₹ 1,00,000	
	₹ 10,00,000 - ₹ 1,02,00,000 @30%	₹27,60,000	
	Total	₹ 28,72,500	
	Add: Surcharge@15%	₹ 4,30,875	₹ 33,03,375
(B)	Tax Payable on total income of ₹1 crore (₹ 12,500 plus ₹ 1,00,000 plus ₹ 27,00,000) plus surcharge @10%		₹ 30,93,750
(C)	Excess tax payable (A)-(B)		₹ 2,09,625
(D)	Marginal Relief (₹ 2,09,625 - ₹ 2,00,000, being the amount of income in excess of ₹ 1,00,00,000)		₹ 9,625
	Tax payable (A) - (D)		₹ 32,93,750
	Add: Health and education cess @4%		₹ 1,31,750
	Tax Liability		₹ 34,25,500

Question 4

Compute the tax liability of Mr. Deepak (aged 57 years), having total income of ₹2,02,00,000 for the Assessment Year 2022-23. Assume that his total income comprises of salary income, income from house property and interest from fixed deposit account. Also, assume that Mr. Deepak has not opted for the provisions of section 115BAC.

Solution

Computation of tax liability of Mr. Deepak for the A.Y. 2022-23

	Particulars	₹	₹
(A)	Tax payable including surcharge on total income of ₹2,02,00,000		
	₹ 2,50,000 – ₹ 5,00,000 @5%	12,500	
	₹ 5,00,000 – ₹ 10,00,000 @20%	1,00,000	
	₹ 10,00,000 – ₹ 2,02,00,000 @30%	57,60,000	
	Total	58,72,500	
	Add: Surcharge @25%	14,68,125	73,40,625
(B)	Tax Payable on total income of ₹2 crore		
	(₹12,500 plus ₹1,00,000 plus ₹57,00,000)		58,12,500
	Add: Surcharge @15%		8,71,875
			66,84,375
(C)	Total Income less ₹2 crore		2,00,000
(D)	Tax payable on total income of ₹2 crore plus the excess of total income over ₹2 crore (B+C)		68,84,375
(E)	Tax payable: Lower of (A) and (D)		68,84,375
	Add: Health and education cess @4%		2,75,375
	Tax Liability		71,59,750
(F)	Marginal Relief (A – D)		4,56,250

Alternative Method:

	Particulars	₹	₹
(A)	Tax payable including surcharge on total income of ₹ 2,02,00,000		
	₹ 2,50,000 – ₹ 5,00,000 @5%	₹ 12,500	
	₹ 5,00,000 – ₹ 10,00,000 @20%	₹ 1,00,000	
	₹ 10,00,000 – ₹ 2,02,00,000 @30%	₹ 57,60,000	
	Total	₹ 58,72,500	
	Add: Surcharge @25%	₹ 14,68,125	73,40,625
(B)	Tax Payable on total income of ₹ 2 crore (₹ 12,500 plus ₹1,00,000 plus ₹ 57,00,000) plus surcharge @15%		66,84,375
(C)	Excess tax payable (A)-(B)		6,56,250
(D)	Marginal Relief (₹ 6,56,250 – ₹ 2,00,000, being the amount of income in excess of ₹ 2,00,00,000)		4,56,250
	Tax payable (A) – (D)		68,84,375
	Add: Health and education cess @4%		2,75,375
	Tax Liability		71,59,750

Question 5

Compute the tax liability of Mr. Rajesh (aged 57 years), having total income of ₹5,02,00,000 for the Assessment Year 2022-23. Assume that his total income comprises of salary income, income from house property and interest on fixed deposit account. Assume that Mr. Rajesh has not opted for the provisions of section 115BAC.

Solution

Computation of tax liability of Mr. Rajesh for the A.Y. 2022-23

	Particulars	₹	₹
(A)	Tax payable including surcharge on total income of		
	₹ 2,50,000 – ₹ 5,00,000 @5%	12,500	
	₹ 5,00,000 – ₹ 10,00,000 @20%	1,00,000	
	₹ 10,00,000 – ₹ 5,02,00,000 @30%	1,47,60,000	
	Total	1,48,72,500	
	Add: Surcharge @37%	55,02,825	2,03,75,325
(B)	Tax Payable on total income of ₹5 crore (₹12,500 + ₹1,00,000 + ₹1,47,00,000)		1,48,12,500
	Add: Surcharge @25%		37,03,125
			1,85,15,625
(C)	Total Income (-) ₹2 crore		2,00,000
(D)	Tax payable on total income of ₹ 5 crore plus the excess of total income over ₹5 crore(B+C)		1,87,15,625
(E)	Tax payable: Lower of (A) and (D)		1,87,15,625
	Add: Health and education cess @4%		7,48,625
	Tax liability		1,94,64,250
(F)	Marginal relief (A-D)		16,59,700

Alternative Method:

	Particulars	₹	₹
(A)	Tax payable including surcharge on total income of ₹ 5,02,00,000		
	₹ 2,50,000 – ₹ 5,00,000 @5%	₹ 12,500	
	₹ 5,00,000 – ₹ 10,00,000 @20%	₹ 1,00,000	
	₹ 10,00,000 – ₹ 5,02,00,000 @30%	₹ 1,47,60,000	
	Total	₹ 1,48,72,500	
	Add: Surcharge @37%	₹ 55,02,825	2,03,75,325
(B)	Tax Payable on total income of ₹5 crore (₹12,500 plus ₹1,00,000 plus ₹ 1,47,00,000) plus surcharge @15%		1,85,15,625
(C)	Excess tax payable (A)-(B)		18,59,700
(D)	Marginal Relief (₹ 18,59,700 – ₹ 2,00,000, being the amount of income in excess of ₹ 5,00,00,000)		16,59,700
	Tax payable (A) – (D)		1,87,15,625
	Add: Health and education cess @4%		7,48,625

	Tax Liability	1,94,64,250
--	---------------	-------------

Question 6

Compute the marginal relief available to X Ltd., a domestic company, assuming that the total income of X Ltd. is ₹1,01,00,000 for A.Y.2022-23 and the total income does not include any income in the nature of capital gains. Assume that the company has not exercised option under section 115BAA or 115BAB.

[Note - The gross receipts of X Ltd. for the P.Y.2019-20 is ₹402 crore]

Solution

The tax payable on total income of ₹1,01,00,000 of X Ltd. computed @32.1% (including surcharge @7%) is ₹32,42,100. However, the tax cannot exceed ₹31,00,000 (i.e., the tax of ₹30,00,000 payable on total income of ₹1 crore plus ₹1,00,000, being the amount of total income exceeding ₹1 crore). Therefore, the tax payable on ₹1,01,00,000 would be ₹31,00,000. The marginal relief is ₹1,42,100 (i.e., ₹32,42,100 - ₹31,00,000).

Question 7

Compute the marginal relief available to Y Ltd., a domestic company, assuming that the total income of Y Ltd. for A.Y.2022-23 is ₹10,01,00,000 and the total income does not include any income in the nature of capital gains. Assume that the company has not exercised option under section 115BAA or 115BAB.

[Note - The gross receipts of Y Ltd. for the P.Y.2019-20 is ₹410 crore]

Solution

The tax payable on total income of ₹10,01,00,000 of Y Ltd. computed @ 33.6% (including surcharge @ 12%) is ₹3,36,33,600. However, the tax cannot exceed ₹3,22,00,000 [i.e., the tax of ₹3,21,00,000 (32.1% of ₹10 crore) payable on total income of ₹10 crore plus ₹1,00,000, being the amount of total income exceeding ₹10 crore]. Therefore, the tax payable on ₹10,01,00,000 would be ₹3,22,00,000. The marginal relief is ₹14,33,600 (i.e., ₹3,36,33,600 - ₹3,22,00,000).

Question 8

Mr. Sanjay aged 30 years, has a total income of ₹4,50,000, comprising his salary income and interest on bank fixed deposit. Compute his tax liability for A.Y.2022-23.

Solution

Computation of tax liability of Mr. Sanjay for A.Y.2022-23

Particulars	₹
Tax on total income of ₹4,50,000	
@5% of ₹2,00,000 (₹4,50,000 - ₹2,50,000)	10,000
Less: Rebate u/s 7A (Lower of tax payable or ₹12,500)	10,000
Tax liability	Nil

Question 9

Who is an "Assessee"?

Solution

As per section 2(7), assessee means a person by whom any tax or any other sum of money is payable under the Income-tax Act, 1961.

In addition, the term includes –

- Every person in respect of whom any proceeding under the Act has been taken for the assessment of –
 - his income; or
 - the income of any other person in respect of which he is assessable; or
 - the loss sustained by him or by such other person; or
 - the amount of refund due to him or to such other person.
- Every person who is deemed to be an assessee under any provision of the Act;
- Every person who is deemed to be an assessee in default under any provision of the Act.

Question 10

Mr. Agarwal aged 40 years and a resident in India, has a total income of ₹ 4,50,00,000, comprising long term capital gain taxable under section 112A of ₹ 55,00,000, short term capital gain taxable under section 111A of ₹ 65,00,000 and other income of ₹ 3,30,00,000. Compute his tax liability for A.Y.2022-23. Assume that Mr. Kashyap has not opted for the provisions of section 115BAC.

Solution

Particulars	₹
Tax on total income of ₹4,50,00,000	
Tax on 54L @10%	5,40,000
Tax on 65L @15%	9,75,000
Tax on other Income of 3,30,00,000	97,12,500
Total Income	1,12,27,500
surcharge @15% on (15,15,000)	2,27,250
surcharge @25% on 97,12,500	24,28,125
Total	1,38,82,875
HEC@4%	5,55,315
Total tax Payable	1,44,38,190