

EXAMINATION QUESTIONS
JULY - 2021 (NEW COURSE)

Question 2(a) (6 Marks)

Mrs. Rohini, aged 62 years, was born and brought up in New Delhi. She got married in Russia in 1996 and settled there since then. Since her marriage, she visits India for 60 days each year during her summer break. The following are the details of her income for the previous year ended 31.03.2023:

S. No.	Particulars	Amount (in Rs.)
1.	Pension received from Russian Government	65,000
2.	Long-term capital gain on sale of land at New Delhi (computed)	3,00,000
3.	Short-term capital gain on sale of share of Indian listed companies in respect of which STT was paid both at the time acquisition as well as at the time of sale (computed)	60,000
4.	Premium paid to Russian Life Insurance Corporation at Russia	75,000
5.	Rent received (equivalent to Annual Value) in respect of house property in New Delhi	90,000

You are required to ascertain the residential status of Mrs. Rohini and compute her total income and tax liability in India for Assessment year 2023-24.

Solution:

An Indian citizen or a person of Indian origin who, being outside India, comes on a visit to India (and whose total income, other than from foreign sources, does not exceed Rs. 15,00,000) would be resident in India only if he or she stays in India for a period of 182 days or more during the previous year.

Since Mrs. Rohini is a person of Indian origin who comes on a visit to India only for 60 days in the P.Y.2022-23 and her income other than from foreign sources does not exceed Rs. 15,00,000, she is nonresident for the A.Y. 2023-24.

A non-resident is chargeable to tax in respect of income received or deemed to be received in India and income which accrues or arises or is deemed to accrue or arise to her in India. Accordingly, her total income and tax liability would be determined in the following manner:

Computation of total income and tax liability of Mrs. Rohini for A.Y. 2023-24

Particulars	Amt (Rs.)
Salaries	
Pension received from Russian Government [Not taxable, since it neither accrues or arises in India nor is it received in India]	Nil
Income from House Property	
Annual Value [Rental Income from house property in New Delhi is 90,000 taxable, since it is deemed to accrue or arise in India, as it accrues or arises from a property situated in India]	
Less: Deduction u/s 24(a) @ 30% (27,000)	63,000
Capital Gains	
Long-term capital gains on sale of land at New Delhi [Taxable, since it is deemed to accrue or arise in India as it is arising from transfer of land situated in India]	3,00,000
Short-term capital gains on sale of shares of Indian listed companies in respect of which STT was paid [Taxable, since it is deemed to accrue or arise in India, as such income arises on transfer of shares of Indian listed companies]	60,000
Gross Total Income	4,23,000
Less: Deduction under Chapter VI-A	
Deduction under section 80C	(63,000)
- Life insurance premium of Rs. 75,000 [Premium paid to Russian Life Insurance Corporation allowable as deduction. However, the same has to be restricted to gross total income excluding LTCG and STCG, as Chapter VI-A deductions are not allowable against such income chargeable to tax u/s 112]	

and 111A, respectively]	
Total Income	3,60,000
Computation of Tax Liability	
Long-term capital gains taxable @20% u/s 112 [3,00,000 x 20%]	60,000
Short-term capital gains taxable @15% u/s 111A [60,000 x 15%]	9,000
	69,000
Add: Health and Education Cess @4%	2,760
Tax Liability	71,760

Note -

(i) Even if her total income exceeds Rs. 15 lakh, still, she would be non-resident since the minimum period of stay required in the current year for being a resident is 120 days.

(ii) The benefit of adjustment of unexhausted basic exemption limit against long-term capital gains taxable u/s 112 and short-term capital gains taxable u/s 111A is not available in case of non-resident. Further, rebate u/s 87A is not allowable to a non-resident, even if his income does not exceed Rs. 5 lakh.

(iii) It is assumed that such premium is paid for self or spouse or any child of Mrs. Rohini.

JAN - 2021 (NEW COURSE)**Question 3(a) (7 Marks)**

(a) Rajesh was employed in Axis Ltd., Mumbai. He received a salary of Rs. 45,000 p.m. from 1.04.2022 to 20.09.2022. He resigned and left for Dubai for the first time on 28.09.2022 and got monthly salary of rupee equivalent of Rs. 90,000 from 1.10.2022 to 31.03.2023.

His salary for October to December was credited in his Mumbai bank account directly and the salary for January to March 2023 was credited in his Dubai bank account.

The cost of his air tickets to Dubai costing Rs. 1,50,000 was funded by her sister staying in London. The cost of his initial stay at Dubai costing Rs. 40,000 was funded by one of his friends staying in Delhi.

He further received interest of Rs. 10,500 on his fixed deposits and Rs. 7,500 on his savings a/c with his Mumbai bank. He also paid LIC Premiums of Rs. 15,000 for self, Rs. 10,000 for spouse and Rs. 25,000 for dependent mother aged 71 years.

Compute taxable income of Mr. Rajesh for the Assessment Year 2023-24.

Solution:

(a) In case of an Indian citizens leaving India for employment during the relevant previous year, the period of their stay during that previous year for being treated as a resident of India must be 182 days or more. During the previous year 2022-23, Mr. Rajesh, an Indian citizen, was in India for 181 days only (i.e., 30+31+30+31+31+28 days). Thereafter, he left India for employment purposes.

Since he does not satisfy the minimum criteria of 182 days, he is a non-resident for the A.Y. 2023-24.

A non-resident is chargeable to tax in respect of income received or deemed to be received in India and income which accrues or arises or is deemed to accrue or arise to him in India. Hence, salary for January to March 2023, which was credited in his Dubai bank account for services rendered in Dubai, would not be taxable in the hands of Mr. Rajesh.

Computation of taxable income of Mr. Rajesh for A.Y. 2023-24

Particulars	Amount (Rs.)
Salary	
Salary from 1.4.2022 to 20.9.2022 [45,000 x 5 + 45,000 x 20/30]	2,55,000
Salary from 1.10.2022 to 31.12.2022 [90,000 x 3]	2,70,000
Gross Salary	5,25,000
Less: Standard deduction u/s 16(ia)	(50,000)
Net Salary	4,75,000
Income from Other Sources	
Interest on fixed deposits	10,500
Interest on Savings account	7,500
Gross Total Income	4,93,000
Less: Deduction under Chapter VI-A	
- Deduction under section 80C	(25,000)
- LIC premium for self and spouse [LIC premium for mother is not allowed for deduction]	
- Deduction under section 80TTA	(7,500)
[Interest on savings account with Mumbai bank]	

Total Income	4,60,500
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Working Notes -

1. Cost of his air tickets to Dubai costing Rs. 1,50,000 funded by his sister is not taxable under section 56(2)(x) in the hands of Mr. Rajesh, since “sister” is a relative.
2. Cost of initial stay at Dubai costing Rs. 40,000 funded by his friend is also not taxable under section 56(2)(x), since the amount does not exceed Rs.50,000.

NOV - 2019 (NEW COURSE)

Question.1 (14 Marks)

Mrs. Mitul, a resident individual, aged 63 years, is a qualified medical practitioner. She runs her own clinic. Income & Expenditure A/c of Mrs. Mitul for the year ending March 31st 2023 is as under:

Expenditure	Rs.	Income	Rs.
To Salary to Staff	1,20,000	By Consultation Fees	12,00,000
To Administrative Exp.	2,90,000	By Salary received from True Care Hospitals (P) Ltd.	1,80,000
To Conveyance Expenses	24,000	By Rental Income from House Property	78,000
To Power & Fuel	24,000	By Dividend from Foreign Companies	10,000
To Interest on Housing Loan	1,00,000		
To Interest on Education Loan for son	26,000		
To Amount paid to scientific research association approved & Notified under Section 35	25,000		
To net profit	8,59,000		
Total	14,68,000	Total	14,68,000

Explanatory Information:

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

Basic Pay	Rs.13,000 p.m.
Transport Allowance	Rs. 2,000 p.m.
Total	Rs.15,000 p.m.

Further, during P.Y. 2022-23, her son had undergone a medical treatment in True Care Hospitals (P) Ltd. free of cost. The hospital would have charged a sum of Rs. 60,000 for a similar treatment to un-related patients.

(ii) She owns a residential house. Ground floor of the house is self-occupied by her while first floor has been rented out since 01/10/2022. The reconstruction of the house was started on 01-04-2022 and was completed on 30-09-2022. The monthly rent is Rs. 10,000. The tenant also pays Rs. 3,000 p.m. as power back-up charges. She took a housing loan of Rs. 12 lakhs

on 01-04-2022. Interest on housing loan for the period 01-04-2022 to 30-09-2022 was 60,000 and for the period 01-10-2022 to 31-03-2023 was Rs.40,000. During the year, she also paid municipal taxes for the F.Y. 2021-22 Rs.5,000 and for F.Y. 2022-23 Rs.5,000.

(iii) Other informations:

(a) Conveyance expenses include a sum of Rs.12,000 incurred for conveyance from house to True Care Hospital (P) Ltd. and vice-versa in relation to her employment.

(b) Power & fuel expenses include a sum of Rs.6,000 incurred for generator fuel for providing power back-up to the tenant.

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

(d) Clinic equipment' details are:

Opening W.D.V. of clinic equipments as on 01-04-2022 was Rs.1,00,000 and fresh purchase made on 2808-2022 is Rs.25,000 which was paid in cash.

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

(f) She availed a loan of Rs.8,00,000 from bank for higher education of her son. She repaid principal of Rs. 50,000 and interest of Rs. 26,000 during P.Y. 2022-23.

You are required to compute her net taxable income and net tax liability for the Assessment Year 2023-24.

Solution:

Computation of taxable income and tax liability of Mrs. Mitul for the Assessment year 2023-24 Income under the head salary

Basic (13,000 x 12)	1,56,000
Transportation allowance (2,000 x 12)	24,000
Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite (clause (i) of proviso to section 17(2))]	Nil
Gross salary	1,80,000
Less: standard deduction u/s 16(ia) [Actual salary or 50,000, whichever is less]	(50,000)
Taxable salary	1,30,000
Less: Loss under the head house property	(41,500)
Income under the head salary	88,500
Income under the head house property	
First floor (let out)	
Gross Annual Value [Rent received is taken as GAV = 10,000 p.m. x 6 months]	60,000
Less: Municipal taxes paid by her in the P.Y.2021- 22 pertaining to let out portion	
[(Rs.5,000 + Rs.5,000)/2], allowable since it is paid during the year, even if it relates to earlier years	(5,000)
Net Annual Value (NAV)	55,000
Less: 30% of 55,000 standard deduction u/s 24(a)	(16,500)
Less: Interest u/s 24(b) (60,000 + 40,000/2)	(50,000)
Loss from first floor	(11,500)
Ground floor (Self occupied)	
Net Annual Value	Nil

Less: 30% standard deduction u/s 24(a)	Nil
Less: Interest on housing loan for reconstruction u/s 24(b) (1,00,000/2) but limited to 30,000	(30,000)
Loss from first floor	(30,000)
Loss under the head house property	(41,500)
Income under the business profession	
Net Profit	8,59,000
Less: Items of income to be treated separately under the respective head of income	
Salary received taxable under other head	(1,80,000)
Rent from house property	(78,000)
Dividend from foreign company	(10,000)
Less: Allowable expenditure	
Depreciation on clinical equipments (1,00,000 x 15%)	(15,000)
On additions during the year 25,000, no depreciation is allowable, since payment was made in cash and hence, it will not form part of actual cost	Nil
Add: Items of expenditure not allowable while computing business income	
Interest on housing loan for reconstruction of residential house	1,00,000
Interest on education loan for son	26,000
Conveyance expense in relation to her employment	12,000
Power & Fuel expenses incurred for power back up to tenant not deductible	6,000
Municipal taxes paid relating to residential house	10,000
Income under the head business profession	7,30,000
Income under the head other sources	
Income from power back up facility	
Power backup charges from tenant (3,000 x 6)	18,000

Less: Actual expenditure incurred for providing power back up	(6,000)
	12,000
Dividend from foreign companies	10,000
Income under the head other sources	22,000
Calculation of Total Income	
Income under the head salary	88,500
Income under the head business profession	7,30,000
Income under the head other sources	22,000
Gross total income	8,40,500
Deduction under section 80C - Tuition fee paid for grand child is not allowable	Nil
Less: Deduction under section 80E - Interest on loan taken for higher education of her son is deductible [principal repayment is not deductible]	(26,000)
Total income	8,14,500
Computation of tax payable	
Tax on 8,14,500 at slab rate	75,400
Add: HEC @ 4%	3,016
Tax liability	78,416
Rounded off u/s 288B	78,420

Note:

Loss from house property can also be set-off against business income. In such a case, salary income would be Rs. 1,30,000 and business income would be Rs.6,88,500 (i.e., Rs.7,30,000-Rs.41,500). Gross total income, total income and tax liability would remain the same.

Alternative solution: Student can solve business income by taking 44ADA because Mrs. Mitul is a medical practitioner and gross receipts is below 50 lakhs. In such case business income shall be 50% of gross receipts i.e. 50% of 12,00,000 = 6,00,000.

Computation of taxable income and tax liability of Mrs. Mitul for the Assessment year 2023-24

Income under the head salary	
Basic (13,000 x 12)	1,56,000
Transportation allowance (2,000 x 12)	24,000
Cost of treatment for son in True Care Hospitals (P) Ltd. [Exempt, since value of medical treatment provided to an employee's family member in any hospital maintained by the employer is excluded from the definition of perquisite (clause (i) of proviso to section 17(2))]	Nil
Gross salary	1,80,000
Less: standard deduction u/s 16(ia) [Actual salary or 50,000, whichever is less]	(50,000)
Taxable salary	1,30,000
Less: Loss under the head house property	(41,500)
Income under the head salary	88,500
Income under the head house property	
First floor (let out)	
Gross Annual Value [Rent received is taken as GAV = 10,000 p.m. x 6 months]	60,000
Less: Municipal taxes paid by her in the P.Y.2020- 21 pertaining to let out portion [(Rs.5,000 + Rs.5,000)/2], allowable since it is paid during the year, even if it relates to earlier years	(5,000)
Net Annual Value (NAV)	55,000
Less: 30% of 55,000 standard deduction u/s 24(a)	(16,500)
Less: Interest u/s 24(b) (60,000 + 40,000/2)	(50,000)
Loss from first floor	(11,500)
Ground floor (Self occupied)	
Net Annual Value	Nil
Less: 30% standard deduction u/s 24(a)	Nil
Less: Interest on housing loan for reconstruction u/s 24(b) (1,00,000/2) but limited to 30,000	(30,000)

Loss from first floor	(30,000)
Loss under the head house property	(41,500)
Income under the business profession	
Consultation fees	12,00,000
Income under the head business profession	6,00,000
(50% of 12,00,000 u/s 44ADA)	
Income under the head other sources	
Income from power back up facility	
Power backup charges from tenant (3,000 x 6)	18,000
Less: Actual expenditure incurred for providing power back up	(6,000)
	12,000
Dividend from foreign companies	10,000
Income under the head other sources	22,000
Calculation of Total Income	
Income under the head salary	88,500
Income under the head business profession	6,00,000
Income under the head other sources	22,000
Gross total income	7,10,500
Less: Deductions u/s 80E	(26,000)
Total income	6,84,500
Computation of tax payable	
Tax on 6,84,500 at slab rate	46,900
Add: HEC @ 4%	1,876
Tax liability	48,776
Rounded off u/s 288B	48,780

Notes:

Loss from house property can also be set-off against business income. In such a case, salary income would be Rs.1,30,000 and business income would be Rs.5,58,500 (i.e., Rs.6,00,000-Rs.41,500). Gross total income, total income and tax liability would remain the same.

MAY - 2019 (NEW COURSE)**Question 1 (14 Marks)**

From the following particulars of Shri Jagdish (Aged 59 Years) for the Assessment Year 2023-24, you are required to find out his taxable income and net tax liability:

(i) Basic Salary @ Rs. 51,000 per month, Dearness allowance @ Rs. 10,000 per month (Part of salary for retirement benefits), House rent allowance Rs. 4,000 per month and rent paid for house in Mumbai is Rs.7,000 per month.

(ii) He owns a commercial building at New Delhi, which is let out on 1/7/2022 at a monthly rent of Rs.46,000. He paid for municipal taxes of Rs. 27,000 and Rs. 25,000 for the financial year 2021-22 and 2022-23 on 31-3-2023 and 20-4-2023 respectively.

(iii) He deals in shares. During financial year 2022-23 he earned Rs. 1,70,000 from his share business and paid Rs. 30,000 as security transaction tax.

(iv) He purchased 4000 unlisted shares of Shyam Limited on 16-1-2010 for Rs. 80,000. Company declared bonus in the ratio of 1:1 on 1st February, 2010. Shri Jagdish sold 3000 Bonus Shares on 28/12/2022 for Rs. 2,00,000 to his friend Mr. Mehul through unrecognized stock exchange.(Cost Inflation Index: 2009-10: 148, 2022-23 : 331)

(v) He received dividend of Rs. 13,00,000 as dividend income from listed domestic company, Interest

from saving bank account deposits with IDBI Bank Rs. 15,000 and lottery winnings (Net of TDS @

30%) is Rs. 21,000.

He paid the following amount out of his taxable income :

(a) Deposits in Public Provident Fund Rs. 2,00,000.

(b) Medical insurance premium paid for health of his wife Rs. 19,000 and for health of dependent son

Rs.12,000 through cheque.

Solution:

Computation of Total Income and Net Tax Liability of Mr. Jagdish of A.Y. 23-24

Computation of Income under the head Salary

Basic Pay	6,12,000
(51,000 x 12)	
Dearness Allowance	1,20,000
(10,000 x 12)	
House Rent Allowance {Sec 10 (13A), Rule 2A}	37,200
Working Note: Least of the following is exempt: 1. Rs.84,000 - 73,200 = Rs.10,800 2. 50% of retirement benefit salary = Rs.3,66,000 (Retirement benefit salary (Rs.51,000+10,000) x 12 = Rs.7,32,000) 3. Rs.48,000 Received = Rs.48,000 Exempt = (Rs.10,800) Taxable = Rs.37,200	
Gross Salary	7,69,200
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	7,19,200
Income from house property	
Gross Annual Value (GAV) (Rent receivable is taken as GAV in the absence of other information) (46,000 × 9)	4,14,000
Less: Municipal taxes paid	(27,000)
Net Annual Value (NAV)	3,87,000
Less: Deductions u/s 24 (a) 30% of NAV	(1,16,100)
Less: Deductions u/s 24 (b) Interest	Nil
Income from House Property	2,70,900
Income under the head business/profession	
Earned from his share business	1,70,000

Less: Securities Transaction tax paid (section 36(1)(xv))	(30,000)
Income under the head business/profession	1,40,000
Income under the head capital Gains	
Full value of Consideration on Sale of Bonus shares	2,00,000
Less: Indexed cost of Acquisition	Nil
Long Term capital gains	2,00,000
Income under the head other sources	
Dividend Income	13,00,000
Interest from saving bank account	15,000
Lottery Winning (21,000/70%)	30,000
Income under the head other sources	13,45,000
Gross Total Income	
Income under the head Salary	7,19,200
Income from House Property	2,70,900
Income under the head business/profession	1,40,000
Income under the head capital Gains	2,00,000
Income under the head other sources	13,45,000
Gross Total Income	26,75,100
Less: Deduction u/s 80C - PPF	(1,50,000)
Less: Deduction u/s 80D (19,000+12,000 = 31,000 but limited to 25,000)	(25,000)
Less: Deduction u/s 80TTA	(10,000)
Total Income	24,90,100
Computation of Tax Liability	
Tax on Rs.30,000 @ 30% u/s 115BB	9,000.00
Tax on Rs.2,00,000 @ 20% u/s 112	40,000.00

Tax on normal income Rs.22,60,100	4,90,530.00
Tax before health & education cess	5,39,530.00
Add: HEC @ 4%	21,581.20
Tax Liability	5,61,111.20
Less: TDS	(9,000.00)
Tax Payable	5,52,111.20
Rounded off u/s 288B	5,52,110.00

Question 3 (a) (8 Marks)

Mr. Madhvan is a finance manager in Star Private Limited. He gets a salary of Rs. 30,000 per month. He owns two houses, one of which has been let out to his employer and which is in-turn provided to him as rent free accommodation. Following details (annual) are furnished in respect of two house properties for the Financial Year 2022-23.

	House 1	House 2
Fair rent	75,000	1,95,000
Actual rent	65,000	2,85,000
Municipal Valuation	74,000	1,90,000
Municipal taxes paid	18,000	70,000
Repairs	15,000	35,000
Insurance premium on building	12,000	17,000
Ground rent	7,000	9,000
Nature of occupation	Let-out to Star Private Limited	Let-out to Ms. puja

Rs. 17,000 were paid as Interest on loan taken by mortgaging House 1 for construction of House 2. During the Previous year 2022-23, Mr. Madhvan purchased a rural agricultural land for Rs. 2,50,000. Stamp valuation of such property is Rs. 3,00,000.

Determine the taxable income of Mr. Madhvan for the assessment year 2023-24. All workings should form part of your answer.

Solution:

Computation of Taxable Income of Mr. Madhvan for the A.Y. 2023-24		Rs.
Computation of income under the head Salary		
Basic salary		3,60,000
(30,000 x 12)		
Rent free accommodation {Sec 17(2)(i) Rule 3(1)}		54,000
Working Note:		
15% of rent free accommodation salary or rent paid whichever is less Rent free accommodation salary = 3,60,000 15% of Rs.3,60,000 = Rs.54,000 Rent Paid = Rs.65,000		
Value of unfurnished house	54,000	
Gross Salary		4,14,000
Less: Standard Deduction u/s 16(ia) [Actual salary or 50,000, whichever is less]		(50,000)
Income under the head Salary		3,64,000
Computation of income under the head House Property		
House 1		
Gross Annual Value		75,000
Working Note:		Rs.
(a) Fair Rent	75,000	
(b) Municipal Value	74,000	
(c) Expected Rent (higher of (a) or (b))	75,000	
(d) Rent Received/Receivable	65,000	
GAV = Higher of (c) or (d)	75,000	
Less : Municipal Tax		(18,000)
Net Annual Value		57,000

Less: 30% of NAV u/s 24(a)	(17,100)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income under the head House Property	39,900
House 2	
Gross Annual Value	2,85,000
Working Note:	
(a) Fair Rent	1,95,000
(b) Municipal Value	1,90,000
(c) Expected Rent (higher of (a) or (b))	1,95,000
(d) Rent Received/Receivable	2,85,000
GAV = Higher of (c) or (d)	2,85,000
Less: Municipal Tax	(70,000)
Net Annual Value	2,15,000
Less: 30% of NAV u/s 24(a)	(64,500)
Less: Interest on capital borrowed u/s 24(b)	(17,000)
Income under the head House Property	1,33,500
Income under the house property (1,33,500+39,900)	1,73,400
Gross Total Income	5,37,400
Less: Deduction	Nil
Total Income	5,37,400

Note:

1. Purchase of rural agricultural land for a consideration less than stamp duty value [Not taxable under section 56(2)(x), since rural agricultural land is not a capital asset.
2. Expenditure on repairs, insurance premium on building and ground rent are not allowable under the head house property.

Question 4 (a) (10 Marks)

Ms. Geeta, a resident individual, provides following details of her income/losses for the year

ended 31.03.2023:

	Particulars	Amount (Rs.)
(i)	Income from salary (computed)	41,20,000
(ii)	Rent received from house property situated in Delhi	5,00,000
(iii)	Interest on loan taken for purchase of above property. Loan was taken from a friend	7,50,000
(iv)	Rent received from house property situated in Jaipur	3,20,000
(v)	Interest on loan taken for house property in Mumbai which is self-occupied. Loan was taken from PNB on 01.01.1999 for purchase of this property	1,57,000
(vi)	Interest on loan taken for repair of house properties situated in Mumbai and Delhi. Loan was taken on 01.04.20 and was utilized in 50:50 ratio for house properties situated in Mumbai and Delhi, respectively.	1,50,000
(vii)	Long term capital gains on sale of equity shares computed in accordance with Section 112A	8,95,000
(viii)	Interest on fixed deposit	73,000
(ix)	Loss from textile business	7,50,000
(x)	Speculation profit	2,30,000
(xi)	Lottery income	75,000
(xii)	Loss incurred by the firm in which she is a partner	1,60,000
(xiii)	Salary received as a partner from partnership firm. The same was allowed to firm	50,000
(xiv)	Brought forward short-term capital loss on sale of gold.	2,75,000
(xv)	Brought forward loss on sale of equity shares of the nature specified u/s 111A	25,000
(xvi)	Life insurance premium paid for her son who is 30 years of age and is working in USA	15,000

Compute total income of Ms. Geeta for the assessment year 2023-24 and the amount of loss that can be carried forward.

For the above solution, you may assume principal repayment of loan as under:

(1)	Loan taken for purchase of house property in Delhi	- Rs. 2,50,000
(2)	Loan taken for purchase of house property in Mumbai	- Rs. 50,000
(3)	Loan taken for repair of house properties in Delhi and Mumbai	- Rs. 75,000

Workings notes should form part of your answer. Wherever necessary, suitable assumptions may be made by the candidates and disclosed by way of note.

Solution:

Computation of Total Income of Ms. Geeta for the A.Y. 2023-24 Income under the head salary

Income from salary (computed)	41,20,000
Less: Loss from House Property maximum allowed 2,00,000	(2,00,000)
Income from salary	39,20,000
Income under the head House Property	
House 1 (House in Delhi)	
GAV	5,00,000
(Actual receipt of rent shall be treated as GAV in the absence of other information)	
Less: Municipal Tax	Nil
Net Annual Value	5,00,000
Less: 30% of NAV u/s 24(a)	(1,50,000)
Less: Interest on capital borrowed u/s 24(b) (7,50,000+75,000)	(8,25,000)
Loss from House 1	(4,75,000)
House 2 (House in Jaipur)	
GAV	3,20,000
(Actual receipt of rent shall be treated as GAV in the absence of other information)	
Less: Municipal Tax	Nil
Net Annual Value	3,20,000
Less: 30% of NAV u/s 24(a)	(96,000)
Less: Interest on capital borrowed u/s 24(b)	Nil
Income from House 2	2,24,000
House 3 (House in Mumbai Self occupied)	
GAV	Nil

Less: Municipal Tax	Nil
Net Annual Value	Nil
Less: 30% of NAV u/s 24(a)	Nil
Less: Interest on capital borrowed u/s 24(b)	(30,000)
Interest on loan for purchase and repairs (to be restricted to 30,000, since loan for purchase was taken prior to 1.4.1999)	
Loss from House 3	(30,000)
Loss under the head house property (2,24,000-4,75,000-30,000)	(2,81,000)
As per section 71(3A), loss from house property to be set-off against salary income to the extent of 2,00,000	
Income under the head capital Gains	
Long-term capital gains on sale of equity shares computed in accordance with section 112A	8,95,000
Less: Current year loss under the head business profession	(4,70,000)
Less: Set-off of brought forward short-term capital loss as per section 74 on sale of gold	(2,75,000)
Less: Brought forward loss Short term loss u/s 111A	(25,000)
LTCG 112A	1,25,000
Income under the head business/profession	
Speculation profit (assumed as business income)	2,30,000
Salary received as partner of firm is taxable in her hands since the entire salary	
was allowed as deduction in the hands of the firm	50,000
Less: Loss from textile business	(2,80,000)
Income under the head business/profession	Nil
Income under the head other sources	
Interest on Fixed Deposit	73,000
Lottery Income	75,000

Income under the head other sources	1,48,000
Computation of Total Income	
Income under the head salary	39,20,000
Income under the head capital gains	1,25,000
Income under the head house property	Nil
Income under the head business/profession	Nil
Income under the head other sources	1,48,000
Gross Total Income Less: Deductions u/s 80C	41,93,000
- Repayment of Principal amount (Mumbai House)	50,000
- LIC Paid	15,000
Total Income	41,28,000
Loss to be carried forward	
Loss from House Property	81,000

Note -

1. Share of loss of 1,60,000 incurred by the firm in which she is partner cannot be set-off against salary received as partner of firm or any other income, since loss from an exempt source cannot be set-off against profit from a taxable source.

2. As per section 71(3A), loss from house property can be set-off against any other head of income to the extent of 2,00,000 only. As per section 71B, balance loss not set-off can be carried forward to the next year

for set-off against income from house property of that year. Such loss can be carried forward for a maximum of eight assessment years.

3. 2,50,000, for house property in Delhi, not allowable since loan is taken from a friend.

4. 75,000, for house properties in Mumbai and Delhi, not allowable since loan is taken for repairs of properties.

Alternate solution: Student can setoff business loss from other source income and balance from capital gains, in such case also total income will remain same.

MAY - 2019 (OLD COURSE)**Question 1 (14 Marks)**

Mr. X working in a private company from last 10 years. His salary details for the financial year 2022-23 are:

	Rs.
i. Basic Salary	1,50,000 p.m.
ii. Dearness Allowance	55,000 p.m.
iii. Commission	35,000 p.m.
iv. Transport Allowance	5,000 p.m.
v. Medical Reimbursement	20,000 paid during the year

Mr. X resigned from the services on 30th September, 2022. He was paid gratuity of Rs. 20 lakhs on his retirement. A lumpsum amount of Rs. 36 lakhs was also paid from unrecognized provident fund. The provident fund amount consisted of employer contribution Rs. 13.20 lakhs and interest thereon Rs. 3 lakhs. The employee contribution was Rs. 16.20 lakhs and interest thereon was Rs. 3.60 lakhs.

He had taken the possession of house on 28th February, 2023 after making payment of final installment of housing loan to bank. Loan was taken on 01-04-2021. The accumulated interest as on 31st march, 2022 was Rs. 1.5 lakh. He made payment of Rs. 2,20,000 during the year which included interest Rs. 1,10,000 for 11 months.

He started business of hiring of goods vehicle, purchased 3 small goods vehicle on 15th November, 2022 and 3 heavy vehicles having gross weight of 15 MTs each on 1st December, 2022. He did not maintain books of accounts for income and expenditure of hiring of goods vehicle. One of his friend gifted him Rs. 6 lakhs to purchase the vehicles.

He was holding 25% equity shares in CMF Ltd., an Indian company. The paid up share capital of company as on 31st March, 2022 was Rs. 20 lakh divided into 2 lakh shares of Rs. 10 each which were issued at a premium of Rs. 30 each. Company allotted shares to shareholders on 1st October, 2015. Company bought back 30% of its share on 30th April, 2022 under the provisions of Companies Act, 2013 on making payment of Rs.60 per share.

He paid insurance premium of Rs. 20,000 on his life policy during the financial year 2022-23. The policy was taken in April 2011 and sum assured was Rs. 1,50,000. He also made payment of Rs. 25,000 L.I.C pension fund and premium of Rs. 40,000 towards Mediclaim policy for self and wife.

Compute total income and tax payable thereon for the Assessment year 2023-24. There was no change in salary of Mr. X from last two years. Cost inflation Index is:

Financial Year	Cost Inflation Index

2015-16	254
2022-23	331

Solution:

Computation of Total Income and Net Tax Liability of Mr. X of A.Y. 23-24

Computation of Income under the head Salary	Rs.
Basic Pay (1,50,000 x 6)	9,00,000
Dearness Allowance (55,000 x 6)	3,30,000
Commission (35,000 x 6)	2,10,000
Transport Allowance (5,000 x 6)	30,000
Medical Reimbursement	20,000
Gratuity {Sec10(10)}	12,50,000
Working Note:	
Least of the following is exempt:	
1. Rs. 20,00,000	
2. Rs. 20,00,000	
3. Rs. $\frac{1}{2} \times (1,50,000 \times 10) / 10 \times 10 = \text{Rs. } 7,50,000$	
Received = Rs. 20,00,000	
Exempt = (Rs. 7,50,000)	
Taxable = (Rs. 12,50,000)	
Employer contribution from URPF (lumpsum)	13,20,000
Interest on Employer's contribution	3,00,000
Gross Salary	43,60,000
Less: Standard Deduction u/s 16(ia) [Actual salary or 50,000, whichever is less]	(50,000)
Income under the head Salary	43,10,000
Less: Loss under the head house property	(1,40,000)
Income under the head Salary	41,70,000
Income from house property	

Gross Annual Value (GAV)	Nil
Less: Municipal taxes paid	Nil
Net Annual Value (NAV)	Nil
Less: Deductions u/s 24 (a) 30% of NAV	Nil
Less: Deductions u/s 24 (b) Interest	(1,40,000)
Current Period interest Rs. 1,10,000	
Prior period installment Rs. 1,50,000 / 5 = Rs. 30,000	
(assumed all the conditions has been satisfied)	
Loss from House Property	(1,40,000)
Income under the head business/profession	
As per section 44AE	
Small goods vehicle (3 x 7500 x 5)	1,12,500
Heavy goods vehicle (3 x 15000 x 4)	1,80,000
Income under the head business/profession	2,92,500
Income under the head other sources	
Interest on Employee contribution	3,60,000
Gift from friend (section 56(2)(x))	6,00,000
Income under the head other sources	9,60,000
Gross Total Income	
Income under the head salary	41,70,000
Income under the head business/profession	2,92,500
Income under the head other sources	9,60,000
Gross Total Income	54,22,500
Less: Deduction u/s 80C - LIC	(20,000)
Less: Deduction u/s 80C - Repayment of Housing Loan (2,20,000-1,10,000)	(1,10,000)

Less: Deduction u/s 80CCC - LIC Pension fund	(25,000)	
	<u>1,55,000</u>	(1,50,000)
Less: Deduction u/s 80D (40,000 but limited to 25,000)		(25,000)
(assumed payment made through cheque)		
Total Income		52,47,500
Computation of Tax Liability		
Tax on normal income Rs. 52,47,500		13,86,750.00
Add: Surcharge @ 10%		1,38,675.00
Tax before health & education cess		15,25,425.00
Add: HEC @ 4%		61,017.00
Tax Liability		15,86,442.00
Round off u/s 288B		15,86,440.00

Note:

1. As per section 10 (34A), any income arising to an assessee being a shareholder on account of buy back of shares by the company shall be exempt from income tax.
2. Dearness allowance is not forming part of salary hence not taken in salary computation.

NOV - 2018 (NEW COURSE)**Question 5(a) (6 Marks)**

Mr. Janakaraj, employed as General Manager in Rajus Refractories Pvt. Ltd., furnishes you the undermentioned information for the year ended 31-03-2023:

(i) Basic salary upto 30-11-2022 Rs.70,000 p.m.

Basic salary from 01-12-2022 Rs.80,000 p.m.

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

(ii) Dearness allowance @ 50% of basic salary (not forming part of salary for retirement benefits).

(iii) Bonus equal to one month salary. This was paid in November, 2022 on basic salary plus dearness allowance applicable for that month.

(iv) Contribution of employer to recognized provident fund account of the employee @ 18% of basic salary, employee also contributing an equivalent amount.

(v) Profession tax paid Rs.6,000 of which Rs.3,000 was paid by the employer.

(vi) Facility of laptop was provided to Janakaraj for both official and personal use. Cost of laptop Rs.65,000 and was purchased by the company on 11-10-2022.

(vii) Leave travel concession given to Janakaraj, his wife and three children (one daughter aged 6 and twin sons aged 4). Cost of air tickets (economy class) reimbursed by the employer Rs.20,000 for adults and lumpsum of Rs.25,000 for three children. Janakaraj is eligible for availing exemption this year to the extent it is permissible under the Income-tax Act, 1961.

Compute the taxable salary of Mr. Janakaraj.

Solution:

Computation of Taxable salary of Mr. Janakaraj	Rs.
Basic Salary	8,80,000.00
(70,000 x 8) + (80,000 x 4)	
Dearness Allowance	4,40,000.00
(50% x 8,80,000)	
Bonus	1,05,000.00
(70,000 + 35,000)	
Contribution to recognized provident fund	52,800.00
(8,80,000 x 6%) (in excess of 12% shall be taxable)	
(Salary includes only basic salary, since dearness allowance, in this case, does not form part of salary for retirement benefits)	
Professional Tax paid by the employer Section 17 (2)(iv)	3,000.00

(Perquisite includes any sum paid by the employer in respect of any obligation which would have been payable by the employee)

Facility of Laptop/computer (Section 17 (2)(viii)/Rule 3(7)(vii))	Nil
(Facility of laptop is an exempt perquisite, whether used for official or personal purpose or both)	
Leave Travel concession (section 10(5)/Rule 2B)	Nil
Gross Salary	14,80,800.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Less: Deduction of professional tax u/s 16(iii)	(6,000.00)
Income under the head Salary	14,24,800.00
Note:	

Mr. Janakaraj can avail exemption on the entire amount of 45,000 reimbursed by the employer towards leave travel concession since the leave travel concession was availed for himself, wife and three children and the journey was undertaken by economy class airfare. The restriction imposed for two children is not applicable in case of multiple birth which take place after the first child.

Question 5(b) (2 Marks)

Examine with brief reasons, whether the following are chargeable to income tax and the amount liable to tax with reference to the provisions of the Income Tax Act, 1961:

(i) Allowance received by an employee Mr. Ram working in a transport system at Rs.12,000 p.m. which has been granted to meet his personal expenditure while on duty. He is not in receipt of any daily allowance from his employer.

Solution:**Partly taxable**

Any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of any daily allowance. The exemption is 70% of such allowance (i.e., Rs.8,400 per month being, 70% of Rs.12,000) or Rs.10,000 per month, whichever is less. Hence, 1,00,800 (i.e., Rs.8,400 x 12) is exempt. Balance Rs.43,200 (Rs.1,44,000 - Rs.1,00,800) is taxable in the hands of Mr. Ram.

NOV - 2018 (OLD COURSE)**Question 3(a) (5 Marks)**

Ms. Nandini, a resident individual, aged 48 years, is an assistant manager of Dye Hard Ltd. She was appointed on 1st June, 2020 at a salary of Rs. 32,000 per month. During the previous year 2022-2023, she received the following amounts from her employer.

- (i) Dearness allowance (10% of basic pay which forms part of salary for retirement benefits).
- (ii) Bonus for the previous year 2021-2022 amounting to Rs.32,000 was received on 01st October, 2022.
- (iii) Fixed Medical allowance of Rs. 20,000 for meeting medical expenditure.
- (iv) She was also reimbursed the medical bill of her father-in-law dependent on her amounting to Rs. 3,000.
- (v) Ms. Nandini was provided;
 - a laptop both for official and personal use. Laptop was acquired by the company on 1st June, 2020 at Rs. 15,000.
 - a domestic servant at a monthly salary of Rs. 1,000 which was reimbursed by her employer.
- (vi) Dye Hard Ltd. allotted 500 equity shares in the month of December 2022 @ Rs. 150 per share against the fair market value of Rs. 250 per share on the date of exercise of option by Ms. Nandini. The fair market value was computed in accordance with the method prescribed under the Act.
- (vii) Professional tax Rs. 2,500 (out of which Rs. 1,800 was paid by the employer).

Compute the total Income of Ms. Nandini for the assessment year 2023-2024. (Assume that Ms. Nandini pays tax on the receipt basis)

Solution:

	Rs.
Basic Pay (32,000 x 12)	3,84,000
Dearness Allowance (3,200 x 12)	38,400
Medical Allowance (section 17(1))	20,000
Medical Facility taxable	3,000
Laptop facility (section 17(2)(viii) /Rule 3(7)(vii))	Nil
Servant reimbursement (1,000 x 12) (section 17(2)(iii) /Rule 3(3))	12,000
Equity Shares (500 x (Rs. 250-Rs. 150)) (section 17(2)(vi))	50,000
Professional Tax	1,800
Gross Salary	5,09,200
Less: Deduction u/s 16(ia)	(50,000)
Less: Deduction u/s 16(iii)	(2,500)
Income under the head Salary	4,56,700
Gross Total Income	4,56,700
Less: Deduction u/s 80C to 80U	Nil
Total Income	4,56,700

Notes:

1. Bonus received on 01-10-2022 was for the previous year 2021-22 hence taxable in the year 2021-22.
2. Reimbursement of medical bill of father in law is fully taxable.
3. Domestic servant was employed by the employee and the salary of such domestic servant was paid/reimbursed by the employer. It is taxable as perquisite for all categories of employees.
4. As per section 17(2)(vi), equity shares received at less than market price then difference of market price and amount recovered shall be taxable.

MAY - 2018 (NEW COURSE)**Question 4 (10 Marks)**

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 at least 184 days every year.

He submits the following information:

Salary received outside India (for 6 months) Rs.50,000 P.M.

Salary received in India (for 6 months) Rs.50,000 P.M.

He has been given rent free accommodation in U.S.A. for which company pays Rs.15,000 per month as rent, but when he comes in 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 Rs.48,000 on this facility.

He has been provided a car of 2000 cc capacity in U.S.A. which is used by him for both office and private purposes. The actual cost of the car is Rs.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 Rs.5,000. His elder son is studying in India for which his employer spends Rs.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 Rs.3,000 per month as combined allowance.

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

Compute Mr. Honey's taxable income from salary for the Assessment Year 2023-24.

Solution:**Determination of Residential Status**

As per section 6(1), Stay in India is 182 or more during the previous year, hence he is resident and his stay during the 7 years is more than 729 days and he is resident in India for more than a year in 10 years preceding the relevant previous year and not able to comply even a single condition of section 6(6)(a), hence he is ROR.

Computation of Income under the head salary for the A.Y. 2023-24

	Rs.
Basic Salary (50,000 x 12)	6,00,000.00
Rent free Accommodation {Sec 17(2)(i), Rule 3(1)}	94,680.00
Working Note: 15% of rent free accommodation salary or rent paid whichever is less Rent free accommodation Salary = Basic Pay + Children Education allowance + Hostel Allowance = 6,00,000 + 31,200 = Rs.6,31,200 15% of rent free accommodation Salary = Rs.94,680 Rent Paid = Rs.15,000 x 12 = Rs.1,80,000 Perquisite value of unfurnished house = Rs.94,680	
Guest House facility (official purpose)	Exempt
Free lunch Facility Rule 3(7) (iii)	
Total Incurred Rs.48,000	
Total Stay 184 days	
Value of each lunch	Rs.260.87
Less exemption	Rs.50.00
Taxable	Rs.210.87
Total Taxable Rs.210.87 x 184 =	38,800.08
Motor car facility (used for personal and official) (2,400 x 6) Section 17(2) (iii)/Rule 3(2)	14,400.00
Motor car facility (used for personal purpose only) Section 17(2) (iii)/ Rule 3(2)	

Taxable value (8,00,000 x 10% x 6/12)		40,000.00
Expenditure on car (5,000 x 6)		30,000.00
Education Facility Section 17(2) (iii)/Rule 3(5)		
Elder son (12,000-12,000)		Nil
Younger Son Children Education allowance and Hostel allowance combined	36,000	
Less: Exempt Children Education allowance (100 x 12) Section 10(14)/Rule 2BB	(1,200)	
Less: Exempt Hostel allowance (300 x 12) Section 10(14)/ Rule 2BB	(3,600)	31,200.00
Accident Insurance Policy section 17(2)(v)		Nil
Life Insurance Policy section 17(2)(v)		10,000.00
Gross Salary		8,59,080.08
Less: Standard deduction u/s 16(ia)		(50,000.00)
Income under the head salary		8,09,080.08

MAY - 2018 (OLD COURSE)**Question 1 (10 Marks)**

Mrs. Babu, working as journalist with ABC Limited provides the following information for the year ended 31-03-2023.

Basic salary	Rs.25,000 p.m.
DA (50% of it is meant for retirement benefits)	50% Basic Pay
Own contribution to Recognized Provident fund (R.P.F.)	Rs.30,000
Employer's contribution to R.P.F	20% of Basic Salary
Interest credited in the R.P.F. @ 15%	Rs.15,000
Arrears of rent received from ABC Limited	Rs.69,000

Received interest Rs. 10,000 from Axis Bank Savings account during the year, and interest of Rs. 12,040 from the debentures of M/s. Coal India ltd.

She made payment through cheque Rs.12,500 for Mediclaim Insurance Policy for her major daughter.

She had contributed Rs.1,196 pm towards Atal Pension Yojana and Rs.5,000 pm towards Sukanya Samridhi account.

M/s. ABC Limited has taken residential house of Mrs. Babu as Company's guest house and later purchased from her in the 2018 at market value for Rs.75 lakhs. Purchased cost was only Rs.10 lakhs in April, 2006.

During August, 2022 Mrs. Babu had lost her gold chain and a diamond ring which she had purchased in April, 2005 for Rs.1,17,000 and market value of these two items were Rs.2,50,000 and she has received insurance compensation of Rs.3,50,000 during Feb.,2023

Compute Total Income for the Asst. year 2023-24.

(CII FOR 2005-06 = 117, 2018-19 = 280, and 2022-23=331)

Solution:	
Basic Pay (25,000 x 12)	3,00,000
Dearness allowance (12,500 x 12)	1,50,000
Employer's contribution to recognised provident fund in excess of 12% of retirement benefit salary	15,000
Working Note:	
RBS = 3,00,000 + 75,000	
= 3,75,000	
12% of RBS = 45,000	
Employer's contribution = 3,00,000 x 20% = 60,000	
60,000 - 45,000 = 15,000	
Interest credited in recognised provident fund in excess of 9.5%	3,667
$(15,000/15\% \times 5.5\%) \times 2/3$	
Gross Salary	4,68,667
Less: Standard deduction u/s 16(ia)	(50,000)
Income under the head salary	4,18,667
Income under the head other sources	
Interest credited in recognised provident fund in excess of 9.5%	1,833
$(15,000/15\% \times 5.5\%) \times 1/3$	
Interest from axis bank saving account	10,000
Interest from debentures	12,040
Income under the head other sources	23,873
Income from house property	
Arrears of rent	69,000
Less: 30% u/s 25A	(20,700)
Income from house property	48,300

Income under the head Capital Gains		
Gold chain and diamond ring lost		
Full Value of Consideration		3,50,000.00
Less: Indexed cost of acquisition $(1,17,000/117 \times 331)$		(3,31,000.00)
Long term capital gains		19,000.00
Gross Total Income		
Income under the head Salary		4,18,667
Income under the head other sources		23,873
Income from house property		48,300
Long term capital gains		19,000
Gross Total Income		5,09,840
Less: Deduction u/s 80C		
Employee contribution to RPF	30,000	
Sukanya Samridhi account	60,000	(90,000)
Less: Deduction u/s 80D for major daughter		(12,500)
Less: Deduction u/s 80CCD Contribution to Pension fund $(1,196 \times 12)$		(14,352)
Less: Deduction u/s 80TTA		(10,000)
Total Income		3,82,988
Rounded off u/s 288A		3,82,990

Notes:

1. Interest on debentures is presumed to be gross receipts.
2. Residential house is sold in 2018 hence tax on such income is already given in 2018 hence no treatment is done in current year.
3. It is assumed in section 80D that Daughter is dependent.

NOV - 2017**Question 2(b) (5 Marks)**

Mr. Srivastava, aged 40 years, a salaried employee of Nirja Ltd. was contributing to National Pension Scheme Rs.50,000 every year since 2018 and was claiming deduction under section 80CCD. In December 2022, he opted out of the pension scheme and withdrew a lump sum amount of Rs.2,00,000. Is the amount so withdrawn taxable? If yes, how much is the taxable amount?

Solution:

As per section 80CCD, If an assessee has received any amount from the accumulated balance under National Pension Scheme, the amount so received is taxable but w.e.f. assessment year 18-19 some exemption has been granted u/s 10(12A) and is as given below:

Any payment from the National Pension System Trust to an employee on closure of his account or on his opting out of the pension scheme referred to in **section 80CCD** shall be exempt to the extent of 60% of the total amount payable to him at the time of such closure or his opting out of the scheme.

Further as per section 80CCD, Lumpsum amount received by the nominee on the death of the assessee shall be fully exempt from Income Tax.

Gross Value	2,00,000
Less: Exempt u/s 10(12A) (60% x 2,00,000)	(1,20,000)
Taxable Value	80,000

Question 3 (10 Marks)

Mrs. Jaya is the marketing manager in XYZ limited. She gives you the following particulars:

Basic Salary	Rs.65,000 p.m.
Dearness Allowance	Rs.22,000 p.m. (30% is for retirement benefits)
Bonus	Rs.17,000 p.m.

Her employer has provided her with an accommodation on 1st April, 2022 at a concessional rent. The house was taken on lease by XYZ Ltd. for Rs.12,000 p.m. Mrs. Jaya occupied the house from 1st November, 2022. Rs.4,800 p.m. is recovered from the salary of Mrs. Jaya.

The employer gave her a gift voucher of Rs.8,000 on her birthday. She contributes 18% of her salary (Basic Pay+ 30% of DA) towards recognized provident fund and the company contributes the same amount.

The company pays medical insurance premium to effect insurance on the health of Mrs. Jaya Rs.18,000.

Motor car owned by the employer (cubic capacity of engine 1.4 litres) provided to Mrs. Jaya from 1st November, 2022 which is used for both official and personal purposes. Repair and running expenses of Rs.50,000 were fully met by the company. The motor car was self-driven by the employee.

Compute the income chargeable to tax under the head “Salaries” in the hands of Mrs. Jaya for the Assessment Year 2023-24. Also compute her tax liability for A.Y. 2023-24.

Solution:

Computation of Salary chargeable to tax of Mrs. Jaya for A.Y. 2023-24	Rs.
Basic Salary (65,000 x 12)	7,80,000.00
Dearness Allowance (22,000 x 12)	2,64,000.00
Bonus (17,000 x 12)	2,04,000.00
Health Insurance by Employer proviso to Section 17(2)	Nil
Gift Voucher (Rule 3(7)(iv)) (8,000-5,000)	3,000.00
Accommodation at concessional rent {Sec 17(2)(ii) Rule 3(1)}	36,000.00
Working Note:	Rs.
In the given question accommodation is given on 01-04-22 but occupied on 01-11-2022, in such cases it will be taxable from 01-11-22 and taxable value shall be as given below:	
Rent paid or 15% of rent free accommodation salary whichever is less	
Rent free accommodation Salary	4,43,000
(65,000 + 6,600 + 17,000) x 5	
15% of rent free accommodation salary	66,450
Rent paid (12,000 x 5)	60,000
Value of unfurnished house	60,000
Less: Amount recovered from the employee (4,800 x 5)	(24,000)
Perquisite value of accommodation at concessional rent	36,000
Employer's contribution to provident fund {Part A of schedule IV}	51,552.00
Working Note:	
Retirement benefit salary = Rs.65,000 + (30% of 22,000) x 12 = Rs.8,59,200	

Taxable Amount of Employer contribution (8,59,200 x 6%)	Rs.51,552	
Perquisite value of use of motor car (section 17 (2) (iii)/Rule 3(2)) (1,800 x 5)		9,000.00
Gross Salary		13,47,552.00
Less: Standard Deduction u/s 16(ia)		(50,000.00)
Gross Total Income		12,97,552.00
Less: Deduction u/s 80C (8,59,200 x 18%) but maximum Rs. 1,50,000		(1,50,000.00)
Total Income		11,47,552.00
Rounded off u/s 288A		11,47,550.00
Computation of Tax Liability		
Tax on Rs.11,47,550 at slab rate		1,56,765.00
Add: HEC @ 4%		6,270.60
Tax Liability		1,63,035.60
Rounded off u/s 288B		1,63,040.00

MAY - 2017**Question 3(a) (8 Marks)**

Mr. Nambi, a salaried employee, furnishes the following details for the financial year 2022-23:

Particulars	
Basic salary	6,00,000
Dearness allowance	3,20,000
Commission	50,000
Entertainment allowance	7,500
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	30,000

[Children of the assessee are also using the Laptop at home]

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 2,000

Official purposes; details of usage are not available]

You are required to compute the income chargeable under the head "Salaries" for the assessment year 202324.

Solution:

Computation of Salary chargeable to tax of Mr. Nambi for A.Y. 2023-24	
Basic Salary	6,00,000.00
Dearness Allowance	3,20,000.00
Commission	50,000.00
Entertainment allowance	7,500.00
Professional Tax paid by the employer Section 17 (2)(iv)	3,500.00
Facility of Laptop/computer (Rule 3(7)(vii))	Nil
Health Insurance by Employer proviso to Section 17(2)	Nil
Gift Voucher (Rule 3(7)(iv)) (12,000-5,000)	7,000.00
Life Insurance paid by Employer (section 17 (2) (v))	34,000.00
Perquisite value of use of motor car (section 17 (2) (iii)/Rule 3(2)) (1,800 x 12)	21,600.00
Annual Credit card fees (Rule 3 (7)(v))	2,000.00
Gross Salary	10,45,600.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Less: Deduction of professional tax u/s 16(iii)	(7,000.00)
Income under the head Salary	9,88,600.00

Notes:

1. As per section 16(ii) Deduction of entertainment allowance is allowed to Government employees and not to other employees.
2. Professional tax paid by employer shall be added to the gross salary of the employee then deduction u/s 16 (iii) shall be allowed for professional tax.
3. Health insurance premium paid by the employer to effect an insurance on the health of the employee is fully exempt.
4. As per Rule 3 (7)(iv), The value of any gift or voucher or token in lieu of which gift is received by the employee or by member of his household upto Rs.5,000 in aggregate during the previous year is exempt. In the given case Gift voucher received on birthday exceeds Rs.5000. Hence, excess amount is taxable.

5. As per section 17 (2) (v), Life Insurance premium of employee paid by employer shall be included in his income as it is a perquisite for an employee.
6. Credit card facility is exempt only if it is exclusively for official purpose and employer has maintained complete records.

NOV - 2016

Question 3(a) (4 Marks)

(i) Mr. X, a citizen of India, serving in the Ministry of Finance in India and transferred to High Commission of Australia on 15th March 2022. He did not come to India during the financial year 2022-23. His income during the financial year 2022-23 is given here under:

Particulars	Rs.
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 2022-23	45,000
Compute The Gross Total Income of Mr. X for the Assessment year 2023-24.	

Solution:

Mr. X is a Non- Resident as he did not come to India during the current financial year.

Computation of Gross Total Income of Mr. X for the Assessment year 2023-24

Income under the head Salary	
Salary from Govt. of India	7,20,000
Foreign Allowances from Govt. of India (exempt)	Nil
Gross Salary	7,20,000
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	6,70,000
Income under the head other sources	
Interest accrued on National Saving Certificate during the year 2022-23	45,000
Income under the head other sources	45,000
Gross Total Income	7,15,000

Note:

1. Rent from a house situated at London, received in London is a Income accruing arising outside India and received outside India hence not taxable in case of Non- Resident.
2. Salary Received from Govt. of India is taxable in India as Income is accruing arising from India.
3. Foreign allowances received from Govt. of India are exempt from Tax as per section 10(7).
4. Interest accrued on NSC is deemed to accrue arise in India and taxable in India.

Question 5(a) (4 Marks)

(ii) Compute the amount of LTC Exemption in the following cases with reference to the provision under Income Tax Act, 1961:

(a) Mr. X went on a holiday on 09.09.2022 to Mysore with his wife and 3 children - one daughter born on 02.02.2014 and twin sons born on 05.05.2016. The total cost of travel was Rs.80,000. The ticket cost for Mr. X and his wife was Rs.50,000 and for all three children was Rs.30,000. The Employer reimbursed total ticket cost Rs.80,000.

(b) In the above case (a), if among his 3 children the twin sons born on 02.02.2014 and the daughter was born on 05.05.2016, what shall be the exemption?

Solution:

As per Section 10(5), Leave Travel concession shall be allowed to employee and his family. Exemption shall be allowed for the expenditure incurred during the trip.

Family shall include spouse and children of the employee however exemption shall be allowed for maximum of 2 children but in case of multiple birth after the birth of one child, exemption is allowed for all the children.

(i) As per the above provision Exemption shall be allowed for all the children as the case is of multiple birth after the birth of one child. Hence cost of travel of all shall be exempt.

(ii) As per the above provision Exemption shall be allowed for only 2 children.

Hence Exemption shall be $\text{Rs.}80,000 - \text{Rs.}30,000/3 = \text{Rs.}70,000$.

Taxable Amount shall be $\text{Rs.}80,000 - \text{Rs.}70,000 = \text{Rs.}10,000$.

MAY - 2016**Question 1(a) (10 Marks)**

Mr. Vinod Kumar, resident, aged 62, furnishes the following information pertaining to the year ended

31.03.2023:	(Rs.)
(i) Pension receives (Net of TDS)	6,27,000
(ii) Short-term capital gains (from sale of listed shares)	65,000
(iii) Long-term capital gains (from sale of listed shares)	1,24,000
(iv) Interest on fixed deposit from bank	1,60,000
(v) Pertaining to consultancy services provided by him :	
Gross receipts	12,60,000
Expenses:	
Rent for premises	1,44,000
Salary of P.A.	1,20,000
Stenographer's salary	1,00,000
Business Development expenditure	91,000
Conveyance	3,00,000
(vi) Contribution to PPF	1,10,000
(vii) Premium on life insurance policy taken on 10.01.2023 (sum assured Rs.5,00,000)	60,000
(viii) Mediclaim Insurance Premium for self(paid otherwise than by cash)	27,000
Preventive health checkup expenses (in cash)	6,000
(ix) Donation given in cash to a charitable trust registered under Section 12AA	14,000
(eligible for deduction u/s 80G) of the Income-Tax Act, 1961	
(x) Interest received from Post Office Savings A/c.	18,000
Additional information:	

• TDS from pension	25,000
• 1/4th of conveyance expenses is estimated for personal use.	

Compute the total income of the assessee for the assessment year 2023-24, under proper heads of income.

Listed share were sold in recognized stock exchange.

Solution:

Computation of Total Income of Mr. Vinod Kumar for the A.Y. 2023-24	Rs.
Income from Salaries	
Pension	6,52,000.00
Gross Salary	6,52,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	6,02,000.00
Profits and gains of business or profession	
Gross Receipts	12,60,000.00
Less: Allowable expenses	
Rent	(1,44,000.00)
Salary to P.A.	(1,20,000.00)
Stenographer's salary	(1,00,000.00)
Business Development expenditure	(91,000.00)
Conveyance (3/4 th of Rs.3,00,000 allowed)	(2,25,000.00)
Income under the head Profits and gains of business or profession	5,80,000.00
Income from Other Sources	
Interest from Post Office Saving Bank	18,000.00
Less: Exempt u/s 10(15)	(3,500.00)
	14,500.00
Interest income from fixed deposits	1,60,000.00
Income under the head Other Sources	1,74,500.00
Income under the head Capital Gains	
Short Term Capital Gains u/s 111A	65,000.00
Long Term Capital Gains u/s 112A	1,24,000.00

Income under the head Capital Gains		89,000.00
Gross Total Income		15,45,500.00
Less: Deduction under section 80C		
- PPF	1,10,000.00	
- LIC (lower of 10% of 5,00,000 or 60,000)	50,000.00	
Restricted to 1,50,000		(1,50,000.00)
Less: Deduction under section 80D (27,000+ 5,000=32,000)		(32,000.00)
Less: Deduction under section 80TTB		(50,000.00)
Total Income		13,13,500.00

Note: 1. Deduction under section 80G is not allowed because payment is made by cash.

2. Business development expenditure are assumed as revenue in nature and wholly incurred for the purpose of business/profession.

NOV - 2015**Question 1(a). (10 Marks)**

Mrs. X provides the following information for the financial year ending 31.03.2023. Compute her total income and tax payable thereon for AY 2023-2024 as per Income Tax Act 1961.

Income / Receipts:

- (1) Salary from M/s. XYZ, - Rs.60,000 per month (joined from 1st March, 2022).
- (2) She is in receipt of HRA, Rs.15,000 per month and also educational allowance of Rs.1,500 per month for all the three of her children.
- (3) She bought a truck on 01.08.2022 and has been letting it on hire. She does not maintain books of account for this business. But she declares for income tax purpose, that she is earning net income of Rs.11,000 per month from this business.
- (4) She received Rs.8,500 as interest on Post Office Savings Bank Account.
- (5) She received Rs.25,000 as interest from Company Deposits.
- (6) Amounts withdrawn from National Savings Scheme (Principal Rs.10,000 & Interest Rs.25,000)

Expenses / Payments:

- (1) Interest payable to bank Rs.1,000 per month on loan for the purchase of truck.
- (2) Total interest paid to bank for loan borrowed for investing in company deposits is Rs.5,000.
- (3) Rent paid for residence is Rs. 18,000 per month.
- (4) Tuition fees paid for the year 2022-23 for her three children is Rs.50,000, Rs.30,000 and Rs.20,000 respectively, to educational institution situated in India.
- (5) Medical insurance premium for her and for her husband is Rs.30,000 (paid by cheque) and Rs.25,000 (paid by cash) respectively.
- (6) She has deposited during the year, in 5 year Post Office Recurring Deposit Scheme Rs.20,000.

Solution:

Computation of total income of Mrs. X for the A.Y. 2023-24	
Income from Salaries	
Salary including dearness allowance	7,20,000.00
House rent allowance {Sec 10(13A) Rule 2A}	36,000.00
Working Note: Least of the following is exempt: 1. Rs.2,16,000-Rs.72,000 =1,44,000 2. 40% of retirement benefit salary = Rs.2,88,000 (Retirement benefit salary = Rs.7,20,000) 3. Rs.1,80,000 Received = Rs.1,80,000 Exempt = (1,44,000) Taxable = Rs.36,000	
Children Education Allowance {Sec 10(14), Rule 2BB}	15,600.00
Working Note: Received = Rs.1500 x 12 = 18,000 Exempt = Rs.100 x 12 x 2 = (2,400) Taxable = 15,600	
Gross Salary	7,71,600.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head Salary	7,21,600.00
Profits and gains of business or profession	
Income from truck business (11,000 x 8)	88,000.00
(Taken 11,000 P.m. Because assessee is declaring higher income)	
Income under the head Profits and gains of business or profession	88,000.00
Income from Other Sources	
Interest from Post Office Saving Bank (8,500-3,500)	5,000.00

Interest income from company deposits [Rs.25,000 - 5,000]	20,000.00
Withdrawn from National Saving Scheme (Note)	25,000.00
Income under the head Other Sources	50,000.00
Gross Total Income	8,59,600.00
Less: Deduction under section 80C - Tuition Fees	(80,000.00)
Less: Deduction under section 80D	(25,000.00)
Less: Deduction under section 80TTA	(5,000.00)
Total Income	7,49,600.00
Computation of Tax Liability	
Tax on Rs.7,49,600 at slab rate	62,420.00
Add: HEC @ 4%	2,496.80
Tax Liability	64,916.80
Rounded off u/s 288B	64,920.00

Note: The taxability of withdrawals from National Savings Scheme depends on whether the withdrawal was

from National Savings Scheme, 1992 or National Savings Scheme, 1987. In the above solution, the interest component alone has been brought to tax on the assumption that the withdrawal is from National Savings Scheme, 1992. However, if the withdrawal is in respect of National Savings Scheme, 1987, both the interest and the principal would be chargeable to tax and in such case, amount of Rs.35,000 shall be taxable.

MAY - 2015

Question 4(a). (8 Marks)

From the following details furnished by Mr. Dinesh, a marketing manager of XL Corporation Ltd., Delhi. Compute the gross total income for the Assessment Year 2023-24.

Particulars	Amount (Rs.)
Salary including Dearness Allowance	6,50,000
Conveyance allowance of 900 p.m.	10,800
Bonus	50,000
Salary of servant provided by the employer	48,000
Bills paid by the employer for gas, electricity and water provided free of cost at the residence of Mr. Dinesh	82,000

Dinesh purchased a flat in a co-operative housing society in Dwarka, Delhi for self occupation for Rs.35,00,000 in April 2017, which was finance by a loan from Bank of India of Rs.20,00,000 @ 11% interest and his own savings of Rs.5,00,000 and a deposit of Rs.10,00,000 from Bank of Baroda, to whom he let out his another house in Rohini, Delhi on lease for ten years. The rent payable by Bank of Baroda is Rs.35,000 per month. Assessee has submitted certificate of interest. Other relevant particulars are given below:

- (i) Municipal taxes paid by Dinesh for his flat in Dwarka are Rs.18,000 per annum and for his house in Rohini are Rs. 12,000 per annum.
- (ii) Principal loan amount outstanding as on 01.04.2022 was Rs.18,50,000.
- (iii) He also paid Rs.8,000 towards insurance of both the houses.
- (iv) In the financial year 2021-22, he had gifted Rs.40,000 each to his wife and minor son. The gifted amounts were advanced to Mr. Sandeep, who is paying interest @ 18% per annum.
- (v) Mr. Dinesh's son is studying in a school run by the employer company throughout the financial year 2022-23 The education facility was provided free of cost. The cost of such education in similar school is Rs.2,500 per month.
- (vi) Dinesh also received gifts of Rs.45,000 each from his two friends during the previous year 2022-23.

Solution:

Computation of Gross Total Income of Mr. Dinesh for the A.Y. 2023-24	Rs.
Income under the head Salary	
Salary including dearness allowance	6,50,000
Conveyance allowance (see Note 1 below)	Nil
Bonus	50,000
Value of perquisites:	
(i) Salary of servant	48,000
(ii) Free gas, electricity and water	82,000
(iii) Education facility $(2,500 - 1,000) \times 12$ (see Note 2 below)	18,000
Gross Salary	8,48,000
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	7,98,000
Income from house property	
Letout house	
Gross Annual Value (GAV) (Rent receivable is taken as GAV in the	
Absence of other information) $(35,000 \times 12)$	4,20,000
Less: Municipal taxes paid	(12,000)
Net Annual Value (NAV)	4,08,000
Less: Deductions under section 24	

(i) 30% of NAV	(1,22,400)
(ii) Interest on loan	Nil
Income from House 1	2,85,600
Self occupied house	

Gross Annual Value (GAV)	Nil
Less: Municipal taxes paid	Nil
Net Annual Value (NAV)	Nil
Less: Deductions under section 24	
(i) 30% of NAV	Nil
(ii) Interest on loan (18,50,000 x 11 % but restricted to Rs.2,00,000)	(2,00,000)
Loss from House 2	(2,00,000)
Income under the head house property	85,600
Income from Other Sources	
(i) Income on account of interest earned from advancing money gifted to his minor son is includible in the hands of Mr. Dinesh as per section 64(1A)	7,200
Less: Exempt under section 10(32)	(1,500)
	5,700
(ii) Interest income earned from advancing money gifted to wife has to be clubbed with the income of the assessee as per section 64(1)	7,200
(iii) Gift received from two friends (taxable under section 56(2) as the aggregate amount received during the year exceeds Rs.50,000)	90,000
Income under the head other sources	1,02,900
Gross Total Income	9,86,500

Note:

1. The allowances given by the employer for official purpose are called official allowance and are exempt from income tax however saving is taxable and assuming conveyance allowance entire for official purpose.

It is exempt.

2. If education facility is provided in employer's own institution, it is taxable in case of members of household but in case of children, it is exempt upto Rs.1,000 p.m. per child. Value for this purpose shall be the cost of similar type of education in a similar type of institution in the same locality.

NOV - 2014**Question 4(a) (8 Marks)**

Mr. X an employee of XYZ Co. Ltd. at Mumbai and covered by Payment of Gratuity Act, retires at the age of 64 years on 31.12.2022 after completing 33 years and 7 months of service. At the time of retirement, his employer pays Rs.20,51,640 as Gratuity and Rs.6,00,000 as accumulated balance of Recognised Provident fund. He is also entitled for monthly pension of Rs.8,000. He gets 75% of pension Commuted for Rs.4,50,000 on 1st February, 2023.

Determine the salary chargeable to tax for Mr. X for the Assessment Year 2023-24 with the help of

following information:	Rs.
Basic Salary (Rs.80,000 x 9)	7,20,000
Bonus	36,000
House Rent Allowance (Rs.15,000 x 9)	1,35,000
Rent paid by Mr. X (Rs. 10,000 x 12)	1,20,000
Employer contribution towards Recognized Provident Fund	1,10,000
Professional Tax paid by Mr. X	2,000
Note: Salary and Pension falls due on the last day of each month.	
Solution:	
Computation of income under the head Salary	
Basic Pay	7,20,000
(80,000 x 9)	
Bonus	36,000
House rent allowance {Sec 10(13A), Rule 2A}	1,17,000
Working Note:	
1. Rs.90,000 - Rs.72,000 = Rs.18,000	
2. 50% of retirement benefit salary = Rs.3,60,000 (Retirement Benefit Salary = 80,000 x 9 = Rs.7,20,000)	
3. Rs.1,35,000 Received = Rs.1,35,000 Exempt = (Rs. 18,000)	
Taxable = Rs. 1,17,000	
Employer's contribution to provident fund {Part A of schedule IV}	23,600

Working Note: Retirement benefit salary = Rs.7,20,000 Employer contribution = Rs. 1,10,000 Allowed = 12% of retirement benefit salary = Rs.86,400 Taxable = Rs.23,600		
Gratuity {Sec 10(10)}		4,82,409.23
Working Note: Least of the following is exempt: 1. Rs.20,51,640 2. Rs.20,00,000 3. $15/26 \times 80,000 \times 34 = \text{Rs.}15,69,230.77$ Received = Rs.20,51,640.00 Exempt = (Rs.15,69,230.77) Taxable = Rs.4,82,409.23		
Uncommuted Pension {Sec 17(1)}		12,000.00
Working Note: Rs. January <hr/> $8,000 \times 1 =$ 8,000.00 February & March <hr/> $8,000 \times 25\% \times 2 =$ 4,000.00 Total = 12,000.00		
Commuted Pension {Sec 10(10A)}		2,50,000.00
Working Note: Rs. Received = 4,50,000 Exempt = $4,50,000 / 75\% \times 100\% \times 1/3 =$ (2,00,000) Taxable = 2,50,000		
Gross Salary		16,41,009.23
Less: Standard Deduction u/s 16(ia)		(50,000.00)
Less: Deduction u/s 16(iii) - Professional Tax		(2,000.00)

Income under the head Salary	15,89,009.23
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Note: Rs.6,00,000 as accumulated balance of Recognised Provident fund received from employer is exempt as Mr. X has rendered continuous service of more than 5 Years with the employer.

MAY - 2014

Question 1(a). (10 Marks)

From the following details compute the total income of Mr. X, A resident individual aged 54 years for the

year ended 31.03.2023. Tax payable need not be calculated.	Rs.
1. Salary including Dearness Allowance	5,00,000
2. Bonus	15,000
3. Salary to servant provided by Employer	12,000
4. Free gas, electricity and water provided by employer	14,500
5 Cost of Laptop provided by the employer	40,000

(Used both for official and personal purposes)

Following additional information is provided:

(1) Mr. X purchased a flat in a Cooperative Housing Society in Delhi for Rs.10,75,000 in April, 2017 by taking loan from State Bank of India amounting to Rs.5,00,000 @ 15% per annum interest, Rs. 65,000 from his own savings and a deposit from a Nationalized Bank to whom this flat was given on lease for 10 years at a monthly lease rental of Rs. 5,500. The outstanding amount of loan is Rs.1,60,000.

(2) Municipal Taxes paid by Mr. X Rs. 4,500 p.a.

(3) Insurance in respect of the said flat Rs. 1,275

(4) Mr. X earned a profit of Rs.15,000 in shares speculation business and incurred a loss of Rs.20,200 in speculation business of cotton.

(5) In the year 2020-21, he had gifted Rs. 50,000 to his wife and Rs. 30,000 to his son who was aged 11 years then. These amounts were advanced to Mr. Mohan @ 15% per annum interest.

(6) Mr. X received a gift of Rs. 25,000 each from his four friends on the occasion of his birthday.

(7) He contributed Rs. 10,500 to Public Provident Fund and Rs.6,000 to Unit Linked Insurance plan.

(8) He deposited Rs. 60,000 in tax saver deposit with a Nationalised Bank in the name of his married son.

(9) He has taken a policy on life for his married daughter on 01.04.2022 and paid a premium of Rs. 25,000. The sum assured for policy is Rs.2,00,000.

Solution:

Computation of total income of Mr. X for the A.Y. 2023-24

Particulars	Rs.
Income from Salaries	
Salary including dearness allowance	5,00,000
Bonus	15,000
Salary of servant provided by employer Sec 17(2)(iii)Rule 3(3)	12,000
Free gas, electricity and water provided by employer Sec 17(2)(iii) Rule 3(4)	14,500
Laptop Sec 17(2)(viii) Rule 3(7)(vii)	Nil
Gross Salary	5,41,500
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	4,91,500
Income from house property	
Gross Annual Value (GAV) (Rs. 5,500 × 12)	66,000
Less: Municipal taxes paid	(4,500)
Net Annual Value (NAV)	61,500
Less: Deductions	
30% of NAV 24(a)	(18,450)
Less: Interest on loan from State Bank of India@15% of Rs. 1,60,000 u/s 24(b)	(24,000)
Income under the head House Property	19,050
Profits and gains of business or profession	
Income from share speculation business	15,000
Less: Loss from cotton speculation business	(20,200)
Net loss from speculation business to be carried forward	(5,200)
Income from Other Sources	
Income of minor child (30,000 x 15%) - 1,500	3,000

Interest income of spouse [Rs. 50,000 x 15%]	7,500
Gift (Rs. 25,000 x 4)	1,00,000
Income under the head Other Sources	1,10,500
Gross Total Income	6,21,050
Less: Deduction under section 80C	
- Public Provident Fund	(10,500)
- Unit Linked Insurance Plan	(6,000)
- Tax saver deposit with Nationalized bank in the name of his married son does not qualify for deduction under section 80C. The deposit has to be in Mr. X's own name.	Nil
- Life Insurance Premium [paid to insure life of married daughter is allowable]	
[In respect of policies taken on or after 01.04.2012, the deduction is restricted to 10% of minimum capital sum assured. Hence, in this case, deduction is restricted to 10% of Rs. 2,00,000]	(20,000)
Total Income	5,84,550

Notes:

(1) No separate deduction is available for insurance of Rs.1,275, while computing income under the head "Income from house property".

(2) It is assumed that Rs. 1,60,000 is the loan outstanding at the beginning of the year and there is no principal repayment of housing loan during the year qualifying for deduction under section 80C. Interest under section 24 has, accordingly, been calculated at the rate 15% of Rs. 1,60,000.

(3) It is assumed that Mr. X's total income, before including minor's income, is higher than that of his spouse.

NOV - 2013

Question 3(a). (8 Marks)

From the following details, find out the salary chargeable to tax of Mr. X for the assessment year 2023-24: Mr. X is a regular employee of ABC Ltd. in Mumbai. He was appointed on 01.03.2022 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 Rs.15,000 per month. He is also provided with following facilities:

- (i) The monthly salary of Rs.2,000 of a house keeper is reimbursed by the Company.
- (ii) He is getting telephone allowance @ Rs. 1,000 per month.
- (iii) A gift voucher of Rs.4,700 was given on the occasion of his marriage anniversary.
- (iv) The Company pays medical insurance premium to effect an insurance on the health of Mr. X Rs.12,000.
- (v) Motor car running and maintenance charges fully paid by employer of Rs.36,600. (The motor car is owned and driven by Mr. X. The engine cubic capacity is below 1.60 litres. The motor car is used for both official and personal purpose by the employee.)
- (vi) Value of free lunch provided during office hours is Rs.2,200.

Solution:

Computation of taxable salary of Mr. X for A.Y. 2023-24

Particulars	Rs.
Basic pay [(Rs.25,000×11) + (Rs. 27,500×1)] = Rs. 2,75,000 + Rs. 27,500	3,02,500
Dearness allowance [15% of basic pay]	45,375
Bonus [Rs. 27,500 × 1.5]	41,250
Employer's contribution to Recognized Provident Fund in excess of 12% (18% - 12% = 6% of Rs. 3,47,875)	20,873
Telephone allowance	12,000
Rent-free accommodation Sec 17(2)(i)/Rule 3(1) 15% of salary (3,02,500 + 45,375 + 41,250 +12,000) or Rs.1,80,000 whichever is less.	60,169
Reimbursement of salary of housekeeper [Rs. 2,000 × 12] Sec 17(2)(iv)	24,000
Gift voucher Sec 17(2)(viii)Rule 3(7)(iv)	-
Motor car owned and driven by employee, Sec 17(2)(iii) Rule 3(2) [Rs. 36,600 - Rs. 21,600 (i.e., Rs. 1,800 × 12)]	15,000
Value of free lunch facility Sec 17(2)(viii) Rule 3(7)(iii) (Presuming that value per lunch was upto Rs.50)	-
Gross Salary	5,21,167
Less: Standard Deduction u/s 16(ia)	(50,000)
Income under the head Salary	4,71,167

1. Medical insurance premium paid by the employer to effect an insurance on the health of the employee is fully exempt.

NOV - 2012

Question No. 6(a) (8 Marks)

Discuss whether the following receipts are taxable and also indicate the head of income under which the same is taxable:

- (i) Bonus shares received by equity shareholder and preference shareholder.
- (ii) Loan advanced by a company in which public are not substantially interested to a person holding 15% of the beneficial ownership of the share capital of the company.
- (iii) Medical allowance received by an employee, the entire amount of which has been spent by him for medical treatment.
- (iv) Receipt of cash gift of Rs.60,000/- from a friend on the occasion of wedding anniversary.
- (v) Gift of a plot of land given to a chartered accountant by one of his clients. The chartered accountant has been fully compensated for his services and this gift has been given in appreciation of his personal qualities.
- (vi) A lawyer closed down his profession. Subsequently he accepted a case on the insistence of his friend but advised his friend to pay the fee payable to him directly to a charitable trust.
- (vii) Payment from unrecognised provident fund at the time of retirement which consists of employee's contribution, employer's contribution and interest on both contributions.

Solution:

- (i) Bonus shares received by equity shareholders is not taxable. Bonus share is deemed dividend in the hands of preference shareholder only and it is covered under the head Other Sources
- (ii) Such loan is deemed dividend in the hand of shareholder u/s 2(22)(e). He is liable to tax thereon under the head other sources.
- (iii) Fully taxable under the head salary.
- (iv) Rs.60,000 taxable as gift under the head other Sources.
- (v) Perquisites under section 28 taxable as PGBP
- (vi) Taxable as income under the head Business/Profession.
- (vii) Employer's contribution & interest is taxable as salary. Employee's contribution is not taxable. However, interest on his contribution is taxable as Income from other Sources.

MAY - 2012

Question 1 (a) (4 Marks)

Ms. X, employed in a private sector company, furnishes following information for the year ended 31.03.2023

	Rs.
Income from salary (computed)	3,45,000
Bank interest on savings bank account	15,000
Tax on non-monetary perquisite paid by employer	20,000
Amount contributed by her during the year of given below:	
Contribution to Recognized Provident Fund	60,000
Health Insurance Premium -on self (paid by crossed cheque)	7,000
Medical expenditure for dependent sister with disability	20,000
Compute the total income of Ms. X for the Assessment Year 2023-24.	

Solution:

Computation of Total Income of Ms. X for the A.Y. 2023-24

Income under the head Salary	3,45,000
Income under the head Other Sources (Bank Interest)	15,000
Gross Total Income	3,60,000
Less: Deduction u/s 80C - Contribution to Recognized Provident Fund	(60,000)
Less: Deduction u/s 80D - Health Insurance Premium	(7,000)
Less: Deduction u/s 80DD - Medical expenditure for dependent sister with disability	(75,000)
Less: Deduction u/s 80TTA (10,000 or 15,000 whichever is less)	(10,000)
Total Income	2,08,000

Note: Tax on non-monetary perquisite paid by employer is exempt u/s 10(10CC)

Question 3 (4 Marks)

Mr. X is Production Manager of XYZ Ltd. From the following details, compute the Total Income for the Assessment Year 2023-24.

Basic salary	Rs.50,000 per month
Dearness allowance	40% of basic salary
Transport allowance(for commuting between Place of residence and office)	Rs.3,000 per month
Motor car running and maintenance charges fully paid by employer	Rs. 60,000

The motor car is owned by the company and driven by the employee. The engine cubic capacity is above 1.60 litres. The motor car is used for both official and personal purpose by the employee.

Expenditure on accommodation in hotels while touring on official duties met by the employer	Rs.80,000
Loan from recognized provident fund (maintained by the employer)	Rs.60,000
Lunch provided by the employer during office hours.	
Cost to the employer	Rs.24,000
Computer (cost Rs.35,000) kept by the employer in the residence of Mr. X from 01.06.2022	
Mr. X made the following payments:	
Medical insurance premium: Paid in cash	Rs. 4,800
Paid by account payee crossed cheque	Rs. 15,200

Solution:

	Rs.
Basic Pay [(50,000 x 12)]	6,00,000.00
Dearness Allowance (50,000 x 40% x 12)	2,40,000.00
Transport Allowance	36,000.00
Motor Car Facility {Section 17(2)(iii) Rule 3(2)} [2,400 x 12]	28,800.00
Gross Salary	9,04,800.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Income under the head salary	8,54,800.00
Gross Total Income	8,54,800.00
Less: Deduction u/s 80D-Medical Insurance Premium	(15,200.00)
Total Income	8,39,600.00

Notes:

1. Expenditure on accommodation in hotels while touring on official duties met by the employer is not taxable.
2. Lunch provided by the employer during office hours is not taxable as per Section 17(2)(viii) Rule 3(7)(iii). It is assumed that expenditure per meal is upto Rs.50.
3. Computer provided at the residence of Mr. X is not taxable as per section 17(2)(viii)Rule 3(7)(vii)

NOV - 2011**Question 2 (8 Marks)**

Mr. X, employed as Production Manager in B Ltd., furnishes you the following information for the year ended 31.03.2023:

(i) Basic salary upto 31.10.2022.	Rs.50,000 p.m.
Basic salary from 01.11.2022.	Rs.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 2022 on basic salary plus dearness allowance applicable for that month.

(iv) Contribution of employer to recognized provident fund account of the employee @ 16% of basic salary.

(v) Professional tax paid Rs.3,000 of which Rs.2,000 was paid by the employer.

(vi) Facility of laptop and computer was provided to Mr. X for both official and personal use. Cost of laptop Rs. 45,000 and computer Rs. 35,000 were acquired by the company on 01.12.2022.

(vii) Motor car owned by the employer (cubic capacity of engine exceeds 1.60 litres) provided to the employee from 01.11.2022 meant for both official and personal use. Repair and running expenses of Rs.45,000 from 01.11.2022 to 31.03.2023 were fully met by the employer. The motor car was self-driven by the employee.

(viii) 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 Rs.30,000 for adults and Rs.45,000 for three children. Mr. X is eligible for availing exemption this year to the extent it is permissible in law.

Compute the salary income and also tax liability of Mr. X for the assessment year 2023-24.

Solution:

Computation of Salary chargeable to tax of Mr. X for A.Y. 2023-24	Rs.
Basic Salary	6,50,000.00
(50,000 x 7)+ (60,000 x 5)	
Dearness Allowance	2,60,000.00
(40% x 6,50,000)	
Bonus	70,000.00
(50,000 + 20,000)	
Contribution to recognized provident fund	26,000.00
(6,50,000 x 4%)	
Professional Tax paid by the employer	2,000.00
Facility of Laptop/computer	NIL
Perquisite value of use of motor car	12,000.00
(2,400 x 5)	
Leave Travel concession	NIL
Gross Salary	10,20,000.00
Less: Standard Deduction u/s 16(ia)	(50,000.00)
Less: Deduction of professional tax u/s 16(iii)	(3,000.00)
Income under the head Salary	9,67,000.00
Gross Total Income	9,67,000.00
Less: Deduction u/s 80C to 80U	Nil
Total Income	9,67,000.00
Computation of Tax Liability	
Tax on Rs.9,67,000 at slab rate	1,05,900.00
Add: HEC @ 4%	4,236.00

Tax Liability	1,10,136.00
Rounded off u/s 288B	1,10,140.00

Question 3 (8 Marks)

Mrs. X (aged 40 years) is working with ABC Company Ltd., a manufacturer of tyres based at Mumbai, has received the following payments during the financial year 2022-23 from her employer:

Basic salary	Rs.60,000 per month.
Dearness allowance	40% of basic salary

Her employer has taken on rent her own house on a monthly rent of Rs.15,000 and the same has been provided for residence of Mrs. X. Company is recovering Rs.2,000 per month as rent of house.

Mrs. X has further furnished the following details:

- (i) She has paid professional tax of Rs.6,000 during financial year 2022-23.
- (ii) She is owning only one house and payment of interest of Rs. 1,75,000 and principal of Rs.1,00,000 was made for housing loan taken from SBI for purchase of house.
- (iii) She has also taken a loan of Rs.2,00,000 from her employer for study of her son. SBI rate for such loan is 10%. Her employer has recovered Rs.10,000 as interest from her salary for such loan during the year.

Compute Total Income and Tax Liability for Assessment Year 2023-24.

Solution:	
Computation of Taxable Income of Mrs. X for the A.Y. 2023-24	Rs.
Computation of income under the head Salary	
Basic salary	7,20,000
(60,000 x 12)	
Dearness Allowance	2,88,000
(7,20,000 x 40%)	
Accommodation at concessional rent {Sec 17(2)(ii) Rule 3(1)}	84,000
Working Note:	
15% of rent free accommodation salary or rent paid whichever is less Rent free accommodation salary = 7,20,000 15% of Rs.7,20,000 = Rs.1,08,000	
(assuming that dearness allowance does not form part of pay for retirement benefits)	
Rent Paid = Rs.15,000 x 12 = Rs.1,80,000	
Value of unfurnished house	1,08,000
Less: Amount recovered from the employee (2,000 x 12)	(24,000)
Perquisite value of accommodation at concessional rent	84,000
Perquisite of Interest on loan {Sec 17(2)(viii) Rule 3(7)(i)}	10,000
[(2,00,000 x 10%) - 10,000]	
Gross Salary	11,02,000
Less: Standard Deduction u/s 16(ia)	(50,000)
Less: Professional Tax u/s 16(iii)	(6,000)
Income under the head Salary	10,46,000
Computation of income under the head House Property	
Gross Annual Value	1,80,000

(15,000 x 12)	
Less: Municipal Tax	Nil
Net Annual Value	1,80,000
Less: 30% of NAV u/s 24(a)	(54,000)
Less: Interest on capital borrowed u/s 24(b)	(1,75,000)
Loss under the head House Property	(49,000)
Gross Total Income	9,97,000
Less: Deduction u/s	
80C-Repayment of principal	(1,00,000)
Total Income	8,97,000
Computation of Tax Liability	
Tax on Rs.8,97,000 at Slab rate	91,900
Add: HEC @ 4%	3,676
Tax Liability	95,576
Rounded off u/s 288B	95,580

Question 4 (8 Marks)

Mr. X a senior citizen retired from the services of M/s Y Ltd. on 31.01.2023 after completing service of 30 years and one month. He received the following on his retirement:

- (i) Gratuity Rs.6,00,000. He was covered under the Payment of Gratuity Act, 1972.
- (ii) Leave encashment of Rs.3,30,000 for 330 days leave balance in his account. He was credited 30 days leave for each completed year of service.
- (iii) He purchased one motor car from the company on 31.03.2023. This car was purchased on 01.07.2019 by the company for Rs.5,00,000. It was put use by the company on the same date. The car was sold by the company to Mr. X for Rs.2,00,000. Company depreciates the vehicles at the rate of 15% on Straight Line Method.
- (iv) An amount of Rs.3,00,000 as commutation of $\frac{2}{3}$ of his pension.
- (v) Company presented him a gift voucher worth Rs.6,000 on his retirement.
- (vi) His colleagues also gifted him a Television (LCD) worth Rs.1,50,000 from their own contribution. Following are the other particulars:
 - (i) He has drawn a Basic Salary of Rs.20,000 and 50% Dearness allowance per month for the period from 01.04.2022 to 31.01.2023.
 - (ii) Received pension of Rs.5,000 per month for the period 01.02.2023 to 31.03.2023 after commutation of pension.

Compute his total income and tax liability from the above for Assessment Year 2023-24.

Solution:

Computation of Total Income		
Basic Salary		2,00,000
(20,000 x 10)		
DA		1,00,000
(2,00,000 x 50%)		
Gift voucher		1,000
(6,000-5,000)		
Motor Car (Sec 17(2)(viii) Rule 3(7)(viii))		56,000
Working Note:		
Cost	5,00,000	
Less: Depreciation @ 20%		
01.07.2019-30.06.2020	(1,00,000)	
01.07.2020-30.06.2021	(80,000)	
01.07.2021-30.06.2022	(64,000)	
WDV	2,56,000	
Less: Amount Recovered	(2,00,000)	
Perquisite value of car	56,000	
Uncommuted Pension {Sec 17(1)}		10,000
(5,000 x 2)		
Commuted pension {Sec 10(10A)}		1,50,000
Working Note:		
Amount received	3,00,000	
Less: exempted	(1,50,000)	
(3,00,000 x 3/2 x 1/3)		

Taxable	1,50,000	
Gratuity {Sec 10(10)}		80,769
Working Note: Least of the following is exempt 1. Gratuity received Rs.6,00,000 2. Rs.20,00,000 3. $15/26 \times 30,000 \times 30 = 5,19,231$ Received = Rs.6,00,000 Exempt = (Rs.5,19,231) Taxable = Rs. 80,769		
Leave Salary {Sec 10(10A)}		1,30,000
Working Note: Least of the following is exempt 1. Rs.3,30,000 2. $\text{Rs.}10 \times 20,000 = \text{Rs.}2,00,000$ 3. Rs.3,00,000 3. $330/30 \times 20,000 = 2,20,000$ Received = Rs.3,30,000 Exempt = (Rs.2,00,000) Taxable = Rs.1,30,000		
Gross Salary		7,27,769
Less: Standard Deduction u/s 16(ia)		(50,000)
Income under the head Salary		6,77,769
Income under the head Other Sources		Nil
(Since LCD is not covered under the definition of kind as given under section 56)		
Gross Total Income		6,77,769
Less: Deduction u/s 80C to 80U		Nil
Total Income		6,77,769
Rounded off u/s 288A		6,77,770
Computation of Tax Liability		

Tax on Rs.6,77,770 at slab rate	45,554.00
Add: HEC @ 4%	1,822.16
Tax Liability	47,376.16
Rounded off u/s 288B	47,380.00

MAY - 2011**Question 3 (5 Marks)**

Mr. X employed in ABC Co. Ltd. as Finance Manager gives you the list of perquisites provided by the company to him for the entire financial year 2022-23:

(i) Domestic servant was provided at the residence of Mr. X. Salary of domestic servant is Rs.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?

(ii) Free education was provided to his two children Mr. S and Mr. A in a school maintained and owned by the company. The cost of such education for Mr. S is computed at Rs.900 per month and for Mr. A at Rs.1,200 per month. No amount was recovered by the company for such education facility from Mr. X.

(iii) The employer has provided movable assets such as television refrigerator and air conditioner at the residence of Mr. X. The actual cost of such assets provided to the employee is Rs.1,10,000.

(iv) A gift voucher worth Rs.10,000 was given on the occasion of his marriage anniversary. It is given by the company to all employee above certain grade.

State the taxability or otherwise of the above said perquisites and compute the total value of taxable perquisites.

Solution:

Taxability of perquisites provided by ABC Co. Ltd. to Mr. X

(i) Domestic servant was employed by the employee and the salary of such domestic servant was paid/reimbursed by the employer. It is taxable as perquisite for all categories of employees.

Taxable perquisite value = Rs.1,500 × 12 = Rs. 18,000.

If the company had employed the domestic servant and the facility of such servant is given to the employee, then the perquisite is taxable only in the case of specified employees. The value of the taxable perquisite in such a case also would be Rs. 18,000.

(ii) Where the educational institution is owned by the employer, the value of perquisite in respect of free education facility shall be determined with reference to the reasonable cost of such education in a similar institution in or near the locality.

However, there would be no perquisite if the cost of such education per child does not exceed Rs.1,000 per month.

Therefore, there would be no perquisite in respect of cost of free education provided to his child Mr. S, since the cost does not exceed Rs.1,000 per month.

However, the cost of free education provided to his child Mr. A would be taxable, since the cost exceeds Rs.1,000 per month.

Only the sum in excess of Rs. 1,000 per month is taxable. The value of perquisite would be Rs.2,400.

(iii) Where the employer has provided movable assets to the employee or any member of his household, 10% per annum of the actual cost of such asset owned or the amount of hire charges incurred by the

employer shall be the value of perquisite. However, this will not apply to laptops and computers. In this case, the movable assets are television, refrigerator and air conditioner and actual cost of such assets is Rs.1,10,000.

The perquisite value would be 10% of the actual cost i.e., Rs.11,000, being 10% of Rs.1,10,000.

(iv) Only the sum in excess of Rs.5,000 is taxable in view of the language of Circular No.15/2001 dated 12.12.2001 that such gifts upto Rs.5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite.

Total value of taxable perquisite = Rs.36,400 [i.e. Rs.18,000 + 2,400 + 11,000 + 5,000].

NOV - 2010**Question 5 (5 Marks)**

From the following details find out the salary chargeable to tax for the assessment year 2023-24.

Mr. X is a regular employee of ABC & Co. in Gurgaon. He was appointed on 01.01.2022 in the scale of 20000-1000-30000. He is paid 10% D.A. (forms part for retirement benefits salary) & Bonus equivalent to one month pay. He contributes 15% of his pay and D.A. towards his 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 Rs.10,000 per month. He is also provided with following facilities.

- (i) Facility of laptop costing Rs.50,000.
- (ii) The monthly salary of Rs.1,000 of a house keeper is reimbursed by the company.
- (iii) A gift voucher of Rs.10,000 on the occasion of his marriage anniversary.
- (iv) Conveyance allowance of Rs.1,000 per month is given by the company towards actual reimbursement.
- (v) He is provided personal accident policy for which premium of Rs.5,000 is paid by the company.
- (vi) He is getting telephone allowance @ Rs.500 per month.
- (vii) Company pays medical insurance premium of his family of Rs.10,000.

Solution:

Computation of taxable salary of Mr. X for A.Y. 2023-24

Particulars	Rs.
Basic pay $[(20,000 \times 9) + (21,000 \times 3)] = 1,80,000 + 63,000$	2,43,000
Dearness allowance [10% of basic pay]	24,300
Bonus [See Note (1) below]	21,000
Employer's contribution to RPF in excess of 12% (15%-12% =3% of Rs.2,67,300)	8,019
Taxable allowances	
Telephone allowance	6,000
Taxable perquisites	
Rent-free accommodation [See Note (2) below]	44,145
Reimbursement of salary of housekeeper	12,000
Gift voucher (10,000 - 5,000)	5,000
Salary income chargeable to tax	3,63,464
Less: Standard deduction u/s 16 (ia)	(50,000)
Income under the head Salary	3,13,464

Notes:

(1) Bonus has been taken as one month's basic pay as at the end of the year i.e. Rs.21,000. In the alternative, the problem can also be worked out by taking bonus as Rs.20,000, being one month's basic pay upto 31.12.2022.

(2) Where the accommodation is taken on lease or rent by the employer, the value of rent-free accommodation provided to employee would be actual amount of lease rental paid or payable by the employer or 15% of salary, whichever is lower.

For the purposes of valuation of rent free house, salary includes:

- (i) Basic salary i.e., Rs.2,43,000
- (ii) Dearness allowance i.e. Rs.24,300
- (iii) Bonus i.e., Rs.21,000
- (iv) Telephone allowance i.e., Rs.6,000

Therefore, salary works out to

$$2,43,000 + 24,300 + 21,000 + 6,000 = 2,94,300.$$

$$15\% \text{ of salary} = 2,94,300 \times 15/100 = 44,145$$

Value of rent-free house = Lower of rent paid by the employer (i.e. Rs.1,20,000) or 15% of salary (i.e., Rs.44,145).

Therefore, the perquisite value is Rs.44,145.

(3) Facility of laptop is not a taxable perquisite.

(4) Conveyance allowance is exempt since it is based on actual reimbursement for official purposes.

(5) Premium of Rs.5,000 paid by the company for personal accident policy is not liable to tax.

(6) As per Circular No.15/2001, dated: 12.12.2001, Gift, voucher or token in lieu of gift - It is customary in India, as it is in other parts of the world, to provide presents directly or indirectly in the form of vouchers or tokens to employees on social and religious occasions like Diwali, Christmas, New Year, the anniversary of the organization etc. Such gifts upto Rs. 5,000 in the aggregate per annum would be exempt, beyond which it would be taxed as a perquisite. However, gifts made in cash or convertible into cash, like gift cheques etc. do not fall in the purview of this sub-rule.

Question 7 (4 Marks)

Mr. X, an Accounts Manager, has retired from JK Ltd. on 15.01.2023 after rendering services for 30 years 7 months. His salary is Rs.25,000/- p.m. upto 30.09.2022 and Rs. 27,000 p.m. thereafter. He also gets Rs.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 Rs. 8 Lacs as gratuity from the employer company.

Solution:

Computation of gratuity taxable in the hands of Mr. X for the P.Y. 2022-23

As per section 10(10), gratuity received by an employee would be exempt upto the least of the following

limits -	Rs.
(i) Gratuity received = Rs. 8,00,000	
(ii) Half-month's salary for every year of completed service = $\frac{1}{2} \times 26,700 \times 30$ = Rs.4,00,500	
(iii) Monetary limit = Rs.20,00,000	
Received	8,00,000
Less: Exempt	(4,00,500)
Taxable	3,99,500

Note:

(1) One of the limits for calculation of gratuity exempt under section 10(10) is one-half-month's salary for each year of completed service (fraction of a year to be ignored), calculated on the basis of average salary for the ten months immediately preceding the month of retirement. In this case, the month of retirement is January, 2023. Therefore, average salary for the months of March 2022 to December 2022 have to be considered. The salary is Rs.25,000 p.m. upto 30.09.2022 and Rs.27,000 p.m. from 01.10.2022. Hence, average salary would be Rs.26,700 $[(Rs.25,000 \times 7) + (Rs.27,000 \times 3) + (2000 \times 55\% \times 10)]/10$.

Further, half-month's salary should be multiplied by the number of years of completed service and any fraction of a year has to be ignored. Therefore, in this case, half-month's salary should be multiplied by 30 and the fraction of 7 months should be ignored.

(2) PS - The requirement of the question has not been specified. Having regard to the information given in the question, the taxable gratuity has been computed.

Question 5 (4 Marks)

Mr. X, Marketing Manager of KL Ltd. based at Mumbai furnishes you the following information for the year ended 31.03.2023:

Basic salary - Rs. 1,00,000 per month

Dearness allowance - Rs.50,000 per month (forming part for retirement benefit salary)

Bonus - 2 Months basic salary

Contribution of employer to Recognized Provident Fund @ 15% of basic salary plus Dearness allowance

Rent free unfurnished accommodation was provided by the company at Mumbai (accommodation owned by the company).

	Rs.
(i) Recognized Provident Fund contribution made by Mr. X.	1,50,000
(ii) Health insurance premium for his family paid by cheque.	20,000
Health insurance premium in respect of parents (senior citizens) paid by	
(iii) cheque.	28,000
(iv) Medical expenses of dependent brother with 'severe disability' (covered by Section 2(o) of National Trust of Welfare of Persons with Autism, Cerebral Palsy, Mental Retardation and Multiple Disabilities Act, 1999).	60,000
(v) Interest on loan taken for education of his son studying B.com (full-time) in a recognized college.	24,000
(vi) Interest on loan taken for education of a student for whom Mr. X is the legal guardian for pursuing B.Sc. (Physics) (full-time) in a recognized university.	20,000

Compute the Total Income of Mr. X for the Assessment Year 2023-24.

Solution:

Computation of Total Income of Mr. X for the Assessment Year 2023-24

Particulars	Rs.	Rs.
Basic salary		12,00,000
Dearness allowance		6,00,000
Bonus		2,00,000
Employer contribution to RPF in excess of 12% is taxable (3% of 18,00,000) [See Note below]		54,000
Rent free accommodation @ 15% of Rs.20 lakh (basic salary + dearness allowance + bonus)		3,00,000
Gross Salary		23,54,000
Less: Standard deduction u/s 16 (ia)		(50,000)
		23,04,000
Less: Deductions under Chapter VI-A		
Section 80C		
Contribution to RPF	1,50,000	
Section 80D - Health insurance premium		
Family	20,000	
Parents (Senior Citizens)	28,000	48,000
Section 80DD		
Medical treatment of dependent brother with severe disability (flat deduction irrespective of expenditure incurred)		1,25,000
Section 80E - Interest on loan taken for full-time education of		
- his son studying B.Com.	24,000	
- a student studying B.Sc. for whom he is the legal	20,000	

guardian			
		44,000	(3,67,000)
Total income			19,37,000

Question 6 (2 Marks)

Allowance received by an employee working in a transport system at Rs.10,000 per month to meet his personal expenditure while in duty. He is not receiving any daily allowance.

Solution:

Under section 10(14), any allowance granted to an employee working in a transport system to meet his personal expenditure during his duty is exempt provided he is not in receipt of daily allowance. The exemption is 70% of such allowance (i.e., Rs.7,000 per month, being 70% of Rs.10,000) or Rs.10,000 per month, whichever is less. Hence, Rs.84,000 (i.e., $7,000 \times 12$) is allowable as deduction under section 10(14).

Question 6 (2 Marks)

Amount withdrawn from Public Provident Fund as per relevant rules.

Solution:

Any amount withdrawn from public provident fund as per relevant rules is not exigible to tax. Such exemption is provided in section 10(11).

Question 6 (2 Marks)

Telephone provided at the residence of employee and the bill aggregating to Rs.25,000 paid by the employer. Determine the perquisite value taxable in the hands of employee.

Solution:

Telephone provided at the residence of the employee and payment of bill by the employer is a tax free perquisite as per section 17(2)(viii) Rule 3(7)(ix).

Question 7 (4 Marks)

AB Co. Ltd., allotted 1000 sweat equity shares to Mr. X in June 2022. The shares were allotted at Rs.200 per share as against the fair market value of Rs.300 per share on the date of exercise of option by the allottee viz. Mr. X. The fair market value was computed in accordance with the method prescribed under the Act.

- (i) What is the perquisite value of sweat equity shares allotted to Mr. X?
- (ii) In the case of subsequent sale of those shares by Mr. X, what would be the cost of acquisition of those sweat equity shares?

Solution:

(i) As per section 17(2)(vi), the value of sweat equity shares chargeable to tax as perquisite shall be the fair market value of such shares on the date on which the option is exercised by the assessee as reduced by the amount actually paid by, or recovered from, the assessee in respect of such shares.

Particulars	Rs.
Fair market value of 1,000 sweat equity shares @ Rs.300 each	3,00,000
Less: Amount recovered from Mr. X 1,000 shares @ Rs.200 each	(2,00,000)
Value of perquisite of sweat equity shares allotted to Mr. X	1,00,000

(ii) As per section 49(2AA), where capital gain arises from transfer of sweat equity shares, the cost of acquisition of such shares shall be the fair market value which has been taken into account for perquisite valuation under section 17(2)(vi).

Therefore, in case of subsequent sale of sweat equity shares by Mr. X, the cost of acquisition would be Rs. 3,00,000.

MAY - 2010**Question 3 (6 Marks)**

Following benefits have been granted by ABC Software Ltd. to one of its employees Mr. X:

- (i) Housing loan @ 6% per annum. Amount outstanding on 01.04.2022 is Rs. 6,00,000. Mr. X pays Rs.12,000 per month, on 5th of each month.
- (ii) Air-conditioners purchased 4 years back for Rs. 2,00,000 have been given to Mr. X for Rs. 90,000.

Compute the chargeable perquisite in the hands of Mr. X for the Assessment Year 2023-24.

The lending rate of State Bank of India as on 01.04.2022 for housing loan may be taken as 10.50%.

Solution:**Perquisite value for housing loan**

The value of the benefit to the assessee resulting from the provision of interest-free or concessional loan made available to the employee or any member of his household during the relevant previous year by the employer or any person on his behalf shall be determined as the sum equal to the interest computed at the rate charged per annum by the State Bank of India (SBI) as on the 1st day of the relevant previous year in respect of loans for the same purpose advanced by it. This rate should be applied on the maximum outstanding monthly balance and the resulting amount should be reduced by the interest, if any, actually paid by him.

“Maximum outstanding monthly balance” means the aggregate outstanding balance for loan as on the last day of each month.

The perquisite value for computation is $10.50\% - 6\% = 4.5\%$

Month	Maximum outstanding balance as on last date of month	Perquisite value at 4.5% for the month
April, 2022	5,88,000	$5,88,000 \times 4.5\% \times 1/12 = 2,205$
May, 2022	5,76,000	$5,76,000 \times 4.5\% \times 1/12 = 2,160$
June, 2022	5,64,000	$5,64,000 \times 4.5\% \times 1/12 = 2,115$
July, 2022	5,52,000	$5,52,000 \times 4.5\% \times 1/12 = 2,070$
August, 2022	5,40,000	$5,40,000 \times 4.5\% \times 1/12 = 2,025$
September, 2022	5,28,000	$5,28,000 \times 4.5\% \times 1/12 = 1,980$
October, 2022	5,16,000	$5,16,000 \times 4.5\% \times 1/12 = 1,935$
November, 2022	5,04,000	$5,04,000 \times 4.5\% \times 1/12 = 1,890$
December, 2022	4,92,000	$4,92,000 \times 4.5\% \times 1/12 = 1,845$
January, 2023	4,80,000	$4,80,000 \times 4.5\% \times 1/12 = 1,800$
February, 2023	4,68,000	$4,68,000 \times 4.5\% \times 1/12 = 1,755$
March, 2023	4,56,000	$4,56,000 \times 4.5\% \times 1/12 = 1,710$
Total value of this perquisite		23,490

Perquisite Value of Air Conditioners:	Rs.
Original cost	2,00,000

Depreciation on SLM basis for 4 years @10% i.e. Rs.2,00,000 x 10% x 4	80,000
Written down value	1,20,000
Amount recovered from the employee	90,000
Perquisite value	30,000
Chargeable perquisite in the hands of Mr. X for the assessment year 2023-24	Rs.
Housing loan	23,490
Air Conditioner	30,000
Total	53,490

Note: It is assumed that payment of Rs.12,000 is excluding interest.

NOV - 2009

Question 1 (10 Marks)

From the following details compute the total income of Mr. X of Delhi and tax liability for the Assessment

Year 2023-24:	Rs.
Salary including dearness allowance	3,35,000
Bonus	11,000
Salary of servant provided by the employer	12,000
Rent paid by Mr. X for his accommodation	49,600
Bills paid by the employer for gas, electricity and water provided free of cost at the above flat	11,000

Mr. X was provided with company's car engine capacity 1.6 litre (self driven) also for personal use and it is not possible to determine expenditure on personal use and all expenses were borne by the employer.

Mr. X purchased a flat in a Co-operative Housing Society for Rs.4,75,000 in April, 2017, in Delhi, which was financed by a loan from Life Insurance Corporation of India of Rs.1,60,000 @ 15% interest, his own savings of Rs.65,000 and a deposit from a nationalised bank for Rs.2,50,000 to whom this flat was given on

lease for ten years. The rent payable was Rs.20,000 per month. The following particulars are relevant:	Rs.
(a) Municipal taxes paid (per annum)	4,300
(b) Society charges for passage lights, watchman's salary (per annum)	1,900
(c) Insurance	860

(d) He earned Rs.2,700 in share speculation business and lost Rs.4,200 in cotton speculation business.

(e) In the year 2020-21 he had gifted Rs.30,000 to his wife and Rs.20,000 to his son who was aged 11. The gifted amounts were advanced to Mr. Rajesh, who was paying interest @ 19% per annum.

(f) Mr. X received a gift of Rs.25,000 each from four friends.

(g) He contributed Rs.5,600 to public provident fund and Rs.4,000 to Unit Linked Insurance Plan.

(h) He received national award for humanitarian work from the Central Government in the form of a land whose fair market value is Rs.5,00,000 as on 31st March, 2023.

Solution:**Computation of Total Income and Tax Liability of Mr. X for the A.Y. 2023-24**

	Rs.	Rs.
Salary Income		
Salary including dearness allowance		3,35,000
Bonus		11,000
Value of perquisites:		
(i) Salary of servant	12,000	
(ii) Car (1,800 x 12)	21,600	
(iii) Free gas, electricity and water	11,000	44,600
		3,90,600
Less: Standard deduction u/s 16 (ia)		(50,000)
Income under the head salary		3,40,600
Income from house property		
Gross Annual Value (GAV) (Rent receivable is taken as GAV in the absence of other information) (20,000 × 12)	2,40,000	
Less: Municipal taxes paid [See Note (ii)(a)]	(4,300)	
Net Annual Value (NAV)	2,35,700	
Less: Deductions under section 24		
(i) 30% of NAV	70,710	
(ii) Interest on loan from LIC @ 15% of 1,60,000	24,000	(94,710)
[See Note (ii)(b)]		1,40,990
Income from speculative business		
Income from share speculation business	2,700	
Less: Loss from cotton speculation business	(4,200)	

Net Loss	1,500	
Net loss from speculative business has to be carried forward as it cannot be set off against any other head of income.		
Income from Other Sources		
(i) Income on account of interest earned from advancing money gifted to his minor son is includible in the hands of Mr. X as per section 64(1A)	3,800	
Less: Exempt under section 10(32)	(1,500)	
	2,300	
(ii) Interest income earned from advancing money gifted to wife has to be clubbed with the income of the assessee as per section 64(1)	5,700	
(iii) Gift received from four friends (taxable under section 56(2) as the aggregate amount received during the year exceeds Rs.50,000)	1,00,000	
		1,08,000
Gross Total Income		5,89,590
Less: Deduction under section 80C		
Contribution to Public Provident Fund	5,600	
Unit Linked Insurance Plan	4,000	(9,600)
Total Income		5,79,990

Particulars	Rs.
Tax on total income	28,498.00
Add: HEC @ 4%	1,139.92
Tax Liability	29,637.92
Rounded off u/s 288B	29,640.00

Notes:

(i) National Award for humanitarian work given by the Central Government is exempt under section 10(17A) of the Income-tax Act, 1961.

(ii) The following assumptions have been made while computing income under the head "Income from house property" -

(a) It is the owner, namely, Mr. X, who has paid the municipal taxes;

(b) The entire loan of Rs.1,60,000 is outstanding as on 31.03.2023; and

(c) Society charges of Rs.1,900 p.a. is not included in the rent of Rs.20,000 p.m. payable by the tenant. Such charges have either been paid directly by Mr. X or recovered separately from the tenant.

NOV - 2008

Question 3 (6 Marks)

Mr. X is an area manager of M/s N. Steels Co. Ltd. During the financial year 2022-23, he gets the following emoluments from his employer:

Basic Salary	
Up to 31.08.2022	Rs. 20,000 p.m.
From 01.09.2022	Rs. 25,000 p.m.
Transport allowance	Rs. 2,000 p.m.
Contribution to Recognised Provident Fund by employer and employee	15% of basic salary (each)
Children education allowance	Rs. 500 p.m. for two children
City compensatory allowance	Rs. 300 p.m.
Hostel expenses allowance	Rs. 380 p.m. for two children
Tiffin allowance (actual expenses Rs. 3,700)	Rs. 5,000 p.a.
Tax paid on employment	Rs. 2,500

Compute Tax Liability of Mr. X for the Assessment Year 2023-24.

Solution:

Computation of Taxable Salary of Mr. X for the Assessment Year 2023-24

Particulars	Amount (Rs.)	Amount (Rs.)
Basic Salary (Rs.20,000 x 5) + (Rs.25,000 x 7)		2,75,000.00
Transport allowance (Rs.2,000 x 12)		24,000.00
Children education allowance (Rs.500 x 12)	6,000	
Less: Exempt under section 10(14) (Rs.100 x 2 x 12)	(2,400)	3,600.00
City Compensatory Allowance (Rs.300 x 12)		3,600.00
Hostel Expenses Allowance (Rs.380 x 12)	4,560	
Less: Exempt under section 10(14) (Rs.300 x 2 x 12 i.e. Rs.7,200 but restricted to the actual allowance of Rs.4,560)	(4,560)	Nil
Tiffin allowance (fully taxable)		5,000.00
Tax paid on employment		2,500.00

Employer's contribution to Recognised Provident Fund in excess of 12% of salary

(i.e. 3% of Rs.2,75,000)	8,250.00
Gross Salary	3,21,950.00
Less: Standard deduction u/s 16 (ia)	(50,000.00)
Less : Tax on employment under section 16(iii)	(2,500.00)
Taxable salary	2,69,450.00
Computation of Total Income	
Gross Total Income	2,69,450.00
Less: Deduction u/s 80C	
Employee's contribution in Recognised Provident Fund	(41,250.00)
Total Income	2,28,200.00

Computation of Tax Liability	
Tax on Rs.2,28,200 at slab rate	Nil
Tax Liability	Nil

Notes:

Professional tax paid by employer should be included in the salary of Mr. X as a perquisite since it is discharge of monetary obligation of the employee by the employer. Thereafter, deduction of professional tax paid is allowed to the employee from his gross salary.